

# INDEPENDENT AUDITOR'S REPORT

Convenience Translation of the Independent Auditor's Report Originally Prepared and Issued in Turkish to English

**To the General Assembly of Türkiye Cumhuriyeti Ziraat Bankası A.Ş.**

## **A) Report on the Audit of the Consolidated Financial Statements**

### Qualified Opinion

We have audited the consolidated financial statements of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ("the Bank") and its consolidated financial subsidiaries (together will be referred as "the Group") which comprise the consolidated balance sheet 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 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group 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 Agency and circulars and interpretations published by BRSA and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

### Basis for Qualified Opinion

As disclosed in section five footnote II.9.3, the accompanying consolidated financial statements as at 31 December 2019 include a general reserve of total of TL 910.000 thousands, of which TL 982.000 thousand had been recognised as expense in prior periods, TL 50.000 thousand have been recognized as expense in current period and TL 122.000 thousands have been reversed in the current period, which does not meet the requirements of BRSA Accounting and Reporting legislation. This general reserve is provided by the Group Management for possible effects of the negative circumstances which may arise in economy or market conditions.

We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" ("BRSA Auditing Regulation") published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and 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 Consolidated 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 consolidated 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 measured at amortised cost

The details of accounting policies and significant estimates and assumptions for impairment of loans measured at amortised cost are presented in Section III, No: VIII of the consolidated financial statements.

| Key audit matter   | How the matter is addressed in our audit   |
|--|--|
| <p>As of 31 December 2019, loans measured at amortised cost comprise 70% of the Group's total assets.</p> <p>The Group recognizes its loans 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 and TFRS 9 Financial Instruments standard ("Standard").</p> <p>The Group applies the "expected credit loss model" in determining the impairment of financial assets in accordance with the Regulation and Standard. The model which contains significant assumptions and estimates is reviewed by the Group management annually.</p> <p>The significant assumptions and estimates of the Group's management are as follows:</p> <ul style="list-style-type: none"> <li>- significant increase in credit risk;</li> <li>- incorporating the forward looking macroeconomic information in calculation of credit risk; and</li> <li>- design and implementation of expected credit loss model.</li> </ul> <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.</p> <p>The Group calculates expected credit losses on a collective basis. The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations and the forward looking expectations are reflected by macroeconomic models.</p> <p>Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.</p> | <p>Our procedures for testing the impairment of loans included below:</p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- We evaluated the Group's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist.</li> <li>- We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables.</li> <li>- We tested the accuracy and the completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated.</li> <li>- We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.</li> <li>- We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk.</li> <li>- We evaluated the adequacy of the consolidated financial statements' disclosures related to impairment provisions.</li> </ul> |

# INDEPENDENT AUDITOR'S REPORT

## Pension plan

The details of accounting policies and significant judgements of pension plan are presented in Section III No: XVI of the consolidated financial statements.

| Key audit matter   | How the matter was addressed in our audit   |
|--|---|
| <p>The Parent Bank's defined benefit pension plan (the "Plan") is managed by "T.C. Ziraat Bankası ve T. Halk Bankası Mensupları Emekli ve Yardım Sandığı (TZHEMSAN) Vakfı" (the "Fund") established as per the provisional article 20 of the Social Security Law No. 506 and the Bank's employees are the members of this Fund (TZHEMSAN).</p> <p>The Plan is composed of benefits which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the non-transferable social rights and pension benefits provided under the Plan will be covered by the funds and the institutions that employ the funds' members.</p> <p>As of 31 December 2019, the Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377.</p> <p>As of 31 December 2019, the liabilities of the Bank which are not related to the current period are calculated by an independent actuary according to TAS 19 Employee Benefits.</p> <p>The valuation of the Pension Fund liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in Pension Plan.</p> <p>Management uses independent actuaries to assist in assessing the uncertainty around these assumptions.</p> <p>The key judgments and assumptions used in calculation of transferrable liabilities, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p> | <p>Our procedures for auditing calculations of management's pension plan liability included below:</p> <ul style="list-style-type: none"> <li>- We evaluated the design and implementation of the controls that the Parent Bank has set for the liability calculations related to the pension plan was tested.</li> <li>- We have assessed whether there have been any significant changes in actuarial assumptions, methods and underlying regulations used in calculations compared to the prior period.</li> <li>- Significant changes during the period in pension plan benefits, plan assets or membership profiles which affect liabilities have been evaluated.</li> <li>- We have evaluated whether the TZHEMSAN plan assets are adequate to cover the Pension Plan liabilities, under the methods and assumptions used.</li> <li>- The adequacy of the consolidated financial statements' disclosures related to the pension plan, including disclosures of key assumptions and judgements have been evaluated.</li> </ul> |

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

Management is responsible for the preparation and fair presentation of these consolidated 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 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 BRSA Auditing Regulation and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 BRSA Auditing Regulation and Standards on Auditing and TSA's 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) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; 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 of 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 Anonim Şirketi  
A member firm of KPMG International Cooperative



25 February 2020  
İstanbul, Turkey

# THE CONSOLIDATED FINANCIAL REPORT OF TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 31 DECEMBER 2019

The Bank's Headquarter Address: Hacıbayram Mahallesi  
Atatürk Bulvarı  
No: 8 06050-Altındağ/ANKARA  
Phone: (312) 584 20 00  
Facsimile: (312) 584 49 63  
Website: www.ziraatbank.com.tr

The consolidated financial report for the year ended includes the following sections in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency.

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

Within the framework of this financial report, our consolidated financial statements of subsidiaries, associates and jointly controlled entities are as follows:

#### DOMESTIC SUBSIDIARIES

Ziraat Hayat ve Emeklilik A.Ş.  
Ziraat Sigorta A.Ş.  
Ziraat Yatırım Menkul Değerler A.Ş.  
Ziraat Portföy Yönetimi A.Ş.  
Ziraat Katılım Bankası A.Ş.  
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.  
Ziraat Girişim Sermayesi Yatırım Ortaklığı A.Ş.

#### ASSOCIATES

Arap Türk Bankası A.Ş.

#### FOREIGN SUBSIDIARIES

Ziraat Bank International AG  
Ziraat Bank BH d.d.  
Ziraat Bank (Moscow) JSC  
Kazakhstan Ziraat International Bank  
Ziraat Bank Azerbaijan ASC  
Ziraat Bank Montenegro AD  
JSC Ziraat Bank Georgia  
Ziraat Bank Uzbekistan JSC  
**JOINT VENTURES**  
Turkmen Turkish Joint Stock Commercial Bank

The accompanying consolidated financial statements and notes to these financial statements for the year ended which are expressed, unless otherwise stated, in thousands of Turkish Lira have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on the Principles and Procedures Regarding Banks' Accounting and Keeping of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been independently reviewed.

Dr. Ahmet GENÇ  
Chairman of the Board

Hüseyin AYDIN  
Member of the Board,  
CEO

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

Yusuf BİLMEZ  
Member of the Board,  
Member of the Audit Committee

Bilgehan KURU  
Executive Vice President of Financial  
Management

Neslihan ARAS  
Senior Vice President of Financial  
Coordination

For the questions regarding this financial report, contact details of the personnel in charge are presented below:

Name/Title: Serkan ÖZKAN/Financial Statements and Budget Analysis Manager  
Telephone Number: 0312 584 59 32  
Fax Number: 0312 584 59 38

# CONTENTS

|   | Page Number |
|---|-------------|
| <b>SECTION ONE</b>  |             |
| <b>GENERAL INFORMATION ABOUT THE PARENT BANK</b>  |             |
| I. HISTORY OF THE PARENT BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS AND AMENDMENTS TO LEGAL STATUS, IF ANY   | 260         |
| II. EXPLANATION ABOUT THE PARENT BANK'S CAPITAL STRUCTURE, SHAREHOLDERS OF THE PARENT BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THE BANK BELONGS TO  | 260         |
| III. INFORMATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, CEO AND EXECUTIVE VICE PRESIDENTS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE PARENT BANK THEY POSSESS   | 260         |
| IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE PARENT BANK   | 260         |
| V. SUMMARY INFORMATION ON THE PARENT BANK'S ACTIVITIES AND SERVICES   | 261         |
| 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 | 261         |
| VII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE IMMEDIATE TRANSFER OF SHAREHOLDERS' EQUITY OR REPAYMENT OF DEBT BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES   | 261         |
| <b>SECTION TWO</b>  |             |
| <b>CONSOLIDATED FINANCIAL STATEMENTS</b>  |             |
| I. BALANCE SHEET- ASSETS  | 262         |
| II. BALANCE SHEET- LIABILITIES AND EQUITY   | 263         |
| III. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS   | 264         |
| IV. STATEMENT OF PROFIT OR LOSS   | 266         |
| V. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME   | 267         |
| VI. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  | 268         |
| VII. STATEMENT OF CASH FLOWS  | 272         |
| VIII. STATEMENT OF PROFIT DISTRIBUTION  | 273         |
| <b>SECTION THREE</b>  |             |
| <b>EXPLANATIONS ON ACCOUNTING POLICIES</b>  |             |
| I. BASIS OF PRESENTATION  | 274         |
| II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS   | 275         |
| III. INFORMATION ON CONSOLIDATED SUBSIDIARIES   | 275         |
| IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS  | 277         |
| V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE  | 278         |
| VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE   | 278         |
| VII. EXPLANATIONS ON FINANCIAL ASSETS   | 278         |
| VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS  | 280         |
| IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS  | 282         |
| X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS  | 282         |
| XI. INFORMATION ON NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND RELATED TO DISCONTINUED OPERATIONS AND EXPLANATIONS ON LIABILITIES RELATED WITH THESE ASSETS  | 282         |
| XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS   | 282         |
| XIII. EXPLANATIONS ON TANGIBLE ASSETS   | 283         |
| XIV. EXPLANATIONS ON LEASING TRANSACTIONS   | 283         |
| XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES  | 284         |
| XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS   | 284         |

|  | Page Number |
|--|-------------|
| XVII. EXPLANATIONS ON TAXATION   | 286         |
| XVIII. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES  | 287         |
| XIX. EXPLANATIONS ON BORROWINGS  | 288         |
| XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES   | 288         |
| XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES   | 288         |
| XXII. EXPLANATIONS ON GOVERNMENT GRANTS  | 288         |
| XXIII. CASH AND CASH EQUIVALENTS   | 289         |
| XXIV. EXPLANATIONS ON SEGMENT REPORTING  | 289         |
| XXV. EXPLANATIONS ON OTHER MATTERS   | 289         |
| <b>SECTION FOUR</b>  |             |
| <b>EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT</b>  |             |
| I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY   | 289         |
| II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK   | 298         |
| III. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK  | 311         |
| IV. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK  | 314         |
| V. EXPLANATIONS ON THE POSITION RISK OF EQUITY SECURITIES  | 317         |
| VI. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO  | 317         |
| VII. EXPLANATIONS ON CONSOLIDATED LEVERAGE   | 323         |
| VII. EXPLANATIONS ON CONSOLIDATED LEVERAGE   | 324         |
| VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT   | 324         |
| IX. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS  | 350         |
| X. EXPLANATIONS ON THE FAIR VALUE REALIZATION OF FINANCIAL ASSETS AND LIABILITIES  | 353         |
| XI. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ON ACCOUNT OF OTHER PARTIES   | 355         |
| <b>SECTION FIVE</b>  |             |
| <b>EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS</b>   |             |
| I. EXPLANATIONS AND NOTES RELATED TO ASSETS  | 355         |
| II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES  | 375         |
| III. EXPLANATIONS AND NOTES TO OFF-BALANCE SHEET ACCOUNTS  | 382         |
| IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED PROFIT OR LOSS STATEMENT  | 386         |
| V. EXPLANATIONS AND NOTES RELATED TO THE CHANGES IN SHAREHOLDERS' EQUITY   | 392         |
| VI. EXPLANATIONS ON CASH FLOW STATEMENTS   | 392         |
| VII. EXPLANATIONS AND NOTES TO THE RISK GROUP OF THE PARENT BANK   | 393         |
| VIII. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS  | 394         |
| IX. EXPLANATIONS AND NOTES RELATED TO DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR AFFILIATES AND FOREIGN REPRESENTATIVES OF THE PARENT BANK | 394         |
| <b>SECTION SIX</b>   |             |
| <b>OTHER EXPLANATIONS</b>  |             |
| I. INFORMATION ON THE PARENT BANK'S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL RATING AGENCIES                                     | 395         |
| II. OTHER EXPLANATIONS ON THE GROUP'S OPERATIONS   | 395         |
| <b>SECTION SEVEN</b>   |             |
| I. EXPLANATIONS ON AUDIT REPORT  | 395         |
| II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS  | 395         |



Türkiye Cumhuriyeti Ziraat Bankası 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 PARENT BANK**

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

The foundation of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“Ziraat Bankası” or “The Parent Bank”) is based on Government Funds established in 1863. In 1883, Government Funds were replaced with Benefit Funds. The Bank was officially established by the re-organization of the Benefit Funds in 1888, to grant loans to farmers, to accept interest-bearing deposits and to act as a moneylender and an intermediary for agricultural operations. All shares of the Parent Bank, which was given the authority to perform all banking activities, belonged to the Republic of Turkey Prime Ministry Undersecretariat of Treasury (“Treasury”) transferred to the Turkish Wealth Fund with the decision of the Council of Ministers numbered 2017/9756 dated 24 January 2017. The Parent Bank’s head office is located in Ankara.

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

The total share capital of the Parent Bank is TL 6.100.000. This capital is divided into 6.100.000.000 registered share with a nominal value of TL 1 each and is fully paid. The Parent Bank’s sole shareholder is the Turkish Wealth Fund.

**III. INFORMATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, CEO AND EXECUTIVE VICE PRESIDENTS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE PARENT BANK THEY POSSESS**

| Name                                     | Administrative Function              |
|--|--------------------------------------|
| <b>Members of the Board of Directors</b> |                                      |
| Dr. Ahmet GENÇ                           | Chairman                             |
| Hüseyin AYDIN                            | CEO and Member                       |
| Yusuf DAĞCAN                             | Vice Chairman and Member             |
| Faruk ÇELİK <sup>(1)</sup>               | Member                               |
| Feyzi ÇUTUR                              | Member                               |
| Mahmut KAÇAR                             | Member                               |
| Mehmet Nihat ÖMEROĞLU <sup>(1)</sup>     | Member                               |
| Serruh KALELİ <sup>(1)</sup>             | Member                               |
| Yusuf BİLMEZ                             | Member                               |
| <b>Audit Committee Members</b>           |                                      |
| Yusuf BİLMEZ                             | Member                               |
| Feyzi ÇUTUR                              | Member                               |
| <b>Executive Vice Presidents</b>         |                                      |
| Ali KIRBAŞ                               | Banking Operations and Communication |
| Alpaslan ÇAKAR                           | Retail Branch Banking -2             |
| Bilgehan KURU                            | Financial Management                 |
| Mehmet Cengiz GÖĞEBAKAN                  | Loan Policies                        |
| Musa ARDA                                | Loan Allocation and Management       |
| Süleyman TÜRETKEN                        | Retail Branch Banking-1              |
| Yüksel CESUR                             | Internal Systems                     |

<sup>(1)</sup> Appointed at the Ordinary General Assembly held on 27 May 2019 and started duty as of 28 May 2019.

The Parent Bank’s Chairman and Members of the Board of Directors, Members of the Audit Committee, General Manager and Deputy General Managers do not own any shares of the Parent Bank.

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

| Name/Trade Name     | Amount of Share | Percentage of Share (%) | Paid-in Shares | Unpaid Shares |
|---------------------|-----------------|-------------------------|----------------|---------------|
| Turkish Wealth Fund | 6.100.000       | 100                     | 6.100.000      | -             |

The Parent Bank’s sole shareholder is the Turkish Wealth Fund.

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

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

### V. SUMMARY INFORMATION ON THE PARENT BANK’S ACTIVITIES AND SERVICES

The purpose of activity of the Parent Bank is stated in articles of association as to perform all kinds of banking activities including acceptance of deposits. For this purpose, the Bank can perform all sorts of operations, without prejudice to the provisions of banking regulations and other legislations, such as launching all kinds of cash and non-cash loans in terms of Turkish Lira and foreign currencies, acting as an intermediary in trade and issue of the financial instruments that are used in local and international markets, performing investment banking transactions, forwards dealing in domestic and foreign futures markets, providing funds from interbank money market, domestic and foreign markets, making all kinds of capital market transactions, acting as an intermediary in export and import transactions, acting as an agency for insurance and other financial institutions, participating in all sort of partnership that is founded by domestic or foreign banks or participated by them within the terms of the related legislation or establishing new partnerships for this purpose, performing all kinds of transactions, such as; acquiring limited real and personal claims like all kinds of movable and immovable goods, industrial and intellectual properties, right of usufruct, easement, superficies and disposing and transferring acquired properties and rights, placing pledge and mortgage on those properties and rights, releasing pledged and mortgaged items and declaring leasing agreements and sale commitments to the registry office.

As of 31 December 2019, the Parent Bank carries its activities with a grand total of 1.758 branches; 1.734 domestic branches including 19 corporate branches, 67 entrepreneurial branches, 1.643 branches and 5 mobile branches (31 December 2018: 1.750 domestic branches including 1.638 branches, 20 corporate branches, 87 entrepreneurial branches, 5 mobile branches) and 24 branches abroad which are London branch in England, Baghdad and Arbil branches in Iraq, Athens, Komotini, and Xanthi branches in Greece, Sofia, Plovdiv, Kardzhali and Varna branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina, Prizren, Peja and Ferizaj branches in Kosovo, Bahrain branch in Bahrain, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Taşkinköy, Karaoğlanoğlu and İskele branches in Turkish Republic of Northern Cyprus. The Bank also has 1 representative office in Tehran, Iran.

The Parent Bank and the consolidated subsidiaries in Note III are referred to “Group” as a whole.

As of 31 December 2019, the Group has 27.168 employees. (31 December 2018: 27.276).

### 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

According to Communiqué regarding the Preparation of the Consolidated Financial Statements and Turkish Accounting Standards, Arap Türk Bankası A.Ş., one of the associates of the Parent Bank, and Turkmen Turkish Joint Stock Commercial Bank which is an entity of Bank under common control will be taken into the scope of consolidation “Equity Method” in accompanying consolidated financial statements of the Bank.

Ziraat Teknoloji A.Ş. and Onko İlaç Sanayi ve Ticaret A.Ş. which are subsidiaries of the Bank, are not consolidated into the Bank’s consolidated financial statements in accordance with Communiqué of the Preparation Consolidated Financial Statements since these entities are not financial institution. Kredi Kayıt Bürosu, Bankalararası Kart Merkezi and Platform Ortak Kartlı Sistemler A.Ş. which are associates of the Parent Bank are not consolidated but carried at cost.

All other subsidiaries are fully consolidated.

### VII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE IMMEDIATE TRANSFER OF SHAREHOLDERS’ EQUITY OR REPAYMENT OF DEBT BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES

None.

## SECTION TWO

### CONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet- Assets
- II. Balance Sheet- Liability
- III. Off-balance sheet commitments
- IV. Statement of profit or loss
- V. Statement of profit or loss and other comprehensive income
- VI. Statement of changes in shareholders’ equity
- VII. Statement of cash flows
- VIII. Statement of profit distribution

Türkiye Cumhuriyeti Ziraat Bankası 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”).)

| I- CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)   | Note (Section Five I) | Current Period<br>31 December 2019 |                    |                    | Prior Period<br>31 December 2018 |                    |                    |
|---|-----------------------|------------------------------------|--------------------|--------------------|----------------------------------|--------------------|--------------------|
|   |                       | TL                                 | FC                 | Total              | TL                               | FC                 | Total              |
| <b>ASSETS</b>   |                       |                                    |                    |                    |                                  |                    |                    |
| <b>I- FINANCIAL ASSETS (NET)</b>  |                       | <b>83.583.457</b>                  | <b>98.441.926</b>  | <b>182.025.383</b> | <b>66.510.082</b>                | <b>74.379.646</b>  | <b>140.889.728</b> |
| <b>1.1 Cash and Cash Equivalents</b>  |                       | <b>3.565.469</b>                   | <b>60.244.783</b>  | <b>63.810.252</b>  | <b>7.814.343</b>                 | <b>44.400.782</b>  | <b>52.215.125</b>  |
| 1.1.1. Cash and Balances with Central Bank  | (1)                   | 2.947.625                          | 52.864.641         | 55.812.266         | 5.159.473                        | 37.723.020         | 42.882.493         |
| 1.1.2. Banks  | (4)                   | 131.072                            | 7.251.813          | 7.382.885          | 2.594.530                        | 6.502.590          | 9.097.120          |
| 1.1.3. Receivables from Money Markets   |                       | 487.812                            | 133.957            | 621.769            | 61.405                           | 188.682            | 250.087            |
| 1.1.4. Allowance for Expected Credit Losses (-)   |                       | 1.040                              | 5.628              | 6.668              | 1.065                            | 13.510             | 14.575             |
| <b>1.2 Financial Assets Measured at Fair Value Through Profit or Loss</b>                                   | <b>(2)</b>            | <b>1.932.117</b>                   | <b>145.007</b>     | <b>2.077.124</b>   | <b>536.584</b>                   | <b>6.246.194</b>   | <b>6.782.778</b>   |
| 1.2.1. Government Securities  |                       | 1.898.894                          | 7.310              | 1.906.204          | 505.480                          | 5.895.402          | 6.400.882          |
| 1.2.2. Equity Securities  |                       | 23                                 | -                  | 23                 | 8                                | -                  | 8                  |
| 1.2.3. Other Financial Assets   |                       | 33.200                             | 137.697            | 170.897            | 31.096                           | 350.792            | 381.888            |
| <b>1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income</b>                       | <b>(5),(6)</b>        | <b>76.790.107</b>                  | <b>36.553.163</b>  | <b>113.343.270</b> | <b>56.610.615</b>                | <b>23.222.432</b>  | <b>79.833.047</b>  |
| 1.3.1. Government Securities  |                       | 74.042.653                         | 35.560.304         | 109.602.957        | 55.241.367                       | 22.647.572         | 77.888.939         |
| 1.3.2. Equity Securities  |                       | 140.393                            | 399.984            | 540.377            | 125.580                          | 252.138            | 377.718            |
| 1.3.3. Other Financial Assets   |                       | 2.607.061                          | 592.875            | 3.199.936          | 1.243.668                        | 322.722            | 1.566.390          |
| <b>1.4 Derivative Financial Assets</b>  | <b>(3)</b>            | <b>1.295.764</b>                   | <b>1.498.973</b>   | <b>2.794.737</b>   | <b>1.548.540</b>                 | <b>510.238</b>     | <b>2.058.778</b>   |
| 1.4.1. Derivative Financial Assets Measured at Fair Value Through Profit or Loss                            |                       | 1.295.764                          | 1.498.973          | 2.794.737          | 1.548.540                        | 510.238            | 2.058.778          |
| 1.4.2. Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income                |                       | -                                  | -                  | -                  | -                                | -                  | -                  |
| <b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)</b>  |                       | <b>334.985.276</b>                 | <b>153.648.840</b> | <b>488.634.116</b> | <b>268.866.687</b>               | <b>140.472.202</b> | <b>409.338.889</b> |
| 2.1. Loans  | (7)                   | 342.521.224                        | 138.437.666        | 480.958.890        | 270.654.402                      | 133.874.529        | 404.528.931        |
| 2.2. Receivables from Leasing Transactions  | (12)                  | 1.531.983                          | 2.136.768          | 3.668.751          | 1.449.276                        | 2.529.404          | 3.978.680          |
| 2.3. Factoring Receivables  |                       | -                                  | -                  | -                  | -                                | 2.147              | 2.147              |
| 2.4. Other Financial Assets Measured at Amortized Cost  | (8)                   | 4.480.563                          | 13.691.052         | 18.171.615         | 5.404.610                        | 4.877.935          | 10.282.545         |
| 2.4.1. Government Securities  |                       | 4.395.402                          | 13.664.560         | 18.059.962         | 5.207.791                        | 4.876.659          | 10.084.450         |
| 2.4.2. Other Financial Assets   |                       | 85.161                             | 26.492             | 111.653            | 196.819                          | 1.276              | 198.095            |
| 2.5. Allowance for Expected Credit Losses (-)   |                       | 13.548.494                         | 616.646            | 14.165.140         | 8.641.601                        | 811.813            | 9.453.414          |
| <b>III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS “HELD FOR SALE” AND “FROM DISCONTINUED OPERATIONS (Net)”</b> | <b>(15)</b>           | <b>6.965.298</b>                   | <b>165</b>         | <b>6.965.463</b>   | <b>1.230.611</b>                 | <b>68</b>          | <b>1.230.679</b>   |
| 3.1. Held for Sale  |                       | 6.965.298                          | 165                | 6.965.463          | 1.230.611                        | 68                 | 1.230.679          |
| 3.2. Held from Discontinued Operations  |                       | -                                  | -                  | -                  | -                                | -                  | -                  |
| <b>IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>                                       |                       | <b>589.172</b>                     | <b>137.914</b>     | <b>727.086</b>     | <b>147.786</b>                   | <b>89.787</b>      | <b>237.573</b>     |
| <b>4.1 Investments in Associates (Net)</b>  | <b>(9)</b>            | <b>282.244</b>                     | <b>2.584</b>       | <b>284.828</b>     | <b>139.811</b>                   | <b>2.337</b>       | <b>142.148</b>     |
| 4.1.1. Associates Accounted by Using Equity Method  |                       | 271.526                            | -                  | 271.526            | 133.745                          | -                  | 133.745            |
| 4.1.2. Unconsolidated Associates  |                       | 10.718                             | 2.584              | 13.302             | 6.066                            | 2.337              | 8.403              |
| <b>4.2 Subsidiaries (Net)</b>   | <b>(10)</b>           | <b>306.928</b>                     | <b>-</b>           | <b>306.928</b>     | <b>7.975</b>                     | <b>-</b>           | <b>7.975</b>       |
| 4.2.1. Unconsolidated Financial Subsidiaries  |                       | -                                  | -                  | -                  | 1.738                            | -                  | 1.738              |
| 4.2.2. Unconsolidated Non-Financial Subsidiaries  |                       | 306.928                            | -                  | 306.928            | 6.237                            | -                  | 6.237              |
| <b>4.3 Joint Ventures (Net)</b>   | <b>(11)</b>           | <b>-</b>                           | <b>135.330</b>     | <b>135.330</b>     | <b>-</b>                         | <b>87.450</b>      | <b>87.450</b>      |
| 4.3.1. Jointly Controlled Partnerships Accounted by Using Equity Method                                     |                       | -                                  | 135.330            | 135.330            | -                                | 87.450             | 87.450             |
| 4.3.2. Unconsolidated Joint Ventures  |                       | -                                  | -                  | -                  | -                                | -                  | -                  |
| <b>V. TANGIBLE ASSETS (Net)</b>   | <b>(16)</b>           | <b>7.516.783</b>                   | <b>271.515</b>     | <b>7.788.298</b>   | <b>6.600.795</b>                 | <b>202.960</b>     | <b>6.803.755</b>   |
| <b>VI. INTANGIBLE ASSETS (Net)</b>  | <b>(19)</b>           | <b>884.317</b>                     | <b>50.831</b>      | <b>935.148</b>     | <b>683.280</b>                   | <b>48.426</b>      | <b>731.706</b>     |
| 6.1. Goodwill   |                       | 30.723                             | -                  | 30.723             | -                                | -                  | -                  |
| 6.2. Other  |                       | 853.594                            | 50.831             | 904.425            | 683.280                          | 48.426             | 731.706            |
| <b>VII. INVESTMENT PROPERTY (Net)</b>   | <b>(14)</b>           | <b>-</b>                           | <b>-</b>           | <b>-</b>           | <b>-</b>                         | <b>-</b>           | <b>-</b>           |
| <b>VIII. CURRENT TAX ASSET</b>  |                       | <b>20.386</b>                      | <b>5.083</b>       | <b>25.469</b>      | <b>53.287</b>                    | <b>7.336</b>       | <b>60.623</b>      |
| <b>IX. DEFERRED TAX ASSET</b>   | <b>(20)</b>           | <b>1.191.444</b>                   | <b>123</b>         | <b>1,191,567</b>   | <b>1,639,462</b>                 | <b>96</b>          | <b>1,639,558</b>   |
| <b>X. OTHER ASSETS (Net)</b>  | <b>(22)</b>           | <b>3,856,278</b>                   | <b>1,572,417</b>   | <b>5,428,695</b>   | <b>4,234,374</b>                 | <b>3,220,111</b>   | <b>7,454,485</b>   |
| <b>TOTAL ASSETS</b>   |                       | <b>439.592.411</b>                 | <b>254.128.814</b> | <b>693.721.225</b> | <b>349.966.364</b>               | <b>218.420.632</b> | <b>568.386.996</b> |

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

Türkiye Cumhuriyeti Ziraat Bankası 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").)

| II- CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)                                    | Note (Section Five II) | Current Period<br>31 December 2019 |                    |                    | Prior Period<br>31 December 2018 |                    |                    |
|---|------------------------|------------------------------------|--------------------|--------------------|----------------------------------|--------------------|--------------------|
|   |                        | TL                                 | FC                 | Total              | TL                               | FC                 | Total              |
| <b>LIABILITIES</b>  |                        |                                    |                    |                    |                                  |                    |                    |
| I. DEPOSITS   | (1)                    | 250.892.192                        | 229.036.334        | 479.928.526        | 184.601.759                      | 169.773.489        | 354.375.248        |
| II. FUNDS BORROWED  | (3)                    | 1.667.904                          | 32.590.533         | 34.258.437         | 1.196.347                        | 33.652.422         | 34.848.769         |
| III. MONEY MARKET FUNDS   | (4)                    | 28.821.018                         | 20.473.527         | 49.294.545         | 56.213.158                       | 12.390.480         | 68.603.638         |
| IV. SECURITIES ISSUED (Net)   | (5)                    | 5.761.229                          | 9.831.892          | 15.593.121         | 4.326.776                        | 12.617.088         | 16.943.864         |
| 4.1 Bills   |                        | 2.267.540                          | 279.678            | 2.547.218          | 1.761.094                        | 106.896            | 1.867.990          |
| 4.2 Asset Backed Securities   |                        | 2.482.999                          | -                  | 2.482.999          | 1.375.097                        | -                  | 1.375.097          |
| 4.3 Bonds   |                        | 1.010.690                          | 9.552.214          | 10.562.904         | 1.190.585                        | 12.510.192         | 13.700.777         |
| V. FUNDS  |                        | 6.066.464                          | -                  | 6.066.464          | 6.073.748                        | -                  | 6.073.748          |
| 5.1 Borrower Funds  |                        | -                                  | -                  | -                  | -                                | -                  | -                  |
| 5.2 Other   |                        | 6.066.464                          | -                  | 6.066.464          | 6.073.748                        | -                  | 6.073.748          |
| VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS                                      |                        | -                                  | -                  | -                  | -                                | -                  | -                  |
| VII. DERIVATIVE FINANCIAL LIABILITIES   | (2)                    | 536.555                            | 1.115.646          | 1.652.201          | 1.156.322                        | 511.847            | 1.668.169          |
| 7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss                           |                        | 536.555                            | 1.115.646          | 1.652.201          | 1.156.322                        | 511.847            | 1.668.169          |
| 7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income               |                        | -                                  | -                  | -                  | -                                | -                  | -                  |
| VIII. FACTORING PAYABLES  |                        | -                                  | -                  | -                  | -                                | -                  | -                  |
| IX. LEASE PAYABLES (Net)  | (7)                    | 668.204                            | 104.471            | 772.675            | -                                | -                  | -                  |
| X. PROVISIONS   | (9)                    | 3.571.025                          | 539.769            | 4.110.794          | 4.637.486                        | 113.586            | 4.751.072          |
| 10.1 Provisions for Restructuring   |                        | -                                  | -                  | -                  | -                                | -                  | -                  |
| 10.2 Reserve for Employee Benefits  |                        | 1.704.127                          | 4.823              | 1.708.950          | 1.342.697                        | 4.324              | 1.347.021          |
| 10.3 Insurance Technical Provisions (Net)   |                        | -                                  | -                  | -                  | 1.739.355                        | -                  | 1.739.355          |
| 10.4 Other Provisions   |                        | 1.866.898                          | 534.946            | 2.401.844          | 1.555.434                        | 109.262            | 1.664.696          |
| XI. CURRENT TAX LIABILITY   | (10)                   | 1.857.191                          | 8.489              | 1.865.680          | 1.607.656                        | 19.295             | 1.626.951          |
| XII. DEFERRED TAX LIABILITY   | (10)                   | 34.153                             | 5.019              | 39.172             | -                                | 8.669              | 8.669              |
| XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net) | (11)                   | 3.061.224                          | -                  | 3.061.224          | -                                | -                  | -                  |
| 13.1 Held for Sale  |                        | 3.061.224                          | -                  | 3.061.224          | -                                | -                  | -                  |
| 13.2 Related to Discontinued Operations   |                        | -                                  | -                  | -                  | -                                | -                  | -                  |
| XIV. SUBORDINATED DEBT  | (12)                   | -                                  | 10.103.295         | 10.103.295         | -                                | -                  | -                  |
| 14. Loans   |                        | -                                  | 537.338            | 537.338            | -                                | -                  | -                  |
| 14.2 Other Debt Instruments   |                        | -                                  | 9.565.957          | 9.565.957          | -                                | -                  | -                  |
| XV. OTHER LIABILITIES   | (6)                    | 9.438.934                          | 3.308.655          | 12.747.589         | 8.547.463                        | 10.810.430         | 19.357.893         |
| XVI. SHAREHOLDERS' EQUITY   | (13)                   | 74.397.428                         | (169.926)          | 74.227.502         | 62.844.885                       | (2.715.910)        | 60.128.975         |
| 16.1 Paid-in capital  |                        | 6.100.000                          | -                  | 6.100.000          | 6.100.000                        | -                  | 6.100.000          |
| 16.2 Capital Reserves   |                        | (571)                              | -                  | (571)              | (483)                            | -                  | (483)              |
| 16.2.1 Share Premium  |                        | -                                  | -                  | -                  | -                                | -                  | -                  |
| 16.2.2 Share Cancellation Profits   |                        | -                                  | -                  | -                  | -                                | -                  | -                  |
| 16.2.3 Other Capital Reserves   |                        | (571)                              | -                  | (571)              | (483)                            | -                  | (483)              |
| 16.3. Other Accumulated Comprehensive Income that Will not be Reclassified in Profit or Loss        |                        | 3.885.618                          | 303.466            | 4.189.084          | 4.110.411                        | 67.143             | 4.177.554          |
| 16.4. Other Accumulated Comprehensive Income that Will be Reclassified in Profit or Loss            |                        | 3.613.096                          | (1.160.736)        | 2.452.360          | (780.255)                        | (2.783.053)        | (3.563.308)        |
| 16.5 Profit Reserves  |                        | 51.637.732                         | 687.344            | 52.325.076         | 37.320.380                       | -                  | 37.320.380         |
| 16.5.1 Legal Reserves   |                        | 5.049.462                          | 40.119             | 5.089.581          | 4.026.361                        | -                  | 4.026.361          |
| 16.5.2 Status Reserves  |                        | -                                  | -                  | -                  | -                                | -                  | -                  |
| 16.5.3 Extraordinary Reserves   |                        | 46.497.385                         | 34.521             | 46.531.906         | 31.732.384                       | -                  | 31.732.384         |
| 16.5.4 Other Profit Reserves  |                        | 90.885                             | 612.704            | 703.589            | 1.561.635                        | -                  | 1.561.635          |
| 16.6 Profit or (Loss)   |                        | 9.158.560                          | -                  | 9.158.560          | 16.092.374                       | -                  | 16.092.374         |
| 16.6.1 Prior Periods' Profit or (Loss)  |                        | 1.801.735                          | -                  | 1.801.735          | 6.748.737                        | -                  | 6.748.737          |
| 16.6.2 Current Period Profit or (Loss)  |                        | 7.356.825                          | -                  | 7.356.825          | 9.343.637                        | -                  | 9.343.637          |
| 16.7 Minority Shares  |                        | 2.993                              | -                  | 2.993              | 2.458                            | -                  | 2.458              |
| <b>TOTAL LIABILITIES AND EQUITY</b>   |                        | <b>386.773.521</b>                 | <b>306.947.704</b> | <b>693.721.225</b> | <b>331.205.600</b>               | <b>237.181.396</b> | <b>568.386.996</b> |

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

Türkiye Cumhuriyeti Ziraat Bankası 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”).)

| III. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS            | Note<br>(Section<br>Five III) | Current Period<br>31 December 2019 |                    |                    | Prior Period<br>31 December 2018 |                    |                    |
|---|-------------------------------|------------------------------------|--------------------|--------------------|----------------------------------|--------------------|--------------------|
|   |                               | TL                                 | FC                 | Total              | TL                               | FC                 | Total              |
| <b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>                      |                               | <b>144.394.170</b>                 | <b>313.003.820</b> | <b>457.397.990</b> | <b>100.186.509</b>               | <b>221.199.122</b> | <b>321.385.631</b> |
| <b>I. GUARANTEES AND WARRANTIES</b>                                     | <b>(1),(3)</b>                | <b>44.163.692</b>                  | <b>87.532.468</b>  | <b>131.696.160</b> | <b>42.358.851</b>                | <b>89.288.857</b>  | <b>131.647.708</b> |
| 1.1 Letters of Guarantee  |                               | 43.893.079                         | 57.274.344         | 101.167.423        | 42.052.714                       | 61.662.493         | 103.715.207        |
| 1.1.1 Guarantees Subject to State Tender Law                            |                               | 1.164.794                          | 13.635.508         | 14.800.302         | 1.809.270                        | 13.798.953         | 15.608.223         |
| 1.1.2 Guarantees Given for Foreign Trade Operations                     |                               | 37.831.479                         | 39.002.599         | 76.834.078         | 35.394.204                       | 43.373.848         | 78.768.052         |
| 1.1.3 Other Letters of Guarantee  |                               | 4.896.806                          | 4.636.237          | 9.533.043          | 4.849.240                        | 4.489.692          | 9.338.932          |
| 1.2 Bank Acceptances  |                               | 9.724                              | 8.211.786          | 8.221.510          | 26.238                           | 8.290.788          | 8.317.026          |
| 1.2.1 Import Letter of Acceptance                                       |                               | 6.517                              | 8.206.747          | 8.213.264          | 26.238                           | 8.288.714          | 8.314.952          |
| 1.2.2 Other Bank Acceptances  |                               | 3.207                              | 5.039              | 8.246              | -                                | 2.074              | 2.074              |
| 1.3 Letters of Credit   |                               | 255.679                            | 20.137.357         | 20.393.036         | 274.137                          | 18.114.396         | 18.388.533         |
| 1.3.1 Documentary Letters of Credit                                     |                               | 255.679                            | 20.071.463         | 20.327.142         | 274.137                          | 18.008.378         | 18.282.515         |
| 1.3.2 Other Letters of Credit   |                               | -                                  | 65.894             | 65.894             | -                                | 106.018            | 106.018            |
| 1.4 Prefinancing Given as Guarantee                                     |                               | -                                  | -                  | -                  | -                                | -                  | -                  |
| 1.5 Endorsements  |                               | -                                  | 969.507            | 969.507            | -                                | 202.092            | 202.092            |
| 1.5.1 Endorsements to the Central Bank of Turkey                        |                               | -                                  | 969.507            | 969.507            | -                                | 202.092            | 202.092            |
| 1.5.2 Other Endorsements  |                               | -                                  | -                  | -                  | -                                | -                  | -                  |
| 1.6 Purchase Guarantees for Securities Issued                           |                               | -                                  | -                  | -                  | -                                | -                  | -                  |
| 1.7 Factoring Guarantees  |                               | -                                  | -                  | -                  | -                                | 2.172              | 2.172              |
| 1.8 Other Guarantees  |                               | -                                  | 939.474            | 939.474            | -                                | 1.010.273          | 1.010.273          |
| 1.9 Other Warrantees  |                               | 5.210                              | -                  | 5.210              | 5.762                            | 6.643              | 12.405             |
| <b>II. COMMITMENTS</b>  |                               | <b>53.014.691</b>                  | <b>19.903.469</b>  | <b>72.918.160</b>  | <b>36.323.782</b>                | <b>14.578.481</b>  | <b>50.902.263</b>  |
| 2.1 Irrevocable Commitments   | <b>(1),(3)</b>                | 53.014.691                         | 14.823.869         | 67.838.560         | 36.150.769                       | 10.188.966         | 46.339.735         |
| 2.1.1 Asset Purchase and Sale Commitments                               |                               | 2.134.231                          | 11.571.249         | 13.705.480         | 2.192.245                        | 5.070.064          | 7.262.309          |
| 2.1.2 Deposit Purchase and Sales Commitments                            |                               | -                                  | -                  | -                  | -                                | -                  | -                  |
| 2.1.3 Share Capital Commitments to Associates and Subsidiaries          |                               | 7.500                              | -                  | 7.500              | -                                | -                  | -                  |
| 2.1.4 Loan Granting Commitments   |                               | 11.842.898                         | 32.819             | 11.875.717         | 8.547.764                        | 20.980             | 8.568.744          |
| 2.1.5 Securities Issue Brokerage Commitments                            |                               | -                                  | -                  | -                  | -                                | -                  | -                  |
| 2.1.6 Commitments for Reserve Deposit Requirements                      |                               | -                                  | -                  | -                  | -                                | -                  | -                  |
| 2.1.7 Commitments for Cheques   |                               | 3.852.919                          | 24                 | 3.852.943          | 2.876.065                        | 37                 | 2.876.102          |
| 2.1.8 Tax and Fund Liabilities from Export Commitments                  |                               | 11.509                             | -                  | 11.509             | 6.925                            | -                  | 6.925              |
| 2.1.9 Commitments for Credit Card Limits                                |                               | 24.220.013                         | 25.292             | 24.245.305         | 13.341.463                       | 22.436             | 13.363.899         |
| 2.1.10 Commitments for Credit Cards and Banking Services Promotions     |                               | 36.161                             | -                  | 36.161             | 23.620                           | -                  | 23.620             |
| 2.1.11 Receivables from Short Sale Commitments of Marketable Securities |                               | -                                  | -                  | -                  | -                                | -                  | -                  |
| 2.1.12 Payables for Short Sale Commitments of Marketable Securities     |                               | -                                  | -                  | -                  | -                                | -                  | -                  |
| 2.1.13 Other Irrevocable Commitments                                    |                               | 10.909.460                         | 3.194.485          | 14.103.945         | 9.162.687                        | 5.075.449          | 14.238.136         |
| 2.2 Revocable Commitments   |                               | -                                  | 5.079.600          | 5.079.600          | 173.013                          | 4.389.515          | 4.562.528          |
| 2.2.1 Revocable Loan Granting Commitments                               |                               | -                                  | 216.573            | 216.573            | -                                | 372.805            | 372.805            |
| 2.2.2 Other Revocable Commitments                                       |                               | -                                  | 4.863.027          | 4.863.027          | 173.013                          | 4.016.710          | 4.189.723          |
| <b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>                            | <b>(2)</b>                    | <b>47.215.787</b>                  | <b>205.567.883</b> | <b>252.783.670</b> | <b>21.503.876</b>                | <b>117.331.784</b> | <b>138.835.660</b> |
| 3.1 Hedging Derivative Financial Instruments                            |                               | -                                  | -                  | -                  | -                                | -                  | -                  |
| 3.1.1 Transactions for Fair Value Hedge                                 |                               | -                                  | -                  | -                  | -                                | -                  | -                  |
| 3.1.2 Transactions for Cash Flow Hedge                                  |                               | -                                  | -                  | -                  | -                                | -                  | -                  |
| 3.1.3 Transactions for Foreign Net Investment Hedge                     |                               | -                                  | -                  | -                  | -                                | -                  | -                  |
| 3.2 Trading Transactions  |                               | 47.215.787                         | 205.567.883        | 252.783.670        | 21.503.876                       | 117.331.784        | 138.835.660        |
| 3.2.1 Forward Foreign Currency Buy/Sell Transactions                    |                               | 3.859.858                          | 4.325.518          | 8.185.376          | 2.524.108                        | 3.223.439          | 5.747.547          |
| 3.2.1.1 Forward Foreign Currency Transactions-Buy                       |                               | 1.631.241                          | 2.449.973          | 4.081.214          | 1.014.221                        | 1.760.205          | 2.774.426          |
| 3.2.1.2 Forward Foreign Currency Transactions-Sell                      |                               | 2.228.617                          | 1.875.545          | 4.104.162          | 1.509.887                        | 1.463.234          | 2.973.121          |
| 3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates  |                               | 43.353.905                         | 201.213.855        | 244.567.760        | 18.958.168                       | 114.084.371        | 133.042.539        |
| 3.2.2.1 Foreign Currency Swap-Buy                                       |                               | 1.417.227                          | 99.048.727         | 100.465.954        | 242.703                          | 51.873.780         | 52.116.483         |
| 3.2.2.2 Foreign Currency Swap-Sell                                      |                               | 41.796.678                         | 57.948.484         | 99.745.162         | 18.715.465                       | 33.664.931         | 52.380.396         |
| 3.2.2.3 Interest Rate Swap-Buy  |                               | 70.000                             | 22.108.322         | 22.178.322         | -                                | 14.272.830         | 14.272.830         |
| 3.2.2.4 Interest Rate Swap-Sell   |                               | 70.000                             | 22.108.322         | 22.178.322         | -                                | 14.272.830         | 14.272.830         |

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

**Türkiye Cumhuriyeti Ziraat Bankası 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").)

| III. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS | Note<br>(Section<br>Five III)                          | Current Period<br>31 December 2019 |                    |                      | Prior Period<br>31 December 2018 |                    |                      |
|--|--|------------------------------------|--------------------|----------------------|----------------------------------|--------------------|----------------------|
|  |  | TL                                 | FC                 | Total                | TL                               | FC                 | Total                |
| 3.2.3  | Foreign Currency, Interest rate and Securities Options | 2.024                              | 28.510             | 30.534               | 21.600                           | 23.974             | 45.574               |
| 3.2.3.1  | Foreign Currency Options-Buy                           | 1.012                              | 14.255             | 15.267               | 10.800                           | 11.987             | 22.787               |
| 3.2.3.2  | Foreign Currency Options-Sell                          | 1.012                              | 14.255             | 15.267               | 10.800                           | 11.987             | 22.787               |
| 3.2.3.3  | Interest Rate Options-Buy                              | -                                  | -                  | -                    | -                                | -                  | -                    |
| 3.2.3.4  | Interest Rate Options-Sell                             | -                                  | -                  | -                    | -                                | -                  | -                    |
| 3.2.3.5  | Securities Options-Buy                                 | -                                  | -                  | -                    | -                                | -                  | -                    |
| 3.2.3.6  | Securities Options-Sell                                | -                                  | -                  | -                    | -                                | -                  | -                    |
| 3.2.4  | Foreign Currency Futures                               | -                                  | -                  | -                    | -                                | -                  | -                    |
| 3.2.4.1  | Foreign Currency Futures-Buy                           | -                                  | -                  | -                    | -                                | -                  | -                    |
| 3.2.4.2  | Foreign Currency Futures-Sell                          | -                                  | -                  | -                    | -                                | -                  | -                    |
| 3.2.5  | Interest Rate Futures                                  | -                                  | -                  | -                    | -                                | -                  | -                    |
| 3.2.5.1  | Interest Rate Futures-Buy                              | -                                  | -                  | -                    | -                                | -                  | -                    |
| 3.2.5.2  | Interest Rate Futures-Sell                             | -                                  | -                  | -                    | -                                | -                  | -                    |
| 3.2.6  | Other  | -                                  | -                  | -                    | -                                | -                  | -                    |
| <b>B.</b>  | <b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>          | <b>1.937.445.479</b>               | <b>248.393.650</b> | <b>2.185.839.129</b> | <b>1.351.947.272</b>             | <b>250.674.668</b> | <b>1.602.621.940</b> |
| <b>IV.</b>   | <b>ITEMS HELD IN CUSTODY</b>                           | <b>806.756.931</b>                 | <b>45.380.242</b>  | <b>852.137.173</b>   | <b>484.862.074</b>               | <b>29.618.131</b>  | <b>514.480.205</b>   |
| 4.1  | Customer Fund and Portfolio Balances                   | -                                  | -                  | -                    | -                                | -                  | -                    |
| 4.2  | Investment Securities Held in Custody                  | 20.517.299                         | 21.575.724         | 42.093.023           | 19.513.200                       | 9.949.943          | 29.463.143           |
| 4.3  | Checks Received for Collection                         | 10.908.997                         | 1.492.464          | 12.401.461           | 10.913.777                       | 1.298.021          | 12.211.798           |
| 4.4  | Commercial Notes Received for Collection               | 11.345.458                         | 946.062            | 12.291.520           | 9.935.885                        | 899.959            | 10.835.844           |
| 4.5  | Other Assets Received for Collection                   | 8.816                              | -                  | 8.816                | 8.816                            | -                  | 8.816                |
| 4.6  | Assets Received for Public Offering                    | 738.596.223                        | -                  | 738.596.223          | 421.800.764                      | 7.242              | 421.808.006          |
| 4.7  | Other Items Under Custody                              | 25.378.489                         | 20.506.340         | 45.884.829           | 22.687.433                       | 17.067.264         | 39.754.697           |
| 4.8  | Custodians   | 1.649                              | 859.652            | 861.301              | 2.199                            | 395.702            | 397.901              |
| <b>V.</b>  | <b>PLEDGES RECEIVED</b>                                | <b>1.129.440.550</b>               | <b>199.704.058</b> | <b>1.329.144.608</b> | <b>865.830.685</b>               | <b>218.134.914</b> | <b>1.083.965.599</b> |
| 5.1  | Marketable Securities                                  | 3.353.935                          | 1.296.711          | 4.650.646            | 2.419.375                        | 1.439.047          | 3.858.422            |
| 5.2  | Guarantee Notes  | 16.780.956                         | 5.436.821          | 22.217.777           | 17.840.388                       | 4.474.610          | 22.314.998           |
| 5.3  | Commodity  | 2.428.499                          | 639.362            | 3.067.861            | 2.371.854                        | 452.978            | 2.824.832            |
| 5.4  | Warranty   | -                                  | -                  | -                    | -                                | -                  | -                    |
| 5.5  | Immovable  | 895.452.305                        | 125.862.426        | 1.021.314.731        | 756.841.771                      | 153.479.598        | 910.321.369          |
| 5.6  | Other Pledged Items                                    | 211.419.646                        | 66.447.078         | 277.866.724          | 86.352.088                       | 58.269.304         | 144.621.392          |
| 5.7  | Pledged Items-Depository                               | 5.209                              | 21.660             | 26.869               | 5.209                            | 19.377             | 24.586               |
| <b>VI.</b>   | <b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>  | <b>1.247.998</b>                   | <b>3.309.350</b>   | <b>4.557.348</b>     | <b>1.254.513</b>                 | <b>2.921.623</b>   | <b>4.176.136</b>     |
| <b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>             |  | <b>2.081.839.649</b>               | <b>561.397.470</b> | <b>2.643.237.119</b> | <b>1.452.133.781</b>             | <b>471.873.790</b> | <b>1.924.007.571</b> |

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AS OF 31 DECEMBER 2019**

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

| <b>IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS<br/>INCOME AND EXPENSE ITEMS</b> |   | <b>Note<br/>(Section Five IV)</b> | <b>Current Period<br/>1 January-31 December 2019</b> | <b>Prior Period<br/>1 January-31 December 2018</b> |
|--|---|-----------------------------------|--|--|
| <b>I.</b>  | <b>INTEREST INCOME</b>  | <b>(1)</b>                        | <b>69.718.782</b>                                    | <b>56.134.708</b>                                  |
| 1.1  | Interest on Loans   |                                   | 56.075.144   | 43.353.615   |
| 1.2  | Interest Received from Reserve Deposits                                 |                                   | 479.203  | 734.653  |
| 1.3  | Interest Received from Banks  |                                   | 355.434  | 493.737  |
| 1.4  | Interest Received from Money Market Transactions                        |                                   | 9.568  | 33.749   |
| 1.5  | Interest Received from Marketable Securities Portfolio                  |                                   | 12.221.439   | 11.121.497   |
| 1.5.1  | Financial Assets at Fair Value Through Profit or Loss                   |                                   | 32.390   | 6.693  |
| 1.5.2  | Financial Assets at Fair Value through Other Comprehensive Income       |                                   | 10.837.254   | 10.013.039   |
| 1.5.3  | Financial Assets Measured at Amortized Cost                             |                                   | 1.351.795  | 1.101.765  |
| 1.6  | Financial Lease Interest Income   |                                   | 380.566  | 271.810  |
| 1.7  | Other Interest Income   |                                   | 197.428  | 125.647  |
| <b>II.</b>   | <b>INTEREST EXPENSE (-)</b>   | <b>(2)</b>                        | <b>41.903.049</b>                                    | <b>32.269.251</b>                                  |
| 2.1  | Interest on Deposits  |                                   | 29.099.627   | 20.535.591   |
| 2.2  | Interest on Funds Borrowed  |                                   | 1.747.982  | 1.501.841  |
| 2.3  | Interest on Money Market Transactions                                   |                                   | 8.939.821  | 8.816.678  |
| 2.4  | Interest on Securities Issued   |                                   | 1.757.446  | 1.261.636  |
| 2.5  | Financial Lease Interest Expenses                                       |                                   | 119.410  | 23   |
| 2.6  | Other Interest Expenses   |                                   | 238.763  | 153.482  |
| <b>III.</b>  | <b>NET INTEREST INCOME (I - II)</b>                                     |                                   | <b>27.815.733</b>                                    | <b>23.865.457</b>                                  |
| <b>IV.</b>   | <b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>                         |                                   | <b>3.239.834</b>                                     | <b>2.694.706</b>                                   |
| 4.1  | Fees and Commissions Received   |                                   | 5.428.248  | 3.863.598  |
| 4.1.1  | Non-cash Loans  |                                   | 1.025.162  | 745.087  |
| 4.1.2  | Other   |                                   | 4.403.086  | 3.118.511  |
| 4.2  | Fees and Commissions Paid   |                                   | 2.188.414  | 1.168.892  |
| 4.2.1  | Non-cash Loans  |                                   | 4.071  | 510  |
| 4.2.2  | Other   |                                   | 2.184.343  | 1.168.382  |
| <b>V.</b>  | <b>DIVIDEND INCOME</b>  | <b>(3)</b>                        | <b>25.972</b>  | <b>4.808</b>                                       |
| <b>VI.</b>   | <b>TRADING PROFIT/(LOSS) (Net)</b>                                      | <b>(4)</b>                        | <b>(7.754.939)</b>                                   | <b>(3.801.156)</b>                                 |
| 6.1  | Profit/Losses from Capital Market Transactions                          |                                   | 226.967  | 10.859   |
| 6.2  | Profit/Losses from Derivative Financial Transactions                    |                                   | (8.570.364)  | (4.068.267)  |
| 6.3  | Foreign Exchange Profit/Losses  |                                   | 588.458  | 256.252  |
| <b>VII.</b>  | <b>OTHER OPERATING INCOME</b>   | <b>(5)</b>                        | <b>2.163.955</b>                                     | <b>3.450.126</b>                                   |
| <b>VIII.</b>   | <b>GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)</b>         |                                   | <b>25.490.555</b>                                    | <b>26.213.941</b>                                  |
| <b>IX.</b>   | <b>ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)</b>                        | <b>(6)</b>                        | <b>7.214.540</b>                                     | <b>5.154.583</b>                                   |
| <b>X.</b>  | <b>OTHER PROVISION EXPENSES (-)</b>                                     | <b>(6)</b>                        | <b>275.487</b>                                       | <b>71.106</b>                                      |
| <b>XI.</b>   | <b>PERSONNEL EXPENSE (-)</b>  |                                   | <b>3.813.756</b>                                     | <b>3.175.068</b>                                   |
| <b>XII.</b>  | <b>OTHER OPERATING EXPENSES (-)</b>                                     | <b>(7)</b>                        | <b>6.602.596</b>                                     | <b>5.983.608</b>                                   |
| <b>XIII.</b>   | <b>NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>                     |                                   | <b>7.584.176</b>                                     | <b>11.829.576</b>                                  |
| <b>XIV.</b>  | <b>SURPLUS WRITTEN AS GAIN AFTER MERGER</b>                             |                                   | -  | -  |
| <b>XV.</b>   | <b>PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>              |                                   | <b>84.273</b>  | <b>46.756</b>                                      |
| <b>XVI.</b>  | <b>PROFIT/(LOSS) ON NET MONETARY POSITION</b>                           |                                   | -  | -  |
| <b>XVII.</b>   | <b>PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>    | <b>(8)</b>                        | <b>7.668.449</b>                                     | <b>11.876.332</b>                                  |
| <b>XVIII.</b>  | <b>TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>                       | <b>(9)</b>                        | <b>(1.776.755)</b>                                   | <b>(2.532.212)</b>                                 |
| 18.1   | Current Tax Provision   |                                   | (3.068.013)  | (2.721.984)  |
| 18.2   | Expense Effect of Deferred Tax (+)                                      |                                   | (3.379.831)  | (2.726.149)  |
| 18.3   | Income Effect of Deferred Tax (-)                                       |                                   | 4.671.089  | 2.915.921  |
| <b>XIX.</b>  | <b>CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVIII)</b> | <b>(10)</b>                       | <b>5.891.694</b>                                     | <b>9.344.120</b>                                   |
| <b>XX.</b>   | <b>INCOME FROM DISCONTINUED OPERATIONS</b>                              |                                   | <b>4.692.070</b>                                     | -  |
| 20.1   | Income from Assets Held for Sale  |                                   | 4.692.070  | -  |
| 20.2   | Profit from Sales of Associates, Subsidiaries and Joint Ventures        |                                   | -  | -  |
| 20.3   | Income from Other Discontinued Operations                               |                                   | -  | -  |
| <b>XXI.</b>  | <b>EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>                         |                                   | <b>2.890.574</b>                                     | -  |
| 21.1   | Expenses on Assets Held for Sale  |                                   | 2.890.574  | -  |
| 21.2   | Loss from Sales of Associates, Subsidiaries and Joint Ventures          |                                   | -  | -  |
| 21.3   | Other Expenses from Discontinued Operations                             |                                   | -  | -  |
| <b>XXII.</b>   | <b>PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)</b>     | <b>(8)</b>                        | <b>1.801.496</b>                                     | -  |
| <b>XXIII.</b>  | <b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>                    | <b>(9)</b>                        | <b>(335.716)</b>                                     | -  |
| 23.1   | Current Tax Provision   |                                   | (340.887)  | -  |
| 23.2   | Expense Effect of Deferred Tax (+)                                      |                                   | -  | -  |
| 23.3   | Income Effect of Deferred Tax (-)                                       |                                   | 5.171  | -  |
| <b>XXIV.</b>   | <b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>        | <b>(10)</b>                       | <b>1.465.780</b>                                     | -  |
| <b>XXV.</b>  | <b>NET PROFIT/(LOSS) (XVIII+XXIII)</b>                                  | <b>(11)</b>                       | <b>7.357.474</b>                                     | <b>9.344.120</b>                                   |
| 25.1   | Profit/(Loss) from the Group  |                                   | 7.356.825  | 9.343.637  |
| 25.2   | Profit/(Loss) from Minority Shares                                      |                                   | 649  | 483  |
|  | Earnings/(Loss) per share (in TL full)                                  |                                   | 1,206  | 1,647  |

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

## 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").)

| <b>V. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>   | <b>Current Period<br/>1 January-<br/>31 December 2019</b> | <b>Prior Period<br/>1 January-<br/>31 December 2018</b> |
|---|---|---|
| <b>I. CURRENT PERIOD PROFIT/LOSS</b>  | <b>7.357.474</b>  | <b>9.344.120</b>  |
| <b>II. OTHER COMPREHENSIVE INCOME</b>   | <b>5.837.460</b>  | <b>(3.401.517)</b>                                      |
| 2.1 Other Comprehensive Income That Will Not be Reclassified to Profit or Loss  | (177.427)   | 521.447   |
| 2.1.1 Property and Equipment Revaluation Increase/Decrease  | (360.951)   | (107.965)   |
| 2.1.2 Intangible Assets Revaluation Increase/Decrease   | -   | -   |
| 2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss  | (34.864)  | 75.582  |
| 2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss  | 321.826   | 679.067   |
| 2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss                                      | (103.438)   | (125.237)   |
| 2.2 Other Comprehensive Income That Will be Reclassified to Profit or Loss  | 6.014.887   | (3.922.964)   |
| 2.2.1 Foreign Currency Translation Differences  | 105.265   | 523.104   |
| 2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income | 7.575.936   | (5.425.064)   |
| 2.2.3 Cash Flow Hedge Income/Expense  | -   | -   |
| 2.2.4 Foreign Net Investment Hedge Income/Expense   | -   | -   |
| 2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses  | -   | -   |
| 2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss  | (1.666.314)   | 978.996   |
| <b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>   | <b>13.194.934</b>   | <b>5.942.603</b>  |

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



Türkiye Cumhuriyeti Ziraat Bankası 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").)

| VI. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY | Paid-in Capital | Share Premium | Share certificate Cancel profits | Other capital reserves | Other Accumulated Comprehensive Income That Will Not Be Reclassified to Profit or Loss |          |         |
|---|-----------------|---------------|----------------------------------|------------------------|--|----------|---------|
|   |                 |               |                                  |                        | 1  | 2        | 3       |
| Current Period<br>31 December 2019                            |                 |               |                                  |                        |  |          |         |
| I. Balance at the beginning of the period                     | 6.100.000       | -             | -                                | (483)                  | 3.966.201  | (32.536) | 243.889 |
| II. Adjustment in accordance with TAS 8                       | -               | -             | -                                | -                      | -  | -        | -       |
| 2.1 Effect of adjustment                                      | -               | -             | -                                | -                      | -  | -        | -       |
| 2.2 Effect of changes in accounting policies                  | -               | -             | -                                | -                      | -  | -        | -       |
| III. New balance (I+II)                                       | 6.100.000       | -             | -                                | (483)                  | 3.966.201  | (32.536) | 243.889 |
| IV. Total comprehensive income (loss)                         | -               | -             | -                                | -                      | (324.856)  | (27.891) | 175.320 |
| V. Capital increase in cash                                   | -               | -             | -                                | -                      | -  | -        | -       |
| VI. Capital increase through internal reserves                | -               | -             | -                                | -                      | -  | -        | -       |
| VII. Issued capital inflation adjustment difference           | -               | -             | -                                | -                      | -  | -        | -       |
| VIII. Convertible bonds                                       | -               | -             | -                                | -                      | -  | -        | -       |
| IX. Subordinated debt   | -               | -             | -                                | -                      | -  | -        | -       |
| X. Increase (decrease) through other changes, equity          | -               | -             | -                                | (88)                   | 188.957  | -        | -       |
| XI. Profit distribution                                       | -               | -             | -                                | -                      | -  | -        | -       |
| 11.1 Dividends distributed                                    | -               | -             | -                                | -                      | -  | -        | -       |
| 11.2 Transfers to legal reserves                              | -               | -             | -                                | -                      | -  | -        | -       |
| 11.3 Other  | -               | -             | -                                | -                      | -  | -        | -       |
| Balance at the end of the period (III+IV+.....+X+XI)          | 6.100.000       | -             | -                                | (571)                  | 3.830.302  | (60.427) | 419.209 |

1. Increases and decreases in Tangible and Intangible Assets Revaluation Reserve

2. Accumulated Gains/Losses on Remeasurements of Defined Benefit Plans

3. Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)

4. Exchange Differences on Translation

5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income

6. Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)

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

| Other Accumulated Comprehensive Income<br>That Will Be Reclassified to Profit or Loss |             |   | Profit<br>Reserves | Prior period<br>net profit/<br>(loss) | Current period<br>net profit/<br>(loss) | Shareholders'<br>Equity Before<br>Minority<br>Interest | Minority<br>Shares | Total Equity |
|---|-------------|---|--------------------|---------------------------------------|---|--|--------------------|--------------|
| 4   | 5           | 6 |                    |                                       |   |  |                    |              |
| 2.643.725   | (6.207.033) | - | 37.320.380         | 16.092.374                            | -                                       | 60.126.517   | 2.458              | 60.128.975   |
| -   | -           | - | -                  | -                                     | -                                       | -  | -                  | -            |
| -   | -           | - | -                  | -                                     | -                                       | -  | -                  | -            |
| -   | -           | - | -                  | -                                     | -                                       | -  | -                  | -            |
| 2.643.725   | (6.207.033) | - | 37.320.380         | 16.092.374                            | -                                       | 60.126.517   | 2.458              | 60.128.975   |
| 105.265   | 5.909.736   | - | -                  | -                                     | 7.356.825                               | 13.194.399   | 535                | 13.194.934   |
| -   | -           | - | -                  | -                                     | -                                       | -  | -                  | -            |
| -   | -           | - | -                  | -                                     | -                                       | -  | -                  | -            |
| -   | -           | - | -                  | -                                     | -                                       | -  | -                  | -            |
| -   | -           | - | -                  | -                                     | -                                       | -  | -                  | -            |
| -   | -           | - | -                  | -                                     | -                                       | -  | -                  | -            |
| -   | 667         | - | 138.686            | 575.371                               | -                                       | 903.593  | -                  | 903.593      |
| -   | -           | - | 14.866.010         | (14.866.010)                          | -                                       | -  | -                  | -            |
| -   | -           | - | -                  | -                                     | -                                       | -  | -                  | -            |
| -   | -           | - | 14.794.507         | (14.794.507)                          | -                                       | -  | -                  | -            |
| -   | -           | - | 71.503             | (71.503)                              | -                                       | -  | -                  | -            |
| 2.748.990   | (296.630)   | - | 52.325.076         | 1.801.735                             | 7.356.825                               | 74.224.509   | 2.993              | 74.227.502   |

Türkiye Cumhuriyeti Ziraat Bankası 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").)

| VI. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY | Paid-in Capital | Share Premium | Share certificate Cancel profits | Other capital reserves | Other Accumulated Comprehensive Income That Will Not Be Reclassified to Profit or Loss |          |             |
|---|-----------------|---------------|----------------------------------|------------------------|--|----------|-------------|
|   |                 |               |                                  |                        | 1  | 2        | 3           |
| Prior Period<br>31 December 2018                              |                 |               |                                  |                        |  |          |             |
| I. Balance at the beginning of the period                     | 5.600.000       | -             | -                                | (252)                  | 4.064.351  | (95.521) | 831.263     |
| II. Adjustment in accordance with TAS 8                       | -               | -             | -                                | -                      | -  | -        | -           |
| 2.1 Effect of adjustment                                      | -               | -             | -                                | -                      | -  | -        | -           |
| 2.2 Effect of changes in accounting policies                  | -               | -             | -                                | -                      | -  | -        | -           |
| III. New balance (I+II)                                       | 5.600.000       | -             | -                                | (252)                  | 4.064.351  | (95.521) | 831.263     |
| IV. Total comprehensive income (loss)                         | -               | -             | -                                | -                      | (98.150)   | 62.985   | 556.612     |
| V. Capital increase in cash                                   | 500.000         | -             | -                                | -                      | -  | -        | -           |
| VI. Capital increase through internal reserves                | -               | -             | -                                | -                      | -  | -        | -           |
| Issued capital inflation adjustment difference                | -               | -             | -                                | -                      | -  | -        | -           |
| VII. Convertible bonds  | -               | -             | -                                | -                      | -  | -        | -           |
| VIII. Subordinated debt                                       | -               | -             | -                                | -                      | -  | -        | -           |
| IX. Increase (decrease) through other changes, equity         | -               | -             | -                                | (231)                  | -  | -        | (1.143.986) |
| XI. Profit distribution                                       | -               | -             | -                                | -                      | -  | -        | -           |
| 11.1 Dividends distributed                                    | -               | -             | -                                | -                      | -  | -        | -           |
| 11.2 Transfers to legal reserves                              | -               | -             | -                                | -                      | -  | -        | -           |
| 11.3 Other  | -               | -             | -                                | -                      | -  | -        | -           |
| Balance at the end of the period (III+IV+.....+X+XI)          | 6.100.000       | -             | -                                | (483)                  | 3.966.201  | (32.536) | 243.889     |

1. Increases and decreases in Tangible and Intangible Assets Revaluation Reserve

2. Accumulated Gains/Losses on Remeasurements of Defined Benefit Plans

3. Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)

4. Exchange Differences on Translation

5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income

6. Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)

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

| Other Accumulated Comprehensive Income<br>That Will Be Reclassified to Profit or Loss |             |   | Profit<br>Reserves | Prior period<br>net profit/<br>(loss) | Current period<br>net profit/<br>(loss) | Shareholders'<br>Equity Before<br>Minority<br>Interest | Minority<br>Shares | Total Equity |
|---|-------------|---|--------------------|---------------------------------------|---|--|--------------------|--------------|
| 4   | 5           | 6 |                    |                                       |   |  |                    |              |
| 2.120.621   | (1.767.831) | - | 29.660.259         | 8.068.601                             | -                                       | 48.481.491   | 1.665              | 48.483.156   |
| -   | 2.402       | - | -                  | 5.401.136                             | -                                       | 5.403.538  | -                  | 5.403.538    |
| -   | -           | - | -                  | -                                     | -                                       | -  | -                  | -            |
| -   | 2.402       | - | -                  | 5.401.136                             | -                                       | 5.403.538  | -                  | 5.403.538    |
| 2.120.621   | (1.765.429) | - | 29.660.259         | 13.469.737                            | -                                       | 53.885.029   | 1.665              | 53.886.694   |
| 523.104   | (4.446.378) | - | -                  | -                                     | 9.343.637                               | 5.941.810  | 793                | 5.942.603    |
| -   | -           | - | -                  | -                                     | -                                       | 500.000  | -                  | 500.000      |
| -   | -           | - | -                  | -                                     | -                                       | -  | -                  | -            |
| -   | -           | - | -                  | -                                     | -                                       | -  | -                  | -            |
| -   | -           | - | -                  | -                                     | -                                       | -  | -                  | -            |
| -   | -           | - | -                  | -                                     | -                                       | -  | -                  | -            |
| -   | 4.774       | - | -                  | 1.219.121                             | -                                       | 79.678   | -                  | 79.678       |
| -   | -           | - | 7.660.121          | (7.940.121)                           | -                                       | (280.000)  | -                  | (280.000)    |
| -   | -           | - | -                  | (280.000)                             | -                                       | (280.000)  | -                  | (280.000)    |
| -   | -           | - | 7.582.399          | (7.582.399)                           | -                                       | -  | -                  | -            |
| -   | -           | - | 77.722             | (77.722)                              | -                                       | -  | -                  | -            |
| 2.643.725   | (6.207.033) | - | 37.320.380         | 6.748.737                             | 9.343.637                               | 60.126.517   | 2.458              | 60.128.975   |

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS  
AS OF 31 DECEMBER 2019**

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

| <b>VII. CONSOLIDATED STATEMENT OF CASH FLOWS</b>  |                                       |  |  |
|---|---------------------------------------|--|--|
|   | <b>Note<br/>(Section<br/>Five VI)</b> | <b>Current Period<br/>1 January-31 December 2019</b> | <b>Prior Period<br/>1 January-31 December 2018</b> |
| <b>A. CASH FLOWS FROM BANKING OPERATIONS</b>  |                                       |  |  |
| 1.1 Operating Profit Before Changes in Operating Assets and Liabilities                   |                                       | (10.191.268)   | 1.892.753  |
| 1.1.1 Interest Received   |                                       | 62.716.085   | 50.363.075   |
| 1.1.2 Interest Paid   |                                       | (41.250.106)   | (30.573.694)                                       |
| 1.1.3 Dividend Received   |                                       | 20.155   | 4.808  |
| 1.1.4 Fees and Commissions Received   |                                       | 5.428.493  | 3.863.598  |
| 1.1.5 Other Income  |                                       | 3.063.653  | 3.450.126  |
| 1.1.6 Collections from Previously Written-off Loans and Other Receivables                 |                                       | 2.496.293  | 1.183.842  |
| 1.1.7 Cash Payments to Personnel and Service Suppliers                                    |                                       | (4.317.186)  | (3.800.553)  |
| 1.1.8 Taxes Paid  |                                       | (5.277.471)  | (3.096.364)  |
| 1.1.9 Other   |                                       | (33.071.184)   | (19.502.085)                                       |
| 1.2 Changes in Operating Assets and Liabilities   |                                       | 29.142.260   | 21.173.587   |
| 1.2.1 Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss      |                                       | 4.821.736  | (6.724.201)  |
| 1.2.2 Net (increase)/decrease in due from banks and other financial institutions          |                                       | (9.601.642)  | 9.211.129  |
| 1.2.3 Net (increase)/decrease in loans  |                                       | (69.729.045)   | (70.080.799)                                       |
| 1.2.4 Net (increase)/decrease in other assets   |                                       | 2.554.398  | (7.432.023)  |
| 1.2.5 Net increase/(decrease) in bank deposits  |                                       | 6.184.517  | 22.343.023   |
| 1.2.6 Net increase/(decrease) in other deposits   |                                       | 119.631.420  | 61.520.023   |
| 1.2.7 Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss |                                       | (37.668)   | 1.119.259  |
| 1.2.8 Net increase/(decrease) in funds borrowed   |                                       | (1.412.395)  | 3.573.693  |
| 1.2.9 Net increase/(decrease) in matured payables   |                                       | -  | -  |
| 1.2.10 Net increase/(decrease) in other liabilities                                       |                                       | (23.269.061)   | 7.643.483  |
| <b>I. Net Cash Provided from Banking Operations</b>                                       |                                       | <b>18.950.992</b>                                    | <b>23.066.340</b>                                  |
| <b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>   |                                       |  |  |
| <b>II. Net Cash Provided from Investing Activities</b>                                    |                                       | <b>(23.539.257)</b>                                  | <b>(15.687.718)</b>                                |
| 2.1 Cash paid for acquisition of investments, associates and subsidiaries                 |                                       | (50.592)   | (49.535)   |
| 2.2 Cash obtained from disposal of investments, associates and subsidiaries               |                                       | -  | -  |
| 2.3 Purchases of tangible assets  |                                       | (1.835.246)  | (421.891)  |
| 2.4 Disposals of tangible assets  |                                       | 499.160  | 304.933  |
| 2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income         |                                       | (44.506.253)   | (26.780.508)                                       |
| 2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income             |                                       | 21.731.937   | 11.929.917   |
| 2.7 Purchase of Financial Assets Measured at Amortized Cost                               |                                       | (11.191.088)   | (3.515.803)  |
| 2.8 Sale of Financial Assets Measured at Amortized Cost                                   |                                       | 3.875.246  | 2.631.165  |
| 2.9 Other   |                                       | 7.937.579  | 214.004  |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                                       |  |  |
| <b>III. Net Cash Provided from Financing Activities</b>                                   |                                       | <b>6.319.753</b>                                     | <b>2.061.980</b>                                   |
| 3.1 Cash Obtained from Funds Borrowed and Securities Issued                               |                                       | 24.358.844   | 9.555.088  |
| 3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued                       |                                       | (17.669.126)   | (7.993.108)  |
| 3.3 Issued Equity Instruments   |                                       | -  | 500.000  |
| 3.4 Dividends Paid  |                                       | -  | -  |
| 3.5 Payments for Lease Liabilities  |                                       | (369.965)  | -  |
| 3.6 Other   |                                       | -  | -  |
| <b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>         | <b>(1)</b>                            | <b>2.024.161</b>                                     | <b>5.015.333</b>                                   |
| <b>V. Net Decrease/Increase in Cash and Cash Equivalents (I+II+III+IV)</b>                |                                       | <b>3.755.649</b>                                     | <b>14.455.935</b>                                  |
| <b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>                       | <b>(1)</b>                            | <b>28.295.446</b>                                    | <b>13.839.511</b>                                  |
| <b>VII. Cash and Cash Equivalents at the End of the Period</b>                            | <b>(1)</b>                            | <b>32.051.095</b>                                    | <b>28.295.446</b>                                  |

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

## NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION AS OF 31 DECEMBER 2019

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

| VIII. PROFIT DISTRIBUTION STATEMENT <sup>(*)</sup>                  | Current Period<br>31 December 2019 | Prior Period<br>31 December 2018 |
|---|------------------------------------|----------------------------------|
| <b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>                       |                                    |                                  |
| 1.1 Current Year Income   | 7.648.114                          | 10.033.684                       |
| 1.2 Taxes And Duties Payable (-) <sup>(**)</sup>                    | 2.738.530                          | 2.242.602                        |
| 1.2.1 Corporate Tax (Income tax)                                    | 2.738.530                          | 2.242.602                        |
| 1.2.2 Income withholding tax  | -                                  | -                                |
| 1.2.3 Other taxes and duties  | -                                  | -                                |
| <b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>                         | <b>4.909.584</b>                   | <b>7.791.082</b>                 |
| 1.3 Prior Year Losses (-)   | -                                  | -                                |
| 1.4 First Legal Reserves (-)  | -                                  | 389.554                          |
| 1.5 Other Statutory Reserves (-)                                    | -                                  | -                                |
| <b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b> | <b>4.909.584</b>                   | <b>7.401.528</b>                 |
| 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 Preferred 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 Statutory Reserves (-)   | -                                  | -                                |
| 1.11 Extraordinary Reserves   | -                                  | 7.401.528                        |
| 1.12 Other Reserves   | -                                  | -                                |
| 1.13 Special Funds  | -                                  | -                                |
| <b>II. DISTRIBUTION OF RESERVES</b>                                 |                                    |                                  |
| 2.1 Appropriated Reserves   | -                                  | -                                |
| 2.2 Dividends To Shareholders (-)                                   | -                                  | -                                |
| 2.2.1 To Owners Of Ordinary Shares                                  | -                                  | -                                |
| 2.2.2 To Owners Of Preferred Shares                                 | -                                  | -                                |
| 2.2.3 To Owners Of Preferred Shares (Preemptive Rights)             | -                                  | -                                |
| 2.2.4 To Profit Sharing Bonds                                       | -                                  | -                                |
| 2.2.5 To Holders Of Profit And Loss Sharing Certificates            | -                                  | -                                |
| 2.3 Dividends To Personnel (-)                                      | -                                  | -                                |
| 2.4 Dividends To Board Of Directors (-)                             | -                                  | -                                |
| <b>III. EARNINGS PER SHARE</b>                                      |                                    |                                  |
| 3.1 To Owners Of Ordinary Shares                                    | 0,8048                             | 1,3735                           |
| 3.2 To Owners Of Ordinary Shares (%)                                | 80,48                              | 137,35                           |
| 3.3 To Owners Of Privileged Shares                                  | -                                  | -                                |
| 3.4 To Owners Of Privileged Shares (%)                              | -                                  | -                                |
| <b>IV. DIVIDEND PER SHARE</b>                                       |                                    |                                  |
| 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 (%)                              | -                                  | -                                |

<sup>(\*)</sup> Profit distribution is approved by the Ordinary General Assembly. As of the date of the preparation of financial statements, the meeting for Ordinary General Assembly has not been held.

<sup>(\*\*)</sup> The deferred tax benefit amounted TL 1.277.304 is not taken into account in profit distribution (31 December 2018: The deferred tax benefit amounted TL 169.856 is not taken into account in profit distribution)

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

Türkiye Cumhuriyeti Ziraat Bankası 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**

#### **EXPLANATIONS ON ACCOUNTING POLICIES**

##### **I. BASIS OF PRESENTATION**

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

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 the Official Gazette No. 28337, dated 28 June 2012 and amendments to these Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

Financial statements of subsidiaries in abroad are prepared in accordance with prevalent law and legislation in their country, adjustments and reclassifications are reflected on the purpose of fair presentation pursuant to Reporting Standards.

The consolidated financial statements have been prepared in thousands of Turkish Lira (“TL”), under the historical cost convention, except for the financial assets and liabilities carried 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.

Unless otherwise specified, all balances in the financial statements and footnotes are expressed in Thousand Turkish Lira (“TL”).

In accordance with the “Communique amending the Communique on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” published in the Official Gazette dated 1 February 2019 with No. 30673, the accompanying previous period financial statements were made compatible with the new financial statement formats.

##### **Changes in Accounting Policies**

The Group has started to apply TFRS 16 Leases standard (“TFRS 16”) in the accompanying financial statements starting from 1 January 2019. For the transactions the Group is lessee, the Group used the model the standard projects except for the low value assets and short term leaseings (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 present accounting of finance leases which is balance sheet based, singular accounting model. Standard brought a single model for lease accounting to lessees. The Group as a lessee, has shown right of use assets representing right of use of underlying assets and lease payment which the Group is liable, in its financial statements. For lessors, the accounting stays 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 implementation. In this context, the Group did not restate comparative information.

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

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

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

### IFRS 16 Leases Standard Transition Effect

|                                     | 31 December 2018 | IFRS 16<br>Reclassification Effect | IFRS 16 Transition<br>Effect | 1 January 2019 |
|-------------------------------------|------------------|------------------------------------|------------------------------|----------------|
| Tangibles (Net)                     | 6.252.971        | 17.201                             | 620.838                      | 6.891.010      |
| Intangibles (Net)                   | 488.666          | -                                  | 92.651                       | 581.317        |
| Other Assets (Net)                  | 7.508.585        | (17.201)                           | -                            | 7.491.384      |
| Lease Payables (Net) <sup>(*)</sup> | -                | -                                  | 713.489                      | 713.489        |

<sup>(\*)</sup> The weighted average of the Parent Bank's alternative borrowing interest rates applied to its lease obligations are 18,1% for Turkish Lira and 4,6% for Euro.

## II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

Main activity of the Parent Bank comprises of banking services, such as; launching all kinds of cash and non-cash loans in terms of Turkish Lira and foreign currencies, performing transactions in local, international money and capital markets, supporting agricultural sector financially and collecting deposits in Turkish Lira and foreign currencies. The Bank's main funding sources are Turkish Lira deposits, repurchase agreements, issued securities and shareholders' equity. The Bank directs these funds to assets with high return and low risk. These assets include predominantly domestic government bonds and loans. The Bank's liquidity structure covers the financing of all liabilities at due date. Although most of the sources in the Bank's balance sheet are with fixed interest rate, some of the securities in assets have floating interest rate. Since the remaining time to re-pricing date of sources is short, cost of sources is repriced in short periods based on the market conditions. Moreover, the Parent Bank adopts higher return principle for its long-term placements.

Loans and securities are instruments from which the Parent Bank gets returns above the average returns within its lines of activity. Letter of guarantees, bank loans, commercial letter of credits, repayment commitments for cheques and expense limit commitments for credit card are the most important risk areas within the off-balance sheet accounts.

Since the Parent Bank's total debt to the market is low among its total liabilities, the Parent Bank can borrow easily from short-term markets, such as; Borsa Istanbul ("BIST"), Central Bank of the Republic of Turkey, Money Market or Interbank Money Market in case of need. In case of a liquidity crisis, the deposit base of The Parent Bank is not presumed to be significantly affected from liquidity risk since the Parent Bank is a public bank with an extensive branch network.

Cost and return of foreign currency assets are subject to a close follow up. Positive margin of profit is sustained by adjusting deposit interest rates in line with the market interest rates.

Foreign currency operations are valued by the Bank's prevailing counter currency buying rate at transaction date and reflected to records. At period ends, foreign currency asset and liability balances are valued at the Bank's period end counter currency buying rates and converted to Turkish currency and the resulting exchange differences are recognized as a "foreign exchange profit or loss".

As of 1 October 2018, the Parent Bank is protected from the net investment risk of foreign currency exchange rates on the subsidiaries in which capital is allocated abroad, with foreign currency funds (hedging instrument). In this context, it shows the foreign exchange differences arising from the funds in Euro in the current period in the equity.

Assets and liabilities of the overseas branches of the Parent Bank are converted into Turkish Lira with the Bank's prevailing counter currency buying rates at the balance sheet date.

## III. INFORMATION ON CONSOLIDATED SUBSIDIARIES

### 1. 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" ("IFRS 10").

#### 1.1. Consolidation Principles for Subsidiaries

Subsidiaries 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.



Türkiye Cumhuriyeti Ziraat Bankası 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”).)

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. Subsidiaries are got into the scope of consolidation from the date when the control on its activities is transferred to group and they are excluded from the scope of consolidation from the date when the control is disappeared. 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, profit or loss statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, profit or loss 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. In the consolidated balance sheet, minority shares have been presented separately from the liabilities and the shares of the Group shareholders. Also, in the statement of profit or loss, minority shares have been presented separately.

As of the balance sheet date, Ziraat Sigorta A.Ş. and Ziraat Hayat ve Emeklilik A.Ş. recognized in the “Assets Held for Sale and Discontinued Operations” account and has been consolidated through the accounts subject to sales transactions.

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

| Title   | Address (City/Country)                               | Main Activities               | 31 December 2019                   |   | 31 December 2018                   |   |
|---|--|-------------------------------|------------------------------------|---|------------------------------------|---|
|   |  |                               | Parent Bank’s Share Percentage (%) | Parent Bank’s Risk Group Share Percentage (%) | Parent Bank’s Share Percentage (%) | Parent Bank’s Risk Group Share Percentage (%) |
| Ziraat Hayat ve Emeklilik A.Ş. <sup>(*)</sup> | İstanbul/Turkey                                      | Insurance                     | 100,00                             | 100,00  | 100,00                             | 100,00  |
| Ziraat Sigorta A.Ş. <sup>(**)</sup>           | İstanbul/Turkey                                      | Insurance                     | 100,00                             | 100,00  | 100,00                             | 100,00  |
| Ziraat Finansal Kiralama A.Ş.                 | İstanbul/Turkey                                      | Leasing                       | -                                  | -   | 100,00                             | 100,00  |
| Ziraat Yatırım Menkul Değerler A.Ş.           | İstanbul/Turkey                                      | Brokerage Houses<br>Portfolio | 99,60                              | 99,60   | 99,60                              | 99,60   |
| Ziraat Portföy Yönetimi A.Ş. <sup>(**)</sup>  | İstanbul/Turkey                                      | Management                    | 99,70                              | 99,80   | 99,70                              | 99,80   |
| Ziraat Katılım Bankası A.Ş. <sup>(*)</sup>    | İstanbul/Turkey                                      | Banking                       | 100,00                             | 100,00  | 100,00                             | 100,00  |
| Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.     | İstanbul/Turkey                                      | Real Estate                   | 100,00                             | 100,00  | 100,00                             | 100,00  |
| Ziraat Girişim Sermayesi Ortaklığı A.Ş.       | İstanbul/Turkey                                      | Venture Capital               | 100,00                             | 100,00  | 100,00                             | 100,00  |
| Ziraat Bank International AG                  | Frankfurt/Germany<br>Sarajevo/Bosnia and Herzegovina | Banking                       | 100,00                             | 100,00  | 100,00                             | 100,00  |
| Ziraat Bank BH d.d.                           | Herzegovina  | Banking                       | 100,00                             | 100,00  | 100,00                             | 100,00  |
| Ziraat Bank (Moscow) JSC                      | Moscow/Russia  | Banking                       | 100,00                             | 100,00  | 100,00                             | 100,00  |
| Kazakhstan Ziraat Int. Bank                   | Almaty/Kazakhstan                                    | Banking                       | 99,58                              | 99,58   | 99,58                              | 99,58   |
| Ziraat Bank Azerbaycan ASC                    | Baku/Azerbaijan                                      | Banking                       | 100,00                             | 100,00  | 100,00                             | 100,00  |
| Ziraat Bank Montenegro AD                     | Podgorica/Montenegro                                 | Banking                       | 100,00                             | 100,00  | 100,00                             | 100,00  |
| JSC Ziraat Bank Georgia                       | Tbilisi/Georgia                                      | Banking                       | 100,00                             | 100,00  | 100,00                             | 100,00  |
| Ziraat Bank Uzbekistan JSC                    | Tashkent/Uzbekistan                                  | Banking                       | 100,00                             | 100,00  | 100,00                             | 100,00  |

<sup>(\*)</sup> With the decision of the Banking Regulation and Supervision Agency dated 18 January 2019, numbered 8210 and based on the Board of Directors decision of Ziraat Katılım Bankası A.Ş. dated 18 October 2018, numbered 34/19; Ziraat Finansal Kiralama A.Ş. was transferred to Ziraat Katılım Bankası A.Ş. by dissolving it in a liquidated manner with all assets and liabilities over the balance sheet date and they are united under the roof of Ziraat Katılım Bankası A.Ş. The merger was registered with the Istanbul Registry of Commerce on 1 March 2019.

<sup>(\*\*)</sup> In accordance with the share transfer agreement dated 19 December 2018, following the completion of the prerequisites, on 31 January 2019 the company acquired 100% of the shares of T. Halk Bankası A.Ş., Halk Yatırım Menkul Değerler A.Ş. and Halk Finansal Kiralama A.Ş., holds the 100% share of Halk Portföy Yönetimi A.Ş. and T. Vakıflar Bankası T.A.O. holds the 100% share of Vakıf Portföy Yönetimi A.Ş.

<sup>(\*\*\*)</sup> The Parent Bank commenced negotiations with the Turkish Wealth Fund in relation to the transfer to a new company to be established by the Turkish Wealth Fund (the “Purchaser”) of the 99.97% shares in Ziraat Sigorta A.Ş. and 99.97% of the shares Ziraat Hayat ve Emeklilik A.Ş. After obtaining the necessary permissions and completing the share of transfers, the general assembly resolutions of the companies in question will be taken and legal procedures and procedures will be completed. In this context, as of the balance sheet date, the mentioned companies are classified as “Assets Held for Sale and Discontinued Operations”.

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

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

### 1.2. Consolidation Principles of Associates and Joint Ventures

An associate is a partnership with which the Parent Bank participates in its capital and has significant effect on it although it has no capital or management control, whose main operation is banking and which operates according to special legislation with permission and license and is established abroad. The related associate is consolidated with equity method in accordance with materiality principle. Significant effect refers to the participation power on the constitution of the financial and management policies of the participated associate. If the Parent Bank has 10% or more voting right on the associate, as long as it is not proved otherwise, it will be accepted that the Parent Bank has significant effect on that associate. Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changed amount in the associate participating shareholder's equity during the period by the portion of the participant and the deduction of the dividend from the associate from the changed value of the associate amount. The associates and joint ventures consolidated with the equity method, their title, place of incorporation, main activities, effective shareholding rates and direct and indirect shareholding rates are as follows:

| Title                                       | Address (City/Country) | Main Activities | 31 December 2019                   |   | 31 December 2018                   |   |
|---|------------------------|-----------------|------------------------------------|---|------------------------------------|---|
|   |                        |                 | Parent Bank's Share Percentage (%) | Parent Bank's Risk Group Share Percentage (%) | Parent Bank's Share Percentage (%) | Parent Bank's Risk Group Share Percentage (%) |
| Turkmen Turkish Joint Stock Commercial Bank | Ashkhabad/Turkmenistan | Banking         | 50,00                              | 50,00   | 50,00                              | 50,00   |
| Arap Türk Bankası A.Ş.                      | İstanbul/Turkey        | Banking         | 15,43                              | 15,43   | 15,43                              | 15,43   |

### 1.3. Principles Applied During Share Transfer, Merger and Acquisition

Acquisition of entities are accounted by the purchase method on the date of purchase when the control is being transferred to the Group. Control explains managing power of Group on entity's financial and operational policies for the purpose of providing benefit from operations of entity. While evaluating control, executable potential voting rights are taken consideration by Group.

### 1.4. Transactions with Minority Shareholders

The Group considers transactions with minority shareholders as transactions within the Parent Bank. For acquisitions from minority shareholders, the difference between the acquisition cost and related portion of net assets' booked value is deducted from equity. Profit or loss resulting from sales to minority shareholders is booked under equity.

### 1.5. Presentation of Unconsolidated Subsidiaries and Associates in Consolidated Financial Statements

Turkish lira denominated consolidated associates and subsidiaries are booked at cost value, less any impairment if any, and recognized in the consolidated financial statement

## IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

The Group's derivative transactions include cross currency swaps, interest rate swaps, currency and precious metal swaps, long-term financing transactions, full indemnity options and forward foreign currency buy/sell transactions. The Parent Bank has no embedded derivative instruments separated from the articles of association.

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

Derivative financial instruments are initially recognized at fair value. Derivative transactions, depending on the fair value being positive or negative is shown as financial assets at fair value through profit/loss or financial liabilities at fair value through profit/loss in the following periods of the recording. Differences arising from the fair value of the valuation result are recognized in statement of profit or loss in profit/losses from derivative financial transactions under trading profit/loss.

The fair value of the derivative financial instruments are calculated considering quoted market prices or by applying TL Libor based discounted cash flow models.

Liabilities and receivables arising from the derivative instruments are recognized in the off-balance sheet commitments with their contractual values.

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

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

### **V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE**

Interest income and expenses are recognized according to the effective interest method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities).

Interest income from financial assets are recognized as gross carrying amount according to the effective interest rate method except for interest income from purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

If the expectations for the cash flows in the financial asset are revised for reasons other than the credit risk, the amendment is reflected in the carrying amount of the asset and in the related profit or loss statement line and is amortized over the estimated life of the financial asset.

Total of minimum rental payments including interests and principals are recorded under “financial lease receivables” as gross. The interest which is the difference between the total of rental payments and the cost of the related tangible asset is recorded under “unearned income”. When the rent payment incurs, the rent amount is deducted from “financial lease receivables”; and the interest portion is recorded as interest income in the profit or loss statement.

Profit share income is accounted for by applying the internal rate of return method. Expense accruals are calculated according to the unit value calculation method over the participation accounts.

### **VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE**

Income and losses from banking, agency and intermediary services are recognized as income/expense and conformant with TFRS 15 Revenue from Contracts with Customers on the date they are collected.

Prepaid expense amounts are recognized as expense on an accrual basis during the service period.

Commission income from consumer, corporate and entrepreneurial loans are transferred to income accounts according to periodicity principle using effective interest rate method on an accrual basis.

### **VII. EXPLANATIONS ON FINANCIAL ASSETS**

Financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Recognition and Derecognition. Financial assets are measured at fair value at initial recognition in the financial statements. They are included in the balance sheet of the Group, if the Group is a legal party to these instruments.

The Group classifies and recognizes its financial assets as “Fair value through profit/loss”, “Fair value through other comprehensive income” or “Measured at amortized cost”. This classification is based on the contractual cash flow characteristics of the related business model used for management of the financial assets at initial recognition.

Financial assets mainly constitute the Group’s commercial activities and operations. These instruments have the ability to expose, affect and diminish the liquidity, credit and interest rate risks in the financial statements.

Classification and measurement within the Scope of TFRS 9

In accordance with TFRS 9 Financial Instruments Standard, financial assets are measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss by;

- The business model used by the entity for the management of financial assets,
- Properties of contractual cash flows of a financial asset.

Business Model Test and Cash Flow Characteristics Test are performed to determine the classification of financial assets.

#### **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.

## 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 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 profit or loss statement.

Government Bonds and Treasury Bills which are included in financial assets at fair value through profit or loss are valued at the weighted average exchange prices of BIST on the balance sheet date and which are not traded in BIST are valued at prices of T.C. Central Bank. Eurobonds are carried at prices in the over the counter markets. All gains and losses arising from these valuations are reflected in the profit or loss account.

### Financial assets at fair value through other Comprehensive Income

Financial assets are classified as fair value through other comprehensive income if the assets are being held in line with a business model that aims collection of contractual cash flows or sale of assets and additionally if the contractual terms of the financial asset lead to cash flows that solely include the payments of principal and interest on certain dates.

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. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to profit or loss 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 profit or loss 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. When these securities are collected or disposed of, the accumulated fair value differences reflected in the equity are reflected to the profit or loss statement.

Equities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair value can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost less provision for impairment. Regarding the Banking operations of the Parent Bank, there exist ineffective shares of Kredi Garanti Fonu, Türk Ticaret Bankası in liquidation, Borsa İstanbul, Borica Bank Services AD, Central Bank of the Republic of Turkey and Milli Reasürans T.A.Ş. The related investments are classified under financial assets at fair value through other comprehensive income and are carried at book value.

### 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 interest 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 effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in profit or loss statement.

In the “Fair value through other comprehensive income” and “measured at amortized cost” securities portfolio of the Group, there are Consumer Price Indexed (CPI) Bonds. Valuations of these securities within the year are made based on the effective interest rate method based on the real coupon rates and the index created based on the treasury reference index and estimated inflation rate. The actual coupon payment amounts of these assets are used in the purchase and sales transactions and the index values announced by the treasury in the year-end valuation. Index calculations related to CPI securities are made by the method specified in the CPI Indexed Bonds Investor Guide of the T.C. Ministry of Treasury and Finance.

The Parent Bank also updates the estimated inflation rate in case of necessity.

### Loans

Loans consist of financial assets which are created by providing money, goods or services to the debtor. Loans are initially recognized at acquisition cost presenting their fair value and thereafter measured at amortized cost using the “Effective Interest Rate Method”.

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

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

Cash loans are accounted with their original balances in the accounts specified in Uniform Chart of Accounts and Prospectus according to their type, maturity and collateral structures. Foreign exchange 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.

### 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 Expected Loss Provision (Stage 2 and Stage 3) is applied when there is a significant increase in credit risk.

#### Impairment

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 that are not measured at fair value through profit or loss, credit commitments and financial guarantee contracts.

The guiding principle of the expected credit loss model is to reflect the increase in credit risk of financial instruments or the general view of the recovery. The amount of allowance for the loss depends on the extent of the increase in credit risk since the initial issuance of the loan.

Expected credit loss is an estimate of the expected credit losses over the life of a financial instrument and the following aspects are important for the measurement:

- Probability-weighted and neutral amount determined by taking into account possible outcomes,
- Time value of the money,
- Reasonable and supportable information on past events, current conditions and forecast of future economic conditions, at the time of reporting.

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

#### *12 Month Expected Credit Losses (Stage 1)*

These are the financial assets that do not have a significant increase in credit risk at the time of recognition or since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. For such assets, impairment for credit risk is recorded in the amount of 12-month expected credit losses. It is valid for all assets unless there is a significant deterioration in the credit quality.

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 life time loss expectancy.

#### *Significant Increase in Credit Risk (Stage 2)*

Financial assets are transferred to stage 2 if there is a significant increase in credit risk. While the expected loss provision is calculated for the following 1-year for loans at stage 1, and the expected loss provision for loans at stage 2 is calculated by taking into consideration the full 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 stage 2 are, the number of delinquency being 30 days and above, and the Parent Bank’s internal early warning system note.

#### *Credit-Impaired Losses (Stage 3)*

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

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

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

It is considered a debt as default on these two conditions;

- Objective Default Definition: It means debt having past due more than 90 days.
- Subjective Default Definition: It means it is considered that a debt is unlikely to be paid. Whenever it is considered that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

Collective assessment of financial instruments is based on homogeneous group assets referring to portfolio segmentation including similar credit risk and product characteristics.

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

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

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, sectorial information for the corporate portfolio and product information for the individual portfolio are taken as the basis.

### Default Amount

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

### Loss Given Default

Loss given default refers to the ratio of net loss due to a defaulted loan to the balance at the time of default.

### Future Expectations

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

### The Methodology of Behavioral Maturity Calculation

The loans in Stage 1, expected loss provision is calculated until their maturity for the ones which have less than one year to due date and for 1 year which have more than one year to due date. The loans in Stage 2, expected loss provision is calculated for lifetime (until maturity date) of the loan. In this calculation, the remaining maturity information of the loan is taken as basis for each loan. While this information is used for products with real maturity information, behavioral maturity is calculated by analysing historical data for products with no maturity information. Expected loss provisions are calculated based on these maturities depending on the type of loan.

## **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 FINANCIAL INSTRUMENTS**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

### **X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS**

Securities subject to repurchase agreements (“Repos”) are classified as “Financial assets at fair value difference through profit or loss”, “Financial assets at fair value difference through other comprehensive income” and “Measured at amortized cost” in the balance sheet according to the investment purposes and measured according to the portfolio of the Group to which they belong. Funds obtained under repurchase agreements are accounted under “Funds provided under repurchase agreements” in liability accounts and differences between the sale and repurchase prices determined by these repurchase agreements are accrued evenly over the life of the repurchase agreement using the “Effective interest (internal return) method”.

Funds given against securities purchased under agreements (“Reverse Repo”) to resell are accounted under “Receivables from Money Markets” on the balance sheet and interest income accrual is calculated using internal rate of return method.

### **XI. INFORMATION ON NON-CURRENTS ASSETS OR DISPOSAL GROUPS “HELD FOR SALE” AND RELATED TO DISCONTINUED OPERATIONS AND EXPLANATIONS ON LIABILITIES RELATED WITH THESE ASSETS**

Non-currents assets or disposal groups “held for sale” consist of tangible assets that were acquired due to under follow-up loans and receivables, and are accounted in the financial statements in accordance with the regulations of “IFRS 5 Turkish Financial Reporting Standard for Assets Held for Sale and Discontinued Operations”.

The assets that meet the criteria of being classified under assets held for sale are measured at the lower of their book values or fair value less costs to be incurred for sale, depreciation for these assets is ceased and these assets are presented separately in the balance sheet. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold immediately under usual conditions and should have a high possibility to be sold. To have a high possibility of sale, a plan should have been made for the sale of the asset (or the asset group to be disposed) and an active program should have been started by the management, aiming to complete the plan and determine the buyers.

The properties obtained from the Group’s receivables are shown at the Non-current assets or disposal groups “held for sale” and “from discontinued operations” line according to the execution of the forward sales agreement.

A discontinued operation is a part of an entity which is classified as to be disposed or held for sale. The results related to discontinuing operations are presented separately in the profit or loss statement.

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

Goodwill; is the difference between the acquisition cost the fair value of the identifiable assets, liabilities and contingent liabilities of the acquisition and it represents the payment that the acquirer expects to benefit in the future from assets that are not individually identifiable and separately accountable. Assets which are not included in the financial statements of the business purchased in business combinations; however, that are capable of being separated from goodwill, intangible assets and/or contingent liabilities are reflected to the financial statements with their fair values. As of the date of balance sheet, the Group has goodwill amounting to TL 30.723 thousand in its 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 using the straight line method based on their useful lives. Useful lives 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. Amortization method used in the current period is not subject to any change. Depreciation period is 5 years (20% annual depreciation rate) for establishment/formation expenses for other intangible assets with uncertain leasing period or leasing period over five years and depreciation rate is proportional with period for those with certain leasing period.

The Group recognizes its software costs incurred under the intangible assets-intangible rights account and the expenses that do qualify as development are added to software’s initial costs and amortized over 3 years considering the useful lives. The Parent Bank has determined estimated useful lives of the intangible assets between 3 and 15 years and it applies depreciation rates between 33,3% to 6,7%.



Türkiye Cumhuriyeti Ziraat Bankası 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

Tangible assets are 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. As of 31 January 2014, the Parent Bank has changed its accounting policies and has decided to pursue the real estates registered in its portfolio at fair values. In this context, for all real estates registered in the Parent Bank’s inventory, appraisal study was carried by independent expertise companies, and from 31 December 2016 valuation results are reflected in the accounting records. As of 30 January 2014, the net book amount of real estates of the tangible assets before valuation was TL 816.950. As of 31 December 2016 the valuation studies have been done and valuation results are reflected to accounting records. As of 31 December 2019, the fair value difference of the net real estates amounting to TL 3.641.345 is followed under shareholders’ equity.

Tangible assets (except for immovables) are presented in the financial statements over their remaining cost after deducting accumulated depreciation from cost amounts, if any, and after deducting accumulated depreciation from their fair values. Tangible assets are depreciated over their estimated useful lives using the straight-line method. The amortization method applied in the current period has not been changed.

Estimated useful lives and amortization rates of tangible assets are below:

|                                    | Estimated Useful Lives (Year) | Amortization Rate |
|------------------------------------|-------------------------------|-------------------|
| Buildings                          | 50                            | 2%                |
| Safe-deposit boxes                 | 50                            | 2%                |
| Other movable properties           | 3-25                          | 4-33,33%          |
| Assets held under financial leases | 4-5                           | 20-25%            |

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.

Ordinary maintenance and repair expenses of tangible fixed assets items are recognized as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of tangible assets are capitalized. The investment expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

There are no mortgages, pledges or similar precautionary measures on tangible fixed assets or commitments given for the purchase or any restrictions designated for the use of those tangible fixed assets.

### XIV. EXPLANATIONS ON LEASING TRANSACTIONS

#### Leases in Accordance with TFRS 16

The Group, measures the operational lease liabilities based on the present value of the lease payments that have not been paid at the date of lease is actually started, in accordance with TFRS 16. Lease payments are discounted by using the Bank’s alternative borrowing rate.

After the date of lease actually started, the Group increases book value to reflect the interest on lease liability, decreases book value to reflect lease payments that is made and remeasures to reflect the changes made in lease or revised fixed lease payments.

The interest on the lease liability for each period of the lease term, is the amount calculated by charging a fixed periodic interest rate on remaining balance of lease liability.

After the date of lease actually started, the Group remeasures the lease liability to reflect the changes in lease payments. The Group, reflects the remeasurement part of the lease liability, in financial statements as adjustments in right to use assets.

The Group, applies a discount rate that reflects the changes in the interest rate in a scenario where the Group used purchase option at the initial lease term.



Türkiye Cumhuriyeti Ziraat Bankası 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, remeasures the lease liability by discounting the revised lease payments using a revised discount rate for a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification. The revised discount rate is determined as the alternative borrowing interest rate at the effective date of the modification. The Bank decreases carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognized in profit or loss. A corresponding adjustment to the right-of-use asset is made for all other lease modifications.

Subject to financial leasing in the consolidated balance sheet of the entity is shown as a receivable equal to net leasing. The interest income is determined so as to form a fixed revenue return ratio using net investment method related to lease asset of the lessor, and the portion of interest income which does not take part in the related term is followed under the unearned interest income account

Fixed assets that are acquired under financial leasing are amortized with respect to the rates used for directly acquired assets that have similar nature. Assets held under financial leases are recognized under the tangible fixed assets account and are depreciated on annual and monthly basis with respect to their useful lives. Principal and installment paid for tangible fixed assets that are acquired under financial leasing are charged to liability account “Finance Lease Liabilities”, whereas interests are recognized in “Deferred Financial Leasing Expenses” account. At installment payments, principal and interest amount of installment amount are debited to “Financial Lease Liabilities” account, whereas interest is credited in “Deferred Financial Leasing Expenses” account and recorded to the “Other Interest Expenses”.

### **XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES**

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

The Group provides provision in case of an existing liability (legal or implicit) as a result of an incident that took place in the past, there is possibility of disposal of assets that bring economic benefit and the liability is measurable. When a reliable estimate of the amount of obligation from the Parent Bank 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**

#### **Employment Termination and Vacation Benefits**

The Group recognizes its liabilities of employment terminations and vacation benefits in accordance with TAS 19 “Turkish Accounting Standard about Benefits for Employee” and estimates the net present value of future liabilities arising from employment terminations and vacation benefits and reflects this provision amount in the financial statements.

Under the Turkish legislation as supplemented by union agreements, Employment Termination Benefit payments are made in case of retirement or employment termination or resignation depending on the arise of the legal conditions. According to the related legislation, depending on the status and position of the employee in the Group and social security institution, retirement bonus pension/severance payments are calculated for the hours that the personnel has worked. Employment termination is calculated based on actuarial assumptions. These assumptions based on the calculation are below:

Türkiye Cumhuriyeti Ziraat Bankası 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 Parent Bank uses independent actuaries in determining liability, and also makes assumptions about issues such as discount rate and inflation. As of 31 December 2019, retirement benefit obligation is TL 1.052.901 (31 December 2018: TL 836.363).

|               | Current Period | Prior Period |
|---------------|----------------|--------------|
| Discount Rate | 12,15%         | 16,30%       |
| Inflation     | 8,68%          | 12,00%       |

Communiqué on “Turkish Accounting Standard (“TAS19”) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TL 60.427 was classified under shareholders’ equity in the financials.

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.

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

#### Liability of T.C. Ziraat Bankası and T. Halk Bankası Members Pension and Relief Fund (TZHEMSAN)

Some of the Parent Bank and Ziraat Katılım Bankası A.Ş. personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees’ Pension Fund (“Fund”) which was established by 20<sup>th</sup> provisional article of Social Security Law Act numbered 506. In accordance with 23<sup>rd</sup> provisional clause of the Banking Law numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the banking Law numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 1<sup>st</sup> paragraph of the 1<sup>st</sup> article of the 23<sup>rd</sup> provisional clause of Banking Law numbered 5411 allowing pension funds to be transferred to Social Security Institution (“SSI”) is annulled following the resolution of Constitutional Court declared in the Official Gazette dated 31 March 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33. As of 31 December 2019 the number of personnel who benefit from the Fund, excluding dependents, is 23.720 (31 December 2018: 23.308). 19.832 of these members are active while 3.888 are passive members. (31 December 2018: 19.458 active members, 3.850 passive members).

With the publication of the reasoning of the decision, the Grand National Assembly of Turkey (“GNAT”) started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the “Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations” No 5754 (“the New Law”) regulating the transfer of the funds were approved by the GNAT on 17 April 2008. The New Law was published in the Official Gazette dated 8 May 2008, numbered 26870 and came into force.

According to the new law bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution and would be subject to its legislation within three years beginning from the date of publication without any required transaction. Three years transfer period would be extended by two years at most with the decision of Council of Ministers. In accordance with the related legislation, as of the transfer date, the cash value of the liabilities will be calculated by considering the income and expenses of the transferred funds by the insurance branches and by using the actuarial interest rate of 9,80%. Moreover, 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.

In accordance with 58<sup>th</sup> article and 7<sup>th</sup> provisional article of the Banking Law, restricting banks from transferring any funds to the pension funds in order to compensate the actuarial deficits effective from 1 January 2008, has been delayed up to 5 years.

Based on the Council of Ministers’ decree numbered 2011/1559 and issued in the Official Gazette numbered 27900, dated 9 April 2011, and 20<sup>th</sup> provisional article of law numbered 506, the deadline for transferring banks, insurance and reinsurance companies, chambers of commerce, chambers of industry, exchange markets and 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 two years.

Besides, the phrase of “two years” in Clause (2), Article 1 of the temporary 20<sup>th</sup> provision of the law numbered 5510 is revised as “four years” with the law numbered 6283 amending on the Social Insurance and General Health Insurance Law, published in the Official Gazette numbered 28227, dated 8 March 2012.

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.

Türkiye Cumhuriyeti Ziraat Bankası 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, 51<sup>st</sup> article of Law No.6645 dated 23 April 2015, published on Official Gazette and the first paragraph of the transient 20<sup>th</sup> 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 20<sup>th</sup> 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 4<sup>th</sup> 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 rate determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Parent 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 Parent Bank’s financial statements.

### **XVII. EXPLANATIONS ON TAXATION**

#### **Current Tax**

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

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

Corporations are required to pay advance corporate tax quarterly at a rate of 22% on their corporate income. Advance tax is declared by the 17<sup>th</sup> and paid by the 17<sup>th</sup> 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 89<sup>th</sup> article of code 7061 that entries into force in 5 December 2017).

This exemption applies to the period the sale is made and the part of return on sales that benefits from the exemption is held in a special fund in the liabilities account until the end of the fifth year started from the following year sale is made. However, the sales payment must be collected until the end of the second calendar year following the year in which the sale is made. Taxes which are not realized in time due to the exemption that hits uncollected sales payment are considered tax loss.

Taxes which does not accrue on time because the applying exemption for the transfer of the exempted part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business (Except transfers and divisions that make according to this code).

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the Bank or Savings Deposit Insurance Funds, and their warranters’ 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. (Changed with 89<sup>th</sup> article of code 7061 that entries into force in 5 December 2017)

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.

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

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

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

Tax rates used in tax calculation considering the related countries' tax legislation as of 31 December 2019 are presented below:

|                    |     |
|--------------------|-----|
| Russia             | 20% |
| Kazakhstan         | 20% |
| Germany            | 15% |
| Bosnia Herzegovina | 10% |
| Azerbaijan         | 20% |
| Montenegro         | 9%  |
| Georgia            | 15% |
| Uzbekistan         | 20% |

### Deferred Tax

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

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

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

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

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

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

### XVIII. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES

#### Technical Reserves

##### *Reserve for Unearned Premiums*

Reserve for unearned premiums represents the proportions of the premiums written in a period that relate to the period of risk subsequent to the balance sheet date, without deductions of commission or any other expense.

Türkiye Cumhuriyeti Ziraat Bankası 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”).)

### ***Reserve for Outstanding Claims***

Insurance companies provide reserve for outstanding claims, incurred and reported but not yet settled in the current or previous years based on reported balances or estimates when actual balances are not exactly known and incurred but not yet reported claims. Within the calculation of reserve for outstanding claims, incurred and reported but not yet settled, entire shares of expense required for maturation of compensation reports including calculated or estimated expert, referee, consultant, court and communication expenses are taken into account and subrogation, salvage and similar revenue items are not discounted. Incurred subrogation, salvage and similar revenue items whose codes of practice will be determined by the undersecretariat are shown under the related credit account of the asset side of the balance sheet and interrelated with period income in condition that subrogation of rights has been gained.

### ***Mathematical Provisions***

Mathematical provisions indicate sum of bonus provisions and actuarial mathematical provisions calculated separately according to technical principles in tariff for each agreement in force. Life branch mathematical provision of the company consists of actuarial mathematical provisions calculated for long-term life insurances on credit. Actuarial mathematical provisions are the differences between risk premiums taken for risks undertaken by the Company and cash values of the liabilities to beneficiaries and insureds.

### **XIX. EXPLANATIONS ON BORROWINGS**

The Group recognizes its debt instruments in accordance with TFRS 9 “Financial Instruments” and all financial liabilities are carried at amortized cost by using effective interest rate method. The Group has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings.

If required, the Group borrows from domestic and foreign real people and entities with debt instruments such as bill/bond issuance. These transactions are recognized at fair value including acquisition costs at the transaction date while accounted with effective interest rate method over their discounted costs in the following periods.

The Group has issued no convertible bonds and has no instruments representing its own borrowings.

### **XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES**

Since the Group does not have issued shares, there are no transaction costs related to share issue in the current period.

### **XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES**

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

### **XXII. EXPLANATIONS ON GOVERNMENT GRANTS**

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

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

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

### XXIII. 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. FC 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, 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.

### XXIV. EXPLANATIONS ON SEGMENT REPORTING

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

### XXV. EXPLANATIONS ON OTHER MATTERS

#### *Explanation on Profit Distribution*

It was proposed to set aside the general legal reserve TL 389.554 from the net profit for the period of TL 7.960.938; to keep TL 7.401.528 remaining from the distributions in the Parent Bank; to set aside the legal reserve of TL 334.268 from the accumulated profit of TL 6.685.358 remaining after deducting TL 37.639 which is the negative valuation difference balance that is monitored in the fund account under the equity, that is required to be liquidated in accordance with TFRS 9 Standard, and that resulted from the reclassification of a party of securities in 2008, and TL 11.370, which is the amount of the tax provision for real estate sales revenues monitored in the special fund account, from the total of TL 5.518.877, which is monitored in the accumulated profits and which was created by the recalculation of the provisions in accordance with the regulations of the Turkish Financial Reporting Standard called "TFRS 9 Financial Instruments" that started to be implemented as of 1 January 2018, of TL 1.143.986, which is the sales revenue of certain share certificates in the Bank's portfolio, and of TL 71.503, which is the part of the real estate sales revenues that subjects to the profit distribution, and to transfer the remaining amount of TL 6.351.090 to the extraordinary reserves; to transfer TL 52.640, which is the part of 50% of the sales revenue from the real estate sold in 2018, to the other reserves so as to be monitored in a special fund account; and to transfer TL 280.000, which was set aside from the profit for 2017 to be paid to the shareholder, to the extraordinary reserves in accordance with the resolution made at the General Assembly Meeting for 2017.

## SECTION FOUR

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

#### I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks".

As of 31 December 2019, the Group's total capital has been calculated as TL 88.375.572 (31 December 2018: TL 63.884.017), capital adequacy ratio is 16,39% (31 December 2018: 14,23%). This ratio is well above the minimum ratio required by the legislation.

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

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

**1. Information Related to The Components of Shareholders’ Equity**

|   | <b>Current Period</b> | <b>Amount as per the regulation before 01/01/2014*</b> |
|---|-----------------------|--|
| <b>COMMON EQUITY TIER 1 CAPITAL</b>   |                       |  |
| Paid-in capital following all debts in terms of claim in liquidation of the Bank  | 6.100.000             | -  |
| Share issue premiums  | -                     | -  |
| Reserves  | 52.325.076            | -  |
| Gains recognized in equity as per TAS   | 6.981.113             | -  |
| Profit  | 9.158.560             | -  |
| Current Period Profit   | 7.356.825             | -  |
| Prior Period Profit   | 1.801.735             | -  |
| Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period  | 17.388                | -  |
| Minority Shares   | 309                   | -  |
| <b>Common Equity Tier 1 Capital Before Deductions</b>   | <b>74.582.446</b>     | <b>-</b>   |
| <b>Deductions from Common Equity Tier 1 Capital</b>   |                       |  |
| Common Equity as per the 1 <sup>st</sup> 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   | 357.628               | -  |
| Improvement costs for operating leasing   | 49.402                | -  |
| Goodwill (net of related tax liability)   | 30.723                | 30.723   |
| Other intangibles other than mortgage-servicing rights (net of related tax liability)   | 904.425               | 904.425  |
| 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 <sup>th</sup> clause of the 56 <sup>th</sup> 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 <sup>nd</sup> 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  | -                     | -  |



Türkiye Cumhuriyeti Ziraat Bankası 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    | Amount as per the regulation before 01/01/2014* |
|---|-------------------|---|
| Excess amount arising from deferred tax assets based on temporary differences   | -                 | -   |
| Other items to be Defined by the BRSA (-)   | -                 | -   |
| Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital   | -                 | -   |
| <b>Total Deductions from Common Equity Tier I Capital</b>   | <b>1.342.178</b>  | -   |
| <b>Total Common Equity Tier I Capital</b>   | <b>73.240.268</b> | -   |
| <b>ADDITIONAL TIER I CAPITAL</b>  |                   |   |
| Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums   | -                 | -   |
| Debt instruments and premiums approved by BRSA  | 9.783.918         | -   |
| Debt instruments and premiums approved by BRSA (Temporary Article 4)  | -                 | -   |
| Third parties' share in the Additional Tier I capital - -   | -                 | -   |
| Third parties' share in the Additional Tier I capital (Covered by Temporary Article 3)  | -                 | -   |
| <b>Additional Tier I Capital before Deductions</b>  | <b>9.783.918</b>  | -   |
| <b>Deductions from Additional Tier I Capital</b>  |                   |   |
| Direct and Indirect Investments of the Bank on 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 Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital  | -                 | -   |
| Other Items to be defined by the BRSA (-)   | -                 | -   |
| <b>Transition from the Core Capital to Continue to deduce Components</b>  |                   |   |
| Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)                                | -                 | -   |
| Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)   | -                 | -   |
| Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)  | -                 | -   |
| <b>Total Deductions from Additional Tier I Capital</b>  | <b>-</b>          | <b>-</b>  |
| <b>Total Additional Tier I Capital</b>  | <b>9.783.918</b>  | <b>-</b>  |
| <b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>  | <b>83.024.186</b> | <b>-</b>  |
| <b>TIER II CAPITAL</b>  |                   |   |
| Debt instruments and share issue premiums deemed suitable by the BRSA   | -                 | -   |
| Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)   | -                 | -   |
| Third parties' share in the secondary capital   | -                 | -   |
| Third parties' share in the secondary capital (Covered by Temporary Article 3)  | -                 | -   |
| Provisions (Article 8 of the Regulation on the Equity of Banks)   | 5.447.631         | -   |
| <b>Tier II Capital Before Deductions</b>  | <b>5.447.631</b>  | <b>-</b>  |
| <b>Deductions from Tier II Capital</b>  |                   |   |
| Direct and Indirect Investments of the Bank on its own Tier II Capital (-)  | -                 | -   |
| Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  | -                 | -   |
| Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)               | -                 | -   |
| Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank | -                 | -   |
| Other items to be defined by the BRSA (-)   | -                 | -   |
| <b>Total Deductions from Tier II Capital</b>  | <b>-</b>          | <b>-</b>  |
| <b>Total Tier II Capital</b>  | <b>5.447.631</b>  | <b>-</b>  |
| <b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>  | <b>88.471.817</b> | <b>-</b>  |



## 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    | Amount as per the regulation before 01/01/2014* |
|--|-------------------|---|
| <b>Total Tier I Capital and Tier II Capital (Total Equity)</b>   | <b>88.471.817</b> | -   |
| Loans Granted against the Articles 50 and 51 of the Banking 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  | 96.245            | -   |
| <b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>  |                   |   |
| The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | -                 | -   |
| The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)                       | -                 | -   |
| The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)                | -                 | -   |
| <b>CAPITAL</b>   |                   |   |
| Total Capital (Total of Tier I Capital and Tier II Capital)  | 88.375.572        | -   |
| Total Risk Weighted Assets   | 539.203.074       | -   |
| <b>CAPITAL ADEQUACY RATIOS</b>   |                   |   |
| Consolidated CET 1 Capital Ratio (%)   | 13,58             | -   |
| Consolidated Tier I Capital Ratio (%)  | 15,40             | -   |
| Consolidated Capital Adequacy Ratio (%)  | 16,39             | -   |
| <b>BUFFERS</b>   |                   |   |
| Total additional core capital requirement ratio (a+b+c)  | 4,55              | -   |
| a) Capital conservation buffer requirement (%)   | 2,50              | -   |
| b) Bank specific countercyclical buffer requirement (%)  | 0,05              | -   |
| c) Higher bank buffer requirement ratio (%) <sup>(*)</sup>   | 2,00              | -   |
| Additional CET 1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation   | 9,08              | -   |
| Amounts Lower than Excesses as per Deduction Rules   |                   |   |
| Remaining 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  | 180.672           | -   |
| Remaining Total of Net Long Positions of the Investments in Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital  | 90.883            | -   |
| Remaining Mortgage Servicing Rights  | -                 | -   |
| Net Deferred Tax Assets arising from Temporary Differences   | 1.191.567         | -   |
| <b>Limits for Provisions Used in Tier II Capital Calculation</b>   |                   |   |
| General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand)  | 5.447.631         | -   |
| General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets  | 5.447.631         | -   |
| Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach  | -                 | -   |
| Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets  | -                 | -   |
| <b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>   |                   |   |
| Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4   | -                 | -   |
| Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit  | -                 | -   |
| Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4  | -                 | -   |
| Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit   | -                 | -   |

<sup>(\*)</sup> Amounts considered within transition provisions.

Türkiye Cumhuriyeti Ziraat Bankası 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      | Amount as per the regulation before 01/01/2014* |
|---|-------------------|---|
| <b>COMMON EQUITY TIER 1 CAPITAL</b>   |                   |   |
| Paid-in capital following all debts in terms of claim in liquidation of the Bank  | 6.100.000         | -   |
| Share issue premiums  | -                 | -   |
| Reserves  | 35.758.745        | -   |
| Gains recognized in equity as per TAS   | 8.398.062         | -   |
| Profit  | 16.092.374        | -   |
| Current Period Profit   | 9.343.637         | -   |
| Prior Period Profit   | 6.748.737         | -   |
| Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period  | 17.388            | -   |
| Minority Shares   | 289               | -   |
| <b>Common Equity Tier 1 Capital Before Deductions</b>   | <b>66.366.858</b> | <b>-</b>  |
| <b>Deductions from Common Equity Tier 1 Capital</b>   |                   |   |
| Common Equity as per the 1 <sup>st</sup> 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   | 6.240.052         | -   |
| Improvement costs for operating leasing   | 62.118            | -   |
| Goodwill (net of related tax liability)   | -                 | -   |
| Other intangibles other than mortgage-servicing rights (net of related tax liability)   | 731.706           | 731.706   |
| 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  | -                 | -   |
| Defined-benefit pension fund net assets   | -                 | -   |
| Direct and indirect investments of the Bank in its own Common Equity  | -                 | -   |
| Shares obtained contrary to the 4 <sup>th</sup> clause of the 56 <sup>th</sup> 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 <sup>nd</sup> 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  | -                 | -   |

**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      | Amount as per the regulation before 01/01/2014* |
|---|-------------------|---|
| Excess amount arising from deferred tax assets based on temporary differences   | -                 | -   |
| Other items to be Defined by the BRSA (-)   | -                 | -   |
| Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital   | -                 | -   |
| <b>Total Deductions from Common Equity Tier I Capital</b>   | <b>7.033.876</b>  | -   |
| <b>Total Common Equity Tier I Capital</b>   | <b>59.332.982</b> | -   |
| <b>ADDITIONAL TIER I CAPITAL</b>  |                   |   |
| Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums   | -                 | -   |
| Debt instruments and premiums approved by BRSA  | -                 | -   |
| Debt instruments and premiums approved by BRSA (Temporary Article 4)  | -                 | -   |
| Third parties' share in the Additional Tier I capital   | -                 | -   |
| Third parties' share in the Additional Tier I capital (Covered by Temporary Article 3)  | -                 | -   |
| <b>Additional Tier I Capital before Deductions</b>  |                   |   |
| <b>Total Tier I Capital and Tier II Capital (Total Equity)</b>  | -                 | -   |
| Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)  | -                 | -   |
| Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.  | -                 | -   |
| Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital   | -                 | -   |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital  | -                 | -   |
| Other Items to be defined by the BRSA (-)   | -                 | -   |
| <b>Transition from the Core Capital to Continue to deduce Components</b>  |                   |   |
| Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)                                | -                 | -   |
| Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)   | -                 | -   |
| Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)  | -                 | -   |
| <b>Total Deductions from Additional Tier I Capital</b>  | -                 | -   |
| <b>Total Additional Tier I Capital</b>  | -                 | -   |
| <b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>  | <b>59.332.982</b> | -   |
| <b>TIER II CAPITAL</b>  |                   |   |
| Debt instruments and share issue premiums deemed suitable by the BRSA   | -                 | -   |
| Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)   | -                 | -   |
| Provisions (Article 8 of the Regulation on the Equity of Banks)   | 4.552.906         | -   |
| Third parties' share in the secondary capital   | -                 | -   |
| Third parties' share in the secondary capital (Covered by Temporary Article 3)  | -                 | -   |
| <b>Tier II Capital Before Deductions</b>  | <b>4.552.906</b>  | -   |
| <b>Deductions from Tier II Capital</b>  |                   |   |
| Direct and Indirect Investments of the Bank on its own Tier II Capital (-)  | -                 | -   |
| Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  | -                 | -   |
| Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)               | -                 | -   |
| Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank | -                 | -   |
| Other items to be defined by the BRSA (-)   | -                 | -   |
| <b>Total Deductions from Tier II Capital</b>  | -                 | -   |
| <b>Total Tier II Capital</b>  | <b>4.552.906</b>  | -   |
| <b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>  | <b>63.885.888</b> | -   |

Türkiye Cumhuriyeti Ziraat Bankası 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      | Amount as per the regulation before 01/01/2014* |
|--|-------------------|---|
| <b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>   | <b>63.885.888</b> | -   |
| Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law   | -                 | -   |
| Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years  | -                 | -   |
| Other items to be defined by the BRSA (-)  | 1.871             | -   |
| <b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>  |                   |   |
| The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | -                 | -   |
| The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)                       | -                 | -   |
| The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)               | -                 | -   |
| <b>CAPITAL</b>   |                   |   |
| Total Capital (Total of Tier I Capital and Tier II Capital)  | 63.884.017        | -   |
| Total Risk Weighted Assets   | 448.874.719       | -   |
| <b>CAPITAL ADEQUACY RATIOS</b>   |                   |   |
| Consolidated CET 1 Capital Ratio (%)   | 13,22             | -   |
| Consolidated Tier I Capital Ratio (%)  | 13,22             | -   |
| Consolidated Capital Adequacy Ratio (%)  | 14,23             | -   |
| <b>BUFFERS</b>   |                   |   |
| Total additional core capital requirement ratio (a+b+c)  | 3,41              | -   |
| a) Capital conservation buffer requirement (%)   | 1,88              | -   |
| b) Bank specific countercyclical buffer requirement (%)  | 0,032             | -   |
| c) Higher bank buffer requirement ratio (%) (°)  | 1,5               | -   |
| Additional CET 1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation   | 5,22              | -   |
| Amounts Lower than Excesses as per Deduction Rules   |                   | -   |
| Remaining 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  | 174.201           | -   |
| Remaining Total of Net Long Positions of the Investments in Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital  | 65.943            | -   |
| Remaining Mortgage Servicing Rights  |                   | -   |
| Net Deferred Tax Assets arising from Temporary Differences   | 1.639.558         | -   |
| <b>Limits for Provisions Used in Tier II Capital Calculation</b>   |                   |   |
| General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand)  | 4.552.906         | -   |
| General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets  | 4.552.906         | -   |
| Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach  | -                 | -   |
| Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets  | -                 | -   |
| <b>Debt Instruments Covered by Temporary Article 4 (effective between 01 January 2018-01 January 2022)</b>   |                   |   |
| Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4   | -                 | -   |
| Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit  | -                 | -   |
| Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4  | -                 | -   |
| Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit   | -                 | -   |

°) Amounts considered within transition provisions

Türkiye Cumhuriyeti Ziraat Bankası 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. Items Included in Capital Calculation**

| Information about instruments included in total capital calculation-Current Period                 |  |   |
|--|--|---|
|  | T.C. Ziraat Bankası A.Ş.   | Ziraat Katılım Bankası A.Ş.   |
| Issuer   | T.C. Ziraat Bankası A.Ş.   | Ziraat Katılım Bankası A.Ş.   |
| Identifier (CUSIP, ISIN vb.)   | XS1984644739   | -   |
| Governing law (s) of the instrument  | Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital and Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity of the BRSA. | The Regulation on Bank Capital and Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity of the BRSA. |
| <b>Regulatory treatment</b>  |  |   |
| Subject to 10% deduction as of 1/1/2015  | None   | None  |
| Eligible on unconsolidated and/or unconsolidated basis   | Eligible on consolidated and unconsolidated  | Eligible on consolidated and unconsolidated   |
| Instrument type  | Additional Capital Bond Issuance (Tier 1 Capital)  | Additional Capital Credit (Tier 1 Capital)  |
| Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date) | 9.247  | 519   |
| Nominal value of instrument (TL million)   | 9.247  | 519   |
| Accounting classification of the instrument  | 347001-Subordinated Debts  | 347000- Subordinated Loans  |
| Original date of issuance  | 24 April 2019  | 24 April 2019   |
| Maturity structure of the instrument (perpetual/dated)   | Perpetual  | Perpetual   |
| Issue date of the instrument   | 24 April 2019  | 24 April 2019   |
| Issuer call subject to prior supervisory (BRSA) approval   | Yes  | Yes   |
| Call option dates, conditioned call dates and call amount  | Subject to the approval of the BRSA, a repayment option is available at the end of each 5-year period from the date of issue.  | Option date is 5 years, (subject to BRSA permission)  |
| Subsequent call dates, if applicable   | 24.04.2024   |   |
| <b>Interest/dividend payment</b>   |  |   |
| Fixed or floating coupon/dividend payments   | Fixed  | None  |
| Coupon rate and any related index  | First 5 years fixed 5,076%, next 5 years MS + 5,031% fixed   | None  |
| Existence of any dividend payment restriction  | None   | None  |
| Fully discretionary, partially discretionary or mandatory  | Fully discretionary  | None  |
| Existence of step up or other incentive to redeem  | None   | None  |
| Noncumulative or cumulative  | Noncumulative  | None  |

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

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

| <i>Convertible into equity shares</i>   |  |  |
|---|--|--|
| If convertible, conversion trigger (s)  | None   | None   |
| If convertible, fully or partially  | None   | None   |
| If convertible, conversion rate   | None   | None   |
| If convertible, mandatory or optional conversion  | None   | None   |
| If convertible, type of instrument convertible into   | None   | None   |
| If convertible, issuer of instrument to be converted into   | None   | None   |
| <i>Write-down feature</i>   |  |  |
| If bonds can be written-down, write-down trigger(s)   | Yes. Article 7 of the Regulation on Bank Capital   | Yes. Article 7 of the Regulation on Bank Capital   |
| If bond can be written-down, full or partial  | Has full or partial write down feature   | Has full or partial write down feature   |
| If bond can be written-down, permanent or temporary   | Has permanent or temporary write down feature  | Has temporary write down feature.  |
| If temporary write-down, description of write-up mechanism.   | Has-write up mechanism   | It is possible to write up after temporary write down.   |
| Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument) | After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors | i. After payments within the scope of Priority Liabilities,<br>ii. Equal (pari passu) among themselves and with all other Co-Liabilities without order of preference, and<br>iii. Prior to all payments under Low-Degree Liabilities |
| In compliance with article number 7 and 8 of Regulation on Bank Capital   | Instrument is in compliant with Article 7 of the Regulation on Bank Capital.                                       | Instrument is in compliant with Article 7 of the Regulation on Bank Capital.   |
| Details of incompliances with article number 7 and 8 of Regulation on Bank Capital                                | Instrument is in compliant with Article 7 of the Regulation on Bank Capital.                                       | Instrument is in compliant with Article 7 of the Regulation on Bank Capital.   |

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

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

### 3. Necessary Explanations in order to Reach an Agreement Between the Statement of Shareholder’s Equity and Balance-Sheet Amounts

|  | Current Period    | Prior Period      |
|--|-------------------|-------------------|
| <b>Balance Sheet - Equity</b>  | <b>74.227.502</b> | <b>60.128.975</b> |
| Operational Leasing Development Costs                                  | (49.402)          | (62.118)          |
| Goodwill and Other Intangible Assets and Related Deferred Taxes        |                   |                   |
| Liabilities  | (935.148)         | (731.706)         |
| TIER 2 Capital (Provisions)  | 5.447.631         | 4.552.906         |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA | 9.783.918         | -                 |
| Other deductions from common equity                                    | (96.245)          | (1.871)           |
| Minority shares  | (2.684)           | (2.169)           |
| Amount recognized in regulatory capital                                | <b>88.375.572</b> | <b>63.884.017</b> |

## II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK

### 1. Information on Credit Risk

Credit risk is the possibility of loss that the Group may be exposed due to the partial or complete default of the debtor by not complying to the obligations of the agreement made, or due to the decrease in credit worthiness.

The limits of the credit customers are identified, after combined assessment of various factors like the financial and non-financial information of the credit customers, credit requirements, sectorial and geographical features and, in conformity with the legal legislation, in line with the credit authorization limits of the branches, Group Presidencies, Department Presidencies, Assistant General Management, General Manager, Credit Committee and Board of Directors.

In order to prevent the risk intensity on the commercial loan portfolio, limits are determined and followed on the basis of group companies, private and public firms, and different debtor groups. Similarly, in determining the limits of the agricultural loan portfolio the structures of the regions are considered. The Group’s credit authority limits on given consumer loans are defined with the separation of type and guarantee and these limits are updated according to economic conjuncture and demands of Regional Directorates/Branches.

The limits, subjects, collateral structure, maturities, accounts booked, outstanding balances of the loans allocated by the branches are periodically analyzed depending on the number of customers and monitored on customer and regional basis.

After the opening of the lines of the commercial loans, the firms are continued to be monitored and the changes at the financial structures and market relations of the credit firms are followed. The credit limits are identified and approved for one year and renewed in case of no negative change in the situation of the customer (financial structure, market, collateral, etc.).

The Parent Bank is assessing credibility of the customer as the essential factor in issuing credits and creditors’ credit worthiness are ascertained during credit application and limit allocation/renewal. Documents to be obtained during the application are evidently mentioned in regulations and appropriateness of the documents obtained during application is controlled by internal 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 robust guarantees, the Parent Bank’s credit risk significantly declines.

On January 2011 The Parent Bank started applying internal ratings processes as a decision support system for analysing credit worthiness and determining credit allocation for Corporate/Commercial/Entrepreneurial consumer loans.

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

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

The Parent Bank makes provision in conformity 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 are done by rating which is determined by considering the needs of clients and departments together with financial and economic conditions of the banks and their countries. When banks and/or countries are financially or economically risky, identified limits can be restricted with maturity, amount or type of transaction or use of credit is called off.

Since the Parent Bank's abroad lending operations have no significant effect on the financial statements, and operations and transactions are diversified via the use of different financial institutions in various countries, The Parent Bank is not believed to be exposed to a significant credit risk as a result of these operations.

Foreign financial institution and country risks of the Parent Bank are generally taken on financial institutions and countries which are rated by international rating institutions. Treasury operations are executed in the frame of pre-determined authorization and limits, these authorization and limits are monitored. Client transactions within the context of Fund Management are done in the frame of general loan limits determined for the clients

The Parent Bank engages in foreign currency swaps and forward transactions considering its asset-liability balance and legal limits. These are not considered to generate material risk given the amount of these transactions in the balance sheet.

Non-cash risks of customers classified as non-performing loans in accordance with the Communiqué on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions" are subjected to expected loss provision (Stage 3) under the same regulation, when the related risks are reimbursed and transformed into cash receivables, they are followed up in the same risk group as the cash loan which was previously classified as non-performing loans and the expected losses provision (Stage 3) continues to be provided.

Restructured and rescheduled loans are also booked in line with procedures and under accounts defined by the related regulation. Furthermore, they are monitored by the Parent Bank in line with credit risk policies. In this context, financial situation and commercial operations of related customers are analyzed and in terms of restructured plan, whether principal and interest payments have been paid is being checked and necessary measures are taken.

The percentage of top 100 and top 200 cash loans in the total cash loan portfolio is 26% and 32% respectively (31 December 2018: 27% and 33%).

The percentage of top 100 and top 200 non-cash loans in the total non-cash loan portfolio is 49% and 60% respectively (31 December 2018: 49% and 60%).

The percentage of top 100 and top 200 cash and non-cash loans in the total cash and non-cash loan portfolio is 27% and 34% respectively (31 December 2018: 28% and 35%).

Expected loss provisions for the loans for the Stage 1 and Stage 2 are amounted TL 5.401.551 (31 December 2018: TL 3.500.696)



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

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

### 2. The Profile of Important Risks of Important Regions

|   | 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 organisations | Conditional and unconditional receivables from banks and brokerage houses | Conditional and unconditional corporate receivables | Conditional and unconditional retail receivables |
|---|---|--|--|---|--|---|---|--|
| <b>Current Period</b>                         |   |  |  |   |  |   |   |  |
| Domestic                                      | 142.272.662   | 650.429  | 589.015  | -   | -  | 31.650.433  | 273.352.238   | 164.527.938                                      |
| European Union Countries                      | 192.382   | -  | -  | -   | -  | 39.632.919  | 1.957.068   | 594.148  |
| OECD Countries <sup>(1)</sup>                 | -   | -  | -  | -   | -  | 705.454   | 186.646   | 17   |
| Off-shore Banking Regions                     | -   | -  | -  | -   | -  | 3.108   | -   | 269  |
| USA, Canada                                   | -   | -  | -  | -   | -  | 3.982.037   | 2.130.965   | 329  |
| Other Countries                               | 662.678   | 4.546  | 24   | -   | -  | 5.345.810   | 13.815.600  | 992.717  |
| Subsidiaries, Associates and Joint Ventures   | -   | -  | -  | -   | -  | 297.791   | 422.950   | 6.343  |
| Unallocated Assets/Liabilities <sup>(2)</sup> | -   | -  | -  | -   | -  | -   | -   | -  |
| <b>Total</b>                                  | <b>143.127.722</b>  | <b>654.975</b>   | <b>589.039</b>   | <b>-</b>  | <b>-</b>   | <b>81.617.552</b>   | <b>291.865.467</b>                                  | <b>166.121.761</b>                               |

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

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada.

<sup>(2)</sup> Assets and liabilities that could not be distributed on a consistent basis.

|   | 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 organisations | Conditional and unconditional receivables from banks and brokerage houses | Conditional and unconditional corporate receivables | Conditional and unconditional retail receivables |
|---|---|--|--|---|--|---|---|--|
| <b>Prior Period</b>                           |   |  |  |   |  |   |   |  |
| Domestic                                      | 105.971.128   | 682.786  | 542.144  | -   | -  | 21.394.107  | 256.336.366   | 136.363.786                                      |
| European Union Countries                      | 64.087  | -  | -  | -   | -  | 26.636.834  | 2.063.237   | 132.114  |
| OECD Countries <sup>(1)</sup>                 | -   | -  | -  | -   | -  | 988.063   | 281.482   | -  |
| Off-shore Banking Regions                     | -   | -  | -  | -   | -  | 142.333   | -   | -  |
| USA, Canada                                   | -   | -  | -  | -   | -  | 4.019.793   | 1.090.168   | 842  |
| Other Countries                               | 2.200.674   | 2.049  | 63   | -   | -  | 1.345.902   | 3.654.763   | 1.943.517  |
| Subsidiaries, Associates and Joint Ventures   | -   | -  | -  | -   | -  | 196.602   | 756.309   | 6.067  |
| Unallocated Assets/Liabilities <sup>(2)</sup> | -   | -  | -  | -   | -  | -   | -   | -  |
| <b>Total</b>                                  | <b>108.235.889</b>  | <b>684.835</b>   | <b>542.207</b>   | <b>-</b>  | <b>-</b>   | <b>54.723.634</b>   | <b>264.182.325</b>                                  | <b>138.446.326</b>                               |

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

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada

<sup>(2)</sup> Assets and liabilities that could not be distributed on a consistent basis

## 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 secured by mortgages | Past due receivables | Receivables defined in high risk category by BRSA | Securities collateralised by mortgages | Securitization positions | Short-term receivables from banks, brokerage houses and corporates | Investments similar to collective investment funds | Investments in Equity Instruments <sup>(3)</sup> | Other receivables | Total       |
|--|----------------------|---|--|--------------------------|--|--|--|-------------------|-------------|
| 68.652.934   | 4.658.210            | 1.764.652   | -                                      | -                        | -  | 2.533.444  | 139.049  | 32.624.242        | 723.415.246 |
| -  | 1.168                | 459   | -                                      | -                        | -  | -  | -  | 43.776            | 42.421.920  |
| -  | -                    | -   | -                                      | -                        | -  | -  | -  | -                 | 892.117     |
| -  | -                    | -   | -                                      | -                        | -  | -  | -  | -                 | 3.377       |
| -  | -                    | -   | -                                      | -                        | -  | -  | -  | -                 | 6.113.331   |
| 59.608   | 134.670              | 830.607   | -                                      | -                        | -  | 19.136   | 24.853   | 666.385           | 22.556.634  |
| -  | -                    | 355.535   | -                                      | -                        | -  | -  | -  | -                 | 1.082.619   |
| -  | -                    | -   | -                                      | -                        | -  | -  | -  | -                 | -           |
| 68.712.542   | 4.794.048            | 2.951.253   | -                                      | -                        | -  | 2.552.580  | 163.902  | 33.334.403        | 796.485.244 |

| Conditional and unconditional receivables secured by mortgages | Past due receivables | Receivables defined in high risk category by BRSA | Securities collateralised by mortgages | Securitization positions | Short-term receivables from banks, brokerage houses and corporates | Investments similar to collective investment funds | Investments in Equity Instruments <sup>(3)</sup> | Other Receivables | Total       |
|--|----------------------|---|--|--------------------------|--|--|--|-------------------|-------------|
| 54.822.568   | 2.325.682            | 226.182   | -                                      | -                        | -  | 1.146.549  | 124.424  | 23.190.242        | 603.125.964 |
| -  | 1.727                | 803   | -                                      | -                        | -  | -  | 9  | 76.638            | 28.975.449  |
| -  | -                    | -   | -                                      | -                        | -  | -  | -  | -                 | 1.269.545   |
| -  | -                    | -   | -                                      | -                        | -  | -  | -  | -                 | 142.333     |
| -  | -                    | -   | -                                      | -                        | -  | -  | -  | -                 | 5.110.803   |
| 32.140   | 287                  | 2.213.318   | -                                      | -                        | -  | -  | 24.001   | 131.793           | 11.548.507  |
| -  | -                    | -   | -                                      | -                        | -  | -  | -  | -                 | 958.978     |
| -  | -                    | -   | -                                      | -                        | -  | -  | -  | -                 | -           |
| 54.854.708   | 2.327.696            | 2.440.303   | -                                      | -                        | -  | 1.146.549  | 148.434  | 23.398.673        | 651.131.579 |

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

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

**3. 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 organisations | Conditional and unconditional receivables from banks and brokerage houses | Conditional and unconditional corporate receivables | Conditional and unconditional retail receivables | Conditional and unconditional receivables secured by mortgages |  |
| <b>Sectors/Counter Parties</b>       |   |  |  |   |  |   |   |  |  |  |
| Agriculture                          | 112   | 353  | 7.963  | -   | -  | -   | 2.527.975   | 6.341.181  | 1.106.346  |  |
| Farming and Stockbreeding            | 33  | 353  | 7.963  | -   | -  | -   | 2.408.539   | 5.848.131  | 1.062.074  |  |
| Forestry                             | 79  | -  | -  | -   | -  | -   | 41.783  | 223.205  | 27.145   |  |
| Fishing                              | -   | -  | -  | -   | -  | -   | 77.653  | 269.845  | 17.127   |  |
| Manufacturing                        | 67.650  | 1.382  | 8.825  | -   | -  | -   | 113.379.690   | 12.710.581                                       | 2.752.266  |  |
| Mining and Quarrying                 | -   | -  | -  | -   | -  | -   | 5.784.370   | 204.605  | 37.818   |  |
| Production                           | 67.643  | 14   | 670  | -   | -  | -   | 77.891.058  | 12.344.423                                       | 2.692.466  |  |
| Electric, Gas and Water              | 7   | 1.368  | 8.155  | -   | -  | -   | 29.704.262  | 161.553  | 21.982   |  |
| Construction                         | -   | -  | 167.519  | -   | -  | -   | 38.823.298  | 4.968.720  | 1.396.361  |  |
| Services                             | 54.699.644  | 4.746  | 182.351  | -   | -  | 67.310.084  | 112.308.109   | 32.650.321                                       | 6.950.567  |  |
| Wholesale and Retail Trade           | 3   | 25   | 12.223   | -   | -  | -   | 30.288.162  | 22.967.446                                       | 4.019.577  |  |
| Hotel Food and Beverage Services     | 2.027   | 35   | 3.685  | -   | -  | -   | 6.909.094   | 2.023.079  | 1.131.387  |  |
| Transportation and Telecommunication | 4.047   | 539  | 112.907  | -   | -  | -   | 35.540.237  | 3.227.959  | 652.408  |  |
| Financial Institutions               | 54.417.565  | 862  | 16.371   | -   | -  | 59.517.098  | 14.431.214  | 656.768  | 3.623  |  |
| Real Estate and Leasing Services     | 142.733   | 2.955  | 3.017  | -   | -  | 7.792.986   | 23.623.080  | 2.897.592  | 826.621  |  |
| Self Employment Services             | -   | -  | 2.147  | -   | -  | -   | -   | -  | -  |  |
| Education Services                   | 128.764   | -  | 16.152   | -   | -  | -   | 620.251   | 329.224  | 132.411  |  |
| Health and Social Services           | 4.505   | 330  | 15.849   | -   | -  | -   | 896.071   | 548.253  | 184.540  |  |
| Other                                | 88.360.316  | 648.494  | 222.381  | -   | -  | 14.307.468  | 24.826.395  | 109.450.958                                      | 56.507.002   |  |
| <b>Total</b>                         | <b>143.127.722</b>  | <b>654.975</b>   | <b>589.039</b>   | <b>-</b>  | <b>-</b>   | <b>81.617.552</b>   | <b>291.865.467</b>                                  | <b>166.121.761</b>                               | <b>68.712.542</b>  |  |

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

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

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

| Risk Classes         |   |  |                          |  |  |                                   |                   |                    |                    |                    |
|----------------------|---|--|--------------------------|--|--|-----------------------------------|-------------------|--------------------|--------------------|--------------------|
| Past due receivables | Receivables defined in high risk category by BRSA | Securities collateralised by mortgages | Securitization positions | Short-term from banks, brokerage houses and corporates | Investments similar to collective investment funds | Investments in Equity Instruments | Other receivables | TL                 | FC                 | Total              |
| 95.849               | 7.046   | -                                      | -                        | -  | -  | -                                 | 42.491            | 304.954            | 9.824.362          | 10.129.316         |
| 89.660               | 6.612   | -                                      | -                        | -  | -  | -                                 | 41.877            | 268.266            | 9.196.976          | 9.465.242          |
| 2.768                | 345   | -                                      | -                        | -  | -  | -                                 | 477               | 13.478             | 282.324            | 295.802            |
| 3.421                | 89  | -                                      | -                        | -  | -  | -                                 | 137               | 23.210             | 345.062            | 368.272            |
| 538.875              | 157.395   | -                                      | -                        | -  | -  | -                                 | 7.278             | 71.562.300         | 58.061.642         | 129.623.942        |
| 4.755                | 648   | -                                      | -                        | -  | -  | -                                 | 95                | 4.622.392          | 1.409.899          | 6.032.291          |
| 432.079              | 156.542   | -                                      | -                        | -  | -  | -                                 | 7.051             | 44.173.741         | 49.418.205         | 93.591.946         |
| 102.041              | 205   | -                                      | -                        | -  | -  | -                                 | 132               | 22.766.167         | 7.233.538          | 29.999.705         |
| 587.628              | 946.980   | -                                      | -                        | -  | 236.607  | -                                 | 25.850            | 20.730.349         | 26.422.614         | 47.152.963         |
| 1.162.540            | 717.081   | -                                      | -                        | -  | 2.315.973  | 163.902                           | 843.356           | 128.262.368        | 151.046.306        | 279.308.674        |
| 629.278              | 117.401   | -                                      | -                        | -  | -  | -                                 | 35.697            | 11.266.802         | 46.803.010         | 58.069.812         |
| 180.176              | 16.497  | -                                      | -                        | -  | -  | -                                 | 6.663             | 6.573.122          | 3.699.521          | 10.272.643         |
| 33.426               | 10.533  | -                                      | -                        | -  | -  | -                                 | 6.885             | 15.912.665         | 23.676.276         | 39.588.941         |
| 52                   | 497.770   | -                                      | -                        | -  | 1.994.104  | 163.902                           | 789.559           | 71.491.668         | 60.997.220         | 132.488.888        |
| 303.363              | 14.698  | -                                      | -                        | -  | 321.869  | -                                 | 4.058             | 22.448.301         | 13.484.671         | 35.932.972         |
| -                    | -   | -                                      | -                        | -  | -  | -                                 | -                 | 2.147              | -                  | 2.147              |
| 8.703                | 59.229  | -                                      | -                        | -  | -  | -                                 | 165               | 446.108            | 848.791            | 1.294.899          |
| 7.542                | 953   | -                                      | -                        | -  | -  | -                                 | 329               | 121.555            | 1.536.817          | 1.658.372          |
| 2.409.156            | 1.122.751   | -                                      | -                        | -  | -  | -                                 | 32.415.428        | 75.117.763         | 255.152.586        | 330.270.349        |
| <b>4.794.048</b>     | <b>2.951.253</b>                                  | -                                      | -                        | -  | <b>2.552.580</b>                                   | <b>163.902</b>                    | <b>33.334.403</b> | <b>295.977.734</b> | <b>500.507.510</b> | <b>796.485.244</b> |

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

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

|                                      | 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 organisations | Conditional and unconditional receivables from banks and brokerage houses | Conditional and unconditional corporate receivables | Conditional and unconditional retail receivables | Conditional and unconditional receivables secured by mortgages |  |
| <b>Sectors/Counter Parties</b>       |   |  |  |   |  |   |   |  |  |  |
| Agriculture                          | 119   | 473  | 11.578   | -   | -  | -   | 3.148.963   | 5.123.165  | 975.337  |  |
| Farming and Stockbreeding            | 37  | 473  | 11.578   | -   | -  | -   | 2.393.782   | 4.730.831  | 937.275  |  |
| Forestry                             | 82  | -  | -  | -   | -  | -   | 542.020   | 170.433  | 18.774   |  |
| Fishing                              | -   | -  | -  | -   | -  | -   | 213.161   | 221.901  | 19.288   |  |
| Manufacturing                        | 74.812  | 6.082  | 31.472   | -   | -  | -   | 102.697.768   | 9.095.843  | 1.735.009  |  |
| Mining and Quarrying                 | -   | -  | -  | -   | -  | -   | 5.261.839   | 161.125  | 24.311   |  |
| Production                           | 74.806  | 19   | 2.115  | -   | -  | -   | 71.032.920  | 8.839.852  | 1.690.740  |  |
| Electric, Gas and Water              | 6   | 6.063  | 29.357   | -   | -  | -   | 26.403.009  | 94.866   | 19.958   |  |
| Construction                         | -   | -  | 61.108   | -   | -  | -   | 51.499.361  | 4.688.200  | 1.386.610  |  |
| Services                             | 44.587.748  | 3.861  | 306.953  | -   | -  | 54.721.656  | 85.456.430  | 27.782.163                                       | 5.297.105  |  |
| Wholesale and Retail Trade           | 18  | 1.435  | 6.357  | -   | -  | -   | 25.022.115  | 19.717.803                                       | 2.935.788  |  |
| Hotel Food and Beverage Services     | 302   | 13   | 1.237  | -   | -  | -   | 4.823.337   | 1.602.016  | 796.019  |  |
| Transportation and Telecommunication | 4.786   | 249  | 152.113  | -   | -  | -   | 16.003.428  | 2.733.835  | 513.700  |  |
| Financial Institutions               | 44.342.749  | 934  | 18.112   | -   | -  | 49.270.612  | 14.988.333  | 540.608  | 2.429  |  |
| Real Estate and Leasing Services     | 138.682   | 248  | 792  | -   | -  | 5.451.044   | 23.315.891  | 2.455.183  | 849.168  |  |
| Self Employment Services             | -   | -  | -  | -   | -  | -   | -   | 261  | -  |  |
| Education Services                   | 100.492   | -  | 115.705  | -   | -  | -   | 457.251   | 263.689  | 80.586   |  |
| Health and Social Services           | 719   | 982  | 12.637   | -   | -  | -   | 846.075   | 468.768  | 119.415  |  |
| Other                                | 63.573.210  | 674.419  | 131.096  | -   | -  | 1.978   | 21.379.803  | 91.756.955                                       | 45.460.647   |  |
| <b>Total</b>                         | <b>108.235.889</b>  | <b>684.835</b>   | <b>542.207</b>   | <b>-</b>  | <b>-</b>   | <b>54.723.634</b>   | <b>264.182.325</b>                                  | <b>138.446.326</b>                               | <b>54.854.708</b>  |  |

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

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

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

| Risk Classes         |   |  |                          |  |  |                                   |                   |                    |                    |                    |
|----------------------|---|--|--------------------------|--|--|-----------------------------------|-------------------|--------------------|--------------------|--------------------|
| Past due receivables | Receivables defined in high risk category by BRSA | Securities collateralised by mortgages | Securitization positions | Short-term from banks, brokerage houses and corporates | Investments similar to collective investment funds | Investments in Equity Instruments | Other receivables | TL                 | FC                 | Total              |
| 87.723               | 16.503  | -                                      | -                        | -  | -  | -                                 | 328.551           | 8.735.465          | 956.947            | 9.692.412          |
| 83.913               | 16.265  | -                                      | -                        | -  | -  | -                                 | 327.433           | 8.166.538          | 335.049            | 8.501.587          |
| 2.409                | 43  | -                                      | -                        | -  | -  | -                                 | 931               | 253.963            | 480.729            | 734.692            |
| 1.401                | 195   | -                                      | -                        | -  | -  | -                                 | 187               | 314.964            | 141.169            | 456.133            |
| 380.890              | 220.415   | -                                      | -                        | -  | -  | -                                 | 171.546           | 40.480.949         | 73.932.888         | 114.413.837        |
| 4.515                | 485   | -                                      | -                        | -  | -  | -                                 | 79                | 937.494            | 4.514.860          | 5.452.354          |
| 373.774              | 20.114  | -                                      | -                        | -  | -  | -                                 | 171.325           | 33.755.760         | 48.449.905         | 82.205.665         |
| 2.601                | 199.816   | -                                      | -                        | -  | -  | -                                 | 142               | 5.787.695          | 20.968.123         | 26.755.818         |
| 183.195              | 290.793   | -                                      | -                        | -  | 166.360  | -                                 | 27.020            | 20.345.449         | 37.957.198         | 58.302.647         |
| 590.937              | 161.304   | -                                      | -                        | -  | 980.189  | 148.434                           | 355.031           | 89.799.084         | 130.592.727        | 220.391.811        |
| 383.933              | 28.162  | -                                      | -                        | -  | -  | -                                 | 60.819            | 36.161.310         | 11.995.120         | 48.156.430         |
| 41.884               | 64.060  | -                                      | -                        | -  | -  | -                                 | 6.718             | 2.565.455          | 4.770.131          | 7.335.586          |
| 25.224               | 4.333   | -                                      | -                        | -  | -  | -                                 | 20.173            | 4.562.539          | 14.895.302         | 19.457.841         |
| 41                   | -   | -                                      | -                        | -  | 655.514  | 148.007                           | 262.364           | 29.901.297         | 80.328.406         | 110.229.703        |
| 131.275              | 63.276  | -                                      | -                        | -  | 324.675  | -                                 | 4.493             | 14.728.635         | 18.006.092         | 32.734.727         |
| -                    | -   | -                                      | -                        | -  | -  | -                                 | -                 | -                  | 261                | 261                |
| 5.926                | 170   | -                                      | -                        | -  | -  | -                                 | 194               | 751.956            | 272.057            | 1.024.013          |
| 2.654                | 1.303   | -                                      | -                        | -  | -  | 427                               | 270               | 1.127.892          | 325.358            | 1.453.250          |
| 1.084.951            | 1.751.288   | -                                      | -                        | -  | -  | -                                 | 22.516.525        | 177.571.572        | 70.759.300         | 248.330.872        |
| <b>2.327.696</b>     | <b>2.440.303</b>                                  | -                                      | -                        | -  | <b>1.146.549</b>                                   | <b>148.434</b>                    | <b>23.398.673</b> | <b>336.932.519</b> | <b>314.199.060</b> | <b>651.131.579</b> |

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

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

**4. Analysis of maturity-bearing exposures according to remaining maturities**

| Current Period   | Term to Maturity  |                   |                   |                   |                    |
|--|-------------------|-------------------|-------------------|-------------------|--------------------|
|  | 1 Month           | 1-3 Months        | 3-6 Months        | 6-12 Months       | Over 1 Year        |
| <b>Exposure Classifications:</b>   |                   |                   |                   |                   |                    |
| Conditional and unconditional exposures to central governments or central banks                    | 5.666.354         | 702.604           | 5.242.281         | 6.095.258         | 125.421.225        |
| Conditional and unconditional exposures to regional governments or local authorities               | 5.015             | 965               | 16.993            | 79.697            | 552.305            |
| Conditional and unconditional receivables from administrative units and non-commercial enterprises | 8.138             | 4.752             | 1.555             | 60.848            | 513.746            |
| Conditional and unconditional exposures to multilateral development banks                          | -                 | -                 | -                 | -                 | -                  |
| Conditional and unconditional exposures to international organisations                             | -                 | -                 | -                 | -                 | -                  |
| Conditional and unconditional exposures to banks and brokerage houses                              | 55.122.457        | 9.106.043         | 1.600.856         | 1.616.148         | 14.172.048         |
| Conditional and unconditional exposures to corporates  | 4.689.426         | 12.878.958        | 9.138.005         | 43.360.357        | 221.798.721        |
| Conditional and unconditional retail exposures   | 4.647.212         | 5.065.791         | 7.976.495         | 33.608.833        | 114.823.430        |
| Conditional and unconditional exposures secured by real estate property                            | 154.963           | 412.416           | 737.342           | 4.882.726         | 62.525.095         |
| Past due receivables   | 3.025.437         | 9                 | 1                 | 21                | 1.768.580          |
| Receivables defined in high risk category by BRSA  | 986.773           | -                 | 2.911             | 127.586           | 1.833.983          |
| 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  | 185.348           | -                 | 10.287            | 1.017.245         | 1.339.700          |
| Investments in Equity Instruments  | -                 | -                 | -                 | -                 | 163.902            |
| <b>Grand Total</b>   | <b>74.491.123</b> | <b>28.171.538</b> | <b>24.726.726</b> | <b>90.848.719</b> | <b>544.912.735</b> |

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

## 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   | Term to Maturity  |                   |                  |                   |                    |
|--|-------------------|-------------------|------------------|-------------------|--------------------|
|  | 1 Month           | 1-3 Months        | 3-6 Months       | 6-12 Months       | Over 1 Year        |
| <b>Exposure Classifications:</b>   |                   |                   |                  |                   |                    |
| Conditional and unconditional exposures to central governments or central banks                    | 3.190.166         | 146.176           | 2.228.434        | 3.748.741         | 98.922.372         |
| Conditional and unconditional exposures to regional governments or local authorities               | 5.070             | 18                | 2.617            | 25.851            | 651.279            |
| Conditional and unconditional receivables from administrative units and non-commercial enterprises | 16.028            | 2.095             | 5.806            | 28.982            | 489.296            |
| Conditional and unconditional exposures to multilateral development banks                          | -                 | -                 | -                | -                 | -                  |
| Conditional and unconditional exposures to international organisations                             | -                 | -                 | -                | -                 | -                  |
| Conditional and unconditional exposures to banks and brokerage houses                              | 29.848.921        | 8.870.171         | 2.649.512        | 3.196.716         | 10.158.314         |
| Conditional and unconditional exposures to corporates  | 14.162.717        | 6.828.394         | 2.807.300        | 42.057.080        | 198.326.834        |
| Conditional and unconditional retail exposures   | 3.094.293         | 465.243           | 945.403          | 27.325.243        | 106.616.144        |
| Conditional and unconditional exposures secured by real estate property                            | 9.178             | 27.356            | 22.577           | 3.344.313         | 51.451.284         |
| Past due receivables   | 1.701.750         | 376               | 34               | 190               | 625.346            |
| Receivables defined in high risk category by BRSA  | 144.115           | 397.463           | 1.234            | 30.164            | 1.867.327          |
| 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  | -                 | -                 | -                | 331.624           | 814.925            |
| Investments in Equity Instruments  | -                 | -                 | -                | -                 | 148.434            |
| <b>Grand Total</b>   | <b>52.172.238</b> | <b>16.737.292</b> | <b>8.662.917</b> | <b>80.088.904</b> | <b>470.071.555</b> |

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

For the foreign banks, the ratings of the Fitch Ratings International Rating Agency is used for determining the risk weights for the risk classes by using a rating grade from the risk classes specified in Article 6 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks. While the international rating score is taken into consideration for the entire risk class receivables from central governments or central banks, the ratings of the Islamic International Rating Agency (IIRA) are used. The country risk classification published by the Organization for Economic Cooperation and Development (OECD) is taken as basis for unclassified central government and central banks. The counterparties residing domestically are accepted as “Gradeless” and take the risk weight which is appropriate for the “Gradeless” category in the related risk class.

In order to determine the risk weight of 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.

Fitch Rating’s and the Islamic International Rating Agency’s (IIRA) risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

| Credit Quality Grade | Fitch Ratings Long Term Credit Rating | Exposure to Banks and Brokerage Houses                |   |
|----------------------|---------------------------------------|---|---|
|                      |                                       | Exposures with Original Maturities Less Than 3 Months | Exposures with Original Maturities More Than 3 Months |
| 1                    | AAA to AA-                            | 20%   | 20%   |
| 2                    | A+ to A-                              | 20%   | 50%   |
| 3                    | BBB+ to BBB-                          | 20%   | 50%   |
| 4                    | BB+ to BB-                            | 50%   | 100%  |
| 5                    | B+ to B-                              | 50%   | 100%  |
| 6                    | CCC+ and below                        | 150%  | 150%  |



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

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

| Credit Quality Grade | IIRA Long Term Credit Rating | Receivables from the Central Governments and the Central Banks |
|----------------------|------------------------------|--|
| 1                    | AAA to AA-                   | 0%   |
| 2                    | A+ to A-                     | 20%  |
| 3                    | BBB+ to BBB-                 | 50%  |
| 4                    | BB+ to BB-                   | 100%   |
| 5                    | B+ to B-                     | 100%   |
| 6                    | CCC+ and below               | 150%   |

### 5. Exposures by risk weights:

#### Current Period

|   | Risk Weights                            | 0%          | 2% <sup>(1)</sup> | 10% | 20%        | 35%        | 50%        | 75%         | 100%        | 150%      | 200% | 1250% | Deductions from Equity |
|---|---|-------------|-------------------|-----|------------|------------|------------|-------------|-------------|-----------|------|-------|------------------------|
| 1 | Exposures before Credit Risk Mitigation | 117.728.136 | 2.870.742         | -   | 53.652.350 | -          | 70.509.780 | 231.574.866 | 317.198.115 | 2.951.255 | -    | -     | 1.080.795              |
| 2 | Exposures after Credit Risk Mitigation  | 183.972.736 | 2.870.742         | -   | 19.287.478 | 59.380.353 | 96.409.551 | 146.525.565 | 285.148.908 | 2.889.911 | -    | -     | 1.080.795              |

Prepared with the numbers after conversion rate to credit

<sup>(1)</sup> In accordance with the Regulation on Measurement and Evaluation of Banks' Capital Adequacy risk weights of 2% and 4% have been added to the Calculation of the Capital Liability for Risks Arising from Central Counterparties as of the current period.

#### Prior Period

|   | Risk Weights                            | 0%          | 10% | 20%        | 35%        | 50%        | 75%         | 100%        | 150%      | 200% | 1250% | Deductions from Equity |
|---|---|-------------|-----|------------|------------|------------|-------------|-------------|-----------|------|-------|------------------------|
| 1 | Exposures before Credit Risk Mitigation | 99.567.310  | -   | 29.418.621 | -          | 48.806.263 | 190.809.897 | 280.089.185 | 2.440.303 | -    | -     | 795.695                |
| 2 | Exposures after Credit Risk Mitigation  | 144.615.328 | -   | 14.046.093 | 47.341.458 | 67.804.137 | 121.074.727 | 253.882.231 | 2.367.605 | -    | -     | 795.695                |

Prepared with the numbers after conversion rate to credit.

### 6. Information in terms of major sectors and type of counterparties:

#### Impaired Credits

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 “IFRS 9 expected loss provisions for the loans for the stage 3” calculation is made within the scope of Regulation on Provisions.

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

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

### Past Due Credits

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 “IFRS 9 expected loss provisions (Stage 2)” calculation is made within the scope of Regulation for Provisions.

| Current Period                  | Loans   |                                | Provisions                                 |
|---------------------------------|---|--------------------------------|--|
|                                 | Impaired (IFRS 9)                             |                                |  |
|                                 | Significant Increase in Credit Risk (Stage 2) | Non-performing loans (Stage 3) | Provisions for Expected Credit Loss (IFRS) |
| <b>Agriculture</b>              | <b>3.600.569</b>                              | <b>1.810.224</b>               | <b>1.138.189</b>                           |
| Farming and Stockbreeding       | 3.584.481                                     | 1.789.010                      | 1.122.042                                  |
| Forestry                        | 7.770   | 11.674                         | 8.228                                      |
| Fishery                         | 8.318   | 9.540                          | 7.919                                      |
| <b>Manufacturing</b>            | <b>7.623.229</b>                              | <b>2.567.341</b>               | <b>2.236.722</b>                           |
| Mining and Quarrying            | 232.631                                       | 32.101                         | 27.307                                     |
| Production                      | 5.416.599                                     | 2.281.898                      | 1.726.912                                  |
| Electricity, Gas and Water      | 1.973.999                                     | 253.342                        | 482.503                                    |
| <b>Construction</b>             | <b>2.812.608</b>                              | <b>2.593.481</b>               | <b>1.716.042</b>                           |
| <b>Services</b>                 | <b>14.737.852</b>                             | <b>5.137.622</b>               | <b>5.950.087</b>                           |
| Wholesale and Retail Trade      | 2.203.367                                     | 2.928.652                      | 2.116.979                                  |
| Accommodation and Dining        | 808.367                                       | 356.358                        | 221.394                                    |
| Transportation and Telecom.     | 9.183.304                                     | 178.307                        | 2.432.381                                  |
| Financial Institutions          | 13.485  | 5.870                          | 4.490                                      |
| Real Estate and Rental Services | 2.186.294                                     | 1.514.297                      | 1.118.422                                  |
| Professional Services           | 407   | 93                             | 1.396                                      |
| Educational Services            | 40.363  | 108.756                        | 24.559                                     |
| Health and Social Services      | 302.265                                       | 45.289                         | 30.466                                     |
| <b>Other</b>                    | <b>2.610.351</b>                              | <b>2.422.762</b>               | <b>1.637.023</b>                           |
| <b>Total</b>                    | <b>31.384.609</b>                             | <b>14.531.430</b>              | <b>12.678.063</b>                          |

**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   |                                | Provisions                                 |
|---------------------------------|---|--------------------------------|--|
|                                 | Impaired (IFRS 9)                             |                                |  |
|                                 | Significant Increase in Credit Risk (Stage 2) | Non-performing loans (Stage 3) |  |
|                                 |   |                                | Provisions for Expected Credit Loss (IFRS) |
| <b>Agriculture</b>              | <b>2.285.479</b>                              | <b>1.235.943</b>               | <b>691.978</b>                             |
| Farming and Stockbreeding       | 2.267.296                                     | 1.221.040                      | 680.255                                    |
| Forestry                        | 8.272   | 7.921                          | 5.283                                      |
| Fishery                         | 9.911   | 6.982                          | 6.440                                      |
| <b>Manufacturing</b>            | <b>1.745.324</b>                              | <b>1.610.824</b>               | <b>1.196.262</b>                           |
| Mining and Quarrying            | 193.054                                       | 22.100                         | 17.018                                     |
| Production                      | 1.282.925                                     | 1.568.239                      | 1.135.738                                  |
| Electricity, Gas and Water      | 269.345                                       | 20.485                         | 43.506                                     |
| <b>Construction</b>             | <b>2.610.197</b>                              | <b>641.562</b>                 | <b>483.811</b>                             |
| <b>Services</b>                 | <b>10.989.288</b>                             | <b>3.113.760</b>               | <b>4.440.277</b>                           |
| Wholesale and Retail Trade      | 1.893.371                                     | 1.905.735                      | 1.532.700                                  |
| Accommodation and Dining        | 520.936                                       | 128.932                        | 106.655                                    |
| Transportation and Telecom.     | 7.466.416                                     | 118.762                        | 1.979.081                                  |
| Financial Institutions          | 5.012   | 4.367                          | 3.109                                      |
| Real Estate and Rental Services | 833.884                                       | 908.346                        | 784.385                                    |
| Professional Services           | 1.610   | -                              | 27   |
| Educational Services            | 34.470  | 26.412                         | 16.129                                     |
| Health and Social Services      | 233.589                                       | 21.206                         | 18.191                                     |
| <b>Other</b>                    | <b>1.848.121</b>                              | <b>2.153.908</b>               | <b>1.643.336</b>                           |
| <b>Total</b>                    | <b>19.478.409</b>                             | <b>8.755.997</b>               | <b>8.455.664</b>                           |

**7. Information about Value Adjustment and Change in Provisions**

|   | Current Period                     | Opening Balance | Provision for Period | Provision Reversals | Other Adjustments | Closing Balance |
|---|------------------------------------|-----------------|----------------------|---------------------|-------------------|-----------------|
| 1 | Specific Provisions (Stage 3)      | 6.190.930       | 3.856.575            | (880.059)           | 35.082            | 9.202.528       |
| 2 | General Provisions (Stage 1 and 2) | 3.260.949       | 1.936.425            | (260.285)           | 22.674            | 4.959.763       |

|   | Prior Period        | Opening Balance | Provision for Period | Provision Reversals | Other Adjustments | Closing Balance |
|---|---------------------|-----------------|----------------------|---------------------|-------------------|-----------------|
| 1 | Specific Provisions | 4.279.821       | 2.270.633            | (359.524)           | -                 | 6.190.930       |
| 2 | General Provisions  | 734.163         | 2.737.054            | (210.268)           | -                 | 3.260.949       |

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

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

### 8. Risks Included Capital Capacity Buffer Calculations

#### Current Period

| Country                             | Banking Accounts RWA | Trading Accounts RWA | TOTAL     |
|-------------------------------------|----------------------|----------------------|-----------|
| Bosnia and Herzegovina              | 4.396.532            | -                    | 4.396.532 |
| USA                                 | 2.151.679            | 375.131              | 2.526.810 |
| Germany                             | 1.236.585            | -                    | 1.236.585 |
| Azerbaijan                          | 935.376              | 14.168               | 949.544   |
| Turkish Republic of Northern Cyprus | 931.395              | -                    | 931.395   |
| Uzbekistan                          | 760.564              | -                    | 760.564   |
| United Kingdom                      | 709.596              | -                    | 709.596   |
| Bahrain                             | 585.724              | -                    | 585.724   |
| Russia                              | 456.675              | -                    | 456.675   |
| Other                               | 436.494              | -                    | 436.494   |

#### Prior Period

| Country                             | Banking Accounts RWA | Trading Accounts RWA | TOTAL     |
|-------------------------------------|----------------------|----------------------|-----------|
| Bosnia and Herzegovina              | 3.356.346            | -                    | 3.356.346 |
| Germany                             | 1.471.948            | -                    | 1.471.948 |
| USA                                 | 1.111.759            | 226.040              | 1.337.799 |
| Turkish Republic of Northern Cyprus | 736.951              | -                    | 736.951   |
| Azerbaijan                          | 675.488              | 12.621               | 688.109   |
| Kazakhstan                          | 570.651              | -                    | 570.651   |
| Uzbekistan                          | 459.405              | 3.121                | 462.526   |
| Switzerland                         | 333.304              | -                    | 333.304   |
| Netherlands                         | 332.034              | -                    | 332.034   |
| Russia                              | 326.055              | -                    | 326.055   |
| Other                               | 2.439.973            | 130.400              | 2.570.373 |

### III. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

#### 1. Whether The Parent Bank is Exposed to Foreign Currency Risk, Whether The Effects of This Matter are Estimated, Whether Limits for The Daily Followed Positions are Determined by The Board of Directors

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

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

Türkiye Cumhuriyeti Ziraat Bankası 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. Hedge Against Foreign Exchange Debt Instruments and Net Foreign Exchange Investments by Hedging Derivative Instruments, if Material**

None.

**3. Management Policy for Foreign Currency Risk**

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

**4. 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 JPY |
|------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| 24.12.2019 | 5,8898 | 6,5270 | 4,0751 | 0,8737 | 0,6243 | 6,0038 | 4,4769 | 0,6594 | 7,6296 | 1,5698 | 5,3837  |
| 25.12.2019 | 5,8806 | 6,5257 | 4,0688 | 0,8736 | 0,6270 | 5,9951 | 4,4668 | 0,6573 | 7,5989 | 1,5673 | 5,3567  |
| 26.12.2019 | 5,8779 | 6,5197 | 4,0757 | 0,8727 | 0,6230 | 5,9936 | 4,4757 | 0,6607 | 7,6354 | 1,5667 | 5,3625  |
| 27.12.2019 | 5,8987 | 6,5841 | 4,1102 | 0,8817 | 0,6319 | 6,0487 | 4,5069 | 0,6682 | 7,7278 | 1,5722 | 5,3899  |
| 30.12.2019 | 5,8841 | 6,5925 | 4,1159 | 0,8828 | 0,6307 | 6,0736 | 4,5006 | 0,6695 | 7,7334 | 1,5687 | 5,4072  |
| 31.12.2019 | 5,8870 | 6,6047 | 4,1333 | 0,8842 | 0,6319 | 6,0905 | 4,5288 | 0,6709 | 7,7797 | 1,5695 | 5,4208  |

**5. 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 JPY |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| 5,8002 | 6,4437 | 3,9930 | 0,8626 | 0,6155 | 5,9007 | 4,4025 | 0,6434 | 7,6013 | 1,5465 | 5,3132  |

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

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

### 6. Information on The Foreign Currency Risk of the Group

|  | EUR                 | USD                 | Other FC <sup>(1)</sup> | Total               |
|--|---------------------|---------------------|-------------------------|---------------------|
| <b>Current Period</b>  |                     |                     |                         |                     |
| <b>Assets</b>  |                     |                     |                         |                     |
| Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey | 23.891.232          | 19.932.663          | 9.039.519               | 52.863.414          |
| Banks  | 1.890.664           | 3.128.762           | 2.227.986               | 7.247.412           |
| Financial Assets at Fair Value Through Profit and Loss   | 3.621               | 43.611              | 97.775                  | 145.007             |
| Money Market Placement   | -                   | -                   | 133.957                 | 133.957             |
| Financial Assets at Fair Value Through Other Comprehensive Income  | 8.085.914           | 28.320.900          | 146.349                 | 36.553.163          |
| Loans <sup>(2)</sup>   | 58.202.143          | 78.675.071          | 3.946.946               | 140.824.160         |
| Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(4)</sup>  | -                   | 135.330             | 2.584                   | 137.914             |
| Financial Assets Measured at Amortised Cost  | 10.108.399          | 3.530.039           | 52.134                  | 13.690.572          |
| Derivative Financial Assets for Hedging Purposes   | -                   | -                   | -                       | -                   |
| Tangible Fixed Assets  | 23.637              | 543                 | 247.335                 | 271.515             |
| Intangible Assets  | 19.717              | -                   | 31.114                  | 50.831              |
| Other Assets <sup>(6)</sup>  | 481.446             | 852.434             | 227.615                 | 1.561.495           |
| <b>Total Assets <sup>(5) (7)</sup></b>   | <b>102.706.773</b>  | <b>134.619.353</b>  | <b>16.153.314</b>       | <b>253.479.440</b>  |
| <b>Liabilities</b>   |                     |                     |                         |                     |
| Interbank Deposits   | 12.078.350          | 4.274.660           | 619.984                 | 16.972.994          |
| Foreign Currency Deposits  | 109.408.275         | 80.323.230          | 22.331.835              | 212.063.340         |
| Money Market Borrowings  | -                   | 20.473.527          | -                       | 20.473.527          |
| Funds Provided from Other Financial Institutions   | 10.877.961          | 21.658.545          | 54.027                  | 32.590.533          |
| Issued Marketable Securities <sup>(8)</sup>  | 9.565.957           | 9.683.463           | 148.429                 | 19.397.849          |
| Miscellaneous Payables   | 2.184.404           | 331.491             | 36.359                  | 2.552.254           |
| Derivative Financial Liabilities for Hedging Purposes  | -                   | -                   | -                       | -                   |
| Other Liabilities  | 1.145.908           | 488.984             | 316.595                 | 1.951.487           |
| <b>Total Liabilities <sup>(5)</sup></b>  | <b>145.260.855</b>  | <b>137.233.900</b>  | <b>23.507.229</b>       | <b>306.001.984</b>  |
| <b>Net Balance Sheet Position</b>  | <b>(42.554.082)</b> | <b>(2.614.547)</b>  | <b>(7.353.915)</b>      | <b>(52.522.544)</b> |
| <b>Net Off-Balance Sheet Position <sup>(3)</sup></b>   | <b>42.239.827</b>   | <b>(10.244.323)</b> | <b>9.679.167</b>        | <b>41.674.671</b>   |
| Financial Derivative Assets  | 49.481.768          | 63.545.770          | 10.593.739              | 123.621.277         |
| Financial Derivative Liabilities   | 7.241.941           | 73.790.093          | 914.572                 | 81.946.606          |
| <b>Non-Cash Loans</b>  | <b>35.902.142</b>   | <b>44.589.301</b>   | <b>7.041.025</b>        | <b>87.532.468</b>   |
| <b>Prior Period</b>  |                     |                     |                         |                     |
| Total Assets   | 85.603.723          | 118.676.944         | 15.448.382              | 219.729.049         |
| Total Liabilities  | 113.929.235         | 110.510.911         | 14.945.313              | 239.385.459         |
| <b>Net Balance Sheet Position</b>  | <b>(28.325.512)</b> | <b>8.166.033</b>    | <b>503.069</b>          | <b>(19.656.410)</b> |
| <b>Net Off-Balance Sheet Position <sup>(3)</sup></b>   | <b>27.761.346</b>   | <b>(11.215.345)</b> | <b>1.959.819</b>        | <b>18.505.820</b>   |
| Financial Derivative Assets  | 32.585.452          | 31.666.487          | 3.666.863               | 67.918.802          |
| Financial Derivative Liabilities   | 4.824.106           | 42.881.832          | 1.707.044               | 49.412.982          |
| <b>Non-Cash Loans</b>  | <b>36.646.822</b>   | <b>45.965.469</b>   | <b>6.676.566</b>        | <b>89.288.857</b>   |

<sup>(1)</sup> TL 294.722 equivalent of USD and TL 571.170 equivalent of EUR loans are originated as foreign currency indexed loans (31 December 2018: TL 768.374 equivalent of USD and TL 1.086.966 equivalent of EUR).

<sup>(2)</sup> Indicates the net balance of receivables and payables on derivative financial instruments.

<sup>(3)</sup> The foreign currency capital investments to Subsidiaries, Associates and Joint Ventures are evaluated with historical rates on the date of the fair value determination and capital investments made in the subsequent periods are evaluated with the rates on the date of the capital investment and followed with TL equivalents. No exchange rate difference arises from such investments.

<sup>(4)</sup> Derivative financial assets held for trading and liabilities are not included.

<sup>(5)</sup> Prepaid expenses in other assets amounting to TL 16.293 are not included.

<sup>(6)</sup> Expected loss provisions for financial assets and other assets are reflected in related items.

<sup>(7)</sup> Includes subordinated debt instruments.

## 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 THE CONSOLIDATED INTEREST RATE RISK

#### 1. Information Related to Interest Rate Sensitivity of Assets, Liabilities and Off-Balance Sheet Items

(Based on days to repricing dates)

| Current Period   | Up to 1 Month       | 1-3 Months          | 3-12 Months        | 1-5 Years          | 5 Years and Over  | Non-Interest Bearing | Total                |
|--|---------------------|---------------------|--------------------|--------------------|-------------------|----------------------|----------------------|
| <b>Assets</b>  |                     |                     |                    |                    |                   |                      |                      |
| Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey | 31.560.965          | -                   | -                  | -                  | -                 | 24.249.517           | 55.810.482           |
| Banks  | 480.994             | 110.301             | 132.777            | 63.337             | -                 | 6.590.614            | 7.378.023            |
| Financial Assets at Fair Value Through Profit and Loss   | 26.018              | 66.586              | 979.223            | 895.635            | 109.639           | 23                   | 2.077.124            |
| Money Market Placements  | 621.747             | -                   | -                  | -                  | -                 | -                    | 621.747              |
| Financial Assets at Fair Value Through Other Comprehensive Income  | 16.155.484          | 10.821.478          | 28.371.557         | 26.495.730         | 30.722.504        | 776.517              | 113.343.270          |
| Loans Given <sup>(3)</sup>   | 139.542.737         | 34.099.633          | 92.585.067         | 161.718.891        | 37.973.418        | 4.545.604            | 470.465.350          |
| Financial Assets Measured at Amortised Cost  | 2.460.269           | 84.298              | 711.156            | 10.573.278         | 4.288.523         | 51.242               | 18.168.766           |
| Other Assets <sup>(2)</sup>  | 1.133.943           | 1.331.551           | 399.731            | 51.871             | 12.881            | 22.926.486           | 25.856.463           |
| <b>Total Assets <sup>(1) (5)</sup></b>   | <b>191.982.157</b>  | <b>46.513.847</b>   | <b>123.179.511</b> | <b>199.798.742</b> | <b>73.106.965</b> | <b>59.140.003</b>    | <b>693.721.225</b>   |
| <b>Liabilities</b>   |                     |                     |                    |                    |                   |                      |                      |
| Interbank Deposits   | 20.755.815          | 6.904.302           | 589.744            | 25.643             | -                 | 3.205.124            | 31.480.628           |
| Other Deposits   | 194.125.482         | 70.974.614          | 50.804.129         | 3.774.835          | 1.786.391         | 126.982.447          | 448.447.898          |
| Money Market Borrowings  | 45.120.166          | 2.948.343           | 541.873            | 684.163            | -                 | -                    | 49.294.545           |
| Miscellaneous Payables   | 32.370              | -                   | -                  | -                  | -                 | 7.673.426            | 7.705.796            |
| Issued Marketable Securities <sup>(6)</sup>  | 763.356             | 3.756.767           | 984.501            | 19.654.454         | -                 | -                    | 25.159.078           |
| Funds Provided from Other Financial Institutions   | 2.745.370           | 6.304.265           | 17.872.214         | 6.104.863          | 683.231           | 548.494              | 34.258.437           |
| Other Liabilities <sup>(4)</sup>   | 1.403.809           | 147.478             | 422.109            | 1.459.280          | 5.227.647         | 88.714.520           | 97.374.843           |
| <b>Total Liabilities <sup>(1)</sup></b>  | <b>264.946.368</b>  | <b>91.035.769</b>   | <b>71.214.570</b>  | <b>31.703.238</b>  | <b>7.697.269</b>  | <b>227.124.011</b>   | <b>693.721.225</b>   |
| <b>Balance Sheet Long Position</b>   | <b>-</b>            | <b>-</b>            | <b>51.964.941</b>  | <b>168.095.504</b> | <b>65.409.696</b> | <b>-</b>             | <b>285.470.141</b>   |
| <b>Balance Sheet Short Position</b>  | <b>(72.964.211)</b> | <b>(44.521.922)</b> | <b>-</b>           | <b>-</b>           | <b>-</b>          | <b>(167.984.008)</b> | <b>(285.470.141)</b> |
| Off-Balance Sheet Long Position  | 1.186.774           | 141.045             | 3.419              | 6                  | -                 | 129.611              | 1.460.855            |
| Off-Balance Sheet Short Position   | 1.047.681           | 74.152              | (85.481)           | -                  | -                 | -                    | 1.036.352            |
| <b>Total Position</b>  | <b>(70.729.756)</b> | <b>(44.306.725)</b> | <b>51.882.879</b>  | <b>168.095.510</b> | <b>65.409.696</b> | <b>(167.854.397)</b> | <b>2.497.207</b>     |

<sup>(1)</sup> Balances without fixed maturity are shown in the “Non-Interest Bearing” columns.

<sup>(2)</sup> Deferred tax asset and liability are shown under the “Non-Interest Bearing” column.

<sup>(3)</sup> Net balance of loans under follow-up is shown under the “Non-Interest Bearing” column in loans given.

<sup>(4)</sup> Total shareholders’ equity is shown under the “Non-Interest Bearing” column.

<sup>(5)</sup> Allowance for expected losses for financial assets and other assets are reflected in the related items.

<sup>(6)</sup> Includes subordinated debt instruments.

## 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   | Up to 1 Month       | 1-3 Months          | 3-12 Months       | 1-5 Years          | 5 Years and Over  | Non-Interest Bearing | Total                |
|--|---------------------|---------------------|-------------------|--------------------|-------------------|----------------------|----------------------|
| <b>Assets</b>  |                     |                     |                   |                    |                   |                      |                      |
| Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey | 23.637.930          | -                   | -                 | -                  | -                 | 19.244.100           | 42.882.030           |
| Banks  | 3.910.863           | 429.440             | 748.570           | 52.552             | -                 | 3.941.683            | 9.083.108            |
| Financial Assets at Fair Value Through Profit and Loss   | 21.145              | 10.522              | 10.663            | 42.018             | 5.966             | 6.692.464            | 6.782.778            |
| Money Market Placements  | 249.987             | -                   | -                 | -                  | -                 | -                    | 249.987              |
| Financial Assets Measured at Fair Value Through Other Comprehensive Income   | 8.920.898           | 8.347.762           | 18.869.647        | 21.082.365         | 21.942.052        | 670.323              | 79.833.047           |
| Loans Given <sup>(3)</sup>   | 127.815.015         | 35.816.349          | 73.662.425        | 132.928.386        | 26.349.811        | 2.485.893            | 399.057.879          |
| Financial Assets Measured at Amortised Cost  | 2.388.245           | 883.236             | 1.945.688         | 1.626.076          | 3.429.926         | 7.839                | 10.281.010           |
| Other Assets <sup>(2)</sup>  | 550.141             | 1.304.545           | 504.152           | 95.773             | 20.037            | 17.742.509           | 20.217.157           |
| <b>Total Assets <sup>(1)(5)</sup></b>  | <b>167.494.224</b>  | <b>46.791.854</b>   | <b>95.741.145</b> | <b>155.827.170</b> | <b>51.747.792</b> | <b>50.784.811</b>    | <b>568.386.996</b>   |
| <b>Liabilities</b>   |                     |                     |                   |                    |                   |                      |                      |
| Interbank Deposits   | 15.448.356          | 5.224.199           | 494.669           | 113.039            | -                 | 4.151.647            | 25.431.910           |
| Other Deposits   | 148.819.779         | 47.427.841          | 41.617.560        | 4.254.360          | 282.375           | 86.541.423           | 328.943.338          |
| Money Market Borrowings  | 64.330.322          | 2.671.990           | 1.118.379         | 482.947            | -                 | -                    | 68.603.638           |
| Miscellaneous Payables   | 21.402              | -                   | 124.850           | -                  | -                 | 5.404.163            | 5.550.415            |
| Issued Marketable Securities   | 1.425.962           | 1.964.991           | 4.137.675         | 9.415.236          | -                 | -                    | 16.943.864           |
| Funds Provided from Other Financial Institutions   | 5.817.048           | 9.738.616           | 12.419.697        | 5.809.914          | 1.063.494         | -                    | 34.848.769           |
| Other Liabilities <sup>(4)</sup>   | 3.508.399           | 908.612             | 1.465.331         | 903.168            | 4.859.282         | 76.420.270           | 88.065.062           |
| <b>Total Liabilities <sup>(1)</sup></b>  | <b>239.371.268</b>  | <b>67.936.249</b>   | <b>61.378.161</b> | <b>20.978.664</b>  | <b>6.205.151</b>  | <b>172.517.503</b>   | <b>568.386.996</b>   |
| <b>Balance Sheet Long Position</b>   | <b>-</b>            | <b>-</b>            | <b>34.362.984</b> | <b>134.848.506</b> | <b>45.542.641</b> | <b>-</b>             | <b>214.754.131</b>   |
| <b>Balance Sheet Short Position</b>  | <b>(71.877.044)</b> | <b>(21.144.395)</b> | <b>-</b>          | <b>-</b>           | <b>-</b>          | <b>(121.732.692)</b> | <b>(214.754.131)</b> |
| Off-Balance Sheet Long Position  | 509.574             | 2.062.209           | -                 | -                  | -                 | 75.511               | 2.647.294            |
| Off-Balance Sheet Short Position   | 469.564             | 965.120             | (74.986)          | (193.925)          | -                 | -                    | 1.165.773            |
| <b>Total Position</b>  | <b>(70.897.906)</b> | <b>(18.117.066)</b> | <b>34.287.998</b> | <b>134.654.581</b> | <b>45.542.641</b> | <b>(121.657.181)</b> | <b>3.813.067</b>     |

<sup>(1)</sup> Balances without fixed maturity are shown in the “Non-Interest Bearing” columns.<sup>(2)</sup> Deferred tax asset and liability are shown under the “Non-Interest Bearing” column.<sup>(3)</sup> Net balance of loans under follow-up is shown under the “Non-Interest Bearing” column in loans given.<sup>(4)</sup> Total shareholders’ equity is shown under the “Non-Interest Bearing” column.<sup>(5)</sup> Allowance for expected losses for financial assets and other assets are reflected in the related items.



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

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

### 2. Average Interest Rate Applied to the Monetary Financial Instruments (%) (Represents Values Belonging To the Parent Bank) (%)

|   | EUR  | USD  | JPY  | TL    |
|---|------|------|------|-------|
| <b>Current Period</b>   |      |      |      |       |
| <b>Assets</b>   |      |      |      |       |
| Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup> | -    | -    | -    | 10,00 |
| Banks   | 4,30 | -    | -    | 17,25 |
| Financial Assets Measured at Fair Value Through Profit or Loss  | -    | 5,36 | -    | 11,58 |
| Money Market Placements   | -    | -    | -    | -     |
| Financial Assets Measured at Fair Value Through Other Comprehensive Income  | 4,07 | 5,91 | -    | 13,33 |
| Loans Given <sup>(2)</sup>  | 5,00 | 6,97 | 5,19 | 13,35 |
| Financial Assets Measured at Amortised Cost   | 4,99 | 7,40 | -    | 15,14 |
| <b>Liabilities</b>  |      |      |      |       |
| Interbank Deposits  | 0,34 | 1,56 | -    | 11,20 |
| Other Deposits  | 0,49 | 2,09 | -    | 10,50 |
| Money Market Borrowings   | -    | 2,92 | -    | 11,53 |
| Miscellaneous Payables  | -    | -    | -    | -     |
| Issued Marketable Securities <sup>(3)</sup>   | 5,08 | 4,97 | 1,50 | 13,65 |
| Funds Provided from Other Financial Institutions  | 1,78 | 3,98 | -    | 11,47 |

<sup>(1)</sup> The rate on TL column denotes the interest rates applied for required reserve at CBRT.

<sup>(2)</sup> Credit card loans are not included.

<sup>(3)</sup> Subordinated debts are included

<sup>(4)</sup> Foreign branches are excluded.

|   | EUR  | USD  | JPY  | TL    |
|---|------|------|------|-------|
| <b>Prior Period</b>   |      |      |      |       |
| <b>Assets</b>   |      |      |      |       |
| Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup> | -    | 2,00 | -    | 13,00 |
| Banks   | 0,71 | 4,33 | -    | 23,35 |
| Financial Assets Measured at Fair Value Through Profit or Loss  | 2,34 | 5,18 | -    | 8,78  |
| Money Market Placements   | -    | -    | -    | -     |
| Financial Assets Measured at Fair Value Through Other Comprehensive Income  | 4,68 | 5,70 | -    | 12,59 |
| Loans Given <sup>(2)</sup>  | 4,95 | 7,28 | 4,85 | 15,54 |
| Financial Assets Measured at Amortised Cost   | 6,63 | 7,32 | -    | 17,06 |
| <b>Liabilities</b>  |      |      |      |       |
| Interbank Deposits  | 0,52 | 2,32 | -    | 23,33 |
| Other Deposits  | 1,68 | 3,31 | -    | 19,05 |
| Money Market Borrowings   | -    | 3,76 | -    | 24,33 |
| Miscellaneous Payables  | -    | -    | -    | -     |
| Issued Marketable Securities  | 0,60 | 4,77 | 1,50 | 21,40 |
| Funds Provided from Other Financial Institutions  | 1,22 | 3,94 | -    | 21,13 |

<sup>(1)</sup> The rate on TL column denotes the interest rates applied for required reserve at CBRT.

<sup>(2)</sup> Credit card loans are not included.

<sup>(3)</sup> Foreign branches are excluded.

Türkiye Cumhuriyeti Ziraat Bankası 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. EXPLANATIONS ON THE POSITION RISK OF EQUITY SECURITIES

### 1. Equity Securities Position Risk Derived from Banking Books

*Comparison with the market value if the market value is significantly different from the fair value for balance sheet, fair and market values of equity shares*

| Investments in Equity Instruments - Current Period | Comparison          |            |              |
|--|---------------------|------------|--------------|
|  | Balance Sheet Value | Fair Value | Market Value |
| 1. Investment in Equity Instruments Group A        | -                   | -          | -            |
| Traded on Stock Exchange                           | -                   | -          | -            |
| 2. Investment in Equity Instruments Group B        | -                   | -          | -            |
| Traded on Stock Exchange                           | -                   | -          | -            |
| 3. Investment in Equity Instruments Group C        | -                   | -          | -            |
| Traded on Stock Exchange                           | -                   | -          | -            |
| 4. Investment in Equity Instruments Group Other    | -                   | -          | -            |
| Other (*)  | 163.902             | 163.902    | -            |

(\*) The market values are taken into account as fair values because the equity investments are not traded in the stock exchange.

| Investments in Equity Instruments - Prior Period | Comparison          |            |              |
|--|---------------------|------------|--------------|
|  | Balance Sheet Value | Fair Value | Market Value |
| 1. Investment in Equity Instruments Group A      | -                   | -          | -            |
| Traded on Stock Exchange                         | -                   | -          | -            |
| 2. Investment in Equity Instruments Group B      | -                   | -          | -            |
| Traded on Stock Exchange                         | -                   | -          | -            |
| 3. Investment in Equity Instruments Group C      | -                   | -          | -            |
| Traded on Stock Exchange                         | -                   | -          | -            |
| 4. Investment in Equity Instruments Group Other  | -                   | -          | -            |
| Other (*)  | 148.434             | 148.434    | -            |

(\*) The market values are taken into account as fair values because the equity investments are not traded in the stock exchange.

*The breakdown of capital requirements on the basis of related investments in equity instruments depending on the method of the calculation of capital requirement which is chosen by Bank among approaches that are allowed to be used within the Communiqué regarding Credit Risk Standard Method or the Calculation of Counterparty Credit Risk based upon Interior Rating Approaches*

The investments in equity instruments, partaking in banking accounts according to the credit risk standard method, are amounted TL 163.902 and 100% of them are risk weighted (31 December 2018: are amounted TL 148.434 and 100% of them are risk weighted).

## VI. EXPLANATIONS ON 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 and ICAAP Regulations”.

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 Parent Bank’s liquidity and in the worst case scenario. The renewal of deposits which constitutes the Parent Bank’s most crucial funding resource is monitored on a daily basis. Besides, in order to compare the Parent Bank’s level of liquidity risk with the sector, average remaining maturity balances of Bank-sector maturity structure and legal liquidity rates are monitored.

Türkiye Cumhuriyeti Ziraat Bankası 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. Liquidity Risk**

***Explanations related to the liquidity risk management including the Parent Bank’s risk capacity, responsibilities and structure of liquidity risk management, reporting of liquidity risk in internal banking, the strategy of liquidity risk and how to provide the communication of policies and implementations with board of directors and business lines***

The Parent Bank’s risk capacity, risk appetite, responsibilities and tasks of liquidity risk management and share issues of points related liquidity risk management with bank network are explained in “Regulations of Risk Management, Stress Test Program and ICAAP Regulations” of the Parent Bank. In this context, liquidity risk strategies, policies implementations are published in periodically on weeks, months and years with all of the units with board directors in bank. Moreover, analyses done and reports are handled in the Assets-Liability Commission Conferences, Board of Director is informed by Audit Commission.

***Liquidity management and the degree of centralization of fund strategies, the information about the procedure between Bank and the partners of Bank***

Continuously the information exchange is actualized about the liquidity need and surpluses between the Parent Bank and its partners, the compulsory directions and treats are moderated by Financial Management Assistant General Management to direct liquidity risk and surpluses in effective way.

***Explanation related to policies regarding fund resources times variations of funding strategy of bank***

The Parent Bank’s fundamental funding resources are deposits, where the strategy of preserving the common base structure of deposits is sustained. Moreover, within the diversification strategy of resources strategy, long-term and appropriate costed non-deposit is aimed to be raised. In the non-deposit resources; repurchase agreements, post finance, syndication credits, credits assured by international financial institutions, securities issuances, capital market transactions and bilateral loan agreements are placed.

***Explanation related to liquidity management as currencies forming at least 5 percentage of aggregate liabilities of the Parent Bank***

The Parent Bank’s total liabilities are consisted of mostly TL, USD and EUR currencies. Besides these currencies, valid for other currencies, daily and long-term cash flows are pursued and liquidity management is formed in effective way by projections.

***Information related to the techniques about the reduction of current liquidity risk***

The Parent Bank’s source of funds is mainly formed of deposits. The Parent Bank’s deposits do not fluctuate considerably in line with the broadly dispersed customer network. Besides, in order to increase the diversification of funds and decrease the maturity gap between assets and liabilities, liabilities other than deposits such as bond/bill issuance, repo and funds borrowed are emphasised. As for the asset side of the Parent Bank, within the scope of reformatting short-term cash cycle, dissonance reducing the maturity of asset and liability, the policy for shortening the average maturity on loans is being pursued.

***Explanation regarding the usage of the stress test***

In the presence of unexpected negative circumstances, stress tests being done in order to test the endurance of the Parent Bank. These actions have been shared with key management of the Parent Bank and all related units for the purpose of taking necessary precautions. Additionally, stress tests also taken into consideration on subjects like the Parent Bank’s estimated financial position for the next period, the progress of legal ratios and the liquidity need in short and long term as part of budget practices.

***General information on liquidity urgent and unexpected situation plan***

The internal and external sources which can be used in an emergency case to satisfy the liquidity need are periodically followed and the borrowing limits of the Parent Bank from organized market and other banks are on the level where they meet the structural liquidity deficits on different maturity segments. The Parent Bank lines off its exposition to liquidity risk by limits that are approved from Board of Directors and within the frame of “Regulation on Risk Management, Stress Test Program and ICAAP Regulations”.

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

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

### 2. Liquidity Coverage Ratio

Within the framework of “Regulation on Calculation of Liquidity Covered Rate of Banks” published in the Official Gazette dated 21 March 2014 and numbered 28948 by the BRSA, The Parent Bank calculates the liquidity cover rate and transmits consolidated on weekly and consolidated on monthly basis to the BRSA. Within the last 3 months the consolidated lowest ratios are as follows: (October-November-December) consolidated rates are respectively October FC 503,92, TL + FC 145,41; November FC 475,35, TL + FC 146,11; December was realized as FC 513,41, TL + FC 149,27. (31 December 2018: Consolidated rates in the last three months (October-November-December), respectively October FC 108,75%, TL + FC 75,16%; November FC 123,26%, TL + FC 80,91%; December FC was 131,90%, TL + FC was 86,71%.)

|   | Total Unweighted Value<br>(Average) <sup>(*)</sup> |                   | Total Weighted Value<br>(Average) <sup>(*)</sup> |                   |
|---|--|-------------------|--|-------------------|
|   | TL+FC  | FC                | TL+FC  | FC                |
| <b>Current Period</b>   |  |                   |  |                   |
| <b>HIGH QUALITY LIQUID ASSETS</b>   |  |                   |  |                   |
| High Quality Liquid Assets  |  |                   | 106.986.311                                      | 57.969.988        |
| <b>CASH OUTFLOWS</b>  |  |                   |  |                   |
| Retail and Small Business Customers, of which;  | 305.160.810  | 149.261.517       | 26.002.445                                       | 14.926.062        |
| Stable deposits   | 90.272.718   | 1.789             | 4.513.636  | 89                |
| Less stable deposits  | 214.888.092  | 149.259.728       | 21.488.809                                       | 14.925.973        |
| Unsecured wholesale funding, of which;  | 133.754.751  | 53.572.752        | 69.342.008                                       | 28.051.940        |
| Operational deposit   | 7.865.281  | 842.792           | 1.957.900  | 202.278           |
| Non-operational deposits  | 106.969.221  | 46.342.658        | 52.011.548                                       | 21.593.925        |
| Other unsecured funding   | 18.920.249   | 6.387.302         | 15.372.560                                       | 6.255.737         |
| Secured funding   |  |                   | -  | -                 |
| Other cash outflows, of which;  | 62.216.808   | 6.758.784         | 7.125.122  | 2.150.741         |
| Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions | 2.236.035  | 487.363           | 2.236.035  | 487.363           |
| Obligations related to structured financial products  | -  | -                 | -  | -                 |
| Commitments related to debts to financial markets and other off-balance sheet obligations                             | 59.980.773   | 6.271.421         | 4.889.087  | 1.663.378         |
| Other revocable off-balance sheet commitments and contractual obligations   | -  | -                 | -  | -                 |
| Other irrevocable or conditionally revocable off-balance sheet obligations  | 52.167.084   | 31.258.133        | 2.859.625  | 1.581.286         |
| <b>TOTAL CASH OUTFLOWS</b>  |  |                   | <b>105.329.200</b>                               | <b>46.710.029</b> |
| <b>CASH INFLOWS</b>   |  |                   |  |                   |
| Secured lending   | -  | -                 | -  | -                 |
| Unsecured lending   | 46.299.477   | 23.410.598        | 31.145.755                                       | 17.763.221        |
| Other cash inflows  | 1.361.923  | 43.519.136        | 1.346.154  | 43.503.367        |
| <b>Total Cash Inflows</b>   | <b>47.661.400</b>                                  | <b>66.929.734</b> | <b>32.491.909</b>                                | <b>61.266.588</b> |
|   |  |                   | <b>Upper Limit Applied Amounts</b>               |                   |
| <b>TOTAL HQLA STOCK</b>   |  |                   | <b>106.986.311</b>                               | <b>57.969.988</b> |
| <b>TOTAL NET CASH OUTFLOWS</b>  |  |                   | <b>72.837.291</b>                                | <b>11.677.507</b> |
| <b>LIQUIDITY COVERAGE RATIO (%)</b>   |  |                   | <b>146,88</b>                                    | <b>496,42</b>     |

<sup>(\*)</sup> The average of last three months' liquidity coverage ratio calculated by monthly simple averages.

**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  | Total Unweighted Value<br>(Average) <sup>(*)</sup> |                    | Total Weighted Value<br>(Average) <sup>(*)</sup> |                   |
|---|--|--------------------|--|-------------------|
|   | TL+FC  | FC                 | TL+FC  | FC                |
| <b>High Quality Liquid Assets</b>   |  |                    |  |                   |
| High Quality Liquid Assets  |  |                    | 60.776.637                                       | 41.550.730        |
| <b>Cash Outflows</b>  |  |                    |  |                   |
| Retail and Small Business Customers, of which;  | <b>237.477.599</b>                                 | <b>111.531.864</b> | <b>20.221.723</b>                                | 11.153.180        |
| Stable deposits   | 70.520.740   | 133                | 3.526.037  | 7                 |
| Less stable deposits  | 166.956.859  | 111.531.731        | 16.695.686                                       | 11.153.173        |
| Unsecured wholesale funding, of which;  | 109.306.463  | 49.758.643         | 61.872.016                                       | 30.339.716        |
| Operational deposit   | 5.919.940  | 692.801            | 1.475.920  | 169.135           |
| Non-operational deposits  | 86.845.916   | 41.314.525         | 45.505.184                                       | 22.564.219        |
| Other unsecured funding   | 16.540.607   | 7.751.317          | 14.890.912                                       | 7.606.362         |
| Secured funding   |  |                    | -  | -                 |
| Other cash outflows, of which;  | 54.422.069   | 16.368.421         | 13.776.439                                       | 11.048.459        |
| Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions | 9.084.643  | 8.718.617          | 9.084.643  | 8.718.617         |
| Obligations related to structured financial products  | -  | -                  | -  | -                 |
| Commitments related to debts to financial markets and other off-balance sheet obligations                             | 45.337.426   | 7.649.804          | 4.691.796  | 2.329.842         |
| Other revocable off-balance sheet commitments and contractual obligations   | 9.716  | 5.279              | 486  | 264               |
| Other irrevocable or conditionally revocable off-balance sheet obligations  | 103.619.895  | 40.186.025         | 5.246.376  | 2.009.549         |
| <b>Total Cash Outflows</b>  |  |                    | <b>101.117.040</b>                               | <b>54.551.168</b> |
| <b>Cash Inflows</b>   |  |                    |  |                   |
| Secured lending   | -  | -                  | -  | -                 |
| Unsecured lending   | 37.311.748   | 17.355.983         | 24.488.020                                       | 12.869.927        |
| Other cash inflows  | 1.495.591  | 7.261.514          | 1.469.443  | 7.235.366         |
| <b>Total Cash Inflows</b>   | <b>38.807.339</b>                                  | <b>24.617.497</b>  | <b>25.957.463</b>                                | <b>20.105.293</b> |
|   |  |                    | <b>Upper Limit Applied Amounts</b>               |                   |
| <b>Total HQLA Stock</b>   |  |                    | <b>60.776.637</b>                                | <b>41.550.730</b> |
| <b>Total Net Cash Outflows</b>  |  |                    | <b>75.159.577</b>                                | <b>34.445.875</b> |
| <b>Liquidity Coverage Ratio (%)</b>   |  |                    | <b>80,86</b>                                     | <b>120,63</b>     |

<sup>(\*)</sup> The average of last three months' liquidity coverage ratio calculated by monthly simple averages.

**3. Minimum Statements Concerning Liquidity Coverage Ratio by Banks**

***Important points affecting the results of liquidity coverage ratio and the changes of the considered items in the course of time to calculate this ratio***

While the parent bank deposit, which constitutes an important part of its funding and liquidity coverage ratio, does not have a fluctuant structure, public deposits can cause periodic changes within total deposits. While considering the previous periods, the percentage of the total deposit in financial statement does not change and has an increasing sail.

As well as its low turn into cash ratio, since the non-cash loans have a remarkable extent in proportion to financial statement, they have an influence on the calculation of liquidity coverage ratio. Comparing to previous periods, non-cash loans are tend to increase.

Bonds and bills in the securities portfolio are being used in repo transactions as collateral. Since the securities used in repo transactions lose the characteristic of being free, in accordance with that securities can be used as collateral, liquidity coverage ratio is affected.

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

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

### ***High quality liquid assets are comprised to which items***

All of the high-quality liquid assets in the calculation of liquidity coverage ratio are first quality liquid assets. These are; cash, the accounts in Central Bank, reserve requirements and securities from the portfolio (the important part of bonds and T-bills issued by Republic of Turkey and other bonds).

### ***Funds are comprised of which items and their volume in all funds***

The major part of the resources of funds in Group is comprised of deposits, the remaining is divided according to their share in the balance sheet as repo, funds borrowed, and issued securities.

### ***Information about cash out-flows arising from derivative operations and margin operations likely to processing***

Derivative operations in the Parent Bank are carried out on the purpose of protection from the risks that may exist or occur in the balance sheet, liquidity management, or meeting customer demand. Customer operations are carried out under the "Framework Agreement on Purchase and Sale of Derivative Instruments" or ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex), as well as transactions with banks are performed again under ISDA and CSA agreements signed. Operations performed under the said contracts in the determined periods are subject to daily market valuation and additional cash margining. Operations could create additional collateral inflow or outflow depending on market valuation.

### ***The concentration limits regarding collateral and counterparty and product based fund resources***

For the counterparty and product based concentration limits are determined under Regulation on Risk Management, Stress Test Program and the Parent Bank's Internal Capital Adequacy Assessment Process ("ICAAP") with the approval of the Parent Bank's Senior Management. These limits are followed in particular frequency. Besides, it is being reported to the relevant units and senior management. There is no excess regarding the limits during operating period.

### ***Liquidity risk and needed funding on the basis of the Bank itself, the branches in foreign countries and the partnerships consolidated by considering operational and legal factors preventing liquidity transfer***

The needed and surplus of liquidity of the branches in foreign countries of the Parent Bank and partnerships consolidated are followed and managed regularly. There is no constraint of operational and legal factors preventing liquidity transfer. In the analysis made, it is observed that the impact of the foreign branches and subsidiaries on the Parent Bank's liquidity structure remain limited comparing to the size of the balance sheet. The need and surplus of the liquidity is encountered properly between partnerships, as well as the branches abroad.

### ***Explanations of cash in-flow and cash out-flow items that are considered to be related to liquidity profile of the Bank and to be placed on the calculation of liquidity coverage ratio but not on the second paragraph of the disclosure template***

All items on the calculation of liquidity coverage ratio are included in calculation in aggregated form on the table. In this context, there is no point included in the calculation of liquidity coverage ratio and not included in the disclosure template.

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

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

### 4. Presentation of Assets and Liabilities According to Their Remaining Maturities

|  | Demand               | Up to 1 Month        | 1-3 Months          | 3-12 Months        | 1-5 Years          | 5 Years and Over  | Undistributed <sup>(1)</sup> | Total              |
|--|----------------------|----------------------|---------------------|--------------------|--------------------|-------------------|------------------------------|--------------------|
| <b>Current Period</b>  |                      |                      |                     |                    |                    |                   |                              |                    |
| <b>Assets</b>  |                      |                      |                     |                    |                    |                   |                              |                    |
| Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey | 24.249.518           | 31.560.964           | -                   | -                  | -                  | -                 | -                            | 55.810.482         |
| Banks  | 6.590.614            | 481.313              | 109.982             | 132.777            | 63.337             | -                 | -                            | 7.378.023          |
| Financial Assets at Fair Value Through Profit and Loss   | 23                   | 8.190                | 72.670              | 987.423            | 899.179            | 109.639           | -                            | 2.077.124          |
| Money Market Placements  | -                    | 621.747              | -                   | -                  | -                  | -                 | -                            | 621.747            |
| Financial Assets Measured at Fair Value Through Other Comprehensive Income   | -                    | 4.322.465            | 3.772.938           | 15.322.154         | 44.863.447         | 44.521.889        | 540.377                      | 113.343.270        |
| Loans Given  | -                    | 27.000.928           | 32.254.601          | 167.738.442        | 194.372.651        | 44.553.124        | 4.545.604                    | 470.465.350        |
| Financial Assets Measured at Amortised Cost  | 51.242               | 203.143              | 84.298              | 711.156            | 12.830.405         | 4.288.522         | -                            | 18.168.766         |
| Other Assets   | 6.392.856            | 1.067.242            | 1.331.551           | 401.414            | 51.871             | 12.881            | 16.598.648                   | 25.856.463         |
| <b>Total Assets <sup>(2)</sup></b>   | <b>37.284.253</b>    | <b>65.265.992</b>    | <b>37.626.040</b>   | <b>185.293.366</b> | <b>253.080.890</b> | <b>93.486.055</b> | <b>21.684.629</b>            | <b>693.721.225</b> |
| <b>Liabilities</b>   |                      |                      |                     |                    |                    |                   |                              |                    |
| Interbank Deposits   | 3.205.125            | 20.755.814           | 6.904.302           | 589.744            | 25.643             | -                 | -                            | 31.480.628         |
| Other Deposits   | 126.982.447          | 194.049.765          | 70.576.134          | 51.107.536         | 3.943.086          | 1.788.930         | -                            | 448.447.898        |
| Funds Provided from Other Financial Institutions   | -                    | 1.131.458            | 2.600.870           | 16.475.781         | 10.608.414         | 3.441.914         | -                            | 34.258.437         |
| Money Market Borrowings  | -                    | 45.120.166           | 2.948.343           | 541.873            | 684.163            | -                 | -                            | 49.294.545         |
| Issued Marketable Securities <sup>(3)</sup>  | -                    | 763.356              | 3.006.768           | 1.734.500          | 19.654.454         | -                 | -                            | 25.159.078         |
| Miscellaneous Payables   | 3.381.366            | 4.159.997            | -                   | -                  | -                  | -                 | 164.433                      | 7.705.796          |
| Other Liabilities  | 6.093.490            | 4.231.403            | 1.103.908           | 422.109            | 1.459.280          | 6.891.682         | 77.172.971                   | 97.374.843         |
| <b>Total Liabilities</b>   | <b>139.662.428</b>   | <b>270.211.959</b>   | <b>87.140.325</b>   | <b>70.871.543</b>  | <b>36.375.040</b>  | <b>12.122.526</b> | <b>77.337.404</b>            | <b>693.721.225</b> |
| <b>Liquidity Gap</b>   | <b>(102.378.175)</b> | <b>(204.945.967)</b> | <b>(49.514.285)</b> | <b>114.421.823</b> | <b>216.705.850</b> | <b>81.363.529</b> | <b>(55.652.775)</b>          | <b>-</b>           |
| <b>Net Off-Balance Sheet Position</b>  | <b>-</b>             | <b>105.413</b>       | <b>(8.583)</b>      | <b>(88.029)</b>    | <b>670.218</b>     | <b>18.825</b>     | <b>-</b>                     | <b>697.844</b>     |
| Financial Derivative Assets  | -                    | 70.479.265           | 25.168.990          | 6.820.549          | 1.357.756          | 735.875           | -                            | 104.562.435        |
| Financial Derivative Liabilities   | -                    | 70.373.852           | 25.177.573          | 6.908.578          | 687.538            | 717.050           | -                            | 103.864.591        |
| <b>Non-cash Loans</b>  | <b>42.650.170</b>    | <b>6.515.165</b>     | <b>12.406.400</b>   | <b>38.396.519</b>  | <b>26.266.400</b>  | <b>5.260.088</b>  | <b>201.418</b>               | <b>131.696.160</b> |
| <b>Prior Period</b>  |                      |                      |                     |                    |                    |                   |                              |                    |
| Total Assets   | 31.142.785           | 49.280.824           | 31.263.258          | 168.369.498        | 197.658.653        | 71.226.370        | 19.445.608                   | 568.386.996        |
| Total Liabilities  | 114.627.753          | 236.995.776          | 62.998.947          | 61.748.955         | 26.809.968         | 9.908.287         | 55.297.310                   | 568.386.996        |
| <b>Liquidity Gap</b>   | <b>(83.484.968)</b>  | <b>(187.714.952)</b> | <b>(31.735.689)</b> | <b>106.620.543</b> | <b>170.848.685</b> | <b>61.318.083</b> | <b>(35.851.702)</b>          | <b>-</b>           |
| <b>Net Off-Balance Sheet Position</b>  | <b>-</b>             | <b>(291.050)</b>     | <b>(967.025)</b>    | <b>122.547</b>     | <b>672.964</b>     | <b>-</b>          | <b>(44)</b>                  | <b>(462.608)</b>   |
| Financial Derivative Assets  | -                    | 35.660.859           | 14.439.645          | 3.000.559          | 1.793.273          | -                 | 19.360                       | 54.913.696         |
| Financial Derivative Liabilities   | -                    | 35.951.909           | 15.406.670          | 2.878.012          | 1.120.309          | -                 | 19.404                       | 55.376.304         |
| <b>Non-cash Loans</b>  | <b>45.706.867</b>    | <b>4.670.432</b>     | <b>10.165.962</b>   | <b>38.893.051</b>  | <b>27.158.917</b>  | <b>4.856.928</b>  | <b>195.551</b>               | <b>131.647.708</b> |

<sup>(1)</sup> Assets which are required for banking operations and could not be converted into cash in short-term, such as; tangible assets, associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net under follow-up loans as well as securities representing a share in capital; and other liabilities such as provisions which are not considered as payables and equity are classified as undistributed.

<sup>(2)</sup> Allowance for expected credit losses for financial assets and other assets are recognized in the related account.

<sup>(3)</sup> Includes subordinated debt instruments.

Türkiye Cumhuriyeti Ziraat Bankası 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").)

#### 5. Presentation of Liabilities According to Their Remaining Maturities

| <b>Current Period <sup>(*)</sup></b>             | <b>Up to 1 Month</b> | <b>1-3 Months</b> | <b>3-12 Months</b> | <b>1-5 Years</b>  | <b>Over 5 Years</b> | <b>Total</b>       |
|--|----------------------|-------------------|--------------------|-------------------|---------------------|--------------------|
| Bank deposits                                    | 23.884.309           | 6.914.752         | 597.886            | 25.643            | -                   | 31.422.590         |
| Other deposits                                   | 321.670.264          | 71.229.357        | 52.291.118         | 4.028.034         | 1.792.169           | 451.010.942        |
| Funds borrowed from other financial institutions | 1.174.612            | 2.679.963         | 17.170.821         | 12.057.420        | 5.021.839           | 38.104.655         |
| Funds borrowed from Interbank money market       | 45.148.897           | 2.967.187         | 543.789            | 684.233           | -                   | 49.344.106         |
| <b>Total</b>                                     | <b>391.878.082</b>   | <b>83.791.259</b> | <b>70.603.614</b>  | <b>16.795.330</b> | <b>6.814.008</b>    | <b>569.882.293</b> |
| <b>Prior Period <sup>(*)</sup></b>               |                      |                   |                    |                   |                     |                    |
| Bank deposits                                    | 20.217.961           | 5.250.549         | 503.618            | 109.102           | -                   | 26.081.230         |
| Other deposits                                   | 231.814.869          | 48.124.210        | 43.088.228         | 4.429.641         | 402.565             | 327.859.513        |
| Funds borrowed from other financial institutions | 3.110.764            | 4.095.296         | 13.353.528         | 13.126.717        | 4.872.440           | 38.558.745         |
| Funds borrowed from Interbank money market       | 64.540.404           | 2.690.943         | 1.120.332          | 485.048           | -                   | 68.836.727         |
| <b>Total</b>                                     | <b>319.683.998</b>   | <b>60.160.998</b> | <b>58.065.706</b>  | <b>18.150.508</b> | <b>5.275.005</b>    | <b>461.336.215</b> |

<sup>(\*)</sup> Amounts related with the fund balances are not included in the table since decomposition on the basis of their remaining maturities could not be performed.

#### VII. EXPLANATIONS ON CONSOLIDATED LEVERAGE

##### 1. Explanations on the Difference Between the Prior and Current Period of Leverage Ratios

The Parent Bank's consolidated leverage calculated by force of the regulation "Regulation on Measurement and Assessment of Leverage Ratios of Banks" is 9,24% (31 December 2018: 7,66%). The increase on leverage results occur from the increase in Tier 1 capital amount. The regulation sentenced the minimum leverage as 3%.

| <b>Balance sheet assets</b>   | <b>Current Period <sup>(*)</sup></b> | <b>Prior Period <sup>(*)</sup></b> |
|---|--------------------------------------|------------------------------------|
| On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral) | 673.691.992                          | 570.386.642                        |
| (Assets deducted in determining Tier 1 capital)   | (3.562.075)                          | (7.798.391)                        |
| Total on-balance sheet risks (sum of lines 1 and 2)   | 670.129.917                          | 562.588.251                        |
| <b>Derivative financial instruments and credit derivatives</b>  |                                      |                                    |
| Replacement cost associated with all derivative financial instruments and credit Derivatives                        | 2.575.393                            | 2.253.807                          |
| Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives                  | 1.622.384                            | 631.144                            |
| Total risks of derivative financial instruments and credit derivatives  | 4.197.777                            | 2.884.951                          |
| <b>Securities or commodity financing transactions (SCFT)</b>  |                                      |                                    |
| Risks from SCFT assets  | 8.795.353                            | 5.082.975                          |
| Risks from brokerage activities related exposures   | -                                    | -                                  |
| Total risks related with securities or commodity financing transactions   | 8.795.353                            | 5.082.975                          |
| <b>Other off-balance sheet transactions</b>   |                                      |                                    |
| Gross notional amounts of off-balance sheet transactions  | 197.379.048                          | 183.788.436                        |
| (Adjustments for conversion to credit equivalent amounts)   | (4.251.413)                          | (3.650.093)                        |
| Total risks of off-balance sheet items  | 193.127.635                          | 180.138.343                        |
| <b>Capital and total risks</b>  |                                      |                                    |
| Tier 1 capital  | 80.977.302                           | 57.496.516                         |
| Total risks   | 876.250.682                          | 750.694.520                        |
| <b>Leverage ratio</b>   |                                      |                                    |
| Leverage ratio %  | 9,24                                 | 7,66                               |

<sup>(\*)</sup> Three month average of the amounts in the table are taken into account.



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

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

### 2. An Extract Comparison Table of Total Risks Placed in Consolidated Financial Statements Coordinated in Accordance With TAS

|   | Current Period <sup>(*)</sup> | Prior Period <sup>(*)</sup> |
|---|-------------------------------|-----------------------------|
| Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards <sup>(**)</sup>  | 693.781.550                   | 568.436.479                 |
| The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”                      | 60.325                        | 49.483                      |
| The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments | 255.846.636                   | 142.583.287                 |
| The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts                              | 42.291.398                    | 21.524.007                  |
| The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items   | 4.251.413                     | 3.650.093                   |
| Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items   | (48.511.359)                  | (28.788.983)                |
| <b>Total Risk Amount</b>  | <b>876.250.682</b>            | <b>750.694.520</b>          |

<sup>(\*)</sup> The amounts shown in the table are 3 month averages.

<sup>(\*\*)</sup> The current year balance of the Consolidated Financial Statements prepared in accordance with paragraph 6 of Article 5 of the Communiqué on Preparation of Consolidated Financial Statements of Banks has been prepared by using the temporary financial statements dated 31 December 2019 of the nonfinancial subsidiaries.

### VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT

Notes and explanations prepared in accordance with “the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks” published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section.

#### 1. Explanations on Risk Management and Risk Weighted Amount

##### 1.1 The Parent Bank’s Risk Management Approach

*It has to do with how the business model determines The Parent Bank’s risk profile; how it interacts with it (e.g. key risks related to the business model and how each of these risks is reflected on explanations); and how The Parent Bank’s risk profile interacts with the risk appetite approved by the board of directors*

While risk appetite determines the Parent Bank’s risk level, risk capacity determines its risk appetite and, therefore, risk profile. Local and international conjuncture is also considered to determine the risk level. Establishment of forward-looking strategies and policies is also considered in this regard. The Parent Bank’s risk level is restricted to the limits consistent with its risk appetite.

Risk limits are determined in accordance with the level of risks that may be assumed by the Parent Bank, its activities, size and complexity of its products and services. The limits are revised and, if needed, updated regularly in line with the developments in market conditions, the Parent Bank’s strategy and risk appetite.

Critical thresholds (signal and limit values) indicating that limits are approached due to internal or external developments have been identified. In the event that these values are approached or exceeded, relevant units take required actions.

Parameters regarding signal and limit structure as well as limit values of parameters are determined in coordination with the relevant units and implemented upon approval of the Audit Commission and Board of Directors.

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

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

Signal and limit values based on risk weighted assets are monitored by the Parent Bank's Risk Management Group Presidency regularly and actual values are reported periodically to the Parent Bank's Top Management.

***Risk management structure: Responsibilities distributed at The Parent Bank (e.g. supervision and delegation of authority); segregation of duties by risk type, business unit, etc.; relations between structures included in risk management processes (e.g. board of directors, top management, separate risk committee, risk management unit, compliance and internal audit function)***

The Parent Bank's Top Management and relevant units perform their risk management duties, authorities and responsibilities in line with the relevant legal legislation and internal Bank regulations.

Structure of the Parent Bank's risk management is consistent with the Regulation on Internal Systems and Internal Capital Adequacy Assessment Processes of Banks. Accordingly, internal system units consisting of the Inspection Board Presidency, Internal Control and Compliance Group Presidency and Risk Management Group Presidency report to the Audit Committee and Board of Directors through the Vice President who is responsible for internal systems and operates separate from executive units.

Risk measurement and monitoring activities are conducted as part of risk management and the results are considered in strategic decision-making process by relevant units and bodies. Risk management operations are conducted in accordance with the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks, issued by the BRSA, within the scope of Regulation on Risk Management, Stress Test Program and the Bank's Internal Capital Adequacy Assessment Process ("ICAAP") approved by the Bank's Board of Directors.

Organizational structure of the Parent Bank's Risk Management Group Presidency consists of credit risk management, market risk management, operational risk management and statement risks management units. Duties of risk management:

- Ensuring identification, measurement, reporting, monitoring and control of risks exposed through policies, practices and limits established to monitor, control and revise, when necessary, the risk-return structure of the Parent Bank's cash flows in the future, quality and level of its associated activities
- Conducting stress tests and scenario analyses
- Establishing and maintaining a system that will ensure determination of capital required to cover significant risks exposed or possible risks and assessment of capital adequacy/requirement level in line with the strategic goals
- Preparing ICAAP reports periodically.

ICAAP analyses and activities are validated by a team that reports to the Audit Committee independently from the team that develops and implements the methodology of such activities. The same team issues a Validation Report as well. Analyses and activities conducted within the process, including validation activities are reviewed by the Inspection Board Presidency and a Review Report is issued for the results.

***Channels used for disseminating and implementing risk culture within The Bank (e.g. codes of conduct, manuals including operational limits or procedures to be performed when risk thresholds are exceeded, procedures for identifying and sharing risk issues between business units and risk units)***

The Parent Bank exercises maximum efforts to perceive both risks and returns accurately during its activities and maintain its perspective for disseminating risk culture across the Bank. Accordingly, goals, vision and strategic approaches are shared in large group meetings held by the Bank's Top Management with employees.

Signal and limit structure established based on risk weighted assets is one of the channels used to disseminate risk culture within the Bank. Parameters for signal and limit structure and limit values of parameters are determined by risk management by consulting the relevant units and approved by the Board of Directors.

It is ensured that risk signal and limit structure is forwarded to relevant units in the Parent Bank and the structure is understood by the staff. Usage levels for signal and risk parameters are subject to reports submitted to the bank's Top Management.

If limits are exceeded, the Parent Bank's Top Management is notified. In such a case, matters such as risk mitigation, risk transfer or risk-averse, increasing collaterals and so on can be considered as part of required actions. If limits are exceeded, forward-looking strategies and policies of the Parent Bank—including budget figures—can be reviewed or, where necessary, revised.

Another channel used to disseminate the risk culture is in the scope of ICAAP activities. It is essential to include assessment results for capital adequacy in the ICAAP Report covering all significant risks of The Parent Bank. The report is prepared in coordination with risk management and with participation from other relevant units. Similarly, the Bank's budget goals for the upcoming years are also established with the participation of relevant units. The Parent Bank's Top Management and relevant units conduct their ICAAP duties, authorities and responsibilities in line with the Bank regulations and relevant legal legislation.

Türkiye Cumhuriyeti Ziraat Bankası 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”).)

### ***Principal elements and scope of risk measurement systems***

The Parent Bank’s risk measurement system functions in line with the best practices, legal regulations, fields of activity and product ranges in a consistent, reliable and integrated way. Regarding the inclusion of risk measurement results in decision-making processes, reports are elaborated with extensive explanations and assumptions to avoid any misinterpretation that may arise from errors and deficiencies.

Required activities are performed to engage in design, selection, implementation and pre-approval processes for risk measurement models; review accuracy, reliability and performance of models regularly through various methodologies and make required revisions accordingly; and report results of analyses conducted with such models.

The Parent Bank’s capital adequacy ratio is calculated in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks, Communiqué on Credit Risk Mitigation Techniques and other relevant legal regulations.

Counter parties/operations related to the credit risk are separated on the basis of risk classes mentioned in Appendix-1 of the Communiqué on Measurement and Assessment of Capital Adequacy of Banks, and each of them is assigned by the weight of risk in line with the matters specified for relevant risk class. Then, they are subject to risk mitigation in accordance with the principles of Communiqué on Credit Risk Mitigation Techniques and weighted based on the risk weights.

After deduction of expected loss provisions for the loans for the stage 3 in accordance with Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves, non-cash loans and commitments are included in the calculation of credit-risk-weighted amount with loan conversion rates presented in article 5 of Communiqué on Measurement and Assessment of Capital Adequacy of Banks.

Trading accounts and the values deducted from the capital base in the shareholders’ equity computation are excluded from calculation of credit risk-weighted assets.

Calculations regarding to the counter party credit risk are made for repurchase agreement and derivative transactions. These transactions are added to the calculations after applying the rates presented in the amendments of the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and Communiqué on Credit Risk Mitigation Techniques.

Calculations regarding counter parties credit risks are made with the basic financial collateral method and extensive collateral method for banking accounts and trading accounts respectively.

The amount subject to the total market risk is calculated through the standard method. Furthermore, value at risk forecasts are made on a daily basis and backward testing is performed so as to measure performance of the model.

Liquidity Coverage Ratio and Liquidity Risk Analysis reports for the liquidity risk are prepared in accordance with the relevant regulations. Furthermore, stress test is performed to assess maturity mismatch between sources and uses, contractual maturities as well as behavioral maturities of assets and liabilities, the Parent Bank’s liquidity requirement in a worst case scenario and relevant damages that may be incurred based on scenario and sensitivity analysis activities.

Control of interest rate risk on banking accounts entails monitoring rate and maturity mismatch between sources and uses of fixed and variable interest rates, contractual maturities as well as behavioral maturities assets and liabilities and the effects of the usual and unusual changes in interest rates which is possibly uptrend and downtrend.

### ***Explanations provided to the board of directors and top management on risk reporting processes, particularly scope and main contents of reporting***

It is essential to inform the Top Management about developments and results of the analysis and activities conducted in order to achieve efficiency in risk management. Accordingly, a reporting system for informing Top Management is established and required measures are taken for healthy functioning of the system.

Informing process as part of reporting should be based on the most current data available on a periodical basis. Reports issued contain, at minimum, information on risk amount and development, legal capital requirement, legal ratios for liquidity and interest rate risks, stress test analysis results, effect of such results on capital adequacy level and ratios, realization level of risk limits and limitations, and assumptions of risk measurement method used.

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

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

As part of the reporting system, an information systems infrastructure is established for external reporting and required actions are taken to fulfill legal obligations fully in a timely manner in this regard.

### ***Explanations on stress test (e.g. assets subject to stress test, scenarios applied, methodologies used and the use of stress test in risk management)***

Stress test is intended to pre-assess the effect of negative developments in specified risk factors on amounts subject to risk and capital adequacy/requirement level.

Conducting the stress test periodically is essential, and test result must be included in internal reporting and considered in strategic decision-making process or capital management. Results of stress test analysis are considered while establishing risk management policies.

In stress test activities, shock is applied to risk factors determined (factors specific to debtor or transaction or macroeconomic variables such as exchange rate, price, interest and so on), and the effects of results on risk-weighted asset amount and capital adequacy ratio are identified. Accordingly, risk factors are identified first and then assumptions to be implemented are determined and possible losses in the future are estimated. Stress test activities include creating scenarios, which are unlikely, if not impossible, and which may affect the Bank's risk level significantly.

The results of stress test are subject to internal Bank reporting and ICAAP Report. The results of stress test may be used in processes to determine the Parent Bank's risk appetite or risk limits and identify new and current business strategies as a planning instrument and their effect on capital utilization.

Analyses of credit risk based on internal and external risk factors, counter party credit risk, liquidity risk, interest rate risk, operational risk and market risk are conducted in the case of stress tests which are subject to internal reporting.

The Board of Directors is responsible for assessing the results of the Stress Test Program and taking actions based on the results. Accordingly, actions such as revision of risk appetite, strategy and risk limits or restriction of activities to specific sectors or portfolios can be taken.

### ***The Parent Bank's risk management, aversion and mitigation strategies and processes based on business model and monitoring processes for continuous efficiency of safeguards and mitigants***

Amounts subject to credit risk can be mitigated by using one or more risk mitigation techniques in line with the legal regulations.

Funded or unfunded credit safeguard instruments are considered while using the risk mitigation technique. Whether credit safeguard instruments meet minimum compulsory conditions specified in legal regulations is checked via the system.

The Parent Bank performs risk mitigation with a simple financial method. Credibilities of guarantors are monitored and assessed in the scope of credit revision maturity.

All Bank employees are responsible for control and mitigation of operational risks based on their job definitions and business processes. All Bank units are obliged to take risk mitigation measures for mitigation of operational risks that may occur in their respective fields of activity through insurance and other risk transfer mechanisms.

The Parent Bank's market risk is mitigated through derivatives or other financial products by considering current conjuncture and risk appetite, risk capacity and risk level. Long term liabilities are obtained and the interest rate risk arising from liquidity and banking accounts is limited through the transactions performed.

Diversification of fund is deemed important for managing the liquidity risk that may occur. While the Parent Bank's fundamental funding resources are deposits, the strategy of preserving the common base structure of deposits is sustained. Besides, in order to increase the diversification of funds and decrease the maturity gap between assets and liabilities, non deposit funds such as bond/bill issuances, repo transactions and funds borrowed are executed. As for the asset side of the Parent Bank, policies are pursued as part of measures to improve short term cash cycle and minimize maturity mismatch between assets and liabilities. As part of management of interest rate risk, measures are taken to reduce repricing maturity mismatch of interest sensitive assets and liabilities.

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

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

### Overview of Risk Weighted Amounts

|    |   | Risk Weighted Amount |                    | Minimum capital Requirement |
|----|---|----------------------|--------------------|-----------------------------|
|    |   | Current Period       | Prior Period       | Current Period              |
| 1  | Credit Risk (excluding counterparty credit risk)                                      | 464.023.607          | 396.750.839        | 37.121.889                  |
| 2  | Standardised approach   | 464.023.607          | 396.750.839        | 37.121.889                  |
| 3  | Internal rating-based approach  | -                    | -                  | -                           |
| 4  | Counterparty credit risk  | 5.889.919            | 3.747.369          | 471.194                     |
| 5  | Standardised approach for counterparty credit risk                                    | 5.889.919            | 3.747.369          | 471.194                     |
| 6  | Internal model method   | -                    | -                  | -                           |
| 7  | Basic risk weight approach to internal models equity position in the Banking account  | -                    | -                  | -                           |
| 8  | Investments made in collective investment companies-look through approach             | -                    | -                  | -                           |
| 9  | Investments made in collective investment companies-mandate-based approach            | 2.367.231            | 1.022.273          | 189.378                     |
| 10 | Investments made in collective investment companies-1250% weighted risk approach      | -                    | -                  | -                           |
| 11 | Settlement risk   | -                    | -                  | -                           |
| 12 | Securitization positions in banking accounts  | -                    | -                  | -                           |
| 13 | IRB ratings-based approach  | -                    | -                  | -                           |
| 14 | IRB Supervisory Formula approach  | -                    | -                  | -                           |
| 15 | SA/simplified supervisory formula approach  | -                    | -                  | -                           |
| 16 | Market risk   | 28.277.041           | 15.630.514         | 2.262.163                   |
| 17 | Standardised approach   | 28.277.041           | 15.630.514         | 2.262.163                   |
| 18 | Internal model approaches   | -                    | -                  | -                           |
| 19 | Operational risk  | 38.645.276           | 31.723.724         | 3.091.622                   |
| 20 | Basic Indicator approach  | 38.645.276           | 31.723.724         | 3.091.622                   |
| 21 | Standard approach   | -                    | -                  | -                           |
| 22 | Advanced measurement approach   | -                    | -                  | -                           |
| 23 | The amount of the discount threshold under the equity (subject to a 250% risk weight) | -                    | -                  | -                           |
| 24 | Floor adjustment  | -                    | -                  | -                           |
| 25 | <b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>   | <b>539.203.074</b>   | <b>448.874.719</b> | <b>43.136.246</b>           |

Türkiye Cumhuriyeti Ziraat Bankası 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. Connections Between Financial Statements and the Risk Amounts

### Differences Between Accounting Consolidation and Legal Consolidation and Matching of the Subject

| Current Period  | Carrying values as reported in published financial statements <sup>(1)</sup> | Valued amount according to TAS within legal consolidation <sup>(2)</sup> | Carrying values of items         |   |  |                                      |  |         |
|---|--|--|----------------------------------|---|--|--------------------------------------|--|---------|
|   |  |  | Subject to credit risk framework | Subject to counterparty credit risk framework | Subject to the securitization on framework | Subject to the market risk framework | Not subject to capital requirements or subject to deduction from capital |         |
| <b>Assets</b>   |  |  |                                  |   |  |                                      |  |         |
| Cash and balances at central bank   | 55.810.483   | 55.810.483   | 55.810.483                       | -   | -  | -                                    | -  | -       |
| Banks   | 7.378.022  | 7.378.022  | 7.378.022                        | -   | -  | -                                    | -  | -       |
| Receivables from Money Markets  | 621.747  | 621.747  | 417.600                          | 204.147                                       | -  | -                                    | -  | -       |
| Financial assets measured at fair value to profit or loss   | 2.077.124  | 2.077.124  | 105.671                          | -   | -  | 1.971.453                            | -  | -       |
| Financial assets measured at fair value to other comprehensive income                               | 113.343.270  | 113.343.270  | 70.078.873                       | 50.624.288                                    | -  | 43.264.362                           | -  | -       |
| Financial assets measured at amortised cost   | 18.168.766   | 18.168.766   | 18.168.766                       | 4.093.912                                     | -  | -                                    | -  | -       |
| Derivative financial assets   | 2.794.737  | 2.794.737  | -                                | 2.794.737                                     | -  | -                                    | -  | -       |
| Loans (Net)   | 466.796.599  | 466.796.599  | 471.660.117                      | -   | -  | -                                    | -  | 96.245  |
| Investments in associates (Net)   | 308.245  | 284.828  | 284.828                          | -   | -  | -                                    | -  | -       |
| Investments in subsidiaries (Net)   | 300.691  | 306.928  | 306.928                          | -   | -  | -                                    | -  | -       |
| Jointly Controlled Partnerships (Joint Ventures) (Net)  | 135.330  | 135.330  | 135.330                          | -   | -  | -                                    | -  | -       |
| Lease receivables   | 3.668.751  | 3.668.751  | 3.668.751                        | -   | -  | -                                    | -  | -       |
| Tangible Assets (net)   | 7.789.554  | 7.788.298  | 7.738.896                        | -   | -  | -                                    | -  | 49.402  |
| Intangible Assets (net)   | 906.408  | 935.148  | -                                | -   | -  | -                                    | -  | 935.148 |
| Investment Properties (Net)   | -  | -  | -                                | -   | -  | -                                    | -  | -       |
| Tax Asset   | 1.217.036  | 1.217.036  | 1.217.036                        | -   | -  | -                                    | -  | -       |
| Assets Held for Sale and Discontinued Operations (Net)  | 6.965.463  | 6.965.463  | 6.965.463                        | -   | -  | -                                    | -  | -       |
| Other Assets  | 5.499.324  | 5.428.695  | 5.428.695                        | -   | -  | -                                    | -  | -       |
| <b>Total Assets</b>   | <b>693.781.550</b>   | <b>693.721.225</b>   | <b>649.365.459</b>               | <b>57.717.084</b>                             | <b>-</b>                                   | <b>45.235.815</b>                    | <b>1.080.795</b>   |         |
| <b>Liabilities</b>  |  |  |                                  |   |  |                                      |  |         |
| Deposits  | 479.902.579  | 479.928.526  | -                                | -   | -  | -                                    | -  | -       |
| Funds Borrowed  | 34.258.437   | 34.258.437   | -                                | 2.835.538                                     | -  | -                                    | -  | -       |
| Money Market Borrowings   | 49.294.545   | 49.294.545   | -                                | 47.079.527                                    | -  | -                                    | -  | -       |
| Securities Issued (Net)   | 15.593.121   | 15.593.121   | -                                | -   | -  | -                                    | -  | -       |
| Funds   | 6.093.770  | 6.066.464  | -                                | -   | -  | -                                    | -  | -       |
| Derivative Financial Liabilities  | 1.652.201  | 1.652.201  | -                                | -   | -  | -                                    | -  | -       |
| Factoring payables  | -  | -  | -                                | -   | -  | -                                    | -  | -       |
| Other Liabilities   | 12.747.589   | 12.747.589   | -                                | -   | -  | -                                    | -  | -       |
| Factoring Liabilities   | 772.675  | 772.675  | -                                | -   | -  | -                                    | -  | -       |
| Provisions  | 4.136.721  | 4.110.794  | -                                | -   | -  | -                                    | -  | -       |
| Tax Liability   | 1.904.852  | 1.904.852  | -                                | -   | -  | -                                    | -  | -       |
| Non-Currents Liabilities or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net) | 3.061.224  | 3.061.224  | -                                | -   | -  | -                                    | -  | -       |
| Subordinated Debt Instruments   | 10.103.295   | 10.103.295   | -                                | -   | -  | -                                    | -  | -       |
| Shareholders' Equity  | 74.260.541   | 74.227.502   | -                                | -   | -  | -                                    | -  | -       |
| <b>Total Liabilities</b>  | <b>693.781.550</b>   | <b>693.721.225</b>   | <b>-</b>                         | <b>49.915.065</b>                             | <b>-</b>                                   | <b>-</b>                             | <b>-</b>   |         |

<sup>(1)</sup> Financial statements prepared in accordance with the sixth paragraph of the fifth article of the "Communiqué on the Preparation of Banks' Consolidated Financial Statements" have been used.

<sup>(2)</sup> The Bank's consolidated financial statements.

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

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

### Differences Between Accounting Consolidation and Legal Consolidation and Matching of the Subject

| Prior Period  | Carrying values as reported in published financial statements <sup>(1)</sup> | Carrying values in consolidated financial statements prepared as per TAS but in compliance with the communiqué “Preparation of Consolidated Financial Statements” <sup>(2)</sup> | Carrying values of items         |   |   |                                      |  |                |
|---|--|--|----------------------------------|---|---|--------------------------------------|--|----------------|
|   |  |  | Subject to credit risk framework | Subject to counterparty credit risk framework | Subject to the securitisation framework | Subject to the market risk framework | Not subject to capital requirements or subject to deduction from capital |                |
| <b>Assets</b>   |  |  |                                  |   |   |                                      |  |                |
| Cash and balances at central bank   | 42.882.493   | 42.882.030   | 42.882.493                       | -   | -                                       | -                                    | -  | -              |
| Banks   | 9.083.108  | 9.083.108  | 9.086.630                        | -   | -                                       | -                                    | -  | -              |
| Receivables from Money Markets  | 249.987  | 249.987  | 317.114                          | 65.500  | -                                       | -                                    | -  | -              |
| Financial assets measured at fair value to profit or loss   | 6.782.778  | 6.782.778  | 8                                | -   | -                                       | 6.782.770                            | -  | -              |
| Financial assets measured at fair value to other comprehensive income                               | 79.833.047   | 79.833.047   | 51.509.173                       | 28.169.653                                    | -                                       | 28.323.874                           | -  | -              |
| Financial assets measured at amortised cost   | 10.281.010   | 10.281.010   | 10.282.545                       | 1.996.979                                     | -                                       | -                                    | -  | -              |
| Derivative financial assets   | 2.058.778  | 2.058.778  | -                                | 2.058.778                                     | -                                       | -                                    | -  | -              |
| <b>Loans (Net)</b>  | <b>395.077.052</b>   | <b>395.077.052</b>   | <b>398.336.130</b>               | -   | -                                       | -                                    | -  | <b>1.871</b>   |
| Investments in associates (Net)   | 163.826  | 142.148  | 142.148                          | -   | -                                       | -                                    | -  | -              |
| Investments in subsidiaries (Net)   | 1.738  | 7.975  | 7.975                            | -   | -                                       | -                                    | -  | -              |
| Jointly Controlled Partnerships (Joint Ventures) (Net)  | 87.450   | 87.450   | 87.450                           | -   | -                                       | -                                    | -  | -              |
| Receivables from Leasing Transaction  | 3.978.680  | 3.978.680  | 3.978.680                        | -   | -                                       | -                                    | -  | -              |
| Tangible Assets (net)   | 2.147  | 2.147  | 2.147                            | -   | -                                       | -                                    | -  | -              |
| Intangible Assets (net)   | 6.805.720  | 6.803.755  | 6.741.637                        | -   | -                                       | -                                    | -  | 62.118         |
| Investment Properties (Net)   | 734.541  | 731.706  | -                                | -   | -                                       | -                                    | -  | 731.706        |
| Tax Asset   | 1.700.181  | 1.700.181  | 1.700.181                        | -   | -                                       | -                                    | -  | -              |
| Assets Held for Sale and Discontinued Operations (Net)  | 1.230.679  | 1.230.679  | 1.230.679                        | -   | -                                       | -                                    | -  | -              |
| Other Assets  | 7.483.264  | 7.454.485  | 7.508.585                        | -   | -                                       | -                                    | -  | -              |
| <b>Total Assets</b>   | <b>568.436.479</b>   | <b>568.386.996</b>   | <b>533.813.575</b>               | <b>32.290.910</b>                             | -                                       | <b>35.106.644</b>                    | -  | <b>795.695</b> |
| <b>Liabilities</b>  |  |  |                                  |   |   |                                      |  |                |
| Deposits  | 354.351.571  | 354.375.248  | -                                | -   | -                                       | -                                    | -  | -              |
| Funds Borrowed  | 34.848.769   | 34.848.769   | -                                | 2.860.112                                     | -                                       | -                                    | -  | -              |
| Money Market Borrowings   | 68.603.638   | 68.603.638   | -                                | 25.950.344                                    | -                                       | -                                    | -  | -              |
| Securities Issued (Net)   | 16.943.864   | 16.943.864   | -                                | -   | -                                       | -                                    | -  | -              |
| Funds   | 6.073.748  | 6.073.748  | -                                | -   | -                                       | -                                    | -  | -              |
| Derivative Financial Liabilities  | 1.668.169  | 1.668.169  | -                                | -   | -                                       | -                                    | -  | -              |
| Factoring payables  | -  | -  | -                                | -   | -                                       | -                                    | -  | -              |
| Other Liabilities   | 19.381.901   | 19.357.893   | -                                | -   | -                                       | -                                    | -  | -              |
| Factoring Liabilities   | -  | -  | -                                | -   | -                                       | -                                    | -  | -              |
| Provisions  | 4.769.265  | 4.751.072  | -                                | -   | -                                       | -                                    | -  | -              |
| Tax Liability   | 1.635.620  | 1.635.620  | -                                | -   | -                                       | -                                    | -  | -              |
| Non-Currents Liabilities or Disposal Groups “Held For Sale” And “From Discontinued Operations (Net) | -  | -  | -                                | -   | -                                       | -                                    | -  | -              |
| Subordinated Debt Instruments   | -  | -  | -                                | -   | -                                       | -                                    | -  | -              |
| Shareholders’ Equity  | 60.159.934   | 60.128.975   | -                                | -   | -                                       | -                                    | -  | -              |
| <b>Total Liabilities</b>  | <b>568.436.479</b>   | <b>568.386.996</b>   | -                                | <b>28.810.456</b>                             | -                                       | -                                    | -  | -              |

<sup>(1)</sup> Financial statements prepared in accordance with the sixth paragraph of the fifth article of the “Communiqué on the Preparation of Banks’ Consolidated Financial Statements” have been used.

<sup>(2)</sup> The Bank’s consolidated financial statements.

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

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

### *The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements*

| <b>Current Period</b>  | <b>Total</b>         | <b>Subject to credit risk framework</b> | <b>Subject to counterparty credit risk framework</b> | <b>Subject to the market risk framework</b> |
|--|----------------------|---|--|---|
| Asset carrying value amount under scope of regulatory consolidation                    | 693.721.225          | 649.374.976                             | 57.717.084   | 45.235.815                                  |
| Liabilities carrying value amount under regulatory scope of consolidation              | -                    | -                                       | 49.915.065   | -   |
| <b>Total net amount under regulatory scope of consolidation</b>                        | <b>693.721.225</b>   | <b>649.374.976</b>                      | <b>7.802.019</b>                                     | <b>45.235.815</b>                           |
| Differences in valuations  | 317.649.597          | 79.891.826                              | 133.624.602  | -   |
| Valuation Differences  | -                    | -                                       | -  | -   |
| 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  | -                    | -                                       | -  | -   |
| <b>Amount of Risk</b>  | <b>1.011.370.822</b> | <b>729.266.802</b>                      | <b>141.426.621</b>                                   | <b>45.235.815</b>                           |

| <b>Prior Period</b>  | <b>Total</b>       | <b>Subject to credit risk framework</b> | <b>Subject to counterparty credit risk framework</b> | <b>Subject to the market risk framework</b> |
|--|--------------------|---|--|---|
| Asset carrying value amount under scope of regulatory consolidation                    | 568.386.996        | 533.757.038                             | 32.290.910   | 35.106.644                                  |
| Liabilities carrying value amount under regulatory scope of consolidation              | -                  | -                                       | 28.810.456   | -   |
| <b>Total net amount under regulatory scope of consolidation</b>                        | <b>568.386.996</b> | <b>533.757.038</b>                      | <b>3.480.454</b>                                     | <b>35.106.644</b>                           |
| Differences in valuations  | 244.474.188        | 79.032.680                              | 69.186.526   | -   |
| Valuation Differences  | -                  | -                                       | -  | -   |
| 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  | -                  | -                                       | -  | -   |
| <b>Amount of Risk</b>  | <b>812.861.184</b> | <b>612.789.718</b>                      | <b>72.666.980</b>                                    | <b>35.106.644</b>                           |

### *Explanations on differences between risk amounts and valued amounts in accordance with the Turkish Accounting Standards*

There is no significant difference between financial statement values of assets and liabilities and values included in capital adequacy calculation.

### **3. Credit Risk Explanations**

#### **3.1. Transformation of bank's business model into components in credit risk profile**

The Banks must allocate risk limits approved by board of directors of the Banks and monitor limit utilization pursuant to Article 38 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks issued by the BRSA and published in the Official Gazette no. 29057 dated 11 July 2014. Furthermore, pursuant to paragraph 5 of the same article, it is expected to establish a signal structure that will serve as an early warning mechanism in addition to the limit structures

Additionally, principle 5 of the Guideline for Counter Party Credit Risk Management announced to the public by the BRSA with the Agency Decision no. 6827 dated 31 March 2016 States that banks must allocate a limit for counter party credit risk (CCR).

Pursuant to aforementioned regulations, to what extent the Parent Bank gets closer to allocated limits approved by the board of directors or to what extent these levels were exceeded must be monitored by the risk management unit which was structured independent from executive units. This practice that was included in monitoring function of the risk management unit is significant as it presents a legal obligation and it helps optimization of resource utilization.



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

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

Signal and limit values for counter party credit risk transactions were determined separately for banking accounts and trading accounts based on portfolio type. Calculations were made based on ratio of risk weighted asset amounts calculated for relevant parameters to total credit and market risk weighted asset amounts and they are reported to the Parent Bank’s Top Management periodically through relevant units.

In an attempt to prevent significant effects of unfavorable developments in the portfolio subject to market risk, it is essential to restrict risk level to the limits in line with the Bank’s risk appetite. Market risk limits were determined as interest rate risk and currency risk limits. Current values for such limits are calculated on a daily basis with market data and reported to the Bank’s Top Management through relevant units. Market risk signal and limit values are monitored dynamically in the light of market developments and, if necessary, updated based on the developments in the Bank’s strategy and risk appetite.

### **3.2. Criteria and approach adopted for determining credit risk policy and credit risk limits**

As part of credit risk management, the Parent Bank’s risk management team conducts the functions of identification, measurement, monitoring and controlling of credit risk in line with the structure, size, complexity and growth rate of products and activities and reports the analysis, including stress test, and its results to the Bank’s Top Management.

In an attempt to prevent significant effects of unfavorable developments in the portfolio subject to credit risk, credit risk level was restricted to the limits in line with the Parent Bank’s risk appetite. The limits are revised and, if needed, updated regularly in line with the developments in market conditions, the Parent Bank’s strategy and risk appetite.

There is a signal and limit structure in place, indicating that credit risk limits are almost reached as a result of internal and external developments. Parameters for signal and limit structure and limit values of parameters are determined by risk management by consulting the relevant units. The approval of Audit Committee and Board of Directors is sought in order to implement parameters and signal/limit threshold values within The Parent Bank. It is ensured that risk signal and limit structure is forwarded to relevant units in the Bank and the structure is understood by the relevant staff. Actual values are monitored closely by the risk management. Actual values regarding signal and limit parameters are reported to the Bank’s Top Management.

### **3.3 Structure and organization of credit risk management and control function**

The Parent Bank’s internal system units consist of the Inspection Board Presidency, Internal Control and Compliance Presidency and Risk Management Group Presidency. Credit risk management is one of the four services under the Risk Management Group Presidency.

Activities conducted at the credit risk management unit, which is subject to inspection and controlling activities periodically, aim to establish and maintain a credit risk management infrastructure that is structured enough to meet legal obligations and flexible enough to accommodate the best practices. Accordingly, capital amount that should be reserved for credit risk is calculated; risk mitigation techniques are implemented; stress tests are conducted; credit risk signal and limit structures are monitored; activities are conducted to calculate credit risk with advanced methods and developments that may affect the Bank’s credit risk are monitored. Analyses conducted are reported to the Top Management and relevant units periodically.

### **3.4. Relationship between credit risk management, risk control, legal compliance and internal audit functions**

Risk Management Group Presidency goes through inspection and control activities periodically. In case of any findings, they are reported and required activities are performed.

Furthermore, inspection and control units involve in the process also for the ICAAP activities that constitute a significant part of risk management activities. Accordingly, ICAAP analyses and activities are validated by Internal Control and Compliance Group Presidency that reports to the Audit Commission independent from the team that develops and implements the methodology of the ICAAP analyses. The same team issues a Validation Report as well. The entire ICAAP process is subject to an inspection by the Inspection Board Presidency and reported through Examination Report issued.

Türkiye Cumhuriyeti Ziraat Bankası 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 controls on Risk Management Disclosures are carried out within the scope of Risk Management Department activities. Two separate control processes are carried out periodically in the related unit, Capital Adequacy Calculation process and other Risk Management processes control, and are carried out within the scope of capital adequacy check points and guide and control points and guidance related to other risk management activities.

All activities, new transactions and products planned by the Parent Bank; compliance with relevant laws, regulations, internal policies and banking practices is controlled. In this context, the compliance of the legislative regulations regarding the Risk Management Disclosures with the intra-bank practices is also checked.

The control activities carried out in the Head Office Units are carried out in accordance with the control periods determined by taking into account the functions and the risks of the units, the duties of the units and their effects on The Parent Bank's balance sheet. The control processes of the Head Office Units are carried out through the control points determined according to the processes, duties and powers of the unit and the control techniques are detailed in the General Directorate Control Manual.

### 3.5. Scope and Main Content for Reporting to Top Management and Board Members on Credit Risk Management Function and Credit Risk Exposed

It is essential to inform the Parent Bank's Top Management about developments in credit risk management and results of the analysis and activities conducted in order to achieve efficiency in risk management. Accordingly, a reporting system for informing the Parent Bank's Top Management on credit risk management is established and required measures are taken for healthy functioning of the system.

Informing process as part of reporting should be based on the most current data available on a periodical basis.

Reports issued contain, at a minimum, information on risk amount and development, legal capital requirement, stress test analysis results, effect of such results on capital adequacy level, actualization level of risk limits and limitations and assumptions of risk measurement method used.

### 3.6. Credit Quality of Assets

| <b>Current Period</b>       | <b>Defaulted</b>  | <b>Non-defaulted</b> | <b>Allowances/<br/>Amortisation and<br/>impairments</b> | <b>Net values</b>  |
|-----------------------------|-------------------|----------------------|---|--------------------|
| Loans                       | 14.531.430        | 470.096.211          | 14.162.291  | 470.465.350        |
| Debt Securities             | -                 | 135.726.146          | 2.134.137   | 133.592.009        |
| Off-balance sheet exposures | 758.256           | 198.776.464          | 1.134.125   | 198.400.595        |
| <b>Total</b>                | <b>15.289.686</b> | <b>804.598.821</b>   | <b>17.430.553</b>                                       | <b>802.457.954</b> |

| <b>Prior Period</b>         | <b>Defaulted</b> | <b>Non-defaulted</b> | <b>Allowances/<br/>Amortisation and<br/>impairments</b> | <b>Net values</b>  |
|-----------------------------|------------------|----------------------|---|--------------------|
| Loans                       | 8.755.997        | 399.753.761          | 9.451.879   | 399.057.879        |
| Debt Securities             | -                | 105.216.973          | 6.259.825   | 98.957.148         |
| Off-balance sheet exposures | 279.906          | 177.707.537          | 466.897   | 177.520.546        |
| <b>Total</b>                | <b>9.035.903</b> | <b>682.678.271</b>   | <b>16.178.601</b>                                       | <b>675.535.573</b> |

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

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

### 3.7 Changes in the Defaulted Receivables and Debt Instruments

#### Current Period

|   |  |                   |
|---|--|-------------------|
| 1 | Defaulted loans and debt securities at end of the previous reporting period                                      | 8.755.997         |
| 2 | Loans and debt securities that have defaulted since the last reporting period                                    | 8.815.989         |
| 3 | Returned to non-defaulted status   | 68.930            |
| 4 | Amounts written off  | -                 |
| 5 | Other changes  | (2.971.626)       |
| 6 | <b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) <sup>(1)</sup> definitions</b> | <b>14.531.430</b> |

<sup>(1)</sup> Provisions for non-cash loans are not included in the table.

#### Prior Period

|   |  |                  |
|---|--|------------------|
| 1 | Defaulted loans and debt securities at end of the previous reporting period                                      | 5.028.967        |
| 2 | Loans and debt securities that have defaulted since the last reporting period                                    | 4.989.088        |
| 3 | Returned to non-defaulted status   | 85.686           |
| 4 | Amounts written off  | -                |
| 5 | Other changes  | (1.176.372)      |
| 6 | <b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) <sup>(1)</sup> definitions</b> | <b>8.755.997</b> |

<sup>(1)</sup> Provisions for non-cash loans are not included in the table.

### 3.8 Additional Explanations on Credit Quality of Assets

#### *Differences between definitions and explanations of “deferred” receivables and receivables for which “provision was allocated”, and definitions of “deferred” and “provision of allocation”, if any*

The Parent Bank classifies its credits and other receivables and allocates expected loss provisions pursuant to the “Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions” published in the Official Gazette no. 29750 dated 22 June 2016. The term “Deferred Receivables” is used for credits named “Loans under Close Monitoring” whose maturity is deferred for up to 90 days as of the end of period without any impairments as well as for credits named “Non-Performing Loans” whose maturity is deferred for more than 90 days or subject to impairment. In practice, the Parent Bank sets expected credit loss provisions for the stage 1 and stage 2 for credits classified as “Standard Credits” and “Under Close Monitoring” and expected loss provisions for the loans for the stage 3 for credits classified as “Non-Performing Loans”.

#### *The portion that is not considered within the scope of “allocation of provision” among deferred receivables (over 90 days) and reasons for this practice*

The Parent Bank transfers credits whose maturity is deferred for more than 90 days automatically to monitoring accounts pursuant to the classification provisions of Regulation on Provisions, and allocates provision of respective class; whereas it does not allocate expected loss provisions for fund-based credits classified as “Non-Performing Loans” pursuant to Article 13 “Exceptions” of the Regulation on Provisions as the relevant risk is not assumed by the Parent Bank.

#### *Definitions of methods used for determining provision amount*

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”. However, there is no judgement in the related Regulation and the BRSA’s related disclosures that would prevent further provision of the minimum amounts required.

Türkiye Cumhuriyeti Ziraat Bankası 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").)

**Definitions of restructured receivables**

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.

**Breakdown of receivables by geographic regions, sectors and remaining maturity; receivable amounts subject to allocation of provision by geographic regions and sectors and their respective provisions; amounts removed from the assets**

|                               | Loans and Receivables | Non Performing Loans | Expected Loss Provisions | Total              |
|-------------------------------|-----------------------|----------------------|--------------------------|--------------------|
| Domestic                      | 448.235.072           | 13.314.367           | 11.211.869               | 450.337.570        |
| European Union Countries      | 2.783.521             | 26.722               | 33.637                   | 2.776.606          |
| USA, Canada                   | 4.710                 | 4.239                | 4.504                    | 4.445              |
| OECD Countries <sup>(1)</sup> | 2.587                 | 115.688              | 71.086                   | 47.189             |
| Off-Shore Banking Regions     | 237.344               | -                    | 78                       | 237.266            |
| Other                         | 15.164.226            | 1.070.414            | 2.841.117                | 13.393.523         |
| <b>Total</b>                  | <b>466.427.460</b>    | <b>14.531.430</b>    | <b>14.162.291</b>        | <b>466.796.599</b> |

<sup>(1)</sup> OECD countries other than EU countries, USA and Canada.

|                                      | Loans and Receivables | Non Performing Loans | Expected Loss Provisions | Total              |
|--------------------------------------|-----------------------|----------------------|--------------------------|--------------------|
| Agriculture                          | 76.128.791            | 1.810.224            | 1.418.452                | 76.520.563         |
| Farming and Stockbreeding            | 75.711.609            | 1.789.010            | 1.398.460                | 76.102.159         |
| Forestry                             | 253.925               | 11.674               | 9.386                    | 256.213            |
| Fishing                              | 163.257               | 9.540                | 10.606                   | 162.191            |
| Manufacturing                        | 104.810.970           | 2.567.341            | 2.695.269                | 104.683.042        |
| Mining and Quarrying                 | 7.246.193             | 32.101               | 55.228                   | 7.223.066          |
| Production                           | 71.937.237            | 2.281.898            | 2.019.454                | 72.199.681         |
| Electric, Gas and Water              | 25.627.540            | 253.342              | 620.587                  | 25.260.295         |
| Construction                         | 46.092.566            | 2.593.481            | 1.814.465                | 46.871.582         |
| Services                             | 107.222.843           | 5.137.622            | 6.352.487                | 106.007.978        |
| Wholesale and Retail Trade           | 44.229.648            | 2.928.652            | 2.318.673                | 44.839.627         |
| Hotel Food and Beverage Services     | 8.766.244             | 356.358              | 258.980                  | 8.863.622          |
| Transportation and Telecommunication | 17.913.428            | 178.307              | 2.455.893                | 15.635.842         |
| Financial Institutions               | 8.574.521             | 5.870                | 23.339                   | 8.557.052          |
| Real Estate and Leasing Services     | 25.712.004            | 1.514.297            | 1.229.345                | 25.996.956         |
| Self Employment Services             | 716                   | 93                   | 149                      | 660                |
| Education Services                   | 938.395               | 108.756              | 32.136                   | 1.015.015          |
| Health and Social Services           | 1.087.887             | 45.289               | 33.972                   | 1.099.204          |
| Other                                | 132.172.290           | 2.422.762            | 1.881.618                | 132.713.434        |
| <b>Total</b>                         | <b>466.427.460</b>    | <b>14.531.430</b>    | <b>14.162.291</b>        | <b>466.796.599</b> |

Information regarding breakdown of receivables according to remaining maturities is given in footnote II-4.

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

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

### Aging Analysis for Deferred Receivables

The Aging Analysis regarding the loans which are overdue but yet have not lost its value has been presented below;

| Current Period                       | Up to 1 Month    | 1-2 months     | 2-3 months       | Total            |
|--------------------------------------|------------------|----------------|------------------|------------------|
| Loans and Receivables <sup>(1)</sup> |                  |                |                  |                  |
| Corporate/Entrepreneur Loans         | 819.426          | 221.372        | 2.950.188        | 3.990.986        |
| Retail Loans                         | 70.343           | 14.253         | 5.613            | 90.209           |
| Specialized Loans                    | 811.513          | 188.977        | 133.937          | 1.134.427        |
| <b>Total</b>                         | <b>1.701.282</b> | <b>424.602</b> | <b>3.089.738</b> | <b>5.215.622</b> |

<sup>(1)</sup> 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 installment results with a grand total of TL 26.168.987.

| Prior Period                         | Up to 1 Month    | 1-2 months     | 2-3 months       | Total            |
|--------------------------------------|------------------|----------------|------------------|------------------|
| Loans and Receivables <sup>(1)</sup> |                  |                |                  |                  |
| Corporate/Entrepreneur Loans         | 499.701          | 201.575        | 1.767.995        | 2.469.271        |
| Retail Loans                         | 63.928           | 12.439         | 5.405            | 81.772           |
| Specialized Loans                    | 604.810          | 183.072        | 95.164           | 883.046          |
| <b>Total</b>                         | <b>1.168.439</b> | <b>397.086</b> | <b>1.868.564</b> | <b>3.434.089</b> |

<sup>(1)</sup> 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 installment results with a grand total of TL 16.044.320.

### Breakdown of restructured receivables by allocation of provision

Out of the Group's total restructured loans amounting to TL 10.805.869, a portion of TL 10.107.754 consists of performing loans and remaining portion of TL 698.115 consists of non-performing loans. While the specific provision allocated for non-performing loans amounts to TL 332.381, no expected loss provision (Stage 3) was allocated for non-performing loans of TL 19.094, whose risk is not assumed by the Group (31 December 2018: Out of the Group's total restructured loans amounting to TL 3.860.586, a portion of TL 3.576.692 consists of performing loans and remaining portion of TL 283.894 consists of non-performing loans. While the specific provision allocated for non-performing loans amounts to TL 171.941, no expected loss provision (Stage 3) was allocated for non-performing loans of TL 360, whose risk is not assumed by the Parent Bank)

### 3.9. Credit risk mitigation

#### 3.9.1. Qualitative requirements to be disclosed to public regarding credit risk mitigation techniques

##### Basic characteristics of policies and processes on the extent of utilization of on-balance sheet and off-balance sheet netting

The practice of on-balance sheet and off-balance sheet netting is not used while mitigating credit risk within the Group.

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

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

### 3.10. Credit risk mitigation techniques – Overview

| Current Period     | Unsecured<br>receivables:<br>Amount<br>assessed<br>pursuant to<br>TAS | Receivables<br>secured by<br>guarantee | Collateralized<br>portions of<br>collateralized<br>receivables | Receivables<br>protected<br>by financial<br>guarantees | Collateralized<br>portions of<br>receivables<br>protected<br>by financial<br>guarantees | Receivables<br>protected<br>by credit<br>derivatives | Collateralized<br>portions of<br>receivables<br>protected<br>by credit<br>derivatives |
|--------------------|---|--|--|--|---|--|---|
| Loans              | 387.419.543   | 84.336.819                             | 48.242.825   | 67.009.421   | 44.952.792  | -  | -   |
| Debt Securities    | 133.592.009   | -                                      | -  | -  | -   | -  | -   |
| <b>Total</b>       | <b>521.011.552</b>  | <b>84.336.819</b>                      | <b>48.242.825</b>  | <b>67.009.421</b>                                      | <b>44.952.792</b>   | -  | -   |
| Of which defaulted | 12.420.194  | 2.111.236                              | 733.725  | 2.109.151  | 733.709   | -  | -   |

| Prior Period       | Unsecured<br>receivables:<br>Amount<br>assessed<br>pursuant to<br>TAS | Receivables<br>secured by<br>guarantee | Collateralized<br>portions of<br>collateralized<br>receivables | Receivables<br>protected<br>by financial<br>guarantees | Collateralized<br>portions of<br>receivables<br>protected<br>by financial<br>guarantees | Receivables<br>protected<br>by credit<br>derivatives | Collateralized<br>portions of<br>receivables<br>protected<br>by credit<br>derivatives |
|--------------------|---|--|--|--|---|--|---|
| Loans              | 338.343.135   | 12.205.965                             | 1.587.257  | 47.788.901   | 19.917.358  | -  | -   |
| Debt Securities    | 96.898.370  | -                                      | -  | -  | -   | -  | -   |
| <b>Total</b>       | <b>435.241.505</b>  | <b>12.205.965</b>                      | <b>1.587.257</b>   | <b>47.788.901</b>                                      | <b>19.917.358</b>   | -  | -   |
| Of which defaulted | 8.084.352   | 1.274                                  | 134  | 670.371  | 330.907   | -  | -   |

### 3.11. Credit risk if standard approach is used

#### 3.11.1. Qualitative explanations on ratings used by the Banks while calculating credit risk with standard approach

##### *Names of Credit Rating Agencies (CRA) and Export Rating Agencies (ERA) used by The Parent Bank and the reasons in case of any change during the reporting period*

The Parent Bank uses ratings of Fitch Ratings International Rating Agency and Islamic International Rating Agency (IIRA) while calculating the amount subject to credit risk through standard approach. The country risk classification published by the Economic Cooperation and Development Organization (OECD) is taken as basis for the unrated central government and central banks.

##### *Risk classes using CRA and ERA ratings*

For the risk class received from banks and intermediary institutions, the ratings of the Fitch Ratings International Rating Agency are used for determining the risk weights for the risk classes using a rating grade from the risk classes specified in Article 6 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks. While the international rating score is taken into consideration for the entire risk class receivables from central governments or central banks, the ratings of the Islamic International Rating Agency (IIRA) are used. The country risk classification published by the Organization for Economic Cooperation and Development (OECD) is taken as basis for unclassified central government and central banks. The counterparties residing domestically are accepted as “Gradeless” and take the risk weight which is appropriate for the “Gradeless” category in the related risk class.

##### *Explanation on how credit rating of debtor is used for other assets of debtor in banking accounts*

While the rating assigned by Fitch Ratings International Rating Agency corresponds to credit quality level 3 in the risk class “Receivables from Central Governments or Central Banks”, ratings used for the risk class “Receivables from Banks and Brokerage Houses” match with different credit quality levels.

##### *Matching rating grades on the basis of risk*

Rating grade assigned by a credit rating agency that is not listed in the BRSA's matching table is not used in calculations.

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

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

**3.12. Standard Approach- Loan risk Exposure and the Effects of Loan Risk Reduction Techniques**

| Current Period   | Exposures before CCF and CRM |                          | Exposures post-CCF and CRM |                         | RWA and RWA density      |                         |
|--|------------------------------|--------------------------|----------------------------|-------------------------|--------------------------|-------------------------|
|  | On-balance sheet amount      | Off-balance sheet amount | On-balance sheet amount    | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount |
| <b>Risk Classes</b>  |                              |                          |                            |                         |                          |                         |
| Exposures to sovereigns and their central banks                | 142.772.174                  | 824.931                  | 185.517.801                | 2.739.787               | 31.883.780               | 16,9%                   |
| Exposures to regional and local governments                    | 618.948                      | 77.751                   | 443.045                    | 44.102                  | 232.054                  | 47,6%                   |
| Exposures to administrative bodies and non-commercial entities | 250.281                      | 757.225                  | 1.203.781                  | 385.688                 | 1.549.733                | 97,5%                   |
| Exposures to multilateral development banks                    | -                            | -                        | -                          | -                       | -                        | -                       |
| Exposures to international organizations                       | -                            | -                        | -                          | -                       | -                        | -                       |
| Exposures to banks and brokerage houses                        | 74.194.983                   | 14.517.448               | 75.389.253                 | 8.108.048               | 14.062.276               | 16,8%                   |
| Exposures to corporates  | 226.687.251                  | 120.310.850              | 199.982.187                | 63.252.866              | 260.017.372              | 98,8%                   |
| Retail exposures   | 160.423.783                  | 52.259.544               | 143.756.084                | 4.531.954               | 110.036.616              | 74,2%                   |
| Exposures secured by residential property                      | 59.603.803                   | 352.789                  | 59.275.334                 | 174.748                 | 20.818.566               | 35,0%                   |
| Exposures secured by commercial property                       | 8.464.297                    | 740.249                  | 8.214.361                  | 445.931                 | 4.397.972                | 50,8%                   |
| Past-due items   | 4.794.048                    | -                        | 4.075.365                  | -                       | 2.680.485                | 65,8%                   |
| Exposures in high-risk categories                              | 2.788.783                    | 373.558                  | 2.741.140                  | 152.885                 | 4.335.303                | 149,8%                  |
| Exposures in the form of bonds secured by mortgages            | -                            | -                        | -                          | -                       | -                        | -                       |
| Short term exposures to banks, brokerage houses and corporates | -                            | -                        | -                          | -                       | -                        | -                       |
| Exposures in the form of collective investment undertakings    | 2.496.762                    | 112.063                  | 2.496.762                  | 55.817                  | 2.367.231                | 92,7%                   |
| Other exposures  | 33.334.403                   | -                        | 33.334.403                 | -                       | 19.735.467               | 59,2%                   |
| Equity share investments                                       | 163.902                      | -                        | 163.902                    | -                       | 163.902                  | 100,0%                  |
| <b>Total</b>   | <b>716.593.418</b>           | <b>190.326.408</b>       | <b>716.593.418</b>         | <b>79.891.826</b>       | <b>472.280.757</b>       | <b>59,3%</b>            |

## 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   | Exposures before CCF and CRM |                          | Exposures post-CCF and CRM |                         | RWA and RWA density      |                         |
|--|------------------------------|--------------------------|----------------------------|-------------------------|--------------------------|-------------------------|
|  | On-balance sheet amount      | Off-balance sheet amount | On-balance sheet amount    | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount |
| Exposures to sovereigns and their central banks                | 107.894.178                  | 758.747                  | 144.868.014                | 2.509.956               | 20.460.158               | 13,9%                   |
| Exposures to regional and local governments                    | 653.608                      | 69.730                   | 673.614                    | 49.958                  | 346.954                  | 48,0%                   |
| Exposures to administrative bodies and non-commercial entities | 259.479                      | 726.398                  | 882.834                    | 300.059                 | 1.108.297                | 93,7%                   |
| Exposures to multilateral development banks                    | -                            | -                        | -                          | -                       | -                        | -                       |
| Exposures to international organizations                       | -                            | -                        | -                          | -                       | -                        | -                       |
| Exposures to banks and brokerage houses                        | 47.446.731                   | 15.377.723               | 47.442.723                 | 7.906.935               | 10.994.443               | 19,9%                   |
| Exposures to corporates  | 198.718.093                  | 120.286.115              | 176.984.914                | 63.780.014              | 237.941.365              | 98,8%                   |
| Retail exposures   | 133.616.322                  | 36.461.303               | 118.485.575                | 3.715.750               | 90.889.469               | 74,4%                   |
| Exposures secured by residential property                      | 47.446.107                   | 331.458                  | 47.194.835                 | 178.693                 | 16.589.279               | 35,0%                   |
| Exposures secured by commercial property                       | 6.879.814                    | 550.210                  | 6.727.011                  | 327.865                 | 3.594.586                | 51,0%                   |
| Past-due items   | 2.327.696                    | -                        | 1.996.804                  | -                       | 1.356.832                | 68,0%                   |
| Exposures in high-risk categories                              | 2.229.276                    | 368.990                  | 2.214.980                  | 197.389                 | 3.593.812                | 149,0%                  |
| Exposures in the form of bonds secured by mortgages            | -                            | -                        | -                          | -                       | -                        | -                       |
| Short term exposures to banks, brokerage houses and corporates | -                            | -                        | -                          | -                       | -                        | -                       |
| Exposures in the form of collective investment undertakings    | 1.080.488                    | 133.558                  | 1.080.488                  | 66.061                  | 1.022.273                | 89,2%                   |
| Other exposures  | 23.398.673                   | -                        | 23.398.673                 | -                       | 13.474.579               | 57,6%                   |
| Equity share investments                                       | 148.434                      | -                        | 148.434                    | -                       | 148.434                  | 100,0%                  |
| <b>Total</b>   | <b>572.098.899</b>           | <b>175.064.232</b>       | <b>572.098.899</b>         | <b>79.032.680</b>       | <b>401.520.481</b>       | <b>61,7%</b>            |



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

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

**3.13. Standard Approach: Receivables related with Risk Classes and Risk Weights**

| Current Period<br>Risk Classes/Risk Weight                     | 0%                 | 10%      | 20%               | 35%<br>secured by<br>property<br>mortgage | 50%<br>secured<br>by<br>property<br>mortgage | 50% <sup>(1)</sup> | 75%                | 100%               | 150%             | 200%     | Other            | Total risk<br>amount<br>(post-CCF<br>and CRM) |
|--|--------------------|----------|-------------------|---|--|--------------------|--------------------|--------------------|------------------|----------|------------------|---|
| Exposures to sovereigns and their central banks                | 124.989.206        | -        | 9.892             | -   | -  | 62.753.377         | -                  | 505.113            | -                | -        | -                | 188.257.588                                   |
| Exposures to regional and local government                     | 27.549             | -        | 34                | -   | -  | 455.033            | -                  | 4.531              | -                | -        | -                | 487.147                                       |
| Exposures to administrative bodies and non-commercial entities | 39.577             | -        | 199               | -   | -  | -                  | -                  | 1.549.693          | -                | -        | -                | 1.589.469                                     |
| Exposures to multilateral development banks                    | -                  | -        | -                 | -   | -  | -                  | -                  | -                  | -                | -        | -                | -   |
| Exposures to international organizations                       | -                  | -        | -                 | -   | -  | -                  | -                  | -                  | -                | -        | -                | -   |
| Exposures to banks and brokerage houses                        | 43.103.799         | -        | 18.032.484        | -   | -  | 18.185.446         | -                  | 1.305.658          | -                | -        | 2.869.914        | 83.497.301                                    |
| Exposures to corporates  | 947.168            | -        | 505.619           | -   | -  | 3.732.036          | -                  | 258.050.230        | -                | -        | -                | 263.235.053                                   |
| Retail exposures   | 1.049.738          | -        | 711.761           | -   | -  | 146                | 146.525.565        | -                  | -                | -        | 828              | 148.288.038                                   |
| Exposures secured by residential property                      | 21.174             | -        | 16.390            | 59.380.353                                | -  | -                  | -                  | 32.165             | -                | -        | -                | 59.450.082                                    |
| Exposures secured by commercial property                       | 8.297              | -        | 8.916             | -   | 8.493.780                                    | -                  | -                  | 149.299            | -                | -        | -                | 8.660.292                                     |
| Past-due items   | 13                 | -        | -                 | -   | -  | 2.789.733          | -                  | 1.285.619          | -                | -        | -                | 4.075.365                                     |
| Exposures in high-risk categories                              | 1.938              | -        | 2.174             | -   | -  | -                  | -                  | 2                  | 2.889.911        | -        | -                | 2.894.025                                     |
| Exposures in the form of bonds secured by mortgages            | -                  | -        | -                 | -   | -  | -                  | -                  | -                  | -                | -        | -                | -   |
| Short term exposures to banks, brokerage houses and corporates | -                  | -        | -                 | -   | -  | -                  | -                  | -                  | -                | -        | -                | -   |
| Exposures in the form of collective investment undertakings    | 185.348            | -        | -                 | -   | -  | -                  | -                  | 2.367.231          | -                | -        | -                | 2.552.579                                     |
| Equity share investments                                       | -                  | -        | -                 | -   | -  | -                  | -                  | 163.902            | -                | -        | -                | 163.902                                       |
| Other exposures  | 13.598.929         | -        | 9                 | -   | -  | -                  | -                  | 19.735.465         | -                | -        | -                | 33.334.403                                    |
| <b>Total</b>   | <b>183.972.736</b> | <b>-</b> | <b>19.287.478</b> | <b>59.380.353</b>                         | <b>8.493.780</b>                             | <b>87.915.771</b>  | <b>146.525.565</b> | <b>285.148.908</b> | <b>2.889.911</b> | <b>-</b> | <b>2.870.742</b> | <b>796.485.244</b>                            |

<sup>(1)</sup> Demonstrates all receivables that are consisting of 50% risk weighted and out of the line “Exposures secured by commercial property”.

## 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<br>Risk Classes/Risk Weight                       | 0%                 | 10%      | 20%               | 35%<br>secured by<br>property<br>mortgage | 50%<br>secured by<br>property<br>mortgage | 50% <sup>(*)</sup> | 75%                | 100%               | 150%             | 200%     | Other    | Total risk<br>amount<br>(post-CCF<br>and CRM) |
|--|--------------------|----------|-------------------|---|---|--------------------|--------------------|--------------------|------------------|----------|----------|---|
| Exposures to sovereigns and their central banks                | 106.942.573        | -        | 9.399             | -   | -   | 39.935.440         | -                  | 490.558            | -                | -        | -        | 147.377.970                                   |
| Exposures to regional and local government                     | 31.656             | -        | 35                | -   | -   | 689.868            | -                  | 2.013              | -                | -        | -        | 723.572                                       |
| Exposures to administrative bodies and non-commercial entities | 74.516             | -        | 100               | -   | -   | -                  | -                  | 1.108.277          | -                | -        | -        | 1.182.893                                     |
| Exposures to multilateral development banks                    | -                  | -        | -                 | -   | -   | -                  | -                  | -                  | -                | -        | -        | -   |
| Exposures to international organizations                       | -                  | -        | -                 | -   | -   | -                  | -                  | -                  | -                | -        | -        | -   |
| Exposures to banks and brokerage houses                        | 26.299.347         | -        | 13.204.035        | -   | -   | 14.985.279         | -                  | 860.997            | -                | -        | -        | 55.349.658                                    |
| Exposures to corporates  | 497.556            | -        | 405.916           | -   | -   | 4.002.552          | -                  | 235.858.904        | -                | -        | -        | 240.764.928                                   |
| Retail exposures   | 710.828            | -        | 414.870           | -   | -   | 900                | 121.074.727        | -                  | -                | -        | -        | 122.201.325                                   |
| Exposures secured by residential property                      | 8.215              | -        | 5.108             | 47.341.458                                | -   | -                  | -                  | 18.747             | -                | -        | -        | 47.373.528                                    |
| Exposures secured by commercial property                       | 2.609              | -        | 3.087             | -   | 6.910.422                                 | -                  | -                  | 138.758            | -                | -        | -        | 7.054.876                                     |
| Past-due items   | 134                | -        | -                 | -   | -   | 1.279.676          | -                  | 716.994            | -                | -        | -        | 1.996.804                                     |
| Exposures in high-risk categories                              | 449                | -        | 2.387             | -   | -   | -                  | -                  | 41.928             | 2.367.605        | -        | -        | 2.412.369                                     |
| Exposures in the form of bonds secured by mortgages            | -                  | -        | -                 | -   | -   | -                  | -                  | -                  | -                | -        | -        | -   |
| Short term exposures to banks, brokerage houses and corporates | -                  | -        | -                 | -   | -   | -                  | -                  | -                  | -                | -        | -        | -   |
| Exposures in the form of collective investment undertakings    | 124.276            | -        | -                 | -   | -   | -                  | -                  | 1.022.273          | -                | -        | -        | 1.146.549                                     |
| Equity share investments                                       | -                  | -        | -                 | -   | -   | -                  | -                  | 148.434            | -                | -        | -        | 148.434                                       |
| Other exposures  | 9.923.169          | -        | 1.156             | -   | -   | -                  | -                  | 13.474.348         | -                | -        | -        | 23.398.673                                    |
| <b>Total</b>   | <b>144.615.328</b> | <b>-</b> | <b>14.046.093</b> | <b>47.341.458</b>                         | <b>6.910.422</b>                          | <b>60.893.715</b>  | <b>121.074.727</b> | <b>253.882.231</b> | <b>2.367.605</b> | <b>-</b> | <b>-</b> | <b>651.131.579</b>                            |

(\*) Demonstrates all receivables that are consisting of 50% risk weighted and out of the line "Exposures secured by commercial property".

### 3.14. Credit risk under Internal Ratings-Based (IRB) Approach

Standard approach is used in the Group's credit risk calculations.

### 3.15. Counter Party Credit Risk Explanations

#### *Risk management goals and policies for CCR*

As part of the Parent Bank's counter party credit risk management, the functions of identification, measurement, monitoring and controlling of counter party credit risk are conducted in line with the structure, size, complexity and growth rate of products and activities, and the analysis, including stress test, and its results are reported to the Top Management.

As part of capital adequacy ratio calculations, activities for counter party credit risk are an integral part of planning, monitoring and controlling of total risk profile, and counter party credit risk management is integrated to periodic risk management process.

In the scope of counter party risk management, it is aimed to meet legal obligations and to establish and maintain counter party credit risk management infrastructure that is flexible and structured enough to accommodate the best practices. Accordingly, it is planned to conduct stress test activities, improve counter party credit risk signal and limit structure and conduct relevant monitoring function.

Türkiye Cumhuriyeti Ziraat Bankası 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”).)

### ***Operational limit allocation method specified in the scope of internal capital calculated for CCR and CCP risks***

Critical thresholds (signal and limit values) indicating that limits are approached due to internal or external developments have been identified. In the event that these values are approached or exceeded, relevant units take required actions.

Parameters for signal and limit structure and limit values of parameters are determined by consulting the relevant units and implemented at The Parent Bank upon approval of the Audit Committee and Board of Directors.

Internal limits are determined by considering the Parent Bank’s budget, strategy and expectations for upcoming years, developments in Turkey and abroad and historical realization of risks.

Policies for establishing guarantee and other risk mitigation and CCR, including CCP risk

In an attempt to identify the counter party credit risk that the Parent Bank may face, risk measurement and monitoring activities are performed and their results are considered in strategic decision-making process.

Our risk management structure involves activities to ensure that counter party credit risk measurement system functions and is maintained in line with the best practices, legal regulations, fields of activity and product ranges in a consistent, reliable and integrated way.

As part of counter party credit risk management, stress test scenarios were created by anticipating any unfavorable developments in macroeconomic conditions and the Parent Bank’s balance sheet. Results of stress test analysis are considered while establishing risk management policies.

Amount subject to counter party credit risk is calculated with appraisal method based on its fair value in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and provisions in Appendix-2, and reported on a monthly basis. Accordingly, replacement cost and potential counter party credit risk amounts are calculated. Furthermore, capital obligation is also calculated for credit appraisal adjustment for all derivatives.

Additionally, compliance of transactions posing counter party credit risk with thresholds within signal and limit structure is monitored and research is conducted for counter party credit risk calculations with advanced methods.

### ***Rules for countertrend risk***

Boasting a strong lending and collateralization structure, the Parent Bank avoids collateralization in positive correlation with the debtor’s credibility and activities in connection with risk mitigation techniques are performed by considering qualitative criteria specified in legal legislation for calculation of amount subject to credit risk.

### ***Amount of additional collateral that the Parent Bank must submit in case of a decline in credit rating***

As the Parent Bank has no transactions in connection with credit rating, there is not any additional collateral amount it must pay.

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

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

### 3.16 Evaluation of Counterparty Credit Risk in Accordance with the Measurement Methods

|                       |  | Replacement<br>cost | Potential<br>future<br>exposure | EEPE<br>(Effective<br>Expected<br>Positive<br>Exposure) <sup>(*)</sup> | Alpha used<br>for<br>computing<br>regulatory<br>EAD | Exposure<br>at default<br>post CRM | RWA              |
|-----------------------|--|---------------------|---------------------------------|--|---|------------------------------------|------------------|
| <b>Current Period</b> |  |                     |                                 |  |   |                                    |                  |
|                       | Valuation Method according to fair value - CCR (for derivatives)   | 3.314.970           | 1.453.786                       |  |   | 4.768.756                          | 2.130.456        |
| 1                     | Standardised approach - CCR (for derivatives)  | -                   | -                               |  | 1,4   | -                                  | -                |
| 2                     | Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)                             |                     |                                 | -  | -   | -                                  | -                |
| 3                     | Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)        |                     |                                 |  |   | 36.549.393                         | 2.950.852        |
| 4                     | Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit) |                     |                                 |  |   | 2.930.600                          | 665.492          |
| 5                     | Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit  |                     |                                 |  |   | -                                  | -                |
| <b>6</b>              | <b>Total</b>   |                     |                                 |  |   |                                    | <b>5.746.800</b> |

<sup>(\*)</sup> Effective Expected Positive Exposure

|                     |  | Replacement<br>cost | Potential<br>future<br>exposure | EEPE<br>(Effective<br>Expected<br>Positive<br>Exposure) <sup>(*)</sup> | Alpha used<br>for<br>computing<br>regulatory<br>EAD | Exposure<br>at default<br>post CRM | RWA              |
|---------------------|--|---------------------|---------------------------------|--|---|------------------------------------|------------------|
| <b>Prior Period</b> |  |                     |                                 |  |   |                                    |                  |
|                     | Valuation Method according to fair value - CCR (for derivatives)   | 1.845.786           | 585.789                         |  |   | 2.431.575                          | 1.134.522        |
| 1                   | Standardised approach - CCR (for derivatives)  | -                   | -                               |  | 1,4   | -                                  | -                |
| 2                   | Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)                             |                     |                                 | -  | -   | -                                  | -                |
| 3                   | Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)        |                     |                                 |  |   | 16.337.647                         | 1.739.740        |
| 4                   | Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit) |                     |                                 |  |   | 3.178.525                          | 817.062          |
| 5                   | Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit  |                     |                                 |  |   | -                                  | -                |
| <b>6</b>            | <b>Total</b>   |                     |                                 |  |   |                                    | <b>3.691.324</b> |

<sup>(\*)</sup> Effective Expected Positive Exposure

Türkiye Cumhuriyeti Ziraat Bankası 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”).)

**3.17. Capital Requirement for Loan Valuation Adjustments**

|   | <b>Current Period</b>  | <b>Exposure at default post-CRM</b> | <b>RWA</b>    |
|---|--|-------------------------------------|---------------|
|   | Total portfolios subject to the Advanced CVA capital charge    | -                                   | -             |
| 1 | (i) Value at Risk (VaR) component (including the 3×multiplier) |                                     | -             |
| 2 | (ii) Stressed VaR component (including the 3×multiplier)       |                                     | -             |
| 3 | All portfolios subject to the Standardised CVA capital charge  | 4.768.756                           | 85.704        |
| 4 | <b>Total subject to the CVA capital charge</b>                 | <b>4.768.756</b>                    | <b>85.704</b> |

|   | <b>Prior Period</b>  | <b>Exposure at default post-CRM</b> | <b>RWA</b>    |
|---|--|-------------------------------------|---------------|
|   | Total portfolios subject to the Advanced CVA capital charge    | -                                   | -             |
| 1 | (i) Value at Risk (VaR) component (including the 3×multiplier) |                                     | -             |
| 2 | (ii) Stressed VaR component (including the 3×multiplier)       |                                     | -             |
| 3 | All portfolios subject to the Standardised CVA capital charge  | 2.431.575                           | 56.045        |
| 4 | <b>Total subject to the CVA capital charge</b>                 | <b>2.431.575</b>                    | <b>56.045</b> |

**3.18 Standardised approach - CCR exposures by risk class and risk weights**

| <b>Current Period Risk Weight/Regulatory portfolio</b>         | <b>0%</b>         | <b>10%</b> | <b>20%</b>        | <b>50%</b>       | <b>75%</b>   | <b>100%</b>    | <b>150%</b> | <b>Other</b>     | <b>Total credit exposure (*)</b> |
|--|-------------------|------------|-------------------|------------------|--------------|----------------|-------------|------------------|----------------------------------|
| Exposures to sovereigns and their central banks                | 2.734.946         | -          | -                 | 457.031          | -            | 133.957        | -           | -                | 3.325.934                        |
| Exposures to regional and local governments                    | 5.001             | -          | -                 | -                | -            | -              | -           | -                | 5.001                            |
| Exposures to administrative bodies and non-commercial entities | 2.816             | -          | -                 | -                | -            | -              | -           | -                | 2.816                            |
| Exposures to multilateral development banks                    | -                 | -          | -                 | -                | -            | -              | -           | -                | -                                |
| Exposures to international organizations                       | -                 | -          | -                 | -                | -            | -              | -           | -                | -                                |
| Exposures to banks and brokerage houses                        | 42.841.324        | -          | 11.474.227        | 5.550.242        | -            | 269            | -           | 2.869.914        | 62.735.976                       |
| Exposures to corporates  | 13.412            | -          | -                 | -                | -            | 398.784        | -           | -                | 412.196                          |
| Retail exposures   | 162.312           | -          | -                 | -                | 1.349        | -              | -           | 828              | 164.489                          |
| Exposures secured by residential property                      | -                 | -          | -                 | -                | -            | -              | -           | -                | -                                |
| Past-due items   | -                 | -          | -                 | -                | -            | -              | -           | -                | -                                |
| Exposures in high-risk categories                              | -                 | -          | -                 | -                | -            | -              | -           | -                | -                                |
| Mortgage securities  | -                 | -          | -                 | -                | -            | -              | -           | -                | -                                |
| Securitization positions                                       | -                 | -          | -                 | -                | -            | -              | -           | -                | -                                |
| Short term exposures to banks, brokerage houses and corporates | -                 | -          | -                 | -                | -            | -              | -           | -                | -                                |
| Exposures in the form of collective investment undertakings    | 185.348           | -          | -                 | -                | -            | -              | -           | -                | 185.348                          |
| Equity share investments                                       | -                 | -          | -                 | -                | -            | -              | -           | -                | -                                |
| Other exposures  | -                 | -          | -                 | -                | -            | -              | -           | -                | -                                |
| Other assets (**)  | -                 | -          | -                 | -                | -            | -              | -           | -                | -                                |
| <b>Total</b>   | <b>45.945.159</b> | <b>-</b>   | <b>11.474.227</b> | <b>6.007.273</b> | <b>1.349</b> | <b>533.010</b> | <b>-</b>    | <b>2.870.742</b> | <b>66.831.760</b>                |

(\*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

(\*\*) Other assets: the amount excludes exposures to “Central counterparty” which are reported in Counterparty credit.

## 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   |                   |          |                  |                  |              |                |          |          | Total credit exposure <sup>(*)</sup> |
|--|-------------------|----------|------------------|------------------|--------------|----------------|----------|----------|--------------------------------------|
| Risk Weight/Regulatory portfolio                               | 0%                | 10%      | 20%              | 50%              | 75%          | 100%           | 150%     | Other    |                                      |
| Exposures to sovereigns and their central banks                | 880.014           | -        | -                | 5.242            | -            | 61.494         | -        | -        | 946.750                              |
| Exposures to regional and local governments                    | 5.017             | -        | -                | -                | -            | -              | -        | -        | 5.017                                |
| Exposures to administrative bodies and non-commercial entities | 1.812             | -        | -                | -                | -            | -              | -        | -        | 1.812                                |
| Exposures to multilateral development banks                    | -                 | -        | -                | -                | -            | -              | -        | -        | -                                    |
| Exposures to international organizations                       | -                 | -        | -                | -                | -            | -              | -        | -        | -                                    |
| Exposures to banks and brokerage houses                        | 26.243.471        | -        | 6.442.448        | 4.122.603        | -            | 18.501         | -        | -        | 36.827.023                           |
| Exposures to corporates  | 59.801            | -        | -                | -                | -            | 305.088        | -        | -        | 364.889                              |
| Retail exposures   | 4.395             | -        | -                | -                | 5.149        | -              | -        | -        | 9.544                                |
| Exposures secured by residential property                      | -                 | -        | -                | -                | -            | -              | -        | -        | -                                    |
| Past-due items   | -                 | -        | -                | -                | -            | -              | -        | -        | -                                    |
| Exposures in high-risk categories                              | -                 | -        | -                | -                | -            | -              | -        | -        | -                                    |
| Mortgage securities  | -                 | -        | -                | -                | -            | -              | -        | -        | -                                    |
| Securitization positions                                       | -                 | -        | -                | -                | -            | -              | -        | -        | -                                    |
| Short term exposures to banks, brokerage houses and corporates | -                 | -        | -                | -                | -            | -              | -        | -        | -                                    |
| Exposures in the form of collective investment undertakings    | 124.277           | -        | -                | -                | -            | 6.012          | -        | -        | 130.289                              |
| Equity share investments                                       | -                 | -        | -                | -                | -            | -              | -        | -        | -                                    |
| Other exposures  | -                 | -        | -                | -                | -            | -              | -        | -        | -                                    |
| Other assets <sup>(**)</sup>                                   | -                 | -        | -                | -                | -            | -              | -        | -        | -                                    |
| <b>Total</b>   | <b>27.318.787</b> | <b>-</b> | <b>6.442.448</b> | <b>4.122.845</b> | <b>5.149</b> | <b>391.095</b> | <b>-</b> | <b>-</b> | <b>38.285.324</b>                    |

(\*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

(\*\*) Other assets: the amount excludes exposures to "Central counterparty" which are reported in Counterparty credit risk.

### 3.19. Risk classes and counterparty credit risk explanations

None.

#### Collaterals for CCR

|                          | Collateral for derivative transactions |              |                  |              | Collateral for other transactions |                  |
|--------------------------|--|--------------|------------------|--------------|-----------------------------------|------------------|
|                          | Collateral received                    |              | Collateral given |              | Collateral received               | Collateral given |
|                          | Segregated                             | Unsegregated | Segregated       | Unsegregated |                                   |                  |
| <b>Current Period</b>    |  |              |                  |              |                                   |                  |
| Cash-domestic currency   | -                                      | -            | -                | -            | 26.936.138                        | -                |
| Cash-foreign currency    | -                                      | -            | -                | -            | 22.943.367                        | -                |
| Domestic sovereign debts | -                                      | -            | -                | -            | 70.190                            | -                |
| Other sovereign debts    | -                                      | -            | -                | -            | 133.957                           | -                |
| Government agency debts  | -                                      | -            | -                | -            | -                                 | -                |
| Corporate debts          | -                                      | -            | -                | -            | -                                 | -                |
| Equity securities        | -                                      | -            | -                | -            | -                                 | -                |
| Other collateral         | -                                      | -            | -                | -            | -                                 | -                |
| <b>Total</b>             | <b>-</b>                               | <b>-</b>     | <b>-</b>         | <b>-</b>     | <b>50.083.652</b>                 | <b>-</b>         |

**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             | Collateral for derivative transactions |              |                  |              | Collateral for other transactions |                  |
|--------------------------|--|--------------|------------------|--------------|-----------------------------------|------------------|
|                          | Collateral received                    |              | Collateral given |              | Collateral received               | Collateral given |
|                          | Segregated                             | Unsegregated | Segregated       | Unsegregated |                                   |                  |
| Cash-domestic currency   | -                                      | -            | -                | -            | 14.898.153                        | -                |
| Cash-foreign currency    | -                                      | -            | -                | -            | 14.612.240                        | -                |
| Domestic sovereign debts | -                                      | -            | -                | -            | 4.005                             | -                |
| Other sovereign debts    | -                                      | -            | -                | -            | 61.425                            | -                |
| Government agency debts  | -                                      | -            | -                | -            | -                                 | -                |
| Corporate debts          | -                                      | -            | -                | -            | -                                 | -                |
| Equity securities        | -                                      | -            | -                | -            | -                                 | -                |
| Other collateral         | -                                      | -            | -                | -            | -                                 | -                |
| <b>Total</b>             | -                                      | -            | -                | -            | <b>29.575.823</b>                 | -                |

**Credit Derivatives**

None.

**Risk Weight changes under CCR on the Internal Modeling Management Methods.**

None.

**Risks Related with Other Parts of the Center**

|  | Exposure at default (post-CRM) | RWA    |
|--|--------------------------------|--------|
| 1 Exposure to Qualified Central Counterparties (QCCPs) (total)   | 2.870.742                      | 57.415 |
| 2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which      | -                              | -      |
| 3 (i) OTC Derivatives  | -                              | -      |
| 4 (ii) Exchange-traded Derivatives   | -                              | -      |
| 5 (iii) Securities financing transactions  | 1.088.022                      | 21.760 |
| 6 (iv) Netting sets where cross-product netting has been approved  | -                              | -      |
| 7 Segregated initial margin  | -                              | -      |
| 8 Non-segregated initial margin  | -                              | -      |
| 9 Pre-funded default fund contributions  | 1.782.720                      | 35.655 |
| 10 Unfunded default fund contributions   | -                              | -      |
| 11 Exposures to non-QCCPs (total)  | -                              | -      |
| 12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which | -                              | -      |
| 13 (i) OTC Derivatives   | -                              | -      |
| 14 (ii) Exchange-traded Derivatives  | -                              | -      |
| 15 (iii) Securities financing transactions   | -                              | -      |
| 16 (iv) Netting sets where cross-product netting has been approved                                       | -                              | -      |
| 17 Segregated initial margin   | -                              | -      |
| 18 Non-segregated initial margin   | -                              | -      |
| 19 Pre-funded default fund contributions   | -                              | -      |
| 20 Unfunded default fund contributions   | -                              | -      |

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

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

### *Explanations on Securitization Disclosures*

None.

### **4. Explanations on Market Risk**

**4.1. The Parent Bank's process and strategies: A disclosure on the Bank's strategic goals for trading activities is made in a manner that includes processes for identification, measurement, monitoring and controlling of the Parent Bank's market risks, hedging processes and strategies/ processes for monitoring continuity of hedging efficiency**

For the purposes of market risk aversion in line with financial risk management, the Parent Bank has identified market risk management activities in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks and has taken required precautions.

The Parent Bank's market risk management policies and implementation procedures have been specified in the scope of the Regulation on Risk Management, Stress Test Program and ICAAP approved by the Board of Directors.

The Parent Bank ensures that measurement, monitoring, limiting, stress test and scenario analysis activities are conducted in line with the structure and complexity of its positions for market risk management and their results are reported periodically. Activities sustained are conducted over a trading portfolio specified by the Bank's Treasury Management and other activities subject to market risk.

The amount subject to market risk is calculated and monitored with standard method and advanced measurement method at the Parent Bank. Furthermore, scenario analysis and stress tests are also conducted periodically.

**4.2. Organization and structure of market risk management function: Definition of market risk management structure established for implementation of the Parent Bank's strategies and processes as mentioned in line i) and definition of communication mechanism and relationship between different parties involved in market risk management**

Market risk management is a subunit of Risk Management Group Presidency, one of internal systems units established independently from executive units of the Parent Bank.

Market risk management activities are conducted in line with the Regulation on Risk Management, Stress Test Program and ICAAP approved with the Board Decision no. 15/18 dated 28 April 2015 and performed by aiming the best practices in this structure.

The Parent Bank's trading activities and transactions subject to market risk are monitored and measured regularly and required practices are performed for risk management. Required reports on market risk are submitted to relevant units and the Parent Bank's Top Management regularly.

### **4.3. Structure and scope of risk reporting and/or measurement systems**

The amount subject to the Parent Bank's market risk is calculated on a monthly basis with the standard method and included in the Bank's capital adequacy ratio.

Apart from the standard method, Value at Risk (VaR) estimations are made for trading accounts on a daily basis and reported to relevant units. VaR calculated with Historical Simulation Method is used in daily reporting and limit measurement with a confidence level of 99%. VaR can be calculated with Parametric and Monte Carlo Methods in addition to Historical Simulation Method. Backward testing is performed so as to measure performance of used model and monitor market realization. Also, the Parent Bank performs stress tests and scenario analyses on a daily and monthly basis so as to observe the effect of excessive market fluctuations that are not covered in the models on the Parent Bank's financial position. Scenario analysis and stress test activities are reviewed and improved regularly in line with the market dynamics.



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

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

The market risk exposure is restricted with VaR-based limits (interest rate and currency risk limit) within the context of the Regulation on Risk Management, Stress Test Program and ICAAP. Market risk limits are determined by the Bank’s Board of Directors.

| <i>Standard approach-Current Period</i> |   | RWA               |                   |
|---|---|-------------------|-------------------|
|   |   | Current Period    | Prior Period      |
|   | <b>Outright products</b>                  |                   |                   |
| 1                                       | Interest rate risk (general and specific) | 15.626.574        | 11.757.115        |
| 2                                       | Equity risk (general and specific)        | 752.996           | 454.090           |
| 3                                       | Foreign exchange risk                     | 11.897.471        | 3.419.309         |
| 4                                       | Commodity risk                            | -                 | -                 |
|   | <b>Options</b>                            |                   |                   |
| 5                                       | Simplified approach                       | -                 | -                 |
| 6                                       | Delta-plus method                         | -                 | -                 |
| 7                                       | Scenario approach                         | -                 | -                 |
| 8                                       | Securitization                            | -                 | -                 |
| <b>9</b>                                | <b>Total</b>                              | <b>28.277.041</b> | <b>15.630.514</b> |

Standard method is being used by The Parent Bank to calculate the risk of the sector.

### 5. Explanations on the Operational Risk

In the Parent Bank, Amount subject to Operational Risk is calculated with Basic Indicator Approach based on yearly. The parameter which determines the amount subject to operational risk in Basic Indicator Approach is gross revenue. Yearly gross revenue is calculated by adding net interest incomes to net fees and commission income, dividend income, trading profit/loss (net) and other operating incomes and also by deducting profit/loss gained from sale of securities monitored out of purchase-sale account, extraordinary incomes, operating expense made against support service and amounts compensated from insurance.

Within the scope of the performances for modeling with the Advanced Measurement Approach of operational risk, based on the data in Operational Risk Loss database, Operational Value at Risk (OpVAR) measurements are calculated using Monte Carlo Simulation within the scope of Loss Distribution Method.

|   | 31.12.2016 | 31.12.2017 | 31.12.2018 | Total/Number of Positive GI years | Ratio (%) | Total      |
|---|------------|------------|------------|-----------------------------------|-----------|------------|
| <b>Current Period</b>                             |            |            |            |                                   |           |            |
| Gross Income                                      | 17.048.849 | 20.914.474 | 23.869.120 | 20.610.814                        | 15        | 3.091.622  |
| Amount Subject to Operational Risk (Total * 12,5) |            |            |            |                                   |           | 38.645.276 |

|   | 31.12.2015 | 31.12.2016 | 31.12.2017 | Total/Number of Positive GI years | Ratio (%) | Total      |
|---|------------|------------|------------|-----------------------------------|-----------|------------|
| <b>Prior Period</b>                               |            |            |            |                                   |           |            |
| Gross Income                                      | 12.794.636 | 17.048.849 | 20.914.474 | 16.919.320                        | 15        | 2.537.898  |
| Amount Subject to Operational Risk (Total * 12,5) |            |            |            |                                   |           | 31.723.724 |

### 6. Explanations on the Interest Rate Risk for Banking Book

Banking accounts interest rate risk management strategy policy and implementation procedures are determined within the context of “Regulation on Risk Management, Stress Test Program and the Parent Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”)”.

The Parent Bank performs scenario analysis with measurements that are suitable for structure and complexness of positions related to the market risk management, limiting, scenario analysis and stress test and also reports the findings cyclically. The Parent Bank’s perform analysis related to interest rate risks for the entire balance sheet. New products and services are also evaluated from the point of interest rate risk that is originated from banking accounts.

Türkiye Cumhuriyeti Ziraat Bankası 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 risk management, the following methods are followed at minimum level: The follow-up of rate and maturity mismatch between sources and uses of fixed and variable interest rates, the analysis and follow-up of the effects of the usual and unusual changes in interest rates which is possibly uptrend and downtrend on the interest margin and on the current value of assets and liabilities, the analysis and follow-up of contractual maturities as well as behavioral maturities assets and liabilities, monitoring closely of interest margins for provided Turkish Liras and foreign currency, the follow-up of the effects of interest rate changes on the Bank’s economic value and capital requirement, the follow-up of potential impacts of valuation methods, the calculation and the determination of the size of interest rate shock in Bank’s internal applications, the follow-up of yield curve risk. Also, in order to limit the impact of interest rate changes on Bank’s financial structure, the interest rate risk limit arising from banking accounts which is approved by the Board of Directors is followed monthly.

| Type of Currency -Current Period  | Shock Applied<br>(+/- x basis point) | Gains/(Losses)      | Gains/Equity-<br>(Losses)/Equity |
|-----------------------------------|--------------------------------------|---------------------|----------------------------------|
| 1. TL                             | 500                                  | (12.679.918)        | (15,16%)                         |
| 2. TL                             | (400)                                | 12.351.574          | 14,77%                           |
| 3. EUR                            | 200                                  | 701.590             | 0,84%                            |
| 4. EUR                            | (200)                                | (376.572)           | (0,45%)                          |
| 5. USD                            | 200                                  | (3.066.038)         | (3,67%)                          |
| 6. USD                            | (200)                                | 3.997.006           | 4,78%                            |
| <b>Total (of negative shocks)</b> |                                      | <b>15.972.008</b>   | <b>19,10%</b>                    |
| <b>Total (of positive shocks)</b> |                                      | <b>(15.044.366)</b> | <b>(17,99%)</b>                  |

| Type of Currency-Prior Period     | Shock Applied<br>(+/- x basis point) | Gains/(Losses)     | Gains/Equity-<br>(Losses)/Equity |
|-----------------------------------|--------------------------------------|--------------------|----------------------------------|
| 1. TL                             | 500                                  | (7.858.209)        | (13,08%)                         |
| 2. TL                             | (400)                                | 7.553.954          | 12,58%                           |
| 3. EUR                            | 200                                  | 335.294            | 0,56%                            |
| 4. EUR                            | (200)                                | (305.553)          | (0,51%)                          |
| 5. USD                            | 200                                  | (1.960.562)        | (3,26%)                          |
| 6. USD                            | (200)                                | 2.589.906          | 4,31%                            |
| <b>Total (of negative shocks)</b> |                                      | <b>9.838.307</b>   | <b>16,38%</b>                    |
| <b>Total (of positive shocks)</b> |                                      | <b>(9.483.477)</b> | <b>(15,79%)</b>                  |

Notes and explanations prepared in accordance with “the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks” published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section. As of 31 December 2019, the following notes to be presented on a quarterly and semi-annually basis according to Communiqué have not been presented due to usage of standard approach for the calculation of capital adequacy by the Bank.

RWA flow statements of market risk exposures under an Internal Model Approach (IMA)

RWA flow statements of Counterparty Credit Risk (CCR) exposures under the Internal Model Method (IMM)

RWA (Risk Weighted Amounts) flow statements of credit risk exposures under IRB

Türkiye Cumhuriyeti Ziraat Bankası 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 CONSOLIDATED OPERATING SEGMENTS**

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

The Group has operations in retail banking, corporate and SME banking, specialized banking, investment banking and international banking areas.

Known as having the most extensive branch network in retail banking sector, the Parent Bank renders services, such as; deposits, consumer loans, loans originated from public funds whose risk does not belong to the Parent Bank, pension payments, credit cards, automatic and regular payment, cheques and notes, money transfer order, foreign exchange transactions, ATM, internet banking, mobile banking, safe-deposit box and insurance brokerage services. Moreover, existing banking products are improved and new banking products are launched in order to increase profitability and benefit from the services undertaken as being a state bank. By “Finart” IT system, which is working in a centralized manner, the Parent Bank has the technical infrastructure required by modern banking to meet its clients’ needs.

In the context of corporate and SME banking, the Group allocates working capital loans, mid-term and long-term investment loans, foreign trade financing loans, letter of credits and guarantees in Turkish Lira and foreign currencies; renders project financing, other corporate finance related services, foreign exchange transactions and banking services to large-scale corporate clients and middle-small scale enterprises.

As the Bank is the main financial institution that meets the financing needs of agricultural sector in Turkey, it extends agricultural working capital and investment loans from its own sources for vegetable and animal production, fishery products and agricultural mechanization directly to producers and The Central Union of Turkish Agricultural Credit Cooperatives. Besides, it gives support to entities and enterprises having operations in agricultural sector by acting as an intermediary for loans originated from public funds.

Treasury transactions and international banking activities are conducted by the Financial Management Executive Vice Presidency and, spot and forward TL, foreign currency, precious metal, securities, derivative transactions are executed in local and international organized and over the counter money and capital markets. Also, the Parent Bank’s liquidity and securities portfolio management, deposit and non-deposit funding management activities are being executed. Additionally the distribution of treasury products to branches and other channels for marketing purposes and the intermediation to the customers’ trade finance are other responsibilities. The Parent Bank acts as an intermediary for sale and purchase of securities, for public offerings as an agency of Ziraat Yatırım Menkul Değerler A.Ş. and for transaction of mutual funds founded by Ziraat Portföy Yönetimi A.Ş. and other portfolio management companies’. It also provides custody service for these financial instruments and besides, long term financing from banks and international financial institutions, issuing bonds in local and international markets, managing relationship with correspondent banks and relations with international investors so as to diversify its funding base are among the responsibilities of the department.

Besides, the Parent Bank has commission revenue from life, non-life and private pension insurance and other finance institutions by rendering agency services through its branches.

As of 31 December 2019 explanations on segment reporting as shown on the following page are in line with Communiqué on “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures”.

Türkiye Cumhuriyeti Ziraat Bankası 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. Table for Segment Reporting**

| Current Period  | Retail Banking | Corporate/Entrepreneur banking | Specialized Banking | Treasury/Investment Banking | Consolidation Corrections | Other/Undistributed | Total       |
|---|----------------|--------------------------------|---------------------|-----------------------------|---------------------------|---------------------|-------------|
| <b>OPERATING INCOME/EXPENSE</b>   |                |                                |                     |                             |                           |                     |             |
| <b>Interest Income</b>  | 14.772.768     | 27.418.265                     | 8.386.213           | 18.563.542                  | -                         | 577.994             | 69.718.782  |
| Interest Income from Loans  | 14.772.768     | 27.418.265                     | 8.386.213           | 5.497.898                   | -                         | -                   | 56.075.144  |
| Interest Income from Banks  | -              | -                              | -                   | 355.434                     | -                         | -                   | 355.434     |
| Interest Income from Securities   | -              | -                              | -                   | 12.221.439                  | -                         | -                   | 12.221.439  |
| Other Interest Income   | -              | -                              | -                   | 488.771                     | -                         | 577.994             | 1.066.765   |
| <b>Interest Expense</b>   | 18.825.682     | 7.435.705                      | -                   | 15.283.489                  | -                         | 358.173             | 41.903.049  |
| Interest Expense on Deposits  | 18.825.682     | 7.435.705                      | -                   | 2.838.240                   | -                         | -                   | 29.099.627  |
| Interest Expense on Funds Borrowed                                      | -              | -                              | -                   | 1.747.982                   | -                         | -                   | 1.747.982   |
| Interest Expense on Money Market Transactions                           | -              | -                              | -                   | 8.939.821                   | -                         | -                   | 8.939.821   |
| Interest Expense on Securities Issued                                   | -              | -                              | -                   | 1.757.446                   | -                         | -                   | 1.757.446   |
| Other Interest Expense  | -              | -                              | -                   | -                           | -                         | 358.173             | 358.173     |
| <b>Net Interest Income/Expense</b>                                      | (4.052.914)    | 19.982.560                     | 8.386.213           | 3.280.053                   | -                         | 219.821             | 27.815.733  |
| <b>Net Fees and Commission Income/Expense</b>                           | 3.285.163      | 2.195.210                      | 126.736             | (1.835.461)                 | -                         | (531.814)           | 3.239.834   |
| Fees and Commissions Received   | 3.285.163      | 2.214.008                      | 126.736             | 11.581                      | -                         | (209.240)           | 5.428.248   |
| Fees and Commissions Paid   | -              | 18.798                         | -                   | 1.847.042                   | -                         | 322.574             | 2.188.414   |
| <b>Dividend Income</b>  | -              | -                              | -                   | 1.078.317                   | (1.052.345)               | -                   | 25.972      |
| <b>Trading Profit/Loss (Net)</b>  | -              | -                              | -                   | (7.747.787)                 | -                         | (7.152)             | (7.754.939) |
| <b>Other Operating Income</b>   | 124.808        | 446.218                        | 29.882              | 122.064                     | (71.422)                  | 1.512.405           | 2.163.955   |
| <b>Provision for Expected Loss (-)</b>                                  | 1.750.036      | 4.298.012                      | 1.010.658           | -                           | -                         | 155.834             | 7.214.540   |
| <b>Other Provision Expenses (-)</b>                                     | 38.464         | 4.162                          | -                   | 14.999                      | -                         | 217.862             | 275.487     |
| <b>Personnel Expenses (-)</b>   | -              | -                              | -                   | -                           | -                         | 3.813.756           | 3.813.756   |
| <b>Other Operating Expense</b>  | 2.199.792      | 87.992                         | 64.779              | 9.803                       | -                         | 4.240.230           | 6.602.596   |
| <b>Net Operating Profit/Loss</b>  | (4.631.235)    | 18.233.822                     | 7.467.394           | (5.127.616)                 | (1.123.767)               | (7.234.422)         | 7.584.176   |
| <b>Profit/Loss on Equity Method Applied Subsidiaries</b>                | -              | -                              | -                   | -                           | 39.842                    | 44.431              | 84.273      |
| <b>Tax Provision</b>  | -              | -                              | -                   | -                           | -                         | (1.776.755)         | (1.776.755) |
| <b>Discontinued Operations Profit/Loss Before Taxes</b>                 | -              | -                              | -                   | -                           | -                         | 1.801.496           | 1.801.496   |
| <b>Discontinued Operations Tax Provision</b>                            | -              | -                              | -                   | -                           | -                         | (335.716)           | (335.716)   |
| <b>Net Profit/Loss</b>  | (4.631.235)    | 18.233.822                     | 7.467.394           | (5.127.616)                 | (1.083.925)               | (7.500.966)         | 7.357.474   |
| <b>SEGMENT ASSETS</b>   |                |                                |                     |                             |                           |                     |             |
| Financial Assets at FV Through P/L                                      | -              | -                              | -                   | 2.077.124                   | -                         | -                   | 2.077.124   |
| Banks and Receivables from Money Market                                 | -              | -                              | -                   | 7.999.770                   | -                         | -                   | 7.999.770   |
| Financial Assets at Fair Value Through Other Comprehensive Income (Net) | -              | -                              | -                   | 113.343.110                 | 160                       | -                   | 113.343.270 |
| Loans   | 120.921.280    | 255.916.730                    | 70.408.159          | 23.219.181                  | -                         | -                   | 470.465.350 |
| Financial Assets Measured at Amortised Cost (Net)                       | -              | -                              | -                   | 18.168.766                  | -                         | -                   | 18.168.766  |
| Derivative Financial Assets   | -              | -                              | -                   | 2.794.737                   | -                         | -                   | 2.794.737   |
| Associates, Subsidiaries and Joint Ventures                             | -              | -                              | -                   | 7.990.970                   | (7.263.884)               | -                   | 727.086     |
| Other Assets  | 18.767         | 5.070.698                      | 150.770             | 48.015.157                  | (132.941)                 | 25.022.671          | 78.145.122  |
| <b>TOTAL SEGMENT ASSETS</b>   | 120.940.047    | 260.987.428                    | 70.558.929          | 223.608.815                 | (7.396.665)               | 25.022.671          | 693.721.225 |
| <b>SEGMENT LIABILITIES</b>  |                |                                |                     |                             |                           |                     |             |
| Deposits  | 338.845.798    | 93.581.093                     | -                   | 31.837.650                  | -                         | 15.663.985          | 479.928.526 |
| Derivative Financial Liabilities Held for Trading                       | -              | -                              | -                   | 1.652.201                   | -                         | -                   | 1.652.201   |
| Funds Borrowed  | -              | -                              | -                   | 34.258.437                  | -                         | -                   | 34.258.437  |
| Money Market Funds  | 6.649          | 26.580.217                     | -                   | 22.707.679                  | -                         | -                   | 49.294.545  |
| Securities Issued (Net)   | -              | -                              | -                   | 15.593.121                  | -                         | -                   | 15.593.121  |
| Provisions  | 868            | 1.093.910                      | -                   | 14.393                      | -                         | 3.001.623           | 4.110.794   |
| Other Liabilities   | -              | -                              | -                   | -                           | 15.145                    | 34.640.954          | 34.656.099  |
| Shareholders' Equity  | -              | -                              | -                   | -                           | (7.427.955)               | 81.655.457          | 74.227.502  |
| <b>TOTAL SEGMENT LIABILITIES</b>  | 338.853.315    | 121.255.220                    | -                   | 106.063.481                 | (7.412.810)               | 134.962.019         | 693.721.225 |

**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   | Retail<br>Banking  | Corporate/<br>Entrepreneur<br>banking | Specialized<br>Banking | Treasury/<br>Investment Banking | Consolidation<br>Corrections | Other/<br>Undistributed | Total              |
|--|--------------------|---------------------------------------|------------------------|---------------------------------|------------------------------|-------------------------|--------------------|
| <b>OPERATING INCOME/EXPENSE</b>  |                    |                                       |                        |                                 |                              |                         |                    |
| Interest Income  | 11.590.132         | 20.457.267                            | 6.933.515              | 16.756.337                      | -                            | 397.457                 | 56.134.708         |
| Interest Income from Loans   | 11.590.132         | 20.457.267                            | 6.933.515              | 4.372.701                       | -                            | -                       | 43.353.615         |
| Interest Income from Banks   | -                  | -                                     | -                      | 493.737                         | -                            | -                       | 493.737            |
| Interest Income from Securities  | -                  | -                                     | -                      | 11.121.497                      | -                            | -                       | 11.121.497         |
| Other Interest Income  | -                  | -                                     | -                      | 768.402                         | -                            | 397.457                 | 1.165.859          |
| Interest Expense   | 13.205.477         | 5.500.168                             | -                      | 13.410.101                      | -                            | 153.505                 | 32.269.251         |
| Interest Expense on Deposits   | 13.205.477         | 5.500.168                             | -                      | 1.829.946                       | -                            | -                       | 20.535.591         |
| Interest Expense on Funds Borrowed   | -                  | -                                     | -                      | 1.501.841                       | -                            | -                       | 1.501.841          |
| Interest Expense on Money Market<br>Transactions                           | -                  | -                                     | -                      | 8.816.678                       | -                            | -                       | 8.816.678          |
| Interest Expense on Securities Issued                                      | -                  | -                                     | -                      | 1.261.636                       | -                            | -                       | 1.261.636          |
| Other Interest Expense   | -                  | -                                     | -                      | -                               | -                            | 153.505                 | 153.505            |
| <b>Net Interest Income/Expense</b>   | <b>(1.615.345)</b> | <b>14.957.099</b>                     | <b>6.933.515</b>       | <b>3.346.236</b>                | <b>-</b>                     | <b>243.952</b>          | <b>23.865.457</b>  |
| <b>Net Fees and Commission Income/<br/>Expense</b>                         | <b>1.818.791</b>   | <b>1.540.803</b>                      | <b>99.403</b>          | <b>(795.106)</b>                | <b>-</b>                     | <b>30.815</b>           | <b>2.694.706</b>   |
| Fees and Commissions Received  | 1.818.791          | 1.558.354                             | 99.539                 | 13.885                          | -                            | 373.029                 | 3.863.598          |
| Fees and Commissions Paid  | -                  | 17.551                                | 136                    | 808.991                         | -                            | 342.214                 | 1.168.892          |
| Personnel Expense (-)  | -                  | -                                     | -                      | -                               | -                            | 3.175.068               | 3.175.068          |
| Dividend Income  | -                  | -                                     | -                      | 292.310                         | (287.502)                    | -                       | 4.808              |
| Trading Profit/Loss (Net)  | -                  | -                                     | -                      | (3.761.230)                     | -                            | (39.926)                | (3.801.156)        |
| Other Operating Income   | 36.047             | 191.351                               | 30.671                 | 4.260                           | -                            | 3.187.797               | 3.450.126          |
| Provision for Expected Loss (-)  | 1.170.972          | 3.152.377                             | 805.633                | 1.096                           | -                            | 95.611                  | 5.225.689          |
| Other Operating Expense  | 1.723.739          | 85.283                                | 53.863                 | -                               | -                            | 4.120.723               | 5.983.608          |
| <b>Net Operating Profit/Loss</b>   | <b>(2.655.218)</b> | <b>13.451.593</b>                     | <b>6.204.093</b>       | <b>(914.626)</b>                | <b>(287.502)</b>             | <b>(3.968.764)</b>      | <b>11.829.576</b>  |
| Profit/Loss on Equity Method Applied<br>Subsidiaries                       | -                  | -                                     | -                      | -                               | 46.756                       | -                       | 46.756             |
| Tax Provision  | -                  | -                                     | -                      | -                               | -                            | (2.532.212)             | (2.532.212)        |
| <b>Net Profit/Loss</b>   | <b>(2.655.218)</b> | <b>13.451.593</b>                     | <b>6.204.093</b>       | <b>(914.626)</b>                | <b>(240.746)</b>             | <b>(6.500.976)</b>      | <b>9.344.120</b>   |
| <b>SEGMENT ASSETS</b>  |                    |                                       |                        |                                 |                              |                         |                    |
| Financial Assets at FV Through P/L   | -                  | -                                     | -                      | 6.782.778                       | -                            | -                       | 6.782.778          |
| Banks and Receivables from Money<br>Market                                 | -                  | -                                     | -                      | 9.333.095                       | -                            | -                       | 9.333.095          |
| Financial Assets at Fair Value Through<br>Other Comprehensive Income (Net) | -                  | -                                     | -                      | 79.830.814                      | 2.233                        | -                       | 79.833.047         |
| Loans  | 94.703.180         | 219.844.242                           | 64.158.050             | 17.086.392                      | -                            | 3.266.015               | 399.057.879        |
| Financial Assets Measured at Amortised<br>Cost (Net)                       | -                  | -                                     | -                      | 10.281.010                      | -                            | -                       | 10.281.010         |
| Derivative Financial Assets  | -                  | -                                     | -                      | 2.058.778                       | -                            | -                       | 2.058.778          |
| Associates, Subsidiaries and Joint<br>Ventures                             | -                  | -                                     | -                      | 7.655.170                       | (7.417.597)                  | -                       | 237.573            |
| Other Assets   | -                  | -                                     | -                      | -                               | 1.831                        | 60.801.005              | 60.802.836         |
| <b>TOTAL SEGMENT ASSETS</b>  | <b>94.703.180</b>  | <b>219.844.242</b>                    | <b>64.158.050</b>      | <b>133.028.037</b>              | <b>(7.413.533)</b>           | <b>64.067.020</b>       | <b>568.386.996</b> |
| <b>SEGMENT LIABILITIES</b>   |                    |                                       |                        |                                 |                              |                         |                    |
| Deposits   | 257.256.430        | 62.710.117                            | -                      | 26.578.726                      | -                            | 7.829.975               | 354.375.248        |
| Derivative Financial Liabilities Held for<br>Trading                       | -                  | -                                     | -                      | 1.668.169                       | -                            | -                       | 1.668.169          |
| Funds Borrowed   | -                  | -                                     | -                      | 34.848.769                      | -                            | -                       | 34.848.769         |
| Money Market Funds   | -                  | -                                     | -                      | 68.603.638                      | -                            | -                       | 68.603.638         |
| Securities Issued (Net)  | -                  | -                                     | -                      | 16.943.864                      | -                            | -                       | 16.943.864         |
| Provisions   | 4.339              | 453.913                               | -                      | -                               | -                            | 4.292.820               | 4.751.072          |
| Other Liabilities  | -                  | -                                     | -                      | -                               | (27.731)                     | 27.094.992              | 27.067.261         |
| Shareholders' Equity   | -                  | -                                     | -                      | -                               | (7.385.802)                  | 67.514.777              | 60.128.975         |
| <b>TOTAL SEGMENT LIABILITIES</b>   | <b>257.260.769</b> | <b>63.164.030</b>                     | <b>-</b>               | <b>148.643.166</b>              | <b>(7.413.533)</b>           | <b>106.732.564</b>      | <b>568.386.996</b> |

Türkiye Cumhuriyeti Ziraat Bankası 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”).)

**X. EXPLANATIONS ON THE FAIR VALUE REALIZATION OF FINANCIAL ASSETS AND LIABILITIES**

**1. Information Regarding the Fair Value of Financial Assets and Liabilities**

| <b>Current Period</b>                            | <b>Book Value</b>  | <b>Fair Value</b>  |
|--|--------------------|--------------------|
| <b>Financial Assets</b>                          | <b>620.478.429</b> | <b>620.308.994</b> |
| Due from Interbank Money Market                  | 621.769            | 621.769            |
| Banks  | 7.382.885          | 7.382.885          |
| Available-for-sale Financial Assets              | 113.343.270        | 113.343.270        |
| Held-to-maturity Investments                     | 18.171.615         | 18.002.180         |
| Loans  | 480.958.890        | 480.958.890        |
| <b>Financial Liabilities</b>                     | <b>571.187.304</b> | <b>571.187.304</b> |
| Bank Deposits                                    | 31.480.628         | 31.480.628         |
| Other Deposits                                   | 448.447.898        | 448.447.898        |
| Funds Borrowed from Other Financial Institutions | 34.258.437         | 34.258.437         |
| Issued Marketable Securities                     | 49.294.545         | 49.294.545         |
| Miscellaneous Payables                           | 7.705.796          | 7.705.796          |

| <b>Prior Period</b>                              | <b>Book Value</b>  | <b>Fair Value</b>  |
|--|--------------------|--------------------|
| <b>Financial Assets</b>                          | <b>498.520.678</b> | <b>498.548.800</b> |
| Due from Interbank Money Market                  | 9.097.120          | 9.097.120          |
| Banks  | 250.087            | 250.087            |
| Available-for-sale Financial Assets              | 79.833.047         | 79.833.047         |
| Held-to-maturity Investments                     | 10.282.545         | 10.310.667         |
| Loans  | 399.057.879        | 399.057.879        |
| <b>Financial Liabilities</b>                     | <b>411.718.296</b> | <b>411.718.296</b> |
| Bank Deposits                                    | 25.431.910         | 25.431.910         |
| Other Deposits                                   | 328.943.338        | 328.943.338        |
| Funds Borrowed from Other Financial Institutions | 34.848.769         | 34.848.769         |
| Issued Marketable Securities                     | 16.943.864         | 16.943.864         |
| Miscellaneous Payables                           | 5.550.415          | 5.550.415          |

Receivables from money markets, receivables from banks and bank deposits are of short term nature, therefore carrying values are considered as fair value.

In determination of book and fair value of available-for-sale securities, market prices are taken into consideration. If these securities are not traded in an active market, the indicator prices calculated by CBRT are taken into account.

The fair value of held to maturity financial assets is calculated by considering market prices. In cases where these prices cannot be determined, the fair value is assessed on the basis of market prices quoted for securities that have the same attributes in terms of interest, maturity and other terms.

The fair value of loans and other deposits represent the sum of the cost and the accrued interest.

## 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 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              |
|--|--------------------|------------------|----------------|--------------------|
| <b>Financial Assets at Fair Value Through Profit or (Loss)</b>           | <b>2.077.124</b>   | -                | -              | <b>2.077.124</b>   |
| Government Debt Securities   | 1.906.204          | -                | -              | 1.906.204          |
| Marketable Securities  | 23                 | -                | -              | 23                 |
| Other Marketable Securities  | 170.897            | -                | -              | 170.897            |
| <b>Financial Assets at Fair Value Through Other Comprehensive Income</b> | <b>112.686.767</b> | <b>502.864</b>   | <b>122.845</b> | <b>113.312.476</b> |
| Government Debt Securities   | 109.602.957        | -                | -              | 109.602.957        |
| Marketable Securities <sup>(1)</sup>                                     | 386.630            | 108              | 122.845        | 509.583            |
| Other Marketable Securities  | 2.697.180          | 502.756          | -              | 3.199.936          |
| <b>Derivative Financial Assets</b>                                       | -                  | <b>2.794.737</b> | -              | <b>2.794.737</b>   |
| <b>Subsidiaries and Joint Ventures <sup>(2)</sup></b>                    | -                  | -                | <b>135.330</b> | <b>135.330</b>     |
| <b>Total Assets</b>  | <b>114.763.891</b> | <b>3.297.601</b> | <b>258.175</b> | <b>118.319.667</b> |
| Derivative Financial Liabilities   | -                  | 1.652.201        | -              | 1.652.201          |
| <b>Total Liabilities</b>   | -                  | <b>1.652.201</b> | -              | <b>1.652.201</b>   |

<sup>(1)</sup> Since equity securities under the heading of Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income amounting to TL 30.794 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

<sup>(2)</sup> Information on domestic partnerships monitored over acquisition cost is not shown in this table.

| Prior Period   | Level 1           | Level 2          | Level 3        | Total             |
|--|-------------------|------------------|----------------|-------------------|
| <b>Financial Assets at Fair Value Through Profit or (Loss)</b>           | <b>6.782.778</b>  | -                | -              | <b>6.782.778</b>  |
| Government Debt Securities   | 6.400.882         | -                | -              | 6.400.882         |
| Marketable Securities  | 8                 | -                | -              | 8                 |
| Other Marketable Securities  | 381.888           | -                | -              | 381.888           |
| <b>Financial Assets at Fair Value Through Other Comprehensive Income</b> | <b>79.377.439</b> | <b>310.530</b>   | <b>117.650</b> | <b>79.805.619</b> |
| Government Debt Securities   | 77.888.939        | -                | -              | 77.888.939        |
| Marketable Securities <sup>(1)</sup>                                     | 227.647           | 4.993            | 117.650        | 350.290           |
| Other Marketable Securities  | 1.260.853         | 305.537          | -              | 1.566.390         |
| <b>Derivative Financial Assets</b>                                       | <b>28.910</b>     | <b>2.029.868</b> | -              | <b>2.058.778</b>  |
| The Loans Measured at Fair Value Through Profit or Loss                  | -                 | -                | 40.852         | 40.852            |
| <b>Subsidiaries and Joint Ventures <sup>(2)</sup></b>                    | -                 | -                | <b>87.450</b>  | <b>87.450</b>     |
| <b>Total Assets</b>  | <b>86.189.127</b> | <b>2.340.398</b> | <b>245.952</b> | <b>88.775.477</b> |
| Trading Derivative Financial Liabilities                                 | 31.241            | 1.636.928        | -              | 1.668.169         |
| <b>Total Liabilities</b>   | <b>31.241</b>     | <b>1.636.928</b> | -              | <b>1.668.169</b>  |

<sup>(1)</sup> Since equity securities under the heading of financial assets available for sale amounting to TL 27.428 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

<sup>(2)</sup> Information on domestic partnerships monitored over acquisition cost is not shown in this table.

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

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

The movement of financial assets in Level 3 is presented below:

|  | Current Period | Prior Period   |
|--|----------------|----------------|
| <b>Balances at Beginning of Period</b> | <b>245.952</b> | <b>166.255</b> |
| Purchases                              | 23.788         | 59.130         |
| Disposals Through Sale/Redemptions     | 40.852         | -              |
| Valuation Effect                       | 29.287         | 20.567         |
| Transfers                              | -              | -              |
| <b>Balances at the End of Period</b>   | <b>258.175</b> | <b>245.952</b> |

### XI. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ON ACCOUNT OF OTHER PARTIES

#### 1. Transaction, Custody, Management and Consultancy Services of The Group on behalf of Third Parties:

The Group acts as an intermediary for purchases and sales of government securities on behalf of real persons and corporate, conducts repo transactions, and provides custody services. The Group does not provide consultancy and management services.

#### 2. Transactions with Other Financial Institutions Under Fiduciary Transaction Agreements and Financial Services Rendered to Other Financial Institutions Under the Scope Of Fiduciary Transactions and the Effects of Such Services to the Financial Position of the Parent Bank or the Group

The Parent Bank has no fiduciary transactions.

### SECTION FIVE

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

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

#### 1. 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            | 2.096.092        | 2.744.823         | 2.099.128        | 1.668.232         |
| Central Bank of the Republic of Turkey | 851.533          | 47.135.173        | 3.059.195        | 35.869.303        |
| Other                                  | -                | 2.984.645         | 1.150            | 185.485           |
| <b>Total</b>                           | <b>2.947.625</b> | <b>52.864.641</b> | <b>5.159.473</b> | <b>37.723.020</b> |

#### *Information on Required Reserves*

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

Banks are required to maintain reserves with Central Bank of the Republic of Turkey for their TL and FC liabilities that are specified in the aforementioned Communiqué. Required reserves are calculated every two weeks and established for 14 day intervals.

With the amendments made in 2019, the Central Bank has linked the TL and FC required reserve rates and the interest to be paid on the required reserves maintained in TL with the annual growth rates of TL cash loans. Required reserve rates vary according to the maturity structure of the liabilities, and are applied between 1%-7% for TL deposits and other liabilities, 13%-19% for FX deposits and 5%-21% for other FC liabilities.



## 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 account of the Central Bank of the Republic of Turkey

|                             | Current Period |                   | Prior Period     |                   |
|-----------------------------|----------------|-------------------|------------------|-------------------|
|                             | TL             | FC                | TL               | FC                |
| Unrestricted Demand Deposit | 740.936        | 15.680.921        | 2.723.598        | 12.551.557        |
| Unrestricted Time Deposit   | -              | -                 | -                | 6.689             |
| Restricted Time Deposit     | -              | -                 | -                | 763               |
| Other <sup>(1)</sup>        | 110.597        | 31.454.252        | 335.597          | 23.310.294        |
| <b>Total</b>                | <b>851.533</b> | <b>47.135.173</b> | <b>3.059.195</b> | <b>35.869.303</b> |

<sup>(1)</sup> Includes required reserves and CBRT restricted electronic money funds amounting to TL 3.373. Required reserve of branches abroad amounting to TL 160.297 is presented in this line. TL 3.497.808 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2018: Includes required reserves and CBRT restricted electronic money funds amounting to TL 7.537. Required reserve of branches abroad amounting to TL 163.388 is presented in this line. TL 11.677.219 of the current period's FC required reserve is the part of the TL required reserves that are held in FC).

### 2. Information on Financial Assets at Fair Value through Profit and Loss Given or Blocked as Collateral or Subject to Repurchase Agreements

None. (31 December 2018: None)

### 3. Positive Differences Related to The Derivative Financial Assets

|                      | Current Period   |                  | Prior Period     |                |
|----------------------|------------------|------------------|------------------|----------------|
|                      | TL               | FC               | TL               | FC             |
| Forward Transactions | 156.574          | 25.329           | 243.173          | 28.128         |
| Swap Transactions    | 1.139.190        | 1.473.623        | 1.305.367        | 481.402        |
| Futures Transactions | -                | -                | -                | -              |
| Options              | -                | 21               | -                | 708            |
| Other                | -                | -                | -                | -              |
| <b>Total</b>         | <b>1.295.764</b> | <b>1.498.973</b> | <b>1.548.540</b> | <b>510.238</b> |

### 4. Information on Banks and Other Financial Institutions

#### 4.1. Information on Bank Balances

|                                  | Current Period |                  | Prior Period     |                  |
|----------------------------------|----------------|------------------|------------------|------------------|
|                                  | TL             | FC               | TL               | FC               |
| Banks                            |                |                  |                  |                  |
| Domestic Banks                   | 3.318          | 196.788          | 2.415.689        | 97.528           |
| Foreign Banks                    | 127.754        | 7.055.025        | 178.841          | 6.405.062        |
| Foreign Head Office and Branches | -              | -                | -                | -                |
| <b>Total</b>                     | <b>131.072</b> | <b>7.251.813</b> | <b>2.594.530</b> | <b>6.502.590</b> |

#### 4.2. Information on Foreign Bank Accounts

|                               | Unrestricted Amount |                  | Restricted Amount |              |
|-------------------------------|---------------------|------------------|-------------------|--------------|
|                               | Current Period      | Prior Period     | Current Period    | Prior Period |
| European Union Countries      | 3.296.987           | 1.421.520        | -                 | -            |
| USA, Canada                   | 2.459.220           | 1.761.747        | -                 | -            |
| OECD Countries <sup>(1)</sup> | 67.046              | 290.057          | -                 | -            |
| Off-shore Banking Regions     | -                   | -                | -                 | -            |
| Other                         | 1.356.818           | 3.109.680        | 2.708             | 899          |
| <b>Total</b>                  | <b>7.180.071</b>    | <b>6.583.004</b> | <b>2.708</b>      | <b>899</b>   |

<sup>(1)</sup> OECD countries except EU countries, USA and Canada.

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

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

### 5. Explanation Regarding to the Comparison of Net Values of Financial Assets at Fair Value Through Other Comprehensive Income or Blocked as Collateral and Subject to Repurchase Agreements

|   | Current Period    | Prior Period      |
|---|-------------------|-------------------|
| Assets Subject to Repurchase Agreements | 50.621.551        | 29.004.119        |
| Assets Blocked/Given as Collateral      | 30.621.149        | 45.767.374        |
| <b>Total</b>                            | <b>81.242.700</b> | <b>74.771.493</b> |

### 6. Information on Financial Assets at Fair Value through Other Comprehensive Income

|                              | Current Period     | Prior Period      |
|------------------------------|--------------------|-------------------|
| Debt Securities              | 114.912.189        | 85.616.480        |
| Quoted in Stock Exchange     | 114.349.056        | 85.247.015        |
| Not Quoted in Stock Exchange | 563.133            | 369.465           |
| Share Certificates           | 564.533            | 473.465           |
| Quoted in Stock Exchange     | 376.658            | 227.330           |
| Not Quoted in Stock Exchange | 187.875            | 246.135           |
| Provision for Impairment (-) | 2.133.452          | 6.256.898         |
| <b>Total</b>                 | <b>113.343.270</b> | <b>79.833.047</b> |

### 7. Information Related to Loans

#### 7.1 Information on All Types of Loans and Advances Given to Shareholders and Employees of the Group

|  | Current Period |          | Prior Period   |          |
|--|----------------|----------|----------------|----------|
|  | TL             | FC       | TL             | FC       |
| <b>Direct Loans Granted to Shareholders</b>          | -              | -        | -              | -        |
| Legal Entities                                       | -              | -        | -              | -        |
| Individuals  | -              | -        | -              | -        |
| <b>Indirect Loans Granted to Shareholders</b>        | -              | -        | -              | -        |
| <b>Loans Granted to Employees <sup>(1) (2)</sup></b> | 485.525        | -        | 403.046        | -        |
| <b>Total</b>   | <b>485.525</b> | <b>-</b> | <b>403.046</b> | <b>-</b> |

<sup>(1)</sup> Interest rediscount and interest accrual amounting TL 4.330, are not included (31 December 2018: Interest rediscount and interest accrual amounting TL 4.261 are not included).

<sup>(2)</sup> Since the balance of overdraft accounts related to employees amounting TL 22.633, is showed under Table 7.3. as overdraft accounts (real person), it is not included to the table above. (31 December 2018: Since the balance of overdraft accounts related to employees amounting TL 22.076, is showed under Table 7.4. as overdraft accounts (real person), it is not included to the table above.)

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

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

**7.2 Information on the First and Second Group Loans and Other Receivables Including Restructured or Rescheduled Loans**

| Current Period<br>Cash Loans           | Standard Loans     | Loans Under Close Monitoring                               |                                      |             |
|--|--------------------|--|--------------------------------------|-------------|
|  |                    | Not Under the Scope<br>of Restructuring or<br>Rescheduling | Restructured or Rescheduled          |             |
|  |                    |  | Loans with revised<br>contract terms | Refinancing |
| Non-Specialized Loans                  | 363.097.301        | 17.835.400   | 7.131.728                            | -           |
| Commercial Loans                       | 220.344.285        | 8.342.700  | 6.922.086                            | -           |
| Export Loans                           | 6.065.257          | 381.127  | -                                    | -           |
| Import Loans                           | 598.091            | 2.837  | -                                    | -           |
| Loans Given to Financial Sector        | 5.844.116          | 6.786.703  | -                                    | -           |
| Consumer Loans                         | 110.444.752        | 1.942.072  | 205.095                              | -           |
| Credit Cards                           | 11.116.087         | 287.413  | 1.681                                | -           |
| Other                                  | 8.684.713          | 92.548   | 2.866                                | -           |
| Specialized Lending <sup>(1) (2)</sup> | 63.022.874         | 2.283.220  | 898.711                              | -           |
| Other Receivables                      | -                  | -  | -                                    | -           |
| Interest Income Accruals               | 8.922.676          | 2.715.192  | 520.358                              | -           |
| <b>Total</b>                           | <b>435.042.851</b> | <b>22.833.812</b>  | <b>8.550.797</b>                     | <b>-</b>    |

<sup>(1)</sup> Agricultural loans of funds originated are shown in specialized lendings.

<sup>(2)</sup> Farmer support agricultural loans are shown in specialized lendings.

| Prior Period<br>Cash Loans             | Standard Loans     | Loans Under Close Monitoring                               |                                      |             |
|--|--------------------|--|--------------------------------------|-------------|
|  |                    | Not Under the Scope<br>of Restructuring or<br>Rescheduling | Restructured or Rescheduled          |             |
|  |                    |  | Loans with revised<br>contract terms | Refinancing |
| Non-Specialized Loans                  | 309.583.530        | 13.275.350   | 2.191.593                            | -           |
| Commercial Loans                       | 198.443.229        | 5.677.965  | 2.117.141                            | -           |
| Export Loans                           | 6.629.524          | 46.720   | -                                    | -           |
| Import Loans                           | 508.257            | 5.440  | -                                    | -           |
| Loans Given to Financial Sector        | 2.933.264          | 6.052.521  | -                                    | -           |
| Consumer Loans                         | 86.986.557         | 1.304.871  | 71.925                               | -           |
| Credit Cards                           | 5.831.331          | 134.811  | 434                                  | -           |
| Other                                  | 8.251.368          | 53.022   | 2.093                                | -           |
| Specialized Lending <sup>(1) (2)</sup> | 58.636.554         | 1.518.720  | 534.642                              | -           |
| Other Receivables                      | -                  | -  | -                                    | -           |
| Interest Income Accruals               | 8.074.441          | 1.841.776  | 116.328                              | -           |
| <b>Total</b>                           | <b>376.294.525</b> | <b>16.635.846</b>  | <b>2.842.563</b>                     | <b>-</b>    |

<sup>(1)</sup> Agricultural loans of funds originated are shown in specialized lendings.

<sup>(2)</sup> Farmer support agricultural loans are shown in specialized lendings

**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             |                              |
|--|--------------------------|------------------------------|--------------------------|------------------------------|
|  | Standard Qualified Loans | Loans Under Close Monitoring | Standard Qualified Loans | Loans Under Close Monitoring |
| <b>Expected Credit Loss of Stage 1 and Stage 2</b> |                          |                              |                          |                              |
| Expected Provision Loss for 12 months              | 1.484.228                | -                            | 996.215                  | -                            |
| Significant Increase in Credit Risk                | -                        | 3.475.535                    | -                        | 2.264.734                    |

**7.3. Loans According to Maturity Structure**

|  | Standard Loans and Other Receivables | Loans and Other Receivables under Close Monitoring <sup>(1)</sup> |                             |
|--|--------------------------------------|---|-----------------------------|
|  |                                      | Loans and Other Receivables                                       | Restructured or Rescheduled |
| <b>Current Period</b>                            |                                      |   |                             |
| Short-term Loans                                 | 93.189.456                           | 2.057.911   | 1.286.299                   |
| Medium and Long-term Loans and Other Receivables | 332.930.719                          | 18.060.709  | 6.744.140                   |

<sup>(1)</sup> Accruals are not included.

|  | Standard Loans and Other Receivables | Loans and Other Receivables under Close Monitoring <sup>(1)</sup> |                             |
|--|--------------------------------------|---|-----------------------------|
|  |                                      | Loans and Other Receivables                                       | Restructured or Rescheduled |
| <b>Prior Period</b>                              |                                      |   |                             |
| Short-term Loans                                 | 78.927.486                           | 1.694.221   | 400.841                     |
| Medium and Long-term Loans and Other Receivables | 289.292.598                          | 13.099.849  | 2.325.394                   |

<sup>(1)</sup> Accruals are not included.

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

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

### 7.4. Information on Consumer Loans, Individual Credit Cards and Personnel Loans and Personnel Credit Cards

| Current Period                             | Short-Term        | Medium and Long-Term | Total              |
|--|-------------------|----------------------|--------------------|
| <b>Consumer Loans-TL</b>                   | <b>1.129.293</b>  | <b>108.555.639</b>   | <b>109.684.932</b> |
| Real Estate Loans <sup>(2)</sup>           | 17.171            | 66.746.547           | 66.763.718         |
| Vehicle Loans                              | 9.468             | 484.696              | 494.164            |
| Consumer Loans <sup>(2)</sup>              | 1.102.654         | 41.324.396           | 42.427.050         |
| Other                                      | -                 | -                    | -                  |
| <b>Consumer Loans- Indexed to FC</b>       | <b>-</b>          | <b>187.594</b>       | <b>187.594</b>     |
| Real Estate Loans                          | -                 | 22.540               | 22.540             |
| Vehicle Loans                              | -                 | 10                   | 10                 |
| Consumer Loans                             | -                 | 79.630               | 79.630             |
| Other                                      | -                 | 85.414               | 85.414             |
| <b>Consumer Loans-FC</b>                   | <b>7.363</b>      | <b>665.150</b>       | <b>672.513</b>     |
| Real Estate Loans                          | 181               | 79.052               | 79.233             |
| Vehicle Loans                              | -                 | 1.057                | 1.057              |
| Consumer Loans                             | 1.904             | 296.775              | 298.679            |
| Other                                      | 5.278             | 288.266              | 293.544            |
| <b>Retail Credit Cards-TL</b>              | <b>7.013.410</b>  | <b>189.176</b>       | <b>7.202.586</b>   |
| With Installment                           | 2.484.024         | 181.398              | 2.665.422          |
| Without Installment                        | 4.529.386         | 7.778                | 4.537.164          |
| <b>Retail Credit Cards-FC</b>              | <b>41.943</b>     | <b>-</b>             | <b>41.943</b>      |
| With Installment                           | 41.181            | -                    | 41.181             |
| Without Installment                        | 762               | -                    | 762                |
| <b>Personnel Loans-TL</b>                  | <b>21.572</b>     | <b>278.144</b>       | <b>299.716</b>     |
| Real Estate Loans                          | -                 | 228                  | 228                |
| Vehicle Loans                              | -                 | 92                   | 92                 |
| Consumer Loans                             | 21.572            | 277.143              | 298.715            |
| Other                                      | -                 | 681                  | 681                |
| <b>Personnel Loans-Indexed to FC</b>       | <b>-</b>          | <b>11.530</b>        | <b>11.530</b>      |
| Real Estate Loans                          | -                 | 3.650                | 3.650              |
| Vehicle Loans                              | -                 | -                    | -                  |
| Consumer Loans                             | -                 | 2.461                | 2.461              |
| Other                                      | -                 | 5.419                | 5.419              |
| <b>Personnel Loans-FC</b>                  | <b>178</b>        | <b>17.387</b>        | <b>17.565</b>      |
| Real Estate Loans                          | -                 | 4.260                | 4.260              |
| Vehicle Loans                              | -                 | -                    | -                  |
| Consumer Loans                             | 175               | 5.554                | 5.729              |
| Other                                      | 3                 | 7.573                | 7.576              |
| <b>Personnel Credit Cards-TL</b>           | <b>148.749</b>    | <b>6.658</b>         | <b>155.407</b>     |
| With Installment                           | 56.923            | 6.508                | 63.431             |
| Without Installment                        | 91.826            | 150                  | 91.976             |
| <b>Personnel Credit Cards-FC</b>           | <b>1.307</b>      | <b>-</b>             | <b>1.307</b>       |
| With Installment                           | 1.256             | -                    | 1.256              |
| Without Installment                        | 51                | -                    | 51                 |
| <b>Overdraft Accounts-TL (Real Person)</b> | <b>1.718.010</b>  | <b>-</b>             | <b>1.718.010</b>   |
| <b>Overdraft Accounts-FC (Real Person)</b> | <b>59</b>         | <b>-</b>             | <b>59</b>          |
| <b>Total <sup>(1)</sup></b>                | <b>10.081.884</b> | <b>109.911.278</b>   | <b>119.993.162</b> |

<sup>(1)</sup> TL 929.464 of interest income accrual is not included in the table above.

<sup>(2)</sup> Consumer loans originated from funds amounting to TL 3.908.975 of are included.

Türkiye Cumhuriyeti Ziraat Bankası 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             |
|--|------------------|----------------------|-------------------|
| <b>Consumer Loans-TL</b>                   | <b>785.136</b>   | <b>84.977.991</b>    | <b>85.763.127</b> |
| Real Estate Loans <sup>(2)</sup>           | 13.436           | 53.180.598           | 53.194.034        |
| Vehicle Loans                              | 5.719            | 266.645              | 272.364           |
| Consumer Loans <sup>(2)</sup>              | 765.981          | 31.530.748           | 32.296.729        |
| Other                                      | -                | -                    | -                 |
| <b>Consumer Loans- Indexed to FC</b>       | <b>1.231</b>     | <b>554.870</b>       | <b>556.101</b>    |
| Real Estate Loans                          | -                | 52.703               | 52.703            |
| Vehicle Loans                              | -                | 523                  | 523               |
| Consumer Loans                             | 954              | 270.718              | 271.672           |
| Other                                      | 277              | 230.926              | 231.203           |
| <b>Consumer Loans-FC</b>                   | <b>7.083</b>     | <b>189.717</b>       | <b>196.800</b>    |
| Real Estate Loans                          | 214              | 37.041               | 37.255            |
| Vehicle Loans                              | -                | -                    | -                 |
| Consumer Loans                             | 2.006            | 94.040               | 96.046            |
| Other                                      | 4.863            | 58.636               | 63.499            |
| <b>Retail Credit Cards-TL</b>              | <b>4.541.131</b> | <b>118.449</b>       | <b>4.659.580</b>  |
| With Installment                           | 1.300.562        | 114.937              | 1.415.499         |
| Without Installment                        | 3.240.569        | 3.512                | 3.244.081         |
| <b>Retail Credit Cards-FC</b>              | <b>504</b>       | <b>-</b>             | <b>504</b>        |
| With Installment                           | -                | -                    | -                 |
| Without Installment                        | 504              | -                    | 504               |
| <b>Personnel Loans-TL</b>                  | <b>11.102</b>    | <b>234.224</b>       | <b>245.326</b>    |
| Real Estate Loans                          | -                | 2.265                | 2.265             |
| Vehicle Loans                              | -                | 102                  | 102               |
| Consumer Loans                             | 11.102           | 231.857              | 242.959           |
| Other                                      | -                | -                    | -                 |
| <b>Personnel Loans-Indexed to FC</b>       | <b>7.316</b>     | <b>23.916</b>        | <b>31.232</b>     |
| Real Estate Loans                          | 7.276            | 3.557                | 10.833            |
| Vehicle Loans                              | -                | 133                  | 133               |
| Consumer Loans                             | 31               | 7.977                | 8.008             |
| Other                                      | 9                | 12.249               | 12.258            |
| <b>Personnel Loans-FC</b>                  | <b>6</b>         | <b>2.779</b>         | <b>2.785</b>      |
| Real Estate Loans                          | -                | 1.001                | 1.001             |
| Vehicle Loans                              | -                | -                    | -                 |
| Consumer Loans                             | -                | 863                  | 863               |
| Other                                      | 6                | 915                  | 921               |
| <b>Personnel Credit Cards-TL</b>           | <b>120.677</b>   | <b>2.141</b>         | <b>122.818</b>    |
| With Installment                           | 39.914           | 2.048                | 41.962            |
| Without Installment                        | 80.763           | 93                   | 80.856            |
| <b>Personnel Credit Cards-FC</b>           | <b>885</b>       | <b>-</b>             | <b>885</b>        |
| With Installment                           | -                | -                    | -                 |
| Without Installment                        | 885              | -                    | 885               |
| <b>Overdraft Accounts-TL (Real Person)</b> | <b>1.550.710</b> | <b>-</b>             | <b>1.550.710</b>  |
| <b>Overdraft Accounts-FC (Real Person)</b> | <b>17.254</b>    | <b>18</b>            | <b>17.272</b>     |
| <b>Total <sup>(1)</sup></b>                | <b>7.043.035</b> | <b>86.104.105</b>    | <b>93.147.140</b> |

<sup>(1)</sup> TL 678.267 of interest income accrual is not included.

<sup>(2)</sup> Consumer loans originated from funds amounting to TL 3.839.218 of are included.

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

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

### 7.5. Information on Commercial Installment Loans and Corporate Credit Cards

| Current Period   | Short-Term       | Medium and Long-Term | Total             |
|--|------------------|----------------------|-------------------|
| <b>Installment Based Commercial Loans-TL</b>             | <b>1.866.168</b> | <b>50.654.394</b>    | <b>52.520.562</b> |
| Business Loans   | 39.864           | 1.007.014            | 1.046.878         |
| Vehicle Loans  | 100.385          | 1.364.032            | 1.464.417         |
| Consumer Loans   | 1.725.919        | 48.283.348           | 50.009.267        |
| Other  | -                | -                    | -                 |
| <b>Installment Based Commercial Loans- Indexed to FC</b> | <b>428.933</b>   | <b>889.942</b>       | <b>1.318.875</b>  |
| Business Loans   | 414.390          | 796.389              | 1.210.779         |
| Vehicle Loans  | -                | 25.946               | 25.946            |
| Consumer Loans   | -                | -                    | -                 |
| Other  | 14.543           | 67.607               | 82.150            |
| <b>Installment Based Commercial Loans - FC</b>           | <b>227.442</b>   | <b>31.157.845</b>    | <b>31.385.287</b> |
| Business Loans   | -                | 40.163               | 40.163            |
| Vehicle Loans  | -                | 30.257               | 30.257            |
| Consumer Loans   | 27.940           | 30.705.602           | 30.733.542        |
| Other  | 199.502          | 381.823              | 581.325           |
| <b>Corporate Credit Cards-TL</b>                         | <b>3.959.096</b> | <b>32.154</b>        | <b>3.991.250</b>  |
| With Installment   | 1.494.093        | 28.798               | 1.522.891         |
| Without Installment                                      | 2.465.003        | 3.356                | 2.468.359         |
| <b>Corporate Credit Cards-FC</b>                         | <b>12.688</b>    | <b>-</b>             | <b>12.688</b>     |
| With Installment   | 12.121           | -                    | 12.121            |
| Without Installment                                      | 567              | -                    | 567               |
| <b>Overdraft Account-TL (Legal Entity)</b>               | <b>718.320</b>   | <b>-</b>             | <b>718.320</b>    |
| <b>Overdraft Account-FC (Legal Entity)</b>               | <b>-</b>         | <b>-</b>             | <b>-</b>          |
| <b>Total <sup>(1)</sup></b>                              | <b>7.212.647</b> | <b>82.734.335</b>    | <b>89.946.982</b> |

<sup>(1)</sup> Accruals and rediscount amounts are not included in the table above.

Türkiye Cumhuriyeti Ziraat Bankası 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             |
|--|------------------|----------------------|-------------------|
| <b>Installment Based Commercial Loans-TL</b>             | <b>1.662.607</b> | <b>32.448.158</b>    | <b>34.110.765</b> |
| Business Loans   | 17.073           | 460.549              | 477.622           |
| Vehicle Loans  | 93.421           | 944.940              | 1.038.361         |
| Consumer Loans   | 1.552.113        | 30.852.721           | 32.404.834        |
| Other  | -                | 189.948              | 189.948           |
| <b>Installment Based Commercial Loans- Indexed to FC</b> | <b>219.289</b>   | <b>938.792</b>       | <b>1.158.081</b>  |
| Business Loans   | 788              | 59.578               | 60.366            |
| Vehicle Loans  | -                | 46.410               | 46.410            |
| Consumer Loans   | -                | -                    | -                 |
| Other  | 218.501          | 832.804              | 1.051.305         |
| <b>Installment Based Commercial Loans - FC</b>           | <b>311.912</b>   | <b>28.941.566</b>    | <b>29.253.478</b> |
| Business Loans   | -                | -                    | -                 |
| Vehicle Loans  | 407              | 19.046               | 19.453            |
| Consumer Loans   | 160.509          | 28.492.473           | 28.652.982        |
| Other  | 150.996          | 430.047              | 581.043           |
| <b>Corporate Credit Cards-TL</b>                         | <b>1.167.050</b> | <b>14.704</b>        | <b>1.181.754</b>  |
| With Installment   | 353.950          | 14.640               | 368.590           |
| Without Installment                                      | 813.100          | 64                   | 813.164           |
| <b>Corporate Credit Cards-FC</b>                         | <b>1.033</b>     | <b>2</b>             | <b>1.035</b>      |
| With Installment   | 902              | -                    | 902               |
| Without Installment                                      | 131              | 2                    | 133               |
| <b>Overdraft Account-TL (Legal Entity)</b>               | <b>663.279</b>   | <b>-</b>             | <b>663.279</b>    |
| <b>Overdraft Account-FC (Legal Entity)</b>               | <b>18.754</b>    | <b>-</b>             | <b>18.754</b>     |
| <b>Total <sup>(1)</sup></b>                              | <b>4.043.924</b> | <b>62.343.222</b>    | <b>66.387.146</b> |

<sup>(1)</sup> Accruals and rediscount amounts are not included in the table above.

#### 7.6. Loans According to Types of Borrowers

|                                   | Current Period     | Prior Period       |
|-----------------------------------|--------------------|--------------------|
| Public                            | 5.172.646          | 5.036.418          |
| Private                           | 449.096.588        | 380.703.971        |
| Interest Income Accruals of Loans | 12.158.226         | 10.032.545         |
| <b>Total</b>                      | <b>466.427.460</b> | <b>395.772.934</b> |

#### 7.7. Breakdown of Domestic and Foreign Loans

|                                   | Current Period     | Prior Period       |
|-----------------------------------|--------------------|--------------------|
| Domestic Loans                    | 438.050.832        | 372.670.578        |
| Foreign Loans                     | 16.218.402         | 13.069.811         |
| Interest Income Accruals of Loans | 12.158.226         | 10.032.545         |
| <b>Total</b>                      | <b>466.427.460</b> | <b>395.772.934</b> |

#### 7.8. Loans Granted to Subsidiaries and Associates

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Direct loans granted to subsidiaries and associates   | 115.055        | -            |
| Indirect loans granted to subsidiaries and associates | -              | -            |
| <b>Total</b>  | <b>115.055</b> | <b>-</b>     |



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

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

**7.9. Provisions provided against loans (Stage Three)**

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Loans and other receivables with limited collectability  | 1.037.244             | 726.013             |
| Loans and other receivables with doubtful collectability | 1.596.085             | 760.225             |
| Uncollectible loans and other receivables                | 6.569.199             | 4.704.692           |
| <b>Total</b>   | <b>9.202.528</b>      | <b>6.190.930</b>    |

**7.10. Information on Non-Performing Receivables (Net)**

**7.10.1. Information on Non-Performing Loans and Loans which are Restructured or Rescheduled**

|                                     | <b>Group III</b>   | <b>Group IV</b>   | <b>Group V</b>                             |
|-------------------------------------|--|---|--|
|                                     | <b>Loans and receivables with limited collectability</b> | <b>Loans and receivables with doubtful collectability</b> | <b>Uncollectible loans and receivables</b> |
| <b>Current Period</b>               |  |   |  |
| Gross amounts before the provisions | 234.691  | 200.185   | 263.237                                    |
| Restructured loans                  | 234.691  | 200.185   | 263.237                                    |
| <b>Prior Period</b>                 |  |   |  |
| Gross amounts before the provisions | 53.834   | 77.194  | 152.866                                    |
| Restructured loans                  | 53.834   | 77.194  | 152.866                                    |

**7.10.2. Information on the Movement of Non-Performing Receivables**

|  | <b>Group III</b>   | <b>Group IV</b>   | <b>Group V</b>                             |
|--|--|---|--|
|  | <b>Loans and receivables with limited collectability</b> | <b>Loans and receivables with doubtful collectability</b> | <b>Uncollectible loans and receivables</b> |
| <b>Prior Period Ending Balance</b>                           | <b>1.889.105</b>   | <b>1.418.246</b>  | <b>5.448.646</b>                           |
| Additions (+)  | 6.362.742  | 1.727.661   | 725.586                                    |
| Transfers from Other Categories of Loans under Follow-Up (+) | -  | 4.389.325   | 3.373.021                                  |
| Transfers to Other Categories of Loans under Follow-Up (-)   | 4.389.325  | 3.373.021   | -  |
| Collections (-)  | 477.791  | 751.459   | 1.267.043                                  |
| Deducted from the record (-) <sup>(1)</sup>                  | 426.295  | 20.662  | 97.306                                     |
| Debt Sale (-)  | -  | -   | -  |
| Corporate and Commercial Loans                               | -  | -   | -  |
| Consumer Loans   | -  | -   | -  |
| Credit Cards   | -  | -   | -  |
| Other  | -  | -   | -  |
| <b>Current Period End Balance</b>                            | <b>2.958.436</b>   | <b>3.390.090</b>  | <b>8.182.904</b>                           |
| Specific Provision (-)                                       | 1.037.244  | 1.596.085   | 6.569.199                                  |
| <b>Net Balance on Balance Sheet</b>                          | <b>1.921.192</b>   | <b>1.794.005</b>  | <b>1.613.705</b>                           |

<sup>(1)</sup> Consist of transfer amount to the Stage I and Stage II loans.

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

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

### 7.10.3. Information on Foreign Currency Non-Performing Loans

|                                     | Group III<br>Loans and other<br>receivables with limited<br>collectability | Group IV<br>Loans and other<br>receivables with doubtful<br>collectability | Group V<br>Uncollectible loans and<br>other receivables |
|-------------------------------------|--|--|---|
| <b>Current Period:</b>              |  |  |   |
| <b>Period Ending Balance</b>        | <b>981.661</b>   | <b>36.786</b>  | <b>176.860</b>  |
| Expected Loss Provision (-)         | 351.548  | 27.662   | 118.767   |
| <b>Net Balance on Balance Sheet</b> | <b>630.113</b>   | <b>9.124</b>   | <b>58.093</b>   |
| <b>Prior Period:</b>                |  |  |   |
| <b>Period Ending Balance</b>        | <b>583.308</b>   | <b>63.507</b>  | <b>358.508</b>  |
| Expected Loss Provision (-)         | 267.579  | 46.440   | 351.392   |
| <b>Net Balance on Balance Sheet</b> | <b>315.729</b>   | <b>17.067</b>  | <b>7.116</b>  |

### 7.10.4. Gross and Net Amounts of Non-Performing Receivables According to User Groups

|  | Group III<br>Loans and other<br>receivables with limited<br>collectability | Group IV<br>Loans and other<br>receivables with doubtful<br>collectability | Group V<br>Uncollectible loans and<br>other receivables |
|--|--|--|---|
| <b>Current Period (Net)</b>                      | <b>1.921.192</b>   | <b>1.794.005</b>   | <b>1.613.705</b>  |
| Loans to Real Persons and Legal Entities (Gross) | 2.958.436  | 3.390.090  | 8.036.937   |
| Provisions (-)                                   | 1.037.244  | 1.596.085  | 6.423.232   |
| Loans to Real Persons and Legal Entities (Net)   | 1.921.192  | 1.794.005  | 1.613.705   |
| Banks (Gross)                                    | -  | -  | -   |
| Provisions (-)                                   | -  | -  | -   |
| Banks (Net)                                      | -  | -  | -   |
| Other Loans and Receivables (Gross)              | -  | -  | 145.967   |
| Provisions (-)                                   | -  | -  | 145.967   |
| Other Loans and Receivables (Net)                | -  | -  | -   |
| <b>Prior Period (Net)</b>                        | <b>1.163.092</b>   | <b>658.021</b>   | <b>743.954</b>  |
| Loans to Real Persons and Legal Entities (Gross) | 1.889.105  | 1.418.246  | 5.313.440   |
| Provisions (-)                                   | 726.013  | 760.225  | 4.569.486   |
| Loans to Real Persons and Legal Entities (Net)   | 1.163.092  | 658.021  | 743.954   |
| Banks (Gross)                                    | -  | -  | -   |
| Provisions (-)                                   | -  | -  | -   |
| Banks (Net)                                      | -  | -  | -   |
| Other Loans and Receivables (Gross)              | -  | -  | 135.206   |
| Provisions (-)                                   | -  | -  | 135.206   |
| Other Loans and Receivables (Net)                | -  | -  | -   |

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

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

### 7.10.5. Information on Accruals of Interest, Rediscount and Valuation Effect and Their Provisions Calculated for Non-Performing Loans Banks which Provide Expected Credit Loss According to TFRS 9

|   | Group III   | Group IV   | Group V                                   |
|---|---|--|---|
|   | Loans and other receivables with limited collectability | Loans and other receivables with doubtful collectability | Uncollectible loans and other receivables |
| <b>Current Period (Net)</b>                 | <b>118.907</b>  | <b>141.858</b>   | <b>66.952</b>                             |
| Interest Accruals and Valuation Differences | 176.670   | 304.558  | 247.365                                   |
| Provisions (-)                              | 57.763  | 162.700  | 180.413                                   |
| <b>Current Period (Net)</b>                 | <b>67.001</b>   | <b>29.159</b>  | <b>9.399</b>                              |
| Interest Accruals and Valuation Differences | 116.066   | 65.264   | 28.958                                    |
| Provisions (-)                              | 49.065  | 36.105   | 19.559                                    |

### 7.10.6. Information on Liquidating Policy of Uncollectible Loans and Other Receivables

Execution proceedings are carried out for the collection of receivables from loan services of the Parent Bank's. During this process, tangible guarantees constituting guarantees of receivables of the Parent 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. Transactions are performed within the context of legislation agreement, which ensures the collection of receivables through administrative channels. When the debtor offers exceed authorizations transferred to the Branch/Regional Management or includes matters outside the scope of current legislation agreements and the Branch/Regional Management submit favorable opinion to the Head Office regarding this issue, receivables should be restructured on a company/debtor basis in accordance with the decisions made by the related authorities.

### 7.10.7. Explanations on Write-Off Policy

The Group 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.

### 7.10.8. Other Explanations and Disclosures

| Current Period                                     | Corporate/<br>Entrepreneurial | Consumer           | Agricultural      | Total              |
|--|-------------------------------|--------------------|-------------------|--------------------|
| Neither Past Due nor Impaired Loans <sup>(1)</sup> | 250.028.279                   | 118.388.363        | 66.626.209        | 435.042.851        |
| Past Due but not Impaired Loans                    | 25.521.964                    | 2.436.248          | 3.426.397         | 31.384.609         |
| Impaired Loans                                     | 11.584.050                    | 1.286.195          | 1.661.185         | 14.531.430         |
| <b>Total</b>                                       | <b>287.134.293</b>            | <b>122.110.806</b> | <b>71.713.791</b> | <b>480.958.890</b> |
| Specific Provisions of Impaired Loans (-)          | 7.367.376                     | 938.917            | 896.235           | 9.202.528          |
| <b>Net Loan Amount</b>                             | <b>279.766.917</b>            | <b>121.171.889</b> | <b>70.817.556</b> | <b>471.756.362</b> |

<sup>(1)</sup> TL 3.908.975 consumer, TL 1.893.565 agricultural, and TL 18 corporate and entrepreneurial loans originated from funds whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

| Prior Period                                       | Corporate/<br>Entrepreneurial | Consumer          | Agricultural      | Total              |
|--|-------------------------------|-------------------|-------------------|--------------------|
| Neither Past Due nor Impaired Loans <sup>(1)</sup> | 222.366.233                   | 92.252.466        | 61.675.826        | 376.294.525        |
| Past Due but not Impaired Loans                    | 15.717.769                    | 1.544.535         | 2.216.105         | 19.478.409         |
| Impaired Loans                                     | 6.638.847                     | 1.010.065         | 1.107.085         | 8.755.997          |
| <b>Total</b>                                       | <b>244.722.849</b>            | <b>94.807.066</b> | <b>64.999.016</b> | <b>404.528.931</b> |
| Specific Provisions of Impaired Loans (-)          | 4.887.148                     | 739.444           | 564.338           | 6.190.930          |
| <b>Net Loan Amount</b>                             | <b>239.835.701</b>            | <b>94.067.622</b> | <b>64.434.678</b> | <b>398.338.001</b> |

<sup>(1)</sup> TL 3.839.218 consumer, TL 1.950.642 agricultural, and TL 18 corporate and entrepreneurial loans originated from funds whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

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

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

### 8. Information on Financial Assets Measured at Amortised Cost

#### 8.1. Information on Comparative Net Values of Financial Assets Measured at Amortised Cost Subject to Repo Transactions and Given as a Collateral/Blocked

##### *Financial Assets Measured at Amortised Cost subject to repo transactions*

|                                      | Current Period   |                  | Prior Period   |                  |
|--------------------------------------|------------------|------------------|----------------|------------------|
|                                      | TL               | FC               | TL             | FC               |
| Government Bonds                     | 1.989.088        | 2.104.824        | 177.923        | 1.819.056        |
| Treasury Bills                       | -                | -                | -              | -                |
| Other Public Sector Debt Securities  | -                | -                | -              | -                |
| Bank Bonds and Bank Guaranteed Bonds | -                | -                | -              | -                |
| Asset Backed Securities              | -                | -                | -              | -                |
| Other                                | -                | -                | -              | -                |
| <b>Total</b>                         | <b>1.989.088</b> | <b>2.104.824</b> | <b>177.923</b> | <b>1.819.056</b> |

##### *Financial Assets Measured at Amortised Cost given as collateral or blocked*

|   | Current Period   |                   | Prior Period     |                  |
|---|------------------|-------------------|------------------|------------------|
|   | TL               | FC                | TL               | FC               |
| Bills                                   | -                | -                 | -                | -                |
| Bonds and Similar Investment Securities | 2.021.297        | 10.404.413        | 3.790.424        | 3.019.229        |
| Other                                   | -                | -                 | -                | -                |
| <b>Total</b>                            | <b>2.021.297</b> | <b>10.404.413</b> | <b>3.790.424</b> | <b>3.019.229</b> |

#### 8.2. Information on Government Securities Measured at Amortised Cost

|                                     | Current Period    | Prior Period      |
|-------------------------------------|-------------------|-------------------|
| Government Bonds                    | 17.449.581        | 10.076.568        |
| Treasury Bills                      | -                 | -                 |
| Other Public Sector Debt Securities | 610.381           | 7.882             |
| <b>Total</b>                        | <b>18.059.962</b> | <b>10.084.450</b> |

#### 8.3 Information on Investments Measured at Amortised Cost

|                                | Current Period    | Prior Period      |
|--------------------------------|-------------------|-------------------|
| Debt securities                | 18.171.734        | 10.282.653        |
| Listed in a Stock Exchange     | 17.485.773        | 10.076.676        |
| Not Listed in a Stock Exchange | 685.961           | 205.977           |
| Provision for Impairment (-)   | 119               | 108               |
| <b>Total</b>                   | <b>18.171.615</b> | <b>10.282.545</b> |

#### 8.4 Movements of Investments Measured at Amortised Cost

|   | Current Period    | Prior Period      |
|---|-------------------|-------------------|
| <b>Beginning Balance</b>                        | <b>10.282.545</b> | <b>7.625.763</b>  |
| Foreign Currency Differences on Monetary Assets | 573.347           | 1.772.252         |
| Purchases During the Year <sup>(1)</sup>        | 11.191.088        | 3.515.803         |
| Disposals through Sales and Redemptions         | (3.875.246)       | (2.631.165)       |
| Provision for Impairment (-)                    | 119               | 108               |
| <b>Period End Balance</b>                       | <b>18.171.615</b> | <b>10.282.545</b> |

<sup>(1)</sup> Accruals are shown in "Purchases During the Year".

Türkiye Cumhuriyeti Ziraat Bankası 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 about Associates Accounts (Net)**

**9.1. Information about Unconsolidated Associates**

|   | Description   | Address<br>(City/Country) | The Bank’s Share Percentage, if<br>Different, Voting<br>Percentage (%) | The Bank’s Risk Group Share<br>Percentage (%) |
|---|---|---------------------------|--|---|
| 1 | Bankalararası Kart Merkezi A.Ş.                     | Istanbul/Turkey           | 12,50  | 17,98   |
| 2 | Kredi Kayıt Bürosu A.Ş.                             | Istanbul/Turkey           | 10,00  | 9,09  |
| 3 | Platform Ortak Kartlı Sistemler A.Ş. <sup>(1)</sup> | Istanbul/Turkey           | 33,33  | 33,33   |

<sup>(1)</sup> The company has been registered at 23 September 2019 and announced in the Türkiye Trade Registry Gazette as the date of 27 September 2019 numbered 9918.

|   | Total<br>Assets <sup>(2)</sup> | Shareholders’<br>Equity <sup>(2)</sup> | Total Non-<br>Current<br>Assets <sup>(2)(3)</sup> | Interest<br>Income <sup>(2)</sup> | Income from<br>Marketable<br>Securities <sup>(2)</sup> | Current Period<br>Profit/Loss <sup>(2)</sup> | Prior Period<br>Profit/Loss <sup>(2)</sup> | Fair<br>Value <sup>(1)</sup> |
|---|--------------------------------|--|---|-----------------------------------|--|--|--|------------------------------|
| 1 | 151.277                        | 91.498                                 | 77.573  | 5.591                             | -  | 26.624                                       | 15.953                                     | -                            |
| 2 | 332.448                        | 174.875                                | 192.972   | 12.387                            | -  | 11.378                                       | 41.206                                     | -                            |
| 3 | 5.250                          | 5.250                                  | -   | -                                 | -  | -  | -  | -                            |

<sup>(1)</sup> There is no fair value due to the fact that associates are not traded in the stock exchange

<sup>(2)</sup> Current period information of associates has been provided from unreviewed financial statements as of 31 December 2019. Prior period profit/loss information of associates has been provided from reviewed financial statements as of 31 December 2018.

<sup>(3)</sup> Total fixed assets include tangible and intangible assets.

**9.2. Information about Associates**

|   | Description            | Address<br>(City/Country) | The Parent Bank’s Share Percentage-if<br>different Voting Percentage (%) | The Parent Bank’s Group Share<br>Percentage (%) |
|---|------------------------|---------------------------|--|---|
| 1 | Arap Türk Bankası A.Ş. | Istanbul/Turkey           | 22,20  | 15,43   |

|   | Total<br>Assets <sup>(2)</sup> | Shareholders’<br>Equity <sup>(2)</sup> | Total Non-<br>Current Assets <sup>(2)</sup> | Interest<br>Income <sup>(2)</sup> | Income from<br>Marketable<br>Securities <sup>(2)</sup> | Current Period<br>Profit/Loss <sup>(2)</sup> | Prior Period<br>Profit/Loss <sup>(2)</sup> | Fair<br>Value <sup>(1)</sup> |
|---|--------------------------------|--|---|-----------------------------------|--|--|--|------------------------------|
| 1 | 4.957.994                      | 1.052.917                              | 142.418                                     | 257.921                           | 48.807   | 166.427                                      | 100.978                                    | -                            |

<sup>(1)</sup> There is no fair value of Arap Türk Bankası A.Ş. due to the fact that associates are not traded in the stock exchange

<sup>(2)</sup> Current period information of Arap Türk Bankası A.Ş. has been provided from unaudited financial statements as of 31 December 2019. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 December 2018.

**9.3. Information on Consolidated Associates by Equity Method**

|  | Current Period | Prior Period   |
|--|----------------|----------------|
| <b>Balance at the Beginning of the Period</b>    | <b>133.745</b> | <b>121.185</b> |
| <b>Movement During the Period</b>                | <b>28.720</b>  | <b>12.560</b>  |
| Additions  | -              | -              |
| Bonus Share Certificates                         | -              | -              |
| Shares of Current Year Profits                   | 25.680         | 15.581         |
| Transfer   | -              | -              |
| Sales  | -              | -              |
| Revaluation Increase                             | 3.040          | 374            |
| Impairment Provision                             | -              | 3.395          |
| <b>Balance at the End of the Period</b>          | <b>162.465</b> | <b>133.745</b> |
| Capital Commitments                              | -              | -              |
| Period Ending Share of Capital Participation (%) | 15,43          | 15,43          |

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

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

### 9.4. Sectorial Information and Related Amounts of Financial Associates

|                            | Current Period | Prior Period |
|----------------------------|----------------|--------------|
| Banks                      | 162.465        | 133.745      |
| Insurance Companies        | -              | -            |
| Factoring Companies        | -              | -            |
| Leasing Companies          | -              | -            |
| Finance Companies          | -              | -            |
| Other Financial Associates | -              | -            |

### 9.5. Associates Quoted to a Stock Exchange

None (31 December 2018: None).

## 10. Information on Subsidiaries (Net)

### 10.1. Information on Unconsolidated Subsidiaries

|   | Description                                     | Address<br>(City/Country) | The Parent Bank's Share<br>Percentage-if different<br>Voting Percentage (%) | The Parent Bank's<br>Group Share<br>Percentage (%) |
|---|---|---------------------------|---|--|
| 1 | Ziraat Teknoloji A.Ş.                           | İstanbul/Turkey           | 100,00  | 100,00   |
| 2 | Onko İlaç Sanayi ve Ticaret A.Ş. <sup>(1)</sup> | İstanbul/Turkey           | 66,66   | 71,40  |

<sup>(1)</sup> 71,40% of a group shares belonging to Onko İlaç Sanayi ve Ticaret A.Ş. were acquired on 31 December 2019 within the scope of the Parent Bank's Board of Directors decision dated 25 October 2019 and numbered 25/23. The Bank's share ratio increased to 85% with the purchase of 13,60% additional shares in the period of January 2020.

|   | Total<br>Assets <sup>(2)</sup> | Shareholders'<br>Equity <sup>(2)</sup> | Total Non-<br>Current<br>Assets <sup>(2)</sup> | Interest<br>Income <sup>(2)</sup> | Income from<br>Marketable<br>Securities <sup>(2)</sup> | Current Period<br>Profit/Loss <sup>(2)</sup> | Prior Period<br>Profit/Loss <sup>(2)</sup> | Fair Value <sup>(1)</sup> |
|---|--------------------------------|--|--|-----------------------------------|--|--|--|---------------------------|
| 1 | 69.107                         | 15.890                                 | 3.239  | 2.004                             | -  | 1.824  | 2.409                                      | -                         |
| 2 | 628.582                        | 66.869                                 | 370.148  | 2.291                             | -  | (4.603)                                      | (9.190)                                    | -                         |

<sup>(1)</sup> There is no fair value due to the fact that associates are not traded in the stock exchange.

<sup>(2)</sup> Current period information of associates has been provided from unreviewed financial statements as of 31 December 2019. Prior period profit/loss information of associates has been provided from reviewed financial statements as of 31 December 2018.

The transactions related to the participation in the capital of TL 250.000 with the rate of 99,01% of the Central Oto Kiralama A.Ş. with the Ziraat Girişim Sermayesi Yatırım Ortaklığı A.Ş. which is subsidiary included in the consolidation has been completed as of 29 July 2019.

Türkiye Cumhuriyeti Ziraat Bankası 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”).)

**10.2. Information on Consolidated Subsidiaries**

In the unconsolidated financial statements of the Parent Bank, investments related to subsidiaries and joint ventures operating abroad in foreign currency are followed by their fair values. For these subsidiaries, fair value is determined by valuation reports, TL equivalents of investments related to subsidiaries are fixed as of revaluation date and revaluation differences added to subsidiaries’ values are recognized in “Marketable Securities Value Increase Fund” under shareholders’ equity.

|    | Description (“”)                                | Address<br>(City/Country)   | The Bank’s Share<br>Percentage-if different<br>Voting Percentage (%) | The Bank’s Risk Group<br>Share Percentage (%) |
|----|---|-----------------------------|--|---|
| 1  | Ziraat Yatırım Menkul Değerler A.Ş.             | İstanbul/Turkey             | 100,00   | 99,60   |
| 2  | Ziraat Portföy Yönetimi A.Ş.                    | İstanbul/Turkey             | 100,00   | 99,80   |
| 3  | Ziraat Katılım Bankası A.Ş. <sup>(1)</sup>      | İstanbul/Turkey             | 100,00   | 100,00  |
| 4  | Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.       | İstanbul/Turkey             | 100,00   | 100,00  |
| 5  | Ziraat Girişim Sermayesi Yatırım Ortaklığı A.Ş. | İstanbul/Turkey             | 100,00   | 100,00  |
| 6  | Ziraat Bank International A.G.                  | Frankfurt/Germany           | 100,00   | 100,00  |
| 7  | Ziraat Bank BH d.d.                             | Sarajevo/Bosnia Herzegovina | 100,00   | 100,00  |
| 8  | Ziraat Bank (Moscow) JSC                        | Moscow/Russia               | 100,00   | 100,00  |
| 9  | Kazakhstan Ziraat Int. Bank                     | Almaty/Kazakhstan           | 100,00   | 99,58   |
| 10 | Ziraat Bank Azerbaycan ASC                      | Baku/Azerbaijan             | 100,00   | 100,00  |
| 11 | Ziraat Bank Montenegro AD                       | Podgorica/Montenegro        | 100,00   | 100,00  |
| 12 | JSC Ziraat Bank Georgia                         | Tbilisi/Georgia             | 100,00   | 100,00  |
| 13 | Ziraat Bank Uzbekistan JSC                      | Tashkent/Uzbekistan         | 100,00   | 100,00  |

<sup>(1)</sup> According to decision of Banking Regulation and Supervision Agency dated 18 January 2019, numbered 8210 and decision of Board of Directors of Ziraat Katılım Bankası A.Ş. dated 18 October 2018, numbered 34/19; Ziraat Finansal Kiralama A.Ş. with it’s all assets and liabilities are dissolved without liquidation and transferred to Ziraat Katılım Bankası A.Ş. at balance sheet value on transfer date and merged under the roof of Ziraat Katılım Bankası A.Ş. Merge is registered by Istanbul Registry of Commerce at 1 March 2019.

<sup>(2)</sup> The Parent Bank commenced negotiations with the Turkish Wealth Fund in relation to the transfer to a new company to be established by the Turkish Wealth Fund (the “Purchaser”) of the 99.97% shares in Ziraat Sigorta A.Ş. and 99.97% of the shares Ziraat Hayat ve Emeklilik A.Ş. After obtaining the necessary permissions and completing the share of transfers, the general assembly resolutions of the companies in question will be taken and legal procedures and procedures will be completed. In this context, as of the balance sheet date, the mentioned companies are classified as “Assets Held for Sale and Discontinued Operations”.

|    | Total Assets | Shareholders’<br>Equity | Total Non-<br>Current<br>Assets | Interest<br>Income | Income from<br>Marketable<br>Securities | Current<br>Period<br>Profit/Loss | Prior<br>Period<br>Profit/Loss | Fair Value | Shareholder’s<br>equity amount<br>needed |
|----|--------------|-------------------------|---------------------------------|--------------------|---|----------------------------------|--------------------------------|------------|--|
| 1  | 305.932      | 194.396                 | 2.488                           | 50.908             | -                                       | 91.235                           | 68.147                         | -          | -  |
| 2  | 119.799      | 101.863                 | 34.498                          | 10.517             | -                                       | 41.704                           | 20.856                         | -          | -  |
| 3  | 30.803.790   | 2.991.243               | 261.364                         | 2.478.431          | 158.541                                 | 386.190                          | 242.045                        | -          | -  |
| 4  | 2.611.514    | 1.802.699               | 1.890.020                       | 436                | -                                       | 118.361                          | 133.190                        | -          | -  |
| 5  | 870.432      | 869.059                 | 1.413                           | 123.984            | -                                       | 117.742                          | -                              | -          | -  |
| 6  | 7.991.971    | 1.632.893               | 23.367                          | 321.505            | 3.211                                   | 89.092                           | 108.365                        | 1.496.724  | -  |
| 7  | 3.597.502    | 584.151                 | 133.512                         | 107.730            | -                                       | 3.922                            | (106.929)                      | 431.466    | -  |
| 8  | 827.226      | 294.211                 | 12.627                          | 60.629             | 410                                     | 29.424                           | 19.684                         | 269.215    | -  |
| 9  | 1.198.041    | 458.858                 | 26.222                          | 86.733             | -                                       | 37.454                           | 34.663                         | 407.842    | -  |
| 10 | 878.447      | 241.714                 | 68.778                          | 55.791             | 1.147                                   | 5.780                            | 4.257                          | 196.898    | -  |
| 11 | 552.358      | 93.562                  | 6.829                           | 21.816             | 1.234                                   | 1.580                            | (3.885)                        | 91.508     | -  |
| 12 | 268.051      | 114.496                 | 11.073                          | 10.154             | 3.595                                   | 6.935                            | 4.455                          | 107.737    | -  |
| 13 | 481.807      | 171.415                 | 10.642                          | 43.157             | -                                       | 41.128                           | 3.023                          | 144.665    | -  |

<sup>(1)</sup> The subsidiaries other than the ones presented with fair value are carried at cost less impairment, if any. For the subsidiaries having fair value, fair value shows the portion belonging to Ziraat Bank.

<sup>(2)</sup> The amounts shown in the interest income column of Ziraat Katılım Bankası include profit share income.

<sup>(3)</sup> Information on Ziraat Katılım Bankası A.Ş. has been provided from limited reviewed financial statements as of 30 September 2019, the prior period profit/loss balances have been provided from limited reviewed financial statements as of 30 September 2018. Information on other subsidiaries shown in the table above has been provided from limited reviewed financial statements as of 31 December 2019, the prior period profit/loss balances have been provided from limited reviewed financial statements as of 31 December 2018.

## 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 consolidated subsidiaries (reflects the values of the Parent Bank)**

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| <b>Balance at the Beginning of the Period</b> | <b>7.394.408</b> | <b>5.138.250</b> |
| <b>Movements During the Period</b>            | <b>(59.383)</b>  | <b>2.256.158</b> |
| Additions to Scope of Consolidation           | -                | -                |
| Purchases <sup>(1)</sup>                      | 106.806          | 1.521.015        |
| Bonus Shares Obtained                         | 2.065            | -                |
| Dividends from current year income            | -                | -                |
| Sales   | -                | -                |
| Revaluation Increase <sup>(2)</sup>           | 325.990          | 807.408          |
| Impairment Provision (-)                      | 364.273          | 72.265           |
| Transfer (-) <sup>(3)</sup>                   | 129.971          | -                |
| <b>Balance at the End of the Period</b>       | <b>7.335.025</b> | <b>7.394.408</b> |
| Capital Commitments                           | -                | -                |
| Share percentage at the end of the period (%) | -                | -                |

<sup>(1)</sup> Paid Capital Increases are classified under "Purchases" account.<sup>(2)</sup> Includes changes arising from conversion of subsidiaries, whose capitals are paid in Euro amounts, into TL at period end currency rate.<sup>(3)</sup> The Parent Bank has classified Ziraat Hayat ve Emeklilik A.Ş. and Ziraat Sigorta A.Ş., as of the balance sheet date, as "Assets Held for Sale and Discontinued Operations"<sup>(4)</sup> Non-financial subsidiaries are not included.**10.3. Sectorial Information and Related Amounts of Subsidiaries (Represents Values Belonging To the Parent Bank)**

|                              | Current Period | Prior Period |
|------------------------------|----------------|--------------|
| Banks                        | 5.178.895      | 4.865.172    |
| Insurance Companies          | -              | 129.972      |
| Factoring Companies          | -              | -            |
| Leasing Companies            | -              | 282.839      |
| Financing Companies          | -              | -            |
| Other Financial Subsidiaries | 2.156.130      | 2.116.425    |

**10.4. Subsidiaries which are Quoted on a Stock Exchange**

None (31 December 2018: None).

**11. Information on Entities under Common Control (Joint Ventures)**

| Entities under Common Control (Joint Ventures) <sup>(1)</sup> | Parent Bank's Share (%) | Group's Share (%) | Current Assets | Non- Current Assets | Long Term Liabilities | Income  | Expense |
|---|-------------------------|-------------------|----------------|---------------------|-----------------------|---------|---------|
| Turkmen Turkish Joint Stock Commercial Bank                   | 50,00                   | 50,00             | 264.804        | 14.745              | 5.368                 | 111.882 | 57.779  |

<sup>(1)</sup> Information on entity under joint control is provided from the unaudited financial statements as of 31 December 2019.

Entities under common control domiciled and operating in the Parent Bank's consolidated financial statement abroad are followed by their fair values. For these entities under common control, fair value is determined by independent valuation firm's report and revaluation differences are accounted as the value of entities under common control and under shareholders' equity.



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

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

### 12. Information on Finance Lease Receivables (Net)

Information on receivables from financial leasing transactions

|                   | Current Period   |                  | Prior Period     |                  |
|-------------------|------------------|------------------|------------------|------------------|
|                   | Gross            | Net              | Gross            | Net              |
| Less than 1 Year  | 71.065           | 70.080           | 1.709.543        | 1.429.167        |
| 1-5 Years         | 3.623.740        | 3.100.581        | 2.778.781        | 2.136.398        |
| More than 5 Years | 860.343          | 498.090          | 538.541          | 413.115          |
| <b>Total</b>      | <b>4.555.148</b> | <b>3.668.751</b> | <b>5.026.865</b> | <b>3.978.680</b> |

### 13. Information on Derivative Financial Assets for Hedging Purposes

None. (31 December 2018: None)

### 14. Information on Investment Property

None. (31 December 2018: None)

### 15. Information on Assets Held For Sale and Tangibles Corresponding Discontinuing Operations

The assets held for sale are composed of immovables acquired due to consumer, commercial and agricultural loans and immovables for which has no necessity of usage exists by the Bank. Those immovables considered for sales are announced at the web site of the Bank.

The Group’s immovables acquired amount to TL 4.584.056 consisting of TL 18.767 due to consumer loans, TL 4.753.593 on its commercial loans and TL 150.770 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 2.390 (31 December 2018: The Group’s immovables acquired amount to TL 1.221.830 consisting of TL 17.591 due to consumer loans, TL 1.103.924 on its commercial loans and TL 100.315 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 3.559).

Representing 99,97% of capital of Ziraat Sigorta A.Ş. and Ziraat Hayat Emeklilik, one of the subsidiaries of the Parent Bank- by a company to be established by Turkey Wealth Funds. After obtaining the necessary permissions and completing share transfers, the general assembly reductions of the companies in question will be taken and legal procedures will be completed. In this context, as of the balance sheet date, these companies are classified as “Assets Held for Sale and Discontinued Operations.”

| Explanations                   | Total Assets | Shareholders' Equity | Total Non-Current Assets | Interest Income | Income from Marketable Securities | Current Period Profit/Loss | Prior Period Profit/Loss |
|--------------------------------|--------------|----------------------|--------------------------|-----------------|-----------------------------------|----------------------------|--------------------------|
| Ziraat Hayat ve Emeklilik A.Ş. | 2.933.864    | 1.145.659            | 6.836                    | 478.192         | -                                 | 758.108                    | 551.014                  |
| Ziraat Sigorta A.Ş.            | 2.008.275    | 739.079              | 4.211                    | 255.432         | -                                 | 395.308                    | 294.718                  |

<sup>(1)</sup> Information on other subsidiaries shown in the table above has been provided from unaudited financial statements as of 31 December 2019, the prior period profit/loss balances have been provided from audited financial statements as of 31 December 2018.

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

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

### 16. Explanations on Tangible Assets

|  | Immovables       | Immovables<br>with Right<br>of Use | Movables       | Movables<br>with Right<br>of Use | Operational<br>Leasing<br>Development<br>Costs | Other<br>Tangibles | Total            |
|--|------------------|------------------------------------|----------------|----------------------------------|--|--------------------|------------------|
| <b>Prior Period End</b>                            |                  |                                    |                |                                  |  |                    |                  |
| Cost   | 7.250.703        | -                                  | 1.290.348      | 14.928                           | 294.805  | -                  | 8.850.784        |
| Accumulated Depreciation (-)                       | 986.217          | -                                  | 817.441        | 6.218                            | 232.687  | -                  | 2.042.563        |
| Impairment (-)                                     | 2.805            | -                                  | 1.661          | -                                | -  | -                  | 4.466            |
| <b>Net Book Value</b>                              | <b>6.261.681</b> | <b>-</b>                           | <b>471.246</b> | <b>8.710</b>                     | <b>62.118</b>                                  | <b>-</b>           | <b>6.803.755</b> |
| <b>Current Period End</b>                          |                  |                                    |                |                                  |  |                    |                  |
| Net Book Value at the Beginning of the Period      | 6.261.681        | -                                  | 471.246        | 8.710                            | 62.118   | -                  | 6.803.755        |
| Change During the Period (Net)                     | 187.092          | 692.414                            | (22.630)       | 95.858                           | (13.898)                                       | -                  | 938.836          |
| - Cost   | 172.736          | 810.975                            | 150.471        | 139.575                          | 16.622   | -                  | 1.290.379        |
| - Depreciation - net (-)                           | (14.980)         | 118.561                            | 174.144        | 43.717                           | 30.520   | -                  | 351.962          |
| - Impairment (-)                                   | 624              | -                                  | (1.043)        | -                                | -  | -                  | (419)            |
| Net Currency Translation from Foreign Subsidiaries | 8.100            | 27.317                             | 9.029          | 79                               | 1.182  | -                  | 45.707           |
| Cost at Period End                                 | 7.431.539        | 838.292                            | 1.449.848      | 154.582                          | 312.609  | -                  | 10.186.870       |
| Accumulated Depreciation at Period End (-)         | 971.237          | 118.561                            | 991.585        | 49.935                           | 263.207  | -                  | 2.394.525        |
| Impairment (-)                                     | 3.429            | -                                  | 618            | -                                | -  | -                  | 4.047            |
| <b>Closing Net Book Value</b>                      | <b>6.456.873</b> | <b>719.731</b>                     | <b>457.645</b> | <b>104.647</b>                   | <b>49.402</b>                                  | <b>-</b>           | <b>7.788.298</b> |

17. The Impairment Provision Set or Cancelled in the Current Period According to the Asset Groups Not Individually Significant but Materially Affecting the Overall Financial Statements, and the Reason and Conditions for This:

None.

18. Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets:

None.

### 19. Explanations on Intangible Assets

|                     | Current Period   |                          |                | Prior Period     |                          |                |
|---------------------|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
|                     | Book Value       | Accumulated Depreciation | Net Value      | Book Value       | Accumulated Depreciation | Net Value      |
| Establishment Costs | 24.262           | 8.331                    | 15.931         | 5.326            | 4.800                    | 526            |
| Goodwill            | 30.723           | -                        | 30.723         | -                | -                        | -              |
| Intangible Rights   | 1.327.638        | 439.144                  | 888.494        | 1.067.995        | 336.815                  | 731.180        |
| <b>Total</b>        | <b>1.382.623</b> | <b>447.475</b>           | <b>935.148</b> | <b>1.073.321</b> | <b>341.615</b>           | <b>731.706</b> |

Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements:

None.

Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition:

None.

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

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

The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition:

None.

The book value of intangible fixed assets that are pledged or restricted for use:

None.

Amount of purchase commitments for intangible fixed assets:

None.

Information on revalued intangible assets according to their types:

None.

Amount of total research and development expenses recorded in income statement within the period if any:

None.

Positive or negative consolidation goodwill on entity basis:

Not applicable for the consolidated financial statements

Information on Goodwill:

None.

### 20. Information on Deferred Tax Asset

Deferred tax is recognized on 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 in accordance with the Turkish Accounting Standards (TAS 12) “Income Taxes”. In the computation of deferred tax, effective tax rates as of the balance sheet date are used in accordance with the current tax legislation.

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. Calculated deferred tax assets and deferred tax liabilities are net off in the financial statements.

Information on calculated deferred tax including deductible temporary differences, financial losses, tax deductibles and tax exemptions is shown below:

|                                       | Current Period | Prior Period |
|---------------------------------------|----------------|--------------|
| Deferred Tax Assets                   | 2.204.701      | 3.043.972    |
| Deferred Tax Liabilities              | (1.052.306)    | (1.413.083)  |
| Net Deferred Tax Assets/(Liabilities) | 1.152.395      | 1.630.889    |
| Net Deferred Tax Income/(Expense)     | 1.291.258      | 189.772      |

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Reserve for Employment Termination Benefits | 214.632        | 168.754      |
| Short Term Employee Benefits                | 139.890        | 106.705      |
| Financial Assets Valuation                  | 245.641        | 1.336.360    |
| Other                                       | 552.232        | 19.070       |
| Net Deferred Tax Assets/(Liabilities)       | 1.152.395      | 1.630.889    |

As of 31 December 2019, deferred tax income amounting to TL 1.291.258 was classified on profit or loss table and deferred tax income amounting TL 1.769.752 was classified under shareholders’ equity. (As of 31 December 2018, deferred tax income amounting to TL 189.772 was classified on profit or loss table and deferred tax income amounting TL 853.759 was classified under shareholders’ equity.)

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

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

### 21. Information on Expected Credit Loss for Financial Assets

|   | Current Period | Prior Period  |
|---|----------------|---------------|
| Cash and Balances at Central Bank           | 1.784          | 463           |
| Banks and Receivables from Money Markets    | 4.884          | 14.112        |
| Financial Assets Measured at Amortized Cost | 2.849          | 1535          |
| Other                                       | 36.563         | 54.100        |
| <b>Total</b>                                | <b>46.080</b>  | <b>70.210</b> |

### 22. Information on Other Assets

As of 31 December 2019, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

## II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

### 1. Information on Deposits/Funds Collected

#### 1.1 Information on Maturity Structure of Deposits

| Current Period            | Demand             | 7 Day Call Accounts | Up to 1 Month     | 1-3 Months         | 3-6 Months        | 6 Months-1 Year   | 1 Year and Over   | Cumulative Deposits | Total              |
|---------------------------|--------------------|---------------------|-------------------|--------------------|-------------------|-------------------|-------------------|---------------------|--------------------|
| Saving Deposits           | 35.946.421         | -                   | 4.864.170         | 72.544.510         | 24.755.635        | 2.637.794         | 8.479.585         | 209.613             | 149.437.728        |
| Foreign Currency Deposits | 52.063.043         | -                   | 18.175.259        | 66.037.955         | 11.708.393        | 9.517.472         | 33.335.193        | 6.056               | 190.843.371        |
| Residents in Turkey       | 41.780.061         | -                   | 16.810.247        | 54.930.745         | 7.372.052         | 4.039.827         | 10.453.621        | 4.746               | 135.391.299        |
| Residents Abroad          | 10.282.982         | -                   | 1.365.012         | 11.107.210         | 4.336.341         | 5.477.645         | 22.881.572        | 1.310               | 55.452.072         |
| Public Sector Deposits    | 10.526.687         | -                   | 5.339.736         | 6.184.135          | 730.143           | 1.839.551         | 63.037            | -                   | 24.683.289         |
| Commercial Inst. Deposits | 12.812.698         | -                   | 14.340.380        | 18.228.963         | 968.606           | 3.254.094         | 2.072.099         | -                   | 51.676.840         |
| Other Inst. Deposits      | 2.262.330          | -                   | 2.228.721         | 6.252.734          | 3.733.631         | 459.868           | 384.466           | -                   | 15.321.750         |
| Precious Metals           | 13.371.268         | -                   | 150.419           | 2.424.888          | 237.388           | 148.961           | 151.996           | -                   | 16.484.920         |
| Interbank Deposits        | 3.205.124          | -                   | 18.063.433        | 5.064.292          | 3.851.471         | 764.408           | 531.900           | -                   | 31.480.628         |
| CBRT                      | 2.389              | -                   | -                 | -                  | -                 | -                 | -                 | -                   | 2.389              |
| Domestic Banks            | 304.149            | -                   | 17.620.986        | 250.734            | 120.458           | 2.130             | -                 | -                   | 18.298.457         |
| Foreign Banks             | 2.255.836          | -                   | 442.447           | 4.168.269          | 3.459.312         | 762.278           | 531.900           | -                   | 11.620.042         |
| Participation Banks       | 642.750            | -                   | -                 | 645.289            | 271.701           | -                 | -                 | -                   | 1.559.740          |
| Other                     | -                  | -                   | -                 | -                  | -                 | -                 | -                 | -                   | -                  |
| <b>Total</b>              | <b>130.187.571</b> | <b>-</b>            | <b>63.162.118</b> | <b>176.737.477</b> | <b>45.985.267</b> | <b>18.622.148</b> | <b>45.018.276</b> | <b>215.669</b>      | <b>479.928.526</b> |

Türkiye Cumhuriyeti Ziraat Bankası 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              | Demand            | 7 Day Call Accounts | Up to 1 Month     | 1-3 Months         | 3-6 Months        | 6 Months-1 Year   | 1 Year and Over   | Cumulative Deposits | Total              |
|---------------------------|-------------------|---------------------|-------------------|--------------------|-------------------|-------------------|-------------------|---------------------|--------------------|
| Saving Deposits           | 26.085.178        | -                   | 2.970.274         | 75.339.363         | 8.225.640         | 3.109.733         | 3.552.919         | 163.671             | 119.446.778        |
| Foreign Currency Deposits | 35.462.060        | -                   | 12.077.492        | 48.125.965         | 9.418.307         | 9.012.470         | 27.868.733        | 5.576               | 141.970.603        |
| Residents in Turkey       | 28.739.734        | -                   | 10.822.850        | 37.227.261         | 5.531.411         | 3.528.918         | 7.765.042         | 4.070               | 93.619.286         |
| Residents Abroad          | 6.722.326         | -                   | 1.254.642         | 10.898.704         | 3.886.896         | 5.483.552         | 20.103.691        | 1.506               | 48.351.317         |
| Public Sector Deposits    | 7.082.239         | -                   | 3.192.485         | 5.244.373          | 2.018.212         | 3.470.269         | 101.658           | -                   | 21.109.236         |
| Commercial Inst. Deposits | 9.223.407         | -                   | 5.176.246         | 8.157.297          | 829.440           | 3.681.582         | 242.536           | -                   | 27.310.508         |
| Other Inst. Deposits      | 1.978.024         | -                   | 1.806.775         | 4.543.593          | 1.179.194         | 864.518           | 538.096           | -                   | 10.910.200         |
| Precious Metals           | 6.710.515         | -                   | 67.100            | 1.194.009          | 101.328           | 51.184            | 71.877            | -                   | 8.196.013          |
| Interbank Deposits        | 4.151.647         | -                   | 12.150.631        | 4.143.899          | 2.900.136         | 1.258.825         | 826.772           | -                   | 25.431.910         |
| CBRT                      | 1.038             | -                   | -                 | -                  | -                 | -                 | -                 | -                   | 1.038              |
| Domestic Banks            | 288.147           | -                   | 9.295.725         | 97.998             | 11.406            | 2.088             | 2.085             | -                   | 9.697.449          |
| Foreign Banks             | 2.970.112         | -                   | 2.854.906         | 3.774.861          | 2.888.730         | 1.256.737         | 553.647           | -                   | 14.298.993         |
| Participation Banks       | 892.350           | -                   | -                 | 271.040            | -                 | -                 | 271.040           | -                   | 1.434.430          |
| Other                     | -                 | -                   | -                 | -                  | -                 | -                 | -                 | -                   | -                  |
| <b>Total</b>              | <b>90.693.070</b> | <b>-</b>            | <b>37.441.003</b> | <b>146.748.499</b> | <b>24.672.257</b> | <b>21.448.581</b> | <b>33.202.591</b> | <b>169.247</b>      | <b>354.375.248</b> |

|   | Under the Guarantee of Deposit Insurance |              | Exceeding Deposit Insurance Limit |              |
|---|--|--------------|-----------------------------------|--------------|
|   | Current Period                           | Prior Period | Current Period                    | Prior Period |
| Saving Deposits <sup>(1)</sup>  | 101.143.825                              | 77.125.284   | 47.737.037                        | 41.715.586   |
| Foreign Currency Saving Deposits <sup>(1)</sup>   | 62.267.214                               | 36.632.643   | 80.692.915                        | 74.091.093   |
| Other Deposits in the form of Saving Deposits   | -  | -            | -                                 | -            |
| Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(2)</sup> | 1.381.203                                | 1.106.656    | 263.633                           | 161.259      |
| Deposits at Off-Shore Banking Regions' and under Foreign Authorities' Insurance                     | -  | -            | -                                 | -            |

<sup>(1)</sup> Related deposit balances do not include foreign branches.

<sup>(2)</sup> In Bulgaria and Greece, since both real person and legal entity's saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 227.092 and TL 16.176 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2018: TL 140.007 and TL 24.266).

Based on the Council of Minister's decree dated 29 December 2003 and numbered 2003/6668, TL 536 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş.

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of the Banks. As total of capital amount and interest expense accruals of saving deposits up to TL 150 attributable to a real person is covered by the insurance, TL 1.553.917 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 15 February 2013 and numbered 28560.

**1.3. Information on Saving Deposits/Real Persons' Private Current And Accession Accounts Not Related to Commercial Transactions in a Turkish Branch of the Bank Whose Head Office is Abroad, And Reasons if it is Covered in Where The Head Office is Located**

The Parent Bank's head office is located in Turkey.

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

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

### 1.4. Saving Deposits of Real Persons Not Covered by the Deposit Insurance Fund

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Deposits and other Accounts in Branches Abroad  | 39.051         | 59.444       |
| Deposits of Ultimate Shareholders and Their Close Family Members  | -              | -            |
| Deposits of Chairman and Members of the Board of Directors, CEO, Executive Vice Presidents and Their Close Family Members                           | 21.718         | 9.247        |
| Deposits Obtained through Illegal Acts Defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004 | -              | -            |
| Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities   | -              | -            |

### 2. Negative Differences Related to the Derivative Financial Liabilities

|                      | Current Period |                  | Prior Period     |                |
|----------------------|----------------|------------------|------------------|----------------|
|                      | TL             | FC               | TL               | FC             |
| Forward Transactions | 128.438        | 7.475            | 272.091          | 27.360         |
| Swap Transactions    | 408.117        | 1.108.163        | 882.868          | 484.487        |
| Futures Transactions | -              | -                | -                | -              |
| Options              | -              | 8                | 1.363            | -              |
| Other                | -              | -                | -                | -              |
| <b>Total</b>         | <b>536.555</b> | <b>1.115.646</b> | <b>1.156.322</b> | <b>511.847</b> |

### 3. Information on Banks and Other Financial Institutions

#### 3.1. General Information on Banks and Other Financial Institutions

|                                       | Current Period   |                   | Prior Period     |                   |
|---------------------------------------|------------------|-------------------|------------------|-------------------|
|                                       | TL               | FC                | TL               | FC                |
| Borrowings from CBRT                  | -                | -                 | -                | -                 |
| Domestic Banks and Institutions       | 1.294.374        | 4.437.534         | 615.820          | 5.735.551         |
| Foreign Banks, Institutions and Funds | 373.530          | 28.152.999        | 580.527          | 27.916.871        |
| <b>Total</b>                          | <b>1.667.904</b> | <b>32.590.533</b> | <b>1.196.347</b> | <b>33.652.422</b> |

#### 3.2. Maturity Structure of Funds Borrowed

|                      | Current Period   |                   | Prior Period     |                   |
|----------------------|------------------|-------------------|------------------|-------------------|
|                      | TL               | FC                | TL               | FC                |
| Short-Term           | 1.291.741        | 1.598.501         | 615.434          | 6.314.775         |
| Medium and Long-Term | 376.163          | 30.992.032        | 580.913          | 27.337.647        |
| <b>Total</b>         | <b>1.667.904</b> | <b>32.590.533</b> | <b>1.196.347</b> | <b>33.652.422</b> |

#### 3.3. Further Information is Disclosed for the Areas of Liability Concentrations. Main Liability Concentration Areas are Fund Suppliers, Sector Groups or other Risk Concentration Criteria

69,18% of the Group's total liabilities and equity consist of deposits. Deposits have a diversified base and have steady structures. The Group's liabilities are not subject to a significant concentration risk.

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

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

#### 4. Information on Funds Supplied from Repurchase Agreements

|  | Current Period    |                   | Prior Period      |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | TL                | FC                | TL                | FC                |
| <b>From Domestic Transactions</b>        | <b>28.821.018</b> | -                 | <b>56.213.158</b> | -                 |
| Financial Institutions and Organizations | 28.198.716        | -                 | 56.007.340        | -                 |
| Other Institutions and Organizations     | 615.654           | -                 | 203.162           | -                 |
| Real Person                              | 6.648             | -                 | 2.656             | -                 |
| <b>From Overseas Operations</b>          | -                 | <b>20.473.527</b> | -                 | <b>12.390.480</b> |
| Financial Institutions and Organizations | -                 | 20.473.527        | -                 | 12.390.480        |
| Other Institutions and Organizations     | -                 | -                 | -                 | -                 |
| Real Person                              | -                 | -                 | -                 | -                 |
| <b>Total</b>                             | <b>28.821.018</b> | <b>20.473.527</b> | <b>56.213.158</b> | <b>12.390.480</b> |

#### 5. Information on Securities Issued

|                         | Current Period   |                  | Prior Period     |                   |
|-------------------------|------------------|------------------|------------------|-------------------|
|                         | TL               | FC               | TL               | FC                |
| Bank Bonds              | 2.267.540        | 279.678          | 1.761.094        | 106.896           |
| Asset-Backed Securities | 2.482.999        | -                | 1.375.097        | -                 |
| Treasury Bills          | 1.010.690        | 9.552.214        | 1.190.585        | 12.510.192        |
| <b>Total</b>            | <b>5.761.229</b> | <b>9.831.892</b> | <b>4.326.776</b> | <b>12.617.088</b> |

#### 6. If Other Liabilities Exceed 10% of the Balance Sheet Total, Name and Amount of Sub-Accounts Constituting at Least 20% of These Liabilities

Other liabilities do not exceed 10% of the balance sheet total.

#### 7. Information on Finance Lease Payables (Net)

Information on finance lease payables represented in the table below:

|                   | Current Period |                | Prior Period |     |
|-------------------|----------------|----------------|--------------|-----|
|                   | Gross          | Net            | Gross        | Net |
| Less than 1 Year  | 17.198         | 16.809         | -            | -   |
| Between 1-4 Years | 343.003        | 325.022        | -            | -   |
| More than 4 Years | 498.191        | 430.844        | -            | -   |
| <b>Total</b>      | <b>858.392</b> | <b>772.675</b> | -            | -   |

#### 8. Information on Derivative Financial Liabilities for Hedging Purposes

There are no derivative financial liabilities for hedging purposes

#### 9. Explanations on Provisions

##### 9.1 Foreign Exchange Loss Provisions on the Foreign Currency Indexed Loans and Finance Lease Receivables

There is no foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables (31 December 2018: TL 228).

Türkiye Cumhuriyeti Ziraat Bankası 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").)

## 9.2. Liabilities on Reserve for Employee Termination Benefits

### 9.2.1. Severance Pay and Unused Vacation Rights

The Group accounts for its vacation and retirement pay obligations in accordance with the TAS 19 "Employee Benefits". The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation. As of 31 December 2019, unpaid vacation liability amounted to TL 1.052.901 and employment termination amounted to TL 275.049 are presented under the "Employee Benefits Provision" in the financial statements (31 December 2018: unpaid vacation liability amounted to TL 207.658, and employment termination amounted to TL 836.363 are presented under the "Employee Benefits Provision" in the financial statements).

### 9.2.2. Pension Rights

The technical balance sheet reports which are prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9,80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2019 and 31 December 2018.

The liability related to Bank's benefits to be transferred to SSI as of the balance sheet date is expected payment to be made to SSI during the transfer. Actuarial parameters and results used in calculation of this amount reflects the Act's, numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, principles related to pension and health benefits to be transferred to SSI (9,80% real discount rate, etc.).

According to related Actuary Report, the Fund's surplus is TL 5.925.666 as of 31 December 2019 (31 December 2018: TL 4.256.114).

|                              | Current Period | Prior Period |
|------------------------------|----------------|--------------|
| Non-Medical Assets           | 3.295.264      | 2.558.724    |
| Actual and Technical Overrun | 5.925.666      | 4.256.114    |

The principal actuarial assumptions used are as follows:

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Discount rate  |                |              |
| - Pension benefits transferable to SSI                 | 9,80%          | 9,80%        |
| - Post employment medical benefits transferable to SSI | 9,80%          | 9,80%        |

To represent mortality rates both before and after retirement, CSO 1980 Female/Male mortality table is used.

Plan assets are comprised as follows:

|                        | Current Period   | Prior Period     |
|------------------------|------------------|------------------|
| Bank Placements        | 1.209.299        | 1.834.427        |
| Property and Equipment | 380.707          | 379.187          |
| Marketable Securities  | 1.645.168        | 308.779          |
| Other                  | 60.090           | 36.331           |
| <b>Total</b>           | <b>3.295.264</b> | <b>2.558.724</b> |

## 9.3. Information on Other Provisions

These financial statements include a general provision which is not in accordance with BRSA Principles amounting to TL 910.000 which has a part of TL 982.000 have been reversed and TL 50.000 of which has been written as expense in the current year and TL 122.000 which has been canceled in the current year, provided by the Group management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions. Moreover, the provision of TL 37.000 and other provision of TL 217 exist for cash transfers made by Bank officials. The provision for loss for non-cash loans is TL 1.134.125. (31 December 2018: These financial statements include a free provision which is not in accordance with BRSA Principles amounting to TL 982.000, of which TL 1.475.000 thousand was recognised in prior years, TL 30.000 thousand have been recognised in current year and 523.000 thousands have been reversed in the current period, provided by the Group management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions. Moreover, the provision of TL 30.500 and other provision of TL 217 exist for cash transfers made by Bank officials. The provision for loss for non-cash loans is TL 466.897).



Türkiye Cumhuriyeti Ziraat Bankası 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”).)

Based on the information provided by the legal department, TL 59.638 provision has been provided in financial statements for the lawsuits against the Bank which are not finalized yet. (31 December 2018: Based on the information provided by the legal department, TL 54.287 provision has been provided in financial statements for the lawsuits against the Bank which are not finalized yet.)

**10. Information on Tax Liability**

**10.1. Information on Current Tax Liability**

**10.1.1. Information on Tax Provisions**

As of 31 December 2019, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 1.034.189 (As of 31 December 2018, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 1.001.148).

**10.1.2. Information on Current Taxes Payable**

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Corporate Tax Payable                     | 1.034.189             | 1.001.148           |
| Taxation on Income From Securities        | 358.954               | 208.090             |
| Property Tax                              | 3.356                 | 2.890               |
| Banking Insurance Transactions Tax (BITT) | 262.241               | 246.205             |
| Foreign Exchange Transactions Tax         | 7.643                 | 58                  |
| Value Added Tax Payable                   | 15.377                | 16.288              |
| Other                                     | 142.774               | 117.251             |
| <b>Total</b>                              | <b>1.824.534</b>      | <b>1.591.930</b>    |

**10.1.3. Information on Premiums**

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Social Security Premiums - Employee                    | 56                    | 260                 |
| Social Security Premiums - Employer                    | 76                    | 376                 |
| Bank Social Aid Pension Fund Premium - Employee        | 15.201                | 11.988              |
| Bank Social Aid Pension Fund Premium - Employer        | 22.271                | 16.712              |
| Pension Fund Membership Fees and Provisions - Employee | 1                     | 1                   |
| Pension Fund Membership Fees and Provisions - Employer | 1                     | -                   |
| Unemployment Insurance - Employee                      | 1.180                 | 1.894               |
| Unemployment Insurance - Employer                      | 2.360                 | 3.790               |
| Other  | -                     | -                   |
| <b>Total</b>   | <b>41.146</b>         | <b>35.021</b>       |

**10.2. Information on Deferred Tax Liabilities, if any**

The Group's deferred tax liability, for the current term, amounts to TL 39.172 There is no deferred tax liability. (31 December 2018: TL 8.669)

**11. Information on Payables for Assets Held For Sale and Discontinued Operations**

The Group has TL 3.061.224 of fixed asset liabilities for the held and discontinued operations for sale (31 December 2018: None)

Türkiye Cumhuriyeti Ziraat Bankası 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”).)

## 12. Explanations on Subordinated Debts

|   | Current Period <sup>(*)</sup> |                   | Prior Period |    |
|---|-------------------------------|-------------------|--------------|----|
|   | TL                            | FC                | TL           | FC |
| Debt instruments to be included in additional capital calculation   | -                             | 10.103.295        | -            | -  |
| Subordinated loans  | -                             | 537.338           | -            | -  |
| Subordinated debt instruments                                       | -                             | 9.565.957         | -            | -  |
| Debt instruments to be included in contribution capital calculation | -                             | -                 | -            | -  |
| Subordinated loans  | -                             | -                 | -            | -  |
| Subordinated debt instruments                                       | -                             | -                 | -            | -  |
| <b>Total</b>  | -                             | <b>10.103.295</b> | -            | -  |

<sup>(\*)</sup>Subordinated loans are explained in detail in the Note “Information on debt instruments included in the calculation of equity” in section four.

## 13. Information on Shareholders’ Equity

### 13.1. Presentation on Paid-In Capital

|                 | Current Period | Prior Period |
|-----------------|----------------|--------------|
| Common stock    | 6.100.000      | 6.100.000    |
| Preferred stock | -              | -            |

### 13.2. Paid-In Capital Amount, Explanation Whether the Registered Capital System is Applicable by the Bank, if so the Registered Capital Ceiling Amount

The Parent Bank does not have a registered capital system.

### 13.3. Information on Share Capital Increases and Their Sources; Other Information on Increased Capital Shares in the Current Period

There are no capital increases in the current period

### 13.4. Information on Additions from Capital Reserves to Capital in the Current Period

There is no share capital amount included in capital.

### 13.5. 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

The Parent Bank has no capital commitments.

### 13.6. Indicators of The Parent 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 Parent Bank’s Equity

In the current period, The Parent Bank follows its operations in line with the previous periods. The Parent Bank’s balance sheet has been managed with precaution by being affected by the interest, rate of exchange and credit risks at the minimum level. This helps to reduce the effects of fluctuations in the market to The Parent Bank’s performance and contributes to the profitability structure to be sustainable.

### 13.7. Information on Preferred Shares Representing the Capital

The Parent Bank has no preferred shares.

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

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

### 13.8. Information on Marketable Securities Value Increase Fund

|   | Current Period   |                    | Prior Period       |                    |
|---|------------------|--------------------|--------------------|--------------------|
|   | TL               | FC                 | TL                 | FC                 |
| From Subsidiaries, Associates and Entities under Common Control | 88               | (2.046)            | (4.133)            | 28.222             |
| Revaluation Difference  | 3.613.096        | (1.160.750)        | (3.423.980)        | (2.783.107)        |
| Foreign Exchange Difference                                     | 2.008.638        | 14                 | 93.402             | 54                 |
| <b>Total</b>  | <b>5.621.822</b> | <b>(1.162.782)</b> | <b>(3.334.711)</b> | <b>(2.754.831)</b> |

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

#### 1. Information on Off-Balance Sheet Liabilities

##### 1.1. Nature and Amount of Irrevocable Loan Commitments

|   | Current Period    | Prior Period      |
|---|-------------------|-------------------|
| Asset Purchase Commitments  | 13.705.480        | 7.262.309         |
| Subsidiaries and Associates Capital Contribution Commitments              | 7.500             | -                 |
| Loan Granting Commitments   | 11.875.717        | 8.568.744         |
| Payment Commitments for Cheques   | 3.852.943         | 2.876.102         |
| Commitments for Credit Card Expenditure Limits                            | 24.245.305        | 13.363.899        |
| Promotion Campaigns Commitments Relating to Credit Card and Bank Services | 36.161            | 23.620            |
| Tax and Fund Liabilities from Export Commitments                          | 11.509            | 6.925             |
| Other Irrevocable Commitments   | 14.103.945        | 14.238.136        |
| <b>Total</b>  | <b>67.838.560</b> | <b>46.339.735</b> |

##### 1.2. Nature and Amount of Possible Losses and Commitments Arising From the Off-Balance Sheet Items Including the Below Mentioned

The Group has provided provision amounting to TL 1.134.125 for possible losses arising from the off-balance sheet items in the current period. (31 December 2018: TL 466.897).

##### 1.2.1. Non-Cash Loans Including Guarantees, Acceptances, Financial Guarantees and Other Letter of Credits

|                      | Current Period     | Prior Period       |
|----------------------|--------------------|--------------------|
| Letters of Guarantee | 101.167.423        | 103.715.207        |
| Letters of Credit    | 20.393.036         | 18.388.533         |
| Bank Acceptances     | 8.221.510          | 8.317.026          |
| Endorsements         | 969.507            | 202.092            |
| Factoring Guarantees | -                  | 2.172              |
| Other Guarantees     | 939.474            | 1.010.273          |
| Other Warrantees     | 5.210              | 12.405             |
| <b>Total</b>         | <b>131.696.160</b> | <b>131.647.708</b> |

##### 1.2.2. Certain Guarantees, Temporary Guarantees, Surety Ships and Similar Transactions

|  | Current Period     | Prior Period       |
|--|--------------------|--------------------|
| Letters of Certain Guarantees                  | 72.268.479         | 69.436.954         |
| Letters of Advance Guarantees                  | 15.942.982         | 21.139.028         |
| Letters of Temporary Guarantees                | 3.228.559          | 3.572.721          |
| Letters of Guarantees Given to Customs Offices | 1.631.521          | 1.519.782          |
| Other Letters of Guarantees                    | 8.095.882          | 8.046.722          |
| <b>Total</b>                                   | <b>101.167.423</b> | <b>103.715.207</b> |

## 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. Explanations on Non-Cash Loans

#### 1.3.1. Total Non-Cash Loans

|  | Current Period     | Prior Period       |
|--|--------------------|--------------------|
| <b>Non-Cash Loans for Providing Cash Loans</b> | <b>4.038.263</b>   | <b>4.173.468</b>   |
| With Original Maturity of One Year or Less     | 244.688            | 1.752.900          |
| With Original Maturity of More than One Year   | 3.793.575          | 2.420.568          |
| <b>Other Non-Cash Loans</b>                    | <b>127.657.897</b> | <b>127.474.240</b> |
| <b>Total</b>                                   | <b>131.696.160</b> | <b>131.647.708</b> |

#### 1.3.2. Information on Sectorial Risk Concentrations of Non-Cash Loans

|                                      | Current Period    |               |                   |               |
|--------------------------------------|-------------------|---------------|-------------------|---------------|
|                                      | TL                | (%)           | FC                | (%)           |
| Agricultural                         | 379.728           | 0,86          | 90.671            | 0,10          |
| Farming and Raising Livestock        | 261.728           | 0,59          | 74.989            | 0,09          |
| Forestry                             | 110.387           | 0,25          | -                 | -             |
| Fishing                              | 7.613             | 0,02          | 15.682            | 0,02          |
| Manufacturing                        | 9.795.557         | 22,18         | 40.728.500        | 46,53         |
| Mining and Quarrying                 | 422.531           | 0,96          | 399.387           | 0,46          |
| Production                           | 5.849.608         | 13,25         | 36.140.931        | 41,29         |
| Electric, Gas and Water              | 3.523.418         | 7,98          | 4.188.182         | 4,78          |
| Construction                         | 13.937.992        | 31,56         | 23.655.531        | 27,02         |
| Services                             | 19.358.132        | 43,83         | 21.792.993        | 24,90         |
| Wholesale and Retail Trade           | 8.540.121         | 19,34         | 7.240.722         | 8,27          |
| Hotel, Food and Beverage Services    | 299.869           | 0,68          | 1.030.054         | 1,18          |
| Transportation and Telecommunication | 1.920.359         | 4,35          | 4.485.570         | 5,12          |
| Financial Institutions               | 6.486.112         | 14,69         | 7.283.797         | 8,32          |
| Real Estate and Leasing Services     | 1.711.352         | 3,88          | 1.462.091         | 1,67          |
| Self-employment Services             | -                 | -             | -                 | -             |
| Education Services                   | 175.811           | 0,40          | 160.624           | 0,18          |
| Health and Social Services           | 224.508           | 0,51          | 130.135           | 0,15          |
| Other                                | 692.283           | 1,57          | 1.264.773         | 1,44          |
| <b>Total</b>                         | <b>44.163.692</b> | <b>100,00</b> | <b>87.532.468</b> | <b>100,00</b> |

Türkiye Cumhuriyeti Ziraat Bankası 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      |               |                   |               |
|--------------------------------------|-------------------|---------------|-------------------|---------------|
|                                      | TL                | (%)           | FC                | (%)           |
| Agricultural                         | 495.417           | 1,17          | 153.897           | 0,17          |
| Farming and Raising Livestock        | 375.354           | 0,89          | 56.539            | 0,06          |
| Forestry                             | 109.984           | 0,26          | 19.879            | 0,02          |
| Fishing                              | 10.079            | 0,02          | 77.479            | 0,09          |
| Manufacturing                        | 9.879.558         | 23,32         | 43.387.535        | 48,59         |
| Mining and Quarrying                 | 319.854           | 0,76          | 539.594           | 0,60          |
| Production                           | 6.300.370         | 14,87         | 39.630.275        | 44,38         |
| Electric, Gas and Water              | 3.259.334         | 7,69          | 3.217.666         | 3,60          |
| Construction                         | 13.119.115        | 30,97         | 23.737.253        | 26,58         |
| Services                             | 18.203.823        | 42,98         | 20.901.588        | 23,41         |
| Wholesale and Retail Trade           | 8.116.952         | 19,16         | 7.775.028         | 8,71          |
| Hotel, Food and Beverage Services    | 230.019           | 0,54          | 729.738           | 0,82          |
| Transportation and Telecommunication | 1.734.910         | 4,10          | 5.003.296         | 5,60          |
| Financial Institutions               | 6.135.365         | 14,48         | 5.791.813         | 6,49          |
| Real Estate and Leasing Services     | 1.700.920         | 4,02          | 1.346.458         | 1,51          |
| Self-employment Services             | -                 | -             | -                 | -             |
| Education Services                   | 165.214           | 0,39          | 161.174           | 0,18          |
| Health and Social Services           | 120.443           | 0,28          | 94.081            | 0,11          |
| Other                                | 660.938           | 1,56          | 1.108.584         | 1,24          |
| <b>Total</b>                         | <b>42.358.851</b> | <b>100,00</b> | <b>89.288.857</b> | <b>100,00</b> |

1.3.3. Information on the Non-Cash Loans Classified Under Group I and Group II

| Current Period                      | Group I:          |                   | Group II:      |                  |
|-------------------------------------|-------------------|-------------------|----------------|------------------|
|                                     | TL                | FC                | TL             | FC               |
| <b>Non-Cash Loans</b>               | <b>43.187.161</b> | <b>85.228.406</b> | <b>736.294</b> | <b>1.804.495</b> |
| Letters of Guarantee                | 42.916.548        | 55.068.571        | 736.294        | 1.707.468        |
| Bank Acceptances                    | 9.724             | 8.168.054         | -              | 43.732           |
| Letters of Credit                   | 255.679           | 20.082.800        | -              | 53.295           |
| Endorsements                        | -                 | 969.507           | -              | -                |
| Underwriting Commitments            | -                 | -                 | -              | -                |
| Factoring Guarantees                | -                 | -                 | -              | -                |
| Other Commitments and Contingencies | 5.210             | 939.474           | -              | -                |

| Prior Period                        | Group I:          |                   | Group II:      |                  |
|-------------------------------------|-------------------|-------------------|----------------|------------------|
|                                     | TL                | FC                | TL             | FC               |
| <b>Non-Cash Loans</b>               | <b>41.695.054</b> | <b>87.592.050</b> | <b>490.688</b> | <b>1.590.010</b> |
| Letters of Guarantee                | 41.388.917        | 59.993.150        | 490.688        | 1.567.282        |
| Bank Acceptances                    | 26.238            | 8.272.663         | -              | 17.913           |
| Letters of Credit                   | 274.137           | 18.108.265        | -              | 1.608            |
| Endorsements                        | -                 | 202.092           | -              | -                |
| Underwriting Commitments            | -                 | -                 | -              | -                |
| Factoring Guarantees                | -                 | 2.172             | -              | -                |
| Other Commitments and Contingencies | 5.762             | 1.013.708         | -              | 3.207            |

Türkiye Cumhuriyeti Ziraat Bankası 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. Explanations on Derivative Transactions

|  | Current Period     | Prior Period       |
|--|--------------------|--------------------|
| Types of Trading Transactions                                |                    |                    |
| <b>Foreign Currency Related Derivative Transactions: (I)</b> | <b>208.427.026</b> | <b>110.290.000</b> |
| Forward Transactions   | 8.185.376          | 5.747.547          |
| Swap Transactions  | 200.211.116        | 104.496.879        |
| Futures Transactions   | -                  | -                  |
| Option Transactions  | 30.534             | 45.574             |
| <b>Interest Related Derivative Transactions (II)</b>         | <b>44.356.644</b>  | <b>28.545.660</b>  |
| Forward Interest Rate Agreements                             | -                  | -                  |
| Interest Rate Swaps  | 44.356.644         | 28.545.660         |
| Interest Rate Options  | -                  | -                  |
| Interest Rate Futures  | -                  | -                  |
| <b>Other Trading Derivative Transactions: (III)</b>          | <b>-</b>           | <b>-</b>           |
| <b>A. Total Trading Derivative Transactions (I+II+III)</b>   | <b>252.783.670</b> | <b>138.835.660</b> |
| Types of Hedging Derivative Transactions                     |                    |                    |
| Fair Value Hedges  | -                  | -                  |
| Cash Flow Hedges   | -                  | -                  |
| Foreign Currency Investment Hedges                           | -                  | -                  |
| <b>B. Total Hedging Derivative Transactions</b>              | <b>-</b>           | <b>-</b>           |
| <b>Total Derivative Transactions (A+B)</b>                   | <b>252.783.670</b> | <b>138.835.660</b> |

The Group has no derivative instruments for hedging purposes. There are no unrealized transactions (those are estimated in the prior period and recognized based on this assumption however; it is clear that those transactions would not be realized) or expense and income from agreements in the income statement in the current period.

| Current Period                      | Up to 1 Month       | 1-3 Months          | 3-12 Months        | 1-5 Years          | Over 5 Years        | Total                |
|-------------------------------------|---------------------|---------------------|--------------------|--------------------|---------------------|----------------------|
| <b>Derivatives held for trading</b> |                     |                     |                    |                    |                     |                      |
| Foreign exchange derivatives        | 96.759              | 72                  | (88.026)           | 670.220            | 18.819              | 697.844              |
| - Inflow                            | 70.164.588          | 25.482.460          | 6.821.765          | 1.357.757          | 735.865             | 104.562.435          |
| - Outflow                           | (70.067.829)        | (25.482.388)        | (6.909.791)        | (687.537)          | (717.046)           | (103.864.591)        |
| Interest rate derivatives           | -                   | -                   | -                  | -                  | -                   | -                    |
| - Inflow                            | 40.000              | -                   | 387.353            | 597.136            | 21.153.833          | 22.178.322           |
| - Outflow                           | (40.000)            | -                   | (387.353)          | (597.136)          | (21.153.833)        | (22.178.322)         |
| <b>Derivatives held for hedging</b> | -                   | -                   | -                  | -                  | -                   | -                    |
| Foreign exchange derivatives        | -                   | -                   | -                  | -                  | -                   | -                    |
| - Inflow                            | -                   | -                   | -                  | -                  | -                   | -                    |
| - Outflow                           | -                   | -                   | -                  | -                  | -                   | -                    |
| Interest rate derivatives           | -                   | -                   | -                  | -                  | -                   | -                    |
| - Inflow                            | -                   | -                   | -                  | -                  | -                   | -                    |
| - Outflow                           | -                   | -                   | -                  | -                  | -                   | -                    |
| <b>Total Inflow</b>                 | <b>70.204.588</b>   | <b>25.482.460</b>   | <b>7.209.118</b>   | <b>1.954.893</b>   | <b>21.889.698</b>   | <b>126.740.757</b>   |
| <b>Total Outflow</b>                | <b>(70.107.829)</b> | <b>(25.482.388)</b> | <b>(7.297.144)</b> | <b>(1.284.673)</b> | <b>(21.870.879)</b> | <b>(126.042.913)</b> |

## 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                        | Up to 1 Month       | 1-3 Months          | 3-12 Months        | 1-5 Years          | Over 5 Years        | Total               |
|-------------------------------------|---------------------|---------------------|--------------------|--------------------|---------------------|---------------------|
| <b>Derivatives held for trading</b> |                     |                     |                    |                    |                     |                     |
| Foreign exchange derivatives        | (281.125)           | (976.998)           | 122.549            | 672.966            | -                   | (462.608)           |
| - Inflow                            | 35.380.662          | 14.731.389          | 3.008.371          | 1.793.274          | -                   | 54.913.696          |
| - Outflow                           | (35.661.787)        | (15.708.387)        | (2.885.822)        | (1.120.308)        | -                   | (55.376.304)        |
| Interest rate derivatives           | -                   | -                   | -                  | -                  | -                   | -                   |
| - Inflow                            | -                   | -                   | -                  | 612.937            | 13.659.893          | 14.272.830          |
| - Outflow                           | -                   | -                   | -                  | (612.937)          | (13.659.893)        | (14.272.830)        |
| <b>Derivatives held for hedging</b> |                     |                     |                    |                    |                     |                     |
| Foreign exchange derivatives        | -                   | -                   | -                  | -                  | -                   | -                   |
| - Inflow                            | -                   | -                   | -                  | -                  | -                   | -                   |
| - Outflow                           | -                   | -                   | -                  | -                  | -                   | -                   |
| Interest rate derivatives           | -                   | -                   | -                  | -                  | -                   | -                   |
| - Inflow                            | -                   | -                   | -                  | -                  | -                   | -                   |
| - Outflow                           | -                   | -                   | -                  | -                  | -                   | -                   |
| <b>Total Inflow</b>                 | <b>35.380.662</b>   | <b>14.731.389</b>   | <b>3.008.371</b>   | <b>2.406.211</b>   | <b>13.659.893</b>   | <b>69.186.526</b>   |
| <b>Total Outflow</b>                | <b>(35.661.787)</b> | <b>(15.708.387)</b> | <b>(2.885.822)</b> | <b>(1.733.245)</b> | <b>(13.659.893)</b> | <b>(69.649.134)</b> |

### 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 Group and otherwise, provision is provided based on the estimations.

The Group's liability resulting from the cheques given to its customers amounts TL 3.852.943 (31 December 2018: TL 2.876.102).

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 Group acts as an intermediary for purchases and sales of government securities on behalf of individuals and entities, conducts repo transactions, and provides custody services. The Bank does not provide consultancy and management services.

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

### 1. Within the Scope of Interest Income

#### 1.1. Information on Interest Income from Loans

|   | Current Period    |                  | Prior Period      |                  |
|---|-------------------|------------------|-------------------|------------------|
|   | TL                | FC               | TL                | FC               |
| <b>Interest on Loans <sup>(1)</sup></b>         | <b>47.120.167</b> | <b>8.954.977</b> | <b>35.961.179</b> | <b>7.392.436</b> |
| Short Term Loans                                | 14.600.368        | 938.635          | 10.622.841        | 737.489          |
| Medium and Long Term Loans                      | 31.372.831        | 8.007.002        | 24.925.013        | 6.648.395        |
| Interest on Non-Performing Loans                | 1.146.968         | 9.340            | 413.325           | 6.552            |
| Premiums from Resource Utilization Support Fund | -                 | -                | -                 | -                |

<sup>(1)</sup> Includes fees and commissions income on cash loans.

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

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

### 1.2. Information on Interest Received from the Banks

|  | Current Period |               | Prior Period   |               |
|--|----------------|---------------|----------------|---------------|
|  | TL             | FC            | TL             | FC            |
| Central Bank of the Republic of Turkey | 91.929         | -             | 64.265         | -             |
| Domestic Banks                         | 145.219        | 14.098        | 365.912        | 7.810         |
| Foreign Banks                          | 35.952         | 68.236        | 19.515         | 36.235        |
| Foreign Head Office and Branches       | -              | -             | -              | -             |
| <b>Total</b>                           | <b>273.100</b> | <b>82.334</b> | <b>449.692</b> | <b>44.045</b> |

### 1.3. Information on Interest Income on Marketable Securities

|   | Current Period   |                  | Prior Period     |                  |
|---|------------------|------------------|------------------|------------------|
|   | TL               | FC               | TL               | FC               |
| Financial Assets at Fair Value Through Profit or Loss             | 26.986           | 5.404            | 5.041            | 1.652            |
| Financial Assets at Fair Value Through Other Comprehensive Income | 9.087.193        | 1.750.061        | 8.686.303        | 1.326.736        |
| Financial Assets Measured at Amortized Cost                       | 779.495          | 572.300          | 739.208          | 362.557          |
| <b>Total</b>  | <b>9.893.674</b> | <b>2.327.765</b> | <b>9.430.552</b> | <b>1.690.945</b> |

### 1.4. Information on Interest Income from Subsidiaries and Associates

The Group has no interest income from its subsidiaries and affiliates.

## 2. Within the Scope of Interest Expense

### 2.1. Information on Interest Expense on Borrowings

|  | Current Period |                  | Prior Period   |                  |
|--|----------------|------------------|----------------|------------------|
|  | TL             | FC               | TL             | FC               |
| Banks <sup>(1)</sup>                   | 346.054        | 1.347.214        | 236.002        | 1.246.290        |
| Central Bank of the Republic of Turkey | -              | -                | 6.488          | -                |
| Domestic Banks                         | 193.418        | 263.851          | 140.054        | 130.030          |
| Foreign Banks                          | 152.636        | 1.083.363        | 89.460         | 1.116.260        |
| Foreign Head Office and Branches       | -              | -                | -              | -                |
| Other Institutions                     | 36.726         | 17.988           | -              | 19.549           |
| <b>Total</b>                           | <b>382.780</b> | <b>1.365.202</b> | <b>236.002</b> | <b>1.265.839</b> |

<sup>(1)</sup> Includes fees and commissions expenses on cash loans.

### 2.2. Information on Interest Expenses Given to Subsidiaries and Associates

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Interest Expenses Given to Subsidiaries and Associates | 1.824          | 2.184        |

### 2.3. Information on Interest Given on Securities Issued

|                                     | Current Period |         | Prior Period |         |
|-------------------------------------|----------------|---------|--------------|---------|
|                                     | TL             | FC      | TL           | FC      |
| Interest Given on Securities Issued | 867.553        | 889.893 | 686.853      | 574.783 |



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

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

### 2.4. Maturity Structure of the Interest Expense on Deposits

| Current Period                   | Demand Deposit | Time Deposit     |                   |                  |                  |                  | Cumulative Deposit | Total             |
|----------------------------------|----------------|------------------|-------------------|------------------|------------------|------------------|--------------------|-------------------|
|                                  |                | Up to 1 Month    | Up to 3 Months    | Up to 6 Months   | Up to 1 Year     | More Than 1 year |                    |                   |
| TL                               |                |                  |                   |                  |                  |                  |                    |                   |
| Bank Deposit                     | 2.197          | 2.624.159        | 19.650            | 4.501            | 460              | 472              | -                  | 2.651.439         |
| Saving Deposit                   | 2.267          | 486.087          | 11.608.371        | 2.844.517        | 502.875          | 1.069.181        | 15.788             | 16.529.086        |
| Public Sector Deposit            | 447            | 657.399          | 696.629           | 134.889          | 325.190          | 20.357           | -                  | 1.834.911         |
| Commercial Deposit               | 696            | 1.116.282        | 1.806.122         | 160.757          | 708.932          | 57.739           | -                  | 3.850.528         |
| Other Deposit                    | 7              | 181.008          | 679.938           | 532.356          | 188.129          | 88.721           | -                  | 1.670.159         |
| Deposit with 7 Days Notification | -              | -                | -                 | -                | -                | -                | -                  | -                 |
| <b>Total</b>                     | <b>5.614</b>   | <b>5.064.935</b> | <b>14.810.710</b> | <b>3.677.020</b> | <b>1.725.586</b> | <b>1.236.470</b> | <b>15.788</b>      | <b>26.536.123</b> |
| FC                               |                |                  |                   |                  |                  |                  |                    |                   |
| Foreign Currency Deposit         | 2.298          | 320.882          | 1.238.164         | 140.764          | 158.016          | 493.441          | 6                  | 2.353.571         |
| Bank Deposit                     | 153            | 150.729          | 10.597            | 17.586           | 4.842            | 8.776            | -                  | 192.683           |
| Deposit with 7 Days Notification | -              | -                | -                 | -                | -                | -                | -                  | -                 |
| Precious Metal Deposits          | -              | 6.098            | 8.850             | 1.030            | 568              | 704              | -                  | 17.250            |
| <b>Total</b>                     | <b>2.451</b>   | <b>477.709</b>   | <b>1.257.611</b>  | <b>159.380</b>   | <b>163.426</b>   | <b>502.921</b>   | <b>6</b>           | <b>2.563.504</b>  |
| <b>Grand Total</b>               | <b>8.065</b>   | <b>5.542.644</b> | <b>16.068.321</b> | <b>3.836.400</b> | <b>1.889.012</b> | <b>1.739.391</b> | <b>15.794</b>      | <b>29.099.627</b> |

| Prior Period                     | Demand Deposit | Time Deposit     |                   |                  |                  |                  | Cumulative Deposit | Total             |
|----------------------------------|----------------|------------------|-------------------|------------------|------------------|------------------|--------------------|-------------------|
|                                  |                | Up to 1 Month    | Up to 3 Months    | Up to 6 Months   | Up to 1 Year     | More Than 1 year |                    |                   |
| TL                               |                |                  |                   |                  |                  |                  |                    |                   |
| Bank Deposit                     | -              | 1.626.763        | 7.434             | -                | 88               | 311              | -                  | 1.634.596         |
| Saving Deposit                   | 16             | 376.260          | 9.703.455         | 738.891          | 183.588          | 200.648          | 5.941              | 11.208.799        |
| Public Sector Deposit            | 501            | 618.761          | 730.264           | 170.790          | 673.676          | 8.867            | -                  | 2.202.859         |
| Commercial Deposit               | 167            | 766.721          | 1.100.516         | 178.632          | 227.880          | 4.994            | -                  | 2.278.910         |
| Other Deposit                    | 7              | 192.301          | 504.804           | 112.567          | 135.508          | 39.804           | -                  | 984.991           |
| Deposit with 7 Days Notification | -              | -                | -                 | -                | -                | -                | -                  | -                 |
| <b>Total</b>                     | <b>691</b>     | <b>3.580.806</b> | <b>12.046.473</b> | <b>1.200.880</b> | <b>1.220.740</b> | <b>254.624</b>   | <b>5.941</b>       | <b>18.310.155</b> |
| FC                               |                |                  |                   |                  |                  |                  |                    |                   |
| Foreign Currency Deposit         | 1.894          | 254.328          | 1.050.820         | 127.552          | 158.910          | 426.526          | -                  | 2.020.030         |
| Bank Deposit                     | 2.669          | 169.638          | 10.233            | 2.569            | 5.928            | 3.682            | -                  | 194.719           |
| Deposit with 7 Days Notification | -              | -                | -                 | -                | -                | -                | -                  | -                 |
| Precious Metal Deposits          | -              | 4.262            | 5.262             | 478              | 301              | 384              | -                  | 10.687            |
| <b>Total</b>                     | <b>4.563</b>   | <b>428.228</b>   | <b>1.066.315</b>  | <b>130.599</b>   | <b>165.139</b>   | <b>430.592</b>   | <b>-</b>           | <b>2.225.436</b>  |
| <b>Grand Total</b>               | <b>5.254</b>   | <b>4.009.034</b> | <b>13.112.788</b> | <b>1.331.479</b> | <b>1.385.879</b> | <b>685.216</b>   | <b>5.941</b>       | <b>20.535.591</b> |

### 3. Explanations on Dividend Income

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Financial Assets at Fair Value Through Profit or Loss             | -              | -            |
| Financial Assets at Fair Value Through Other Comprehensive Income | 17.522         | 3.218        |
| Other <sup>(1)</sup>  | 8.450          | 1.590        |
| <b>Total</b>  | <b>25.972</b>  | <b>4.808</b> |

<sup>(1)</sup> Shows the Group's dividend income from subsidiaries, associates and entities under common control.

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

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

#### 4. Information on Trading Profit/Loss (Net)

|   | Current Period     | Prior Period       |
|---|--------------------|--------------------|
| <b>Profit</b>                               | <b>99.859.715</b>  | <b>117.400.870</b> |
| Profit from the Capital Market Transactions | 233.359            | 20.150             |
| Profit on Derivative Financial Instruments  | 3.178.427          | 2.139.338          |
| Foreign Exchange Profits                    | 96.447.929         | 115.241.382        |
| <b>Loss (-)</b>                             | <b>107.614.654</b> | <b>121.202.026</b> |
| Loss from the Capital Market Transactions   | 6.392              | 9.291              |
| Loss on Derivative Financial Instruments    | 11.748.791         | 6.207.605          |
| Foreign Exchange Loss                       | 95.859.471         | 114.985.130        |

#### 5. Information on Other Operating Income

Significant proportion of other operating income consists of reversals from prior period provisions amounting to TL 1.477.633 and income from sales of assets amounting to TL 123.539 (31 December 2018: Significant proportion of other operating income consists of reversals from prior period provisions amounting to TL 1.099.238 and income from sales of assets amounting to TL 40.334)

#### 6. Provision for Impairment on Loans and Other Receivables of Banks

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| Expected Credit Loss Provisions   | 7.214.540        | 5.154.583        |
| 12 month expected credit loss (stage 1)                                       | 801.062          | 596.737          |
| Significant increase in credit risk (stage 2)                                 | 1.387.718        | 2.142.747        |
| Non-Performing loans (stage 3)  | 5.025.760        | 2.415.099        |
| Marketable Securities Impairment Expense                                      | 876              | 1.095            |
| Financial Assets at Fair Value through Profit or Loss                         | -                | 101              |
| Financial Assets at Fair Value Through Other Comprehensive Income             | 876              | 994              |
| Subsidiaries, Associates and Joint Ventures Provision Expenses for Impairment | -                | -                |
| Associates  | -                | -                |
| Subsidiaries  | -                | -                |
| Joint Ventures  | -                | -                |
| Other   | 274.611          | 70.011           |
| <b>Total</b>  | <b>7.490.027</b> | <b>5.225.689</b> |

## 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     |
|---|------------------|------------------|
| Reserve for Employee Termination Benefits   | 188.906          | 111.169          |
| Bank Social Aid Provision Fund Deficit Provision  | -                | -                |
| Tangible Fixed Assets Impairment Expense  | 137              | 101              |
| Depreciation Expenses of Tangible Fixed Assets  | 462.194          | 263.335          |
| Intangible Assets Impairment Expense  | -                | -                |
| Goodwill Impairment Expense   | -                | -                |
| Amortization Expenses of Intangible Assets  | 112.959          | 97.869           |
| 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 | -                | 63               |
| Other Operating Expenses  | 2.998.934        | 3.276.722        |
| Leasing Expenses Related to TFRS 16 Exceptions <sup>(2)</sup>                                   | 116.339          | 342.172          |
| Maintenance Expenses  | 131.899          | 114.339          |
| Advertisement Expenses  | 284.997          | 218.806          |
| Other Expenses  | 2.465.699        | 2.601.405        |
| Loss on Sales of Assets   | 29.789           | 1.013            |
| Other <sup>(1)</sup>  | 2.809.677        | 2.233.336        |
| <b>Total</b>  | <b>6.602.596</b> | <b>5.983.608</b> |

<sup>(1)</sup> TL 987.625 of other items consists of Saving Deposit Insurance Fund accrual expense while TL 906.212 consists of taxes, duties and charges expense (31 December 2018: TL 693.822 of other items consists of Saving Deposit Insurance Fund accrual expense while TL 684.282 consists of taxes, duties and charges expense)

<sup>(2)</sup> Prior period balance is from Operational Leasing Expenses.

### 8. Information on Profit/Loss Before Tax from Continuing and Discontinuing Operations

The compositions of the profit/loss before tax from the continuing operations are following:

|  | Current Period   | Prior Period      |
|--|------------------|-------------------|
| Net Interest Income  | 27.815.733       | 23.865.457        |
| Net Fees and Commissions Income                                | 3.239.834        | 2.694.706         |
| Other Operating Income   | 2.163.955        | 3.450.126         |
| Dividend Income  | 25.972           | 4.808             |
| Trading Profit/Loss (Net)                                      | (7.754.939)      | (3.801.156)       |
| Personnel Expenses (-)   | 3.813.756        | 3.175.068         |
| Allowances For Expected Credit Losses (-)                      | 7.214.540        | 5.154.583         |
| Other Provision Expenses (-)                                   | 275.487          | 71.106            |
| Other Operating Expenses (-)                                   | 6.602.596        | 5.983.608         |
| Profit/Loss from Subsidiaries Consolidated with Equity Pick-up | 84.273           | 46.756            |
| <b>Profit/(Loss) From Continuing Operations</b>                | <b>7.668.449</b> | <b>11.876.332</b> |

## 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 pre-tax profit/loss related to the Group's activities held and stopped for sale is as follows:

|  | Current Period   | Prior Period |
|--|------------------|--------------|
| Income from Sales Held and Discontinued for Sale           | 4.692.070        | -            |
| Expenses from Sale and Discontinued Operations (-)         | 2.890.574        | -            |
| <b>Profit/Loss Due to Sale and Discontinued Operations</b> | <b>1.801.496</b> | -            |

### 9. Information on Tax Provision for Continuing and Discontinuing Operations

As of 31 December 2019, TL 3.068.013 of the Group's total tax provision expense amounting to TL 1.776.755 consists of current tax expense while remaining balances amounting to TL 1.291.258 consists of deferred revenue. (As of 31 December 2018, TL 2.532.212 of The Group's total tax provision expense amounting to TL 2.721.984 consists of current tax expense while remaining balances amounting to TL 189.772 consists of deferred tax expense.)

As of 31 December 2019, TL 335.716 of the Group's held-for-sale and discontinued operations tax reserve expense amounting to TL 340.887 was deferred from current tax expense, while TL 5.171 was held for sale and discontinued operations consists of tax income (As of 31 December 2018, the Group has no held-for-sale and discontinued operations)

### 10. Explanation on Net Profit/Loss for the Period for Continued and Discontinued Operations

The Group's net operating income after tax amounts to TL 5.891.694 (31 December 2018: TL 9.344.120) and net profit from sales and discontinued operations for sale is TL 1.465.780 (31 December 2018: None)

### 11. Information on Net Profit/Loss

#### 11.1. Nature, Amount and Frequency of Income and Expenses Arising from Ordinary Banking Activities, if Required for the Understanding the Performance of the Parent Bank in the Current Period

The Parent Bank, mainly utilizes its resources from domestic deposits on loans, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations and insurance agencies.

#### 11.2. 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 Profit or Loss Statement Exceed 10% of the Profit or Loss Statement Total, Sub-Accounts Constituting At Least 20% of These Items are Shown Below

The "Other" statement under the "Fees and Commission Income" in the Profit or Loss Statement mainly consists of commissions received from credit card and fees and commissions received from banking transactions.

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

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

### V. EXPLANATIONS AND NOTES RELATED TO THE CHANGES IN SHAREHOLDERS' EQUITY

#### 1. Explanations on Changes in Shareholders' Equity according to Turkey Accounting Standards and Inflation Adjustment Differences for Equity Items Considering the Ranking of Items in the Table

As per the BRSA's Circular numbered 5 announced on 28 April 2005, it is stated that the indicators of hyperinflationary period are eliminated to a large extent, inflation accounting applied in the Banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 on 21 April 2005.

#### 2. Explanations on Profit Distribution

It was decided to set aside the general legal reserve of TRY 389.554 from the TRY 7.790.938 net profit for the period, to keep TRY 7.401.528 remaining from the distributions in the Parent Bank; to set aside the legal reserve of TRY 334.267 from the accumulated profit of TRY 6.685.358 remaining after deducting TRY 37.638 which is the negative valuation difference balance that is monitored in the fund account under the equity which is required to be liquidated in accordance with TFRS-9 Standard, and that resulted from the reclassification of a party of securities in 2008, and TRY 11.370 which is the amount of the tax provision for real estate sales revenues monitored in the special fund account, from the total of TRY 5.518.877, which is monitored in the accumulated profits and which was created by the recalculation of the provisions (general and special) in accordance with the regulations of the Turkish Financial Reporting Standard called “TFRS-9 Financial Instruments” that started to be implemented as of 01.01.2018, of TRY 1.143.986, which is the sales revenue of certain share certificates in the Bank's portfolio, and of TRY 71.503 which is the part of the real estate sales revenues that subjects to the profit distribution, and to transfer the remaining amount of TRY 6.351.090 to the extraordinary reserves; to transfer TRY 52.640, which is the part of 50% of the sales revenue from the real estate sold in 2018, to the other reserves so as to be monitored in a special fund account; and to transfer TRY 280.000, which was set aside from the profit for 2017 to be paid to the shareholder in accordance with the General Assembly Meeting for 2017, to the extraordinary reserves.

The Parent Bank plans to distribute the profit it obtained in 2019 in line with its articles of association. However, as of the preparation of financial reports, no decision regarding profit distribution has been taken.

#### 3. Profit Reserves

As of the balance sheet date, profit reserves amount to TL 52.325.076, legal reserves amount to TL 5.089.581, extraordinary reserves amount to TL 46.351.906, other profit reserves amount to TL 703.589. (31 December 2018: As of the balance sheet date, profit reserves amount to TL 39.132.062, legal reserves amount to TL 4.341.799, extraordinary reserves amount to TL 2.180.565, other profit reserves amount to TL 1.561.635)

### VI. EXPLANATIONS ON CASH FLOW STATEMENTS

#### 1. Explanations on the “Other” items and “The Effect of the Change in Foreign Currency on Cash and Cash Equivalent” item in the Cash Flow Statement

Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 10.191.268 is composed mainly from interest received from loans and securities amounting to TL 62.716.085 and interest paid to deposit and money market operations which is amounting to TL 41.250.106 Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 2.024.161 as of 31 December 2019.

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”.

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

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

**Period opening and end cash and cash equivalents balance**

| Period Opening   | Current Period    | Prior Period      |
|--|-------------------|-------------------|
| Cash in TL and in Foreign Currency                     | 5.159.473         | 3.942.062         |
| Central Bank of the Republic of Turkey and Other Banks | 22.885.886        | 9.765.064         |
| Money Market Operations                                | 250.087           | 132.385           |
| <b>Total Cash and Cash Equivalents</b>                 | <b>28.295.446</b> | <b>13.839.511</b> |

| Period End   | Current Period    | Prior Period      |
|--|-------------------|-------------------|
| Cash in TL and in Foreign Currency                     | 7.825.560         | 5.159.473         |
| Central Bank of the Republic of Turkey and Other Banks | 23.603.766        | 22.885.886        |
| Money Market Operations                                | 621.769           | 250.087           |
| <b>Total Cash and Cash Equivalents</b>                 | <b>32.051.095</b> | <b>28.295.446</b> |

**VII. EXPLANATIONS AND NOTES TO THE RISK GROUP OF THE PARENT BANK****1. Information on the Deposits of the Parent Bank’s Risk Group****Current Period**

| Risk Group of the Parent Bank   | Subsidiaries, Associates and<br>Entities Under Common Control<br>(Joint Ventures) |          | Direct or Indirect<br>Shareholders<br>of the Bank |          | Other Real and<br>Legal Persons in<br>the Risk Group |          |
|---------------------------------|---|----------|---|----------|--|----------|
|                                 | Cash  | Non-cash | Cash  | Non-cash | Cash   | Non-cash |
| Loans                           |   |          |   |          |  |          |
| Opening Balance                 | -   | 45.815   | -   | -        | -  | -        |
| Closing Balance                 | 115.055   | 87.555   | -   | -        | -  | -        |
| Interest and Commissions Income | -   | -        | -   | -        | -  | -        |

**Prior Period**

| Risk Group of the Parent Bank   | Subsidiaries, Associates and<br>Entities Under Common Control<br>(Joint Venture) |          | Direct or Indirect<br>Shareholders<br>of the Bank |          | Other Real and<br>Legal Persons in<br>the Risk Group |          |
|---------------------------------|--|----------|---|----------|--|----------|
|                                 | Cash   | Non-cash | Cash  | Non-cash | Cash   | Non-cash |
| Loans                           |  |          |   |          |  |          |
| Opening Balance                 | -  | 37.252   | -   | -        | -  | -        |
| Closing Balance                 | -  | 45.815   | -   | -        | -  | -        |
| Interest and Commissions Income | -  | -        | -   | -        | -  | -        |

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

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

### 2. Deposits Held By The Parent Bank’s Risk Group

| Risk Group of The Parent Bank | Subsidiaries, Associates and Entities Under Common Control (Joint Venture) |              | Direct or Indirect Shareholders of The Parent Bank |              | Other Real and Legal Persons in the Risk Group |              |
|-------------------------------|--|--------------|--|--------------|--|--------------|
|                               | Current Period   | Prior Period | Current Period                                     | Prior Period | Current Period                                 | Prior Period |
| Deposits                      |  |              |  |              |  |              |
| Opening Balance               | 27.657   | 26.398       | -  | -            | -  | -            |
| Closing Balance               | 109.004  | 27.657       | -  | -            | -  | -            |
| Interest Expense on Deposits  | 1.824  | 2.184        | -  | -            | -  | -            |

### 3. Information on Forward Transactions, Option Agreements and Similar Transactions Between The Parent Bank’s Risk Group

None. (31 December 2018: None)

### 4. Information about Fees Paid to The Group’s Key Management

Fees paid to The Group’s key management amount to TL 34.761 (31 December 2018: TL 31.434).

## VIII. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

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

### 1. Information on the Parent Bank’s Domestic and Foreign Branches and Foreign Representatives of the Bank

|  | Number | Number of Employees |                                 |                     |                                |
|--|--------|---------------------|---------------------------------|---------------------|--------------------------------|
| Domestic Branch <sup>(1)</sup>               | 1.734  | 24.466              |                                 |                     |                                |
|  |        |                     | <b>Country of Incorporation</b> |                     |                                |
| Foreign Representative Office <sup>(2)</sup> | 1      | -                   | 1- Iran                         |                     |                                |
|  |        |                     |                                 | <b>Total Assets</b> | <b>Statutory Share Capital</b> |
| Foreign Branch <sup>(2)</sup>                | 1      | 4                   | 1- England                      | 7.723.995           | 407.043                        |
|  | 4      | 4                   | 2- Bulgaria                     | 686.224             | 93.510                         |
|  | 2      | 4                   | 3- Iraq                         | 817.960             | 294.350                        |
|  | 3      | 4                   | 4- Greece                       | 686.489             | 217.955                        |
|  | 1      | 3                   | 5- Saudi Arabia                 | 333.045             | 88.305                         |
|  | 4      | -                   | 6- Kosovo                       | 451.882             | 66.047                         |
|  | 8      | 37                  | 7- T.R. of Northern Cyprus      | 2.567.468           | 239.705                        |
|  | 1      | 3                   | 1- Bahrain                      | 17.861.984          | 29.435                         |
| Off-Shore Banking Region Branches            | -      | -                   | -                               | -                   | -                              |

<sup>(1)</sup> Includes the employees of the domestic branches, including the employees of head office and regional management.

<sup>(2)</sup> Excluding the local employees of the foreign branches.

### 2. Information on The Parent Bank About Opening, Closing, Changing its Organization Considerably for Domestic and Foreign Branches and Foreign Representatives of the Bank:

In 2019, 1 branch was opened, 17 branches were closed in Turkey. Ferizaj branch in Kosovo was opened abroad.