

*(Convenience Translation of Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish, See Section 3.1)*

Türkiye Cumhuriyeti Ziraat Bankası Anonim Şirketi

Consolidated Financial Statements
As of and For the Nine-Month Period Ended 30 September 2018
With Auditors' Review Report Thereon
*(Convenience Translation of Consolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

22 November 2018

*This report contains "Independent Auditors' Review
Report" comprising 2 pages and; "Consolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 118 pages.*

Convenience Translation of the Independent Auditor's Review Report Originally Prepared and Issued in Turkish to English (See Note I in Section Three)

REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of Türkiye Cumhuriyeti Ziraat Bankası A.Ş.;

Introduction

We have reviewed the accompanying consolidated balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (the "Bank") and its consolidated financial subsidiaries (together referred to as the "Group") as at 30 September 2018 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial information for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these consolidated interim financial information in accordance with the "Banking Regulation and Supervision Agency (BRSA) Accounting and Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by afore-mentioned legislations. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for the Qualified Conclusion

As mentioned in Section Five Note II.9.3.1 of Explanations and Notes to the consolidated Financial Statements, the accompanying consolidated interim financial information as of 30 September 2018 include general provision of total TL 1.475.000 thousands, that had been fully recognized as expense in prior periods, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

Qualified Conclusion

Based on our review, except for the effect of the matter described in the basis for the qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information do not presented fairly in all material respects, the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and its consolidated financial subsidiaries at 30 September 2018, and its consolidated financial performance and its consolidated cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information provided in the accompanying interim activity report in section seven, are not consistent with the reviewed consolidated interim financial statements and disclosures in all material respects.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

Erdal Tıkmak, SMMM
Partner

22 November 2018
İstanbul, Turkey

Additional paragraph for convenience translation to English:

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**THE CONSOLIDATED FINANCIAL REVIEW REPORT OF
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 30 SEPTEMBER 2018**

The Bank's Headquarter Address: Anafartalar Mahallesi Atatürk Bulvarı
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The consolidated financial report for nine months includes the following sections in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- REVIEW REPORT
- INTERIM ACTIVITY 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 Finansal Kiralama A.Ş.
Ziraat Yatırım Menkul Değerler A.Ş.
Ziraat Portföy Yönetimi A.Ş.
Ziraat Katılım Bankası A.Ş.
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.

ASSOCIATES

Arap Türk Bankası A.Ş.

FOREIGN SUBSIDIARIES

Ziraat Bank International A.G.
Ziraat Bank BH d.d.
Ziraat Bank (Moscow) JSC
Kazakhstan Ziraat Int. 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 nine months 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
Vice President of Treasury and
International Banking

Serkan ÖZKAN
Manager of Financial
Management

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

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

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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

SECTION ONE

GENERAL INFORMATION ABOUT THE GROUP

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

The foundation of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“Ziraat Bankası”, “the Bank” 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 the 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 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 BELONGS TO

The total share capital of the Parent Bank is TL 5.600.000. This capital is divided into 5.600.000.000 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.

The decision to increase the capital to TL 6.100.000 was approved by the Parent Bank’s Ordinary General Assembly on 13 August 2018 and the capital increase and the related amendment to the articles of association of the Articles of Association were registered on 22 October 2018. It was announced in the Trade Registry Gazette No. 9688. The accounting for the capital increase was made on 9 November 2018 with the permission of BRSA.

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
Members of the Board of Directors	
Dr. Ahmet GENÇ ⁽¹⁾	Chairman
Hüseyin AYDIN	CEO and Member
Yusuf DAGCAN	Vice Chairman and Member
Cemalettin BAŞLI	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Mahmut KAÇAR ⁽²⁾	Member
Salim ALKAN	Member
Yusuf BİLMEZ	Member
Audit Committee Members	
Yusuf BİLMEZ ⁽³⁾	Member
Feyzi ÇUTUR	Member
Executive Vice Presidents	
Ali KIRBAŞ	Banking Operations and Communication
Alpaslan ÇAKAR	Retail Branch Banking-2
Bilgehan KURU	Treasury and International Banking
Bülent SUER ⁽⁴⁾	Internal Operations
Mehmet Cengiz GÖGEBAKAN	Loan Policies
Musa ARDA	Loan Allocation and Management
Peyami Ömer ÖZDİLEK ⁽⁵⁾	Human Resources
Süleyman TÜRETKEN	Retail Branch Banking-1
Yüksel CESUR	Internal Systems

(1) Dr. Ahmet Genç was appointed to replace Muharrem Karşlı at the Ordinary General Assembly of the Parent Bank held on 13 August 2018 and has started to work as of 31 August 2018.

(2) Mahmut Kaçar was elected at the Ordinary General Assembly of the Parent Bank held on 13 August 2018 and has started to work as of 16 August 2018

(3) As of 14 August 2018, Yusuf Bilmez has been appointed as an Audit Committee Member

(4) Bülent Suer resigned from his position as the Assistant General Manager of Internal Operations on 22 October 2018.

(5) Peyami Ömer Özdilek resigned from his position as the Assistant General Manager of Human Resources and began his position as the Assistant General Manager of Internal Operations on 22 October 2018

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 Bank.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

SECTION ONE (Continued)

GENERAL INFORMATION ABOUT THE GROUP(Continued)

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	5.600.000	100	5.600.000	-

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

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 Parent Bank can perform all sorts of operations, without prejudice to the provisions of the 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 conservative 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 30 September 2018, the Parent Bank carries its activities with a grand total of 1.778 branches; 1.756 domestic branches including 20 corporate branches, 94 entrepreneurial branches, 1.637 branches and 5 mobile branches (31 December 2017: 1.759 domestic branches including 1.639 branches, 20 corporate branches, 95 entrepreneurial branches and 5 mobile branches) and 22 branches abroad 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 and Prizren branches in Kosovo, Bahrain branch in Bahrain, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Akdoğan, Karaoğlanoğlu and İskele branches in Turkish Republic of Northern Cyprus. The Parent Bank also has 1 representative office in Tehran, Iran.

The Parent Bank signed a contract with T. İş Bankası A.Ş. on 22 January 2007 to provide longer installment plan and bonus points to their credit card users and benefit from all the advantages within Maximum credit card at merchants that are a part of Maximum plan. Also with this contract Ziraat Bank has the right to register members for Maximum. Transactions between the two banks are administered by Bankalararası Kart Merkezi. Moreover, the project of the card branding and loyalty program, which was launched in 2017 and it was put into practice in February 2018. Within the scope of the program, the credit card product will be presented together to the users with the bank card product by one plastic. In addition, bank card products and credit cards, where the Bank is the leader, will have new features that are winning and budget-friendly

Bankkart Başak is a bank card through which demand deposit accounts and agricultural loan accounts can be linked. Bank can associate Bankkart Başak with enterprise loans below TL 100 and agricultural loan limits in line with the demands of the customers. All limits of loan accounts assigned to the Bankkart Başak can be used via POS machines of the Bank in Bankkart Başak Member Business points for the purchase of agricultural inputs (feed, grain, fuel, etc.). According to preferences of customers, maximum 90% of cash limits of loan accounts can be used through the branches/ATMs of the Bank. Repayments regarding the transactions with Bankkart Başak can be made through the branches of the Bank. Agricultural products/services obtained by using Bankkart Başak are repaid without any interest charge within the time periods defined by the Parent Bank.

The Parent Bank and consolidated subsidiaries which presented in Section Three, Note III are together referred as the “Group”.

As of 30 September 2018, the Group has 26.853 employees (31 December 2017: 26.918).

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

SECTION ONE (Continued)

GENERAL INFORMATION ABOUT THE GROUP (Continued)

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 Parent Bank.

Ziraat Teknoloji A.Ş., which is subsidiary of the Bank, is not consolidated into the Bank’s consolidated financial statements in accordance with Communiqué of the Preparation Consolidated Financial Statements since this entity is not financial institution. Kredi Kayıt Bürosu and Bankalararası Kart Merkezi which are associates of the bank are not consolidated but carried at cost since these entities are not controlled by the Parent Bank and are not financial subsidiaries.

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

Current Period Consolidated Financial Statements

- I. Balance Sheet-Assets
- II: Balance Sheet-Equity and Liabilities
- III. Off-Balance Sheet Commitments
- IV. Statement of Profit or Loss
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Prior Period Consolidated Financial Statements

- I. Balance Sheet-Assets
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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH SEE IN NOTE I. OF SECTION THREE

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 SEPTEMBER 2018

(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 30 September 2018		
			TL	FC	Total
ASSETS					
I. FINANCIAL ASSETS (NET)			71.286.937	81.142.419	152.429.356
1.1 Cash and Cash Equivalents			10.073.855	50.195.386	60.269.241
1.1.1 Cash and Balances with Central Bank	(1)		7.545.040	43.944.671	51.489.711
1.1.2 Banks	(4)		2.463.849	6.060.950	8.524.799
1.1.3 Money Markets			64.966	189.765	254.731
1.2 Financial Assets Measured at Fair Value Through Profit or Loss	(2)		45.830	21.033	66.863
1.2.1 Government Securities			45.822	6.877	52.699
1.2.2 Equity Securities			-	8	8
1.2.3 Other Financial Assets			-	14.156	14.156
1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income	(5),(6)		53.067.892	25.093.013	78.160.905
1.3.1 Government Securities			51.950.602	24.503.622	76.454.224
1.3.2 Equity Securities			117.639	344.957	462.596
1.3.3 Other Financial Assets			999.651	244.434	1.244.085
1.4 Financial Assets Measured at Amortised Cost	(8)		5.096.447	5.415.732	10.512.179
1.4.1 Government Securities			4.981.768	5.414.292	10.396.060
1.4.2 Other Financial Assets			114.679	1.440	116.119
1.5 Derivative Financial Assets	(3)		3.063.093	423.990	3.487.083
1.5.1 Derivative Financial Assets Measured at Fair Value Through Profit or Loss			3.063.093	423.990	3.487.083
1.5.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income			-	-	-
1.6 Non-Performing Financial Assets			-	-	-
1.7 Expected Credit Loss (-)	(20)		60.180	6.735	66.915
II. LOANS (NET)			262.047.470	153.930.068	415.977.538
2.1 Loans	(7)		261.700.896	150.765.894	412.466.790
2.1.1 Measured at Amortised Cost			261.700.896	150.765.894	412.466.790
2.1.2 Fair Value Through Profit or Loss			-	-	-
2.1.3 Fair Value Through Other Comprehensive Income			-	-	-
2.2 Lease Receivables	(12)		1.213.731	2.922.411	4.136.142
2.2.1 Financial Lease Receivables			1.501.873	3.330.979	4.832.852
2.2.2 Operating Lease Receivables			-	-	-
2.2.3 Unearned Income (-)			288.142	408.568	696.710
2.3 Factoring Receivables			-	1.424	1.424
2.3.1 Measured at Amortised Cost			-	1.424	1.424
2.3.2 Fair Value Through Profit or Loss			-	-	-
2.3.3 Fair Value Through Other Comprehensive Income			-	-	-
2.4 Non-Performing Loans	(7)		6.357.403	996.356	7.353.759
2.5 Expected Credit Loss (-)	(7)		7.224.560	756.017	7.980.577
2.5.1 12 Month Expected Credit Losses (Stage I)			735.105	79.286	814.391
2.5.2 Significant Increase in Credit Risk (Stage II)			1.629.826	71.971	1.701.797
2.5.3 Credit-Impaired Losses (Stage III / Special Provision)			4.859.629	604.760	5.464.389
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(16)		1.095.156	77	1.095.233
3.1 Held for Sale Purpose			1.095.156	77	1.095.233
3.2 Related to Discontinued Operations			-	-	-
IV. EQUITY INVESTMENTS			141.710	69.707	211.417
4.1 Investments in Associates (Net)	(9)		133.752	2.640	136.392
4.1.1 Associates Valued Based on Equity Method			127.686	-	127.686
4.1.2 Unconsolidated Associates			6.066	2.640	8.706
4.2 Subsidiaries (Net)	(10)		7.958	-	7.958
4.2.1 Unconsolidated Financial Subsidiaries			1.721	-	1.721
4.2.2 Unconsolidated Non-Financial Subsidiaries			6.237	-	6.237
4.3 Joint Ventures (Net)	(11)		-	67.067	67.067
4.3.1 Joint Ventures Valued Based on Equity Method			-	67.067	67.067
4.3.2 Unconsolidated Joint Ventures			-	-	-
V. PROPERTY AND EQUIPMENT (Net)	(17)		6.459.555	232.227	6.691.782
VI. INTANGIBLE ASSETS (Net)			619.300	55.791	675.091
6.1 Goodwill			-	-	-
6.2 Other			619.300	55.791	675.091
VII. INVESTMENT PROPERTY (Net)	(14)		-	-	-
VIII. CURRENT TAX ASSET			6.590	7.536	14.126
IX. DEFERRED TAX ASSET	(15)		1.837.983	198	1.838.181
X. OTHER ASSETS			2.870.378	3.237.069	6.107.447
TOTAL ASSETS			346.365.079	238.675.092	585.040.171

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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 SEPTEMBER 2018

(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 30 September 2018		
		TL	FC	Total
LIABILITIES AND EQUITY				
I. DEPOSITS	(1)	185.576.437	184.991.913	370.568.350
II. FUNDS BORROWED	(3)	1.174.408	44.514.659	45.689.067
III. MONEY MARKETS	(4)	55.784.781	15.896.092	71.680.873
IV. SECURITIES ISSUED (Net)	(5)	2.980.328	14.237.645	17.217.973
4.1 Bills		1.894.422	127.156	2.021.578
4.2 Asset Backed Securities		905.628	-	905.628
4.3 Bonds		180.278	14.110.489	14.290.767
V. FUNDS		6.142.702	-	6.142.702
5.1 Borrower Funds		-	-	-
5.2 Other		6.142.702	-	6.142.702
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(2)	1.460.628	653.359	2.113.987
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		1.460.628	653.359	2.113.987
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
VIII. FACTORING LIABILITIES		-	-	-
IX. LEASE LIABILITIES (Net)	(7)	-	-	-
9.1 Financial Lease		-	-	-
9.2 Operating Lease		-	-	-
9.3 Other		-	-	-
9.4 Deferred Financial Lease Expenses (-)		-	-	-
X. PROVISIONS	(9)	5.109.299	127.717	5.237.016
10.1 Restructuring Provisions		-	-	-
10.2 Reserve for Employee Benefits		1.358.537	3.534	1.362.071
10.3 Insurance Technical Provisions (Net)		1.743.087	-	1.743.087
10.4 Other Provisions		2.007.675	124.183	2.131.858
XI. CURRENT TAX LIABILITY	(10)	1.260.848	4.028	1.264.876
XII. DEFERRED TAX LIABILITY	(10)	-	6.434	6.434
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(11)	-	-	-
13.1 Held for Sale Purpose		-	-	-
13.2 Related to Discontinued Operations		-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(12)	-	-	-
14.1 Loans		-	-	-
14.2 Other Debt Instruments		-	-	-
XV. OTHER LIABILITIES	(6)	5.810.707	4.321.074	10.131.781
XVI. SHAREHOLDERS' EQUITY	(13)	58.515.595	(3.528.483)	54.987.112
16.1 Paid-in capital		5.600.000	-	5.600.000
16.2 Capital Reserves		(542)	-	(542)
16.2.1 Share Premium		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		(542)	-	(542)
16.3 Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss		3.856.078	10.071	3.866.149
16.4 Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		(1.469.420)	(3.538.554)	(5.007.974)
16.5 Profit Reserves		37.398.102	-	37.398.102
16.5.1 Legal Reserves		4.026.361	-	4.026.361
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		31.732.384	-	31.732.384
16.5.4 Other Profit Reserves		1.639.357	-	1.639.357
16.6 Profit or (Loss)		13.128.763	-	13.128.763
16.6.1 Prior Periods' Profit or (Loss)		6.601.510	-	6.601.510
16.6.2 Current Period Profit or (Loss)		6.527.253	-	6.527.253
16.7 Minority Interest		2.614	-	2.614
TOTAL LIABILITIES AND EQUITY		323.815.733	261.224.438	585.040.171

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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS OF 30 SEPTEMBER 2018

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

III	CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period 30 September 2018		
			TL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		97.341.703	246.389.511	343.731.214
I.	GUARANTEES AND WARRANTIES	(1)	41.923.368	104.163.544	146.086.912
1.1	Letters of Guarantee		41.660.199	72.944.276	114.604.475
1.1.1	Guarantees Subject to State Tender Law		1.789.064	15.074.430	16.863.494
1.1.2	Guarantees Given for Foreign Trade Operations		35.021.930	53.015.648	88.037.578
1.1.3	Other Letters of Guarantee		4.849.205	4.854.198	9.703.403
1.2	Bank Acceptances		27.480	9.155.969	9.183.449
1.2.1	Import Letter of Acceptance		27.480	9.145.921	9.173.401
1.2.2	Other Bank Acceptances		-	10.048	10.048
1.3	Letters of Credit		231.207	20.795.822	21.027.029
1.3.1	Documentary Letters of Credit		231.207	20.733.550	20.964.757
1.3.2	Other Letters of Credit		-	62.272	62.272
1.4	Prefinancing Given as Guarantee		-	-	-
1.5	Endorsements		-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2	Other Endorsements		-	-	-
1.6	Purchase Guarantees on Marketable Security Issuance		-	-	-
1.7	Factoring Guarantees		-	9.680	9.680
1.8	Other Guarantees		-	1.249.585	1.249.585
1.9	Other Collaterals		4.482	8.212	12.694
II.	COMMITMENTS	(1)	33.803.127	14.128.721	47.931.848
2.1	Irrevocable Commitments		33.600.802	9.980.493	43.581.295
2.1.1	Asset Purchase and Sale Commitments		1.982.621	4.429.106	6.411.727
2.1.2	Deposit Purchase and Sales Commitments		-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4	Loan Granting Commitments		6.897.173	13.898	6.911.071
2.1.5	Securities Issue Brokerage Commitments		-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-
2.1.7	Commitments for Cheques		2.999.300	56	2.999.356
2.1.8	Tax and Fund Liabilities from Export Commitments		4.996	-	4.996
2.1.9	Commitments for Credit Card Limits		13.097.599	26.731	13.124.330
2.1.10	Commitments for Credit Cards and Banking Services Promotions		27.016	-	27.016
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		8.592.097	5.510.702	14.102.799
2.2	Revocable Commitments		202.325	4.148.228	4.350.553
2.2.1	Revocable Loan Granting Commitments		-	321.057	321.057
2.2.2	Other Revocable Commitments		202.325	3.827.171	4.029.496
III.	DERIVATIVE FINANCIAL INSTRUMENTS		21.615.208	128.097.246	149.712.454
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		21.615.208	128.097.246	149.712.454
3.2.1	Forward Foreign Currency Buy/Sell Transactions		3.898.305	8.723.416	12.621.721
3.2.1.1	Forward Foreign Currency Transactions-Buy		1.700.523	4.529.528	6.230.051
3.2.1.2	Forward Foreign Currency Transactions-Sell		2.197.782	4.193.888	6.391.670
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		17.630.103	119.281.816	136.911.919
3.2.2.1	Foreign Currency Swap-Buy		403.470	52.301.568	52.705.038
3.2.2.2	Foreign Currency Swap-Sell		17.226.633	34.857.186	52.083.819
3.2.2.3	Interest Rate Swap-Buy		-	16.061.531	16.061.531
3.2.2.4	Interest Rate Swap-Sell		-	16.061.531	16.061.531
3.2.3	Foreign Currency, Interest rate and Securities Options		86.800	92.014	178.814
3.2.3.1	Foreign Currency Options-Buy		43.400	46.007	89.407
3.2.3.2	Foreign Currency Options-Sell		43.400	46.007	89.407
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.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		1.311.816.606	279.982.049	1.591.798.655
IV.	ITEMS HELD IN CUSTODY		463.296.657	33.298.841	496.595.498
4.1	Customer Fund and Portfolio Balances		-	-	-
4.2	Investment Securities Held in Custody		11.152.421	11.394.518	22.546.939
4.3	Checks Received for Collection		11.200.920	1.595.257	12.796.177
4.4	Commercial Notes Received for Collection		10.091.253	1.005.452	11.096.705
4.5	Other Assets Received for Collection		8.816	-	8.816
4.6	Assets Received for Public Offering		408.720.027	8.329	408.728.356
4.7	Other Items Under Custody		22.121.021	18.954.710	41.075.731
4.8	Custodians		2.199	340.575	342.774
V.	PLEDGES RECEIVED		847.401.171	243.424.391	1.090.825.562
5.1	Marketable Securities		2.791.870	1.248.635	4.040.505
5.2	Guarantee Notes		18.734.470	4.774.093	23.508.563
5.3	Commodity		2.377.357	515.611	2.892.968
5.4	Warranty		-	-	-
5.5	Immovable		739.490.899	172.843.622	912.334.521
5.6	Other Pledged Items		84.001.366	64.020.606	148.021.972
5.7	Pledged Items-Depository		5.209	21.824	27.033
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		1.118.778	3.258.817	4.377.595
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		1.409.158.309	526.371.560	1.935.529.869

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AS OF 30 SEPTEMBER 2018
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS			Current Period	Current Period
	Note (Section Five IV)		1 January-30 September 2018	1 July-30 September 2018
INCOME STATEMENT				
I. INTEREST INCOME	(1)		38.673.900	16.038.229
1.1 Interest on Loans			30.764.369	12.182.064
1.2 Interest on Reserve Requirements			468.069	197.527
1.3 Interest on Banks			332.669	142.790
1.4 Interest on Money Market Transactions			30.448	3.151
1.5 Interest on Marketable Securities Portfolio			6.776.429	3.391.252
1.5.1 Fair Value Through Profit or Loss			4.239	2.270
1.5.2 Fair Value Through Other Comprehensive Income			6.133.664	3.026.830
1.5.3 Measured at Amortised Cost			638.526	362.152
1.6 Financial Lease Income			205.013	85.241
1.7 Other Interest Income			96.903	36.204
II. INTEREST EXPENSE (-)	(2)		20.861.349	8.792.751
2.1 Interest on Deposits			13.292.630	5.420.193
2.2 Interest on Funds Borrowed			1.113.019	518.016
2.3 Interest Expense on Money Market Transactions			5.415.396	2.483.230
2.4 Interest on Securities Issued			917.875	358.269
2.5 Other Interest Expenses			122.429	13.043
III. NET INTEREST INCOME (I - II)			17.812.551	7.245.478
IV. NET FEES AND COMMISSIONS INCOME			1.928.466	639.601
4.1 Fees and Commissions Received			2.671.803	935.369
4.1.1 Non-cash Loans			498.331	184.402
4.1.2 Other	(11)		2.173.472	750.967
4.2 Fees and Commissions Paid			743.337	295.768
4.2.1 Non-cash Loans			767	494
4.2.2 Other			742.570	295.274
V. PERSONNEL EXPENSE (-)			2.370.915	772.111
VI. DIVIDEND INCOME			4.634	49
VII. TRADING INCOME /(LOSS) (Net)	(3)		(3.208.642)	(1.607.718)
7.1 Trading Gains / (Losses) on Securities			5.996	995
7.2 Gains / (Losses) on Derivative Financial Transactions			(2.402.985)	(1.220.514)
7.3 Foreign Exchange Gains / (Losses)			(811.653)	(388.199)
VIII. OTHER OPERATING INCOME	(4)		2.118.981	620.738
IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)			16.285.075	6.126.037
X. EXPECTED CREDIT LOSS (-)	(5)		3.442.281	2.000.040
XI. OTHER OPERATING EXPENSES (-)	(6)		4.414.921	1.514.064
XII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)			8.427.873	2.611.933
XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER			-	-
XIV. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD			28.682	17.171
XV. INCOME/(LOSS) ON NET MONETARY POSITION			-	-
XVI. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(7)		8.456.555	2.629.104
XVII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(8)		(1.928.946)	(657.732)
17.1 Current Tax Provision			(1.761.688)	(545.992)
17.2 Deferred Tax Income Effect (+)			(2.262.148)	(1.411.145)
17.3 Deferred Tax Expense Effect (-)			2.094.890	1.299.405
XVIII. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	(9)		6.527.609	1.971.372
XIX. INCOME FROM DISCONTINUED OPERATIONS			-	-
19.1 Income from Non-current Assets Held for Sale			-	-
19.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures			-	-
19.3 Income from Other Discontinued Operations			-	-
XX. EXPENSES FOR DISCONTINUED OPERATIONS (-)			-	-
20.1 Expenses for Non-current Assets Held for Sale			-	-
20.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures			-	-
20.3 Expenses for Other Discontinued Operations			-	-
XXI. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)			-	-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)			-	-
22.1 Current Tax Provision			-	-
22.2 Deferred Tax Expense Effect (+)			-	-
22.3 Deferred Tax Income Effect (-)			-	-
XXIII. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)			-	-
XXIV. NET PROFIT/(LOSS) (XVIII+XXIII)	(10)		6.527.609	1.971.372
24.1 Profit/(Loss) from the Group			6.527.253	1.971.259
24.2 Profit/(Loss) from Minority Interest			356	113
Earning/(Loss) per share (in TL full)			1,166	0,352

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ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS OF 30 SEPTEMBER 2018

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

V. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Current Period 1 January-30 September 2018
I. CURRENT PERIOD PROFIT/LOSS	6.527.609
II. OTHER COMPREHENSIVE INCOME	(5.160.865)
2.1 Not Reclassified to Profit or Loss	(102.681)
2.1.1 Property and Equipment Revaluation Increase/Decrease	(84.750)
2.1.2 Intangible Assets Revaluation Increase/Decrease	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	(30.763)
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	12.832
2.2 Reclassified to Profit or Loss	(5.058.184)
2.2.1 Foreign Currency Translation Differences	959.706
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(7.342.905)
2.2.3 Cash Flow Hedge Income/Loss	-
2.2.4 Foreign Net Investment Hedge Income/Loss	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	1.325.015
III. TOTAL COMPREHENSIVE INCOME (I+II)	1.366.744

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2018
(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 reserv es	Other Accumulated Comprehensive Income That Will Not Be Reclassified to Profit or Loss			Other Accumulated Comprehensive Income That Will Be Reclassified to Profit or Loss			Profit Reserves	Prior period net profit/(loss)	Current period net profit/(los s)	Total Equity Except from Minority Shares	Minority Shares	Total
					Tangible and Intangible Assets Revaluation Reserve	Accumulat ed Gains / Losses on Remeasure ments of Defined Benefit Plans	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)	Exchange Differences on Translation	Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income	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)						
Current Period 30 September 2018																
I. Balance at the beginning of the period	5.600.000	-	-	(252)	4.064.351	(95.521)	-	2.120.621	(953.956)	17.388	29.660.259	8.068.601	-	48.481.491	1.665	48.483.156
II. Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	2.402	-	-	-	-	5.403.538	-	5.403.538
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	2.402	-	-	5.401.136	-	5.403.538	-	5.403.538
III. New balance (I+II)	5.600.000	-	-	(252)	4.064.351	(95.521)	-	2.120.621	(951.554)	17.388	29.660.259	13.469.737	-	53.885.029	1.665	53.886.694
IV. Total comprehensive income (loss)	-	-	-	-	(77.045)	(25.636)	-	959.706	(6.018.483)	-	-	6.527.253	-	1.365.795	949	1.366.744
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	-	-	-	(290)	-	-	-	-	(1.135.652)	-	77.722	-	-	13.674	-	13.674
XI. Profit distribution	-	-	-	-	-	-	-	-	-	-	7.660.121	-	-	(280.000)	-	(280.000)
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	(7.940.121)	-	-	(280.000)	-	(280.000)
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	(280.000)	-	-	(280.000)	-	(280.000)
11.3 Other	-	-	-	-	-	-	-	-	-	-	7.660.121	-	-	-	-	-
Balance at the end of the period (III+IV+.....+X+XI)	5.600.000	-	-	(542)	3.987.306	(121.157)	-	3.080.327	(8.105.689)	17.388	37.398.102	6.601.510	6.527.253	54.984.498	2.614	54.987.112

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30 SEPTEMBER 2018
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VII. CONSOLIDATED STATEMENT OF CASH FLOWS		Note (Section Five)	Current Period 1 January-30 September 2018
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		(2.229.111)
1.1.1	Interest Received		32.184.645
1.1.2	Interest Paid		(19.459.339)
1.1.3	Dividend Received		4.634
1.1.4	Fees and Commissions Received		2.670.938
1.1.5	Other Income		1.198.490
1.1.6	Collections from Previously Written-off Loans and Other Receivables		829.624
1.1.7	Payments to Personnel and Service Suppliers		(3.116.114)
1.1.8	Taxes Paid		(1.772.367)
1.1.9	Other		(14.769.622)
1.2	Changes in Operating Assets and Liabilities		30.262.264
1.2.1	Net increase/ (decrease) in Financial Assets at Fair Value Through Profit or Loss		56.761
1.2.2	Net (increase) / decrease in due from banks and other financial institutions		(4.197.307)
1.2.3	Net (increase) / decrease in loans		(82.267.335)
1.2.4	Net (increase) / decrease in other assets		(6.134.819)
1.2.5	Net increase / (decrease) in bank deposits		34.349.912
1.2.6	Net increase / (decrease) in other deposits		67.826.788
1.2.7	Net increase/ (decrease) in Financial Liabilities at Fair Value Through Profit or Loss		1.542.902
1.2.8	Net increase / (decrease) in funds borrowed		13.363.651
1.2.9	Net (increase) / decrease in payables		(22.064)
1.2.10	Net increase / (decrease) in other liabilities		5.743.775
I.	Net Cash Provided from Banking Operations		28.033.153
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES		
II.	Net Cash Provided from Investing Activities		(16.448.382)
2.1	Cash paid for acquisition of investments, associates and subsidiaries		-
2.2	Cash obtained from disposal of investments, associates and subsidiaries		-
2.3	Purchases of property and equipment		(80.815)
2.4	Disposals of property and equipment		226.580
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(23.239.712)
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income		8.488.422
2.7	Purchase of Financial Assets Measured at Amortised Cost		(3.143.118)
2.8	Sale of Financial Assets Measured at Amortised Cost		2.827.716
2.9	Other		(1.527.455)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from Financing Activities		311.160
3.1	Cash Obtained from Funds Borrowed and Securities Issued		9.345.349
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(9.029.237)
3.3	Issued Equity Instruments		-
3.4	Dividends Paid		-
3.5	Payments for Finance Leases		(4.952)
3.6	Other		-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		4.330.531
V.	Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)		16.226.462
VI.	Cash and Cash Equivalents at the Beginning of the Period		13.839.511
VII.	Cash and Cash Equivalents at the End of the Period		30.065.973

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ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2017

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

I. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)		Note (Section Five I)	Prior Period 31 December 2017		
			TL	FC	Total
ASSETS					
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(21)	5.277.535	40.942.802	46.220.337
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(22)	904.588	563.275	1.467.863
2.1	Financial Assets Held for Trading		904.588	563.275	1.467.863
2.1.1	Public Sector Debt Securities		24.367	37.470	61.837
2.1.2	Securities Representing a Share in Capital		5	-	5
2.1.3	Derivative Financial Assets Held for Trading	(23)	880.049	516.718	1.396.767
2.1.4	Other Marketable Securities		167	9.087	9.254
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-
2.2.1	Public Sector Debt Securities		-	-	-
2.2.2	Securities Representing a Share in Capital		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other Marketable Securities		-	-	-
III.	BANKS	(24)	2.373.229	3.258.911	5.632.140
IV.	MONEY MARKET PLACEMENTS		40.122	92.263	132.385
4.1	Interbank Money Market Placements		-	24.171	24.171
4.2	Istanbul Stock Exchange Money Market Placements		38.043	-	38.043
4.3	Receivables from Reverse Repurchase Agreements		2.079	68.092	70.171
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(25),(26)	45.961.580	17.676.651	63.638.231
5.1	Securities Representing a Share in Capital		118.095	845.817	963.912
5.2	Public Sector Debt Securities		45.331.743	16.690.632	62.022.375
5.3	Other Marketable Securities		511.742	140.202	651.944
VI.	LOANS AND RECEIVABLES	(27)	231.413.967	85.606.521	317.020.488
6.1	Loans and Receivables		231.188.481	85.606.521	316.795.002
6.1.1	Loans Granted to Risk Group of The Bank		-	-	-
6.1.2	Public Sector Debt Securities		-	-	-
6.1.3	Other		231.188.481	85.606.521	316.795.002
6.2	Loans under Follow-up		4.790.067	238.900	5.028.967
6.3	Specific Provisions (-)		4.564.581	238.900	4.803.481
VII.	FACTORING RECEIVABLES		-	1.614	1.614
VIII.	INVESTMENTS HELD TO MATURITY (Net)	(28)	2.863.604	4.762.159	7.625.763
8.1	Public Sector Debt Securities		2.757.318	4.761.212	7.518.530
8.2	Other Marketable Securities		106.286	947	107.233
IX.	INVESTMENTS IN ASSOCIATES (Net)	(29)	127.251	1.168	128.419
9.1	Accounted with Equity Method		121.185	-	121.185
9.2	Unconsolidated Associates		6.066	1.168	7.234
9.2.1	Financial Associates		-	-	-
9.2.2	Non-financial Associates		6.066	1.168	7.234
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(30)	7.583	-	7.583
10.1	Unconsolidated Financial Subsidiaries		1.346	-	1.346
10.2	Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237
XI.	ENTITIES UNDER COMMON CONTROL (Net)	(31)	-	52.036	52.036
11.1	Accounted with Equity Method		-	52.036	52.036
11.2	Unconsolidated Entities Under Common Control		-	-	-
11.2.1	Financial Entities Under Common Control		-	-	-
11.2.2	Non Financial Entities Under Common Control		-	-	-
XII.	RECEIVABLES FROM LEASING TRANSACTIONS	(32)	852.715	2.028.804	2.881.519
12.1	Finance Lease Receivables		1.073.052	2.278.160	3.351.212
12.2	Operating Lease Receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned Income (-)		220.337	249.356	469.693
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(33)	-	-	-
13.1	Fair Value Hedges		-	-	-
13.2	Cash Flow Hedges		-	-	-
13.3	Hedges for Investments Made in Foreign Countries		-	-	-
XIV.	TANGIBLE ASSETS (Net)	(37)	6.535.523	144.109	6.679.632
XV.	INTANGIBLE ASSETS (Net)		494.932	37.156	532.088
15.1	Goodwill		-	-	-
15.2	Other		494.932	37.156	532.088
XVI.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(34)	-	-	-
XVII.	TAX ASSET		32.197	8.858	41.055
17.1	Current Tax Asset		5.741	5.520	11.261
17.2	Deferred Tax Asset	(35)	26.456	3.338	29.794
XVIII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(36)	674.731	88	674.819
18.1	Held for Sale		674.731	88	674.819
18.2	Held from Discontinued Operations		-	-	-
XIX.	OTHER ASSETS		2.858.008	1.332.149	4.190.157
TOTAL ASSETS			300.417.565	156.508.564	456.926.129

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2017

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

II. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)		Note (Section Five II)	Prior Period 31 December 2017		
			TL	FC	Total
LIABILITIES AND EQUITY					
I. DEPOSITS	(14)	167.014.412	115.555.201	282.569.613	
1.1 Deposits Held By the Risk Group of the Bank		30.053	14.053	44.106	
1.2 Other		166.984.359	115.541.148	282.525.507	
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(15)	235.506	313.404	548.910	
III. FUNDS BORROWED	(16)	1.763.056	29.355.197	31.118.253	
IV. MONEY MARKET BALANCES		43.189.819	13.119.704	56.309.523	
4.1 Interbank Money Market Borrowings		41.850.000	19.335	41.869.335	
4.2 Istanbul Stock Exchange Takasbank Borrowings		-	-	-	
4.3 Funds Provided under Repurchase Agreements	(17)	1.339.819	13.100.369	14.440.188	
V. MARKETABLE SECURITIES ISSUED (Net)	(18)	4.298.047	9.176.233	13.474.280	
5.1 Bills		3.562.491	-	3.562.491	
5.2 Asset-backed Securities		557.804	-	557.804	
5.3 Bonds		177.752	9.176.233	9.353.985	
VI. FUNDS		6.030.575	-	6.030.575	
6.1 Borrower Funds		-	-	-	
6.2 Other		6.030.575	-	6.030.575	
VII. MISCELLANEOUS PAYABLES		2.474.671	1.668.719	4.143.390	
VIII. OTHER LIABILITIES	(19)	1.947.850	628.104	2.575.954	
IX. FACTORING PAYABLES		-	-	-	
X. PAYABLES FROM LEASING TRANSACTIONS (Net)	(20)	-	-	-	
10.1 Finance Lease Payables		-	-	-	
10.2 Operating Lease Payables		-	-	-	
10.3 Other		-	-	-	
10.4 Deferred Finance Lease Expenses (-)		-	-	-	
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(21)	-	-	-	
11.1 Fair Value Hedges		-	-	-	
11.2 Cash Flow Hedges		-	-	-	
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	
XII. PROVISIONS	(22)	10.170.466	191.571	10.362.037	
12.1 General Provisions		5.500.371	134.827	5.635.198	
12.2 Restructuring Provisions		-	-	-	
12.3 Employee Benefits Provisions		1.325.862	3.058	1.328.920	
12.4 Insurance Technical Reserves (Net)		1.514.046	-	1.514.046	
12.5 Other Provisions		1.830.187	53.686	1.883.873	
XIII. TAX LIABILITY	(23)	1.304.963	5.475	1.310.438	
13.1 Current Tax Liability		999.597	3.741	1.003.338	
13.2 Deferred Tax Liability		305.366	1.734	307.100	
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(24)	-	-	-	
14.1 Held for Sale		-	-	-	
14.2 Held from Discontinued Operations		-	-	-	
XV. SUBORDINATED LOANS	(25)	-	-	-	
XVI. SHAREHOLDERS' EQUITY	(26)	47.619.530	863.626	48.483.156	
16.1 Paid-in Capital		5.600.000	-	5.600.000	
16.2 Capital Reserves		2.168.384	863.626	3.032.010	
16.2.1 Share Premium		-	-	-	
16.2.2 Share Cancellation Profits		-	-	-	
16.2.3 Marketable Securities Valuation Differences		(1.798.011)	844.055	(953.956)	
16.2.4 Tangible Assets Revaluation Reserves		4.051.876	12.475	4.064.351	
16.2.5 Intangible Assets Revaluation Reserves		-	-	-	
16.2.6 Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	
16.2.7 Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17.388	-	17.388	
16.2.8 Hedging Funds (Effective Portion)		-	-	-	
16.2.9 Value Increase on Assets Held for Sale		-	-	-	
16.2.10 Other Capital Reserves		(102.869)	7.096	(95.773)	
16.3 Profit Reserves		30.317.558	-	30.317.558	
16.3.1 Legal Reserves		3.824.868	-	3.824.868	
16.3.2 Statutory Reserves		-	-	-	
16.3.3 Extraordinary Reserves		24.836.410	-	24.836.410	
16.3.4 Other Profit Reserves		1.656.280	-	1.656.280	
16.4 Profit or Loss		9.531.923	-	9.531.923	
16.4.1 Prior Years Profit/Loss		647.804	-	647.804	
16.4.2 Net Period Profit/Loss		8.884.119	-	8.884.119	
16.5 Minority Shares		1.665	-	1.665	
TOTAL LIABILITIES AND EQUITY		286.048.895	170.877.234	456.926.129	

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2017

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

III.	CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Prior Period		
			TL	FC	Total
				31 December 2017	
A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		73.022.242	160.157.172	233.179.414
I.	GUARANTEES AND WARRANTIES	(2)	36.067.838	66.258.784	102.326.622
1.1	Letters of Guarantee		35.800.639	45.354.359	81.154.998
1.1.1	Guarantees Subject to State Tender Law		1.676.924	8.472.455	10.149.379
1.1.2	Guarantees Given for Foreign Trade Operations		30.334.670	34.377.923	64.712.593
1.1.3	Other Letters of Guarantee		3.789.045	2.503.981	6.293.026
1.2	Bank Acceptances		30.004	6.277.094	6.307.098
1.2.1	Import Letter of Acceptance		30.004	6.270.461	6.300.465
1.2.2	Other Bank Acceptances			6.633	6.633
1.3	Letters of Credit		233.745	14.291.714	14.525.459
1.3.1	Documentary Letters of Credit		233.745	14.202.295	14.436.040
1.3.2	Other Letters of Credit			89.419	89.419
1.4	Prefinancing Given as Guarantee				-
1.5	Endorsements				-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey				-
1.5.2	Other Endorsements				-
1.6	Purchase Guarantees on Marketable Security Issuance				-
1.7	Factoring Guarantees			1.635	1.635
1.8	Other Guarantees		3.450	329.962	333.412
1.9	Other Collaterals			4.020	4.020
II.	COMMITMENTS	(2)	23.846.740	11.162.799	35.009.539
2.1	Irrevocable Commitments		23.810.655	8.857.039	32.667.694
2.1.1	Asset Purchase and Sale Commitments		232.731	4.596.925	4.829.656
2.1.2	Deposit Purchase and Sales Commitments				-
2.1.3	Share Capital Commitments to Associates and Subsidiaries				-
2.1.4	Loan Granting Commitments		5.048.840	15.021	5.063.861
2.1.5	Securities Issue Brokerage Commitments				-
2.1.6	Commitments for Reserve Deposit Requirements				-
2.1.7	Commitments for Cheques		3.761.911	23	3.761.934
2.1.8	Tax and Fund Liabilities from Export Commitments		1.966		1.966
2.1.9	Commitments for Credit Card Limits		8.645.831	19.817	8.665.648
2.1.10	Commitments for Credit Cards and Banking Services Promotions		26.137		26.137
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		6.093.239	4.225.253	10.318.492
2.2	Revocable Commitments		36.085	2.305.760	2.341.845
2.2.1	Revocable Loan Granting Commitments			3.356	3.356
2.2.2	Other Revocable Commitments		36.085	2.302.404	2.338.489
III.	DERIVATIVE FINANCIAL INSTRUMENTS		13.107.664	82.735.589	95.843.253
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		13.107.664	82.735.589	95.843.253
3.2.1	Forward Foreign Currency Buy/Sell Transactions		3.617.638	5.662.634	9.280.272
3.2.1.1	Forward Foreign Currency Transactions-Buy		1.536.329	3.100.467	4.636.796
3.2.1.2	Forward Foreign Currency Transactions-Sell		2.081.309	2.562.167	4.643.476
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		9.122.190	76.717.313	85.839.503
3.2.2.1	Foreign Currency Swap-Buy		426.798	37.618.583	38.045.381
3.2.2.2	Foreign Currency Swap-Sell		8.695.392	28.602.108	37.297.500
3.2.2.3	Interest Rate Swap-Buy			5.248.311	5.248.311
3.2.2.4	Interest Rate Swap-Sell			5.248.311	5.248.311
3.2.3	Foreign Currency, Interest rate and Securities Options		367.836	355.642	723.478
3.2.3.1	Foreign Currency Options-Buy		183.918	177.821	361.739
3.2.3.2	Foreign Currency Options-Sell		183.918	177.821	361.739
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.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		1.132.404.895	169.456.560	1.301.861.455
IV.	ITEMS HELD IN CUSTODY		367.086.784	19.908.153	386.994.937
4.1	Customer Fund and Portfolio Balances				-
4.2	Investment Securities Held in Custody		8.329.436	7.039.458	15.368.894
4.3	Checks Received for Collection		9.077.998	938.449	10.016.447
4.4	Commercial Notes Received for Collection		8.110.316	569.700	8.680.016
4.5	Other Assets Received for Collection		8.816		8.816
4.6	Assets Received for Public Offering		328.865.001	8.857	328.873.858
4.7	Other Items Under Custody		12.693.018	11.200.593	23.893.611
4.8	Custodians		2.199	151.096	153.295
V.	PLEDGES RECEIVED		764.354.880	147.468.325	911.823.205
5.1	Marketable Securities		2.713.833	383.446	3.097.279
5.2	Guarantee Notes		16.070.650	2.895.574	18.966.224
5.3	Commodity		1.923.260	81.296	2.004.556
5.4	Warranty				-
5.5	Immovable		670.555.120	110.699.922	781.255.042
5.6	Other Pledged Items		73.086.808	33.393.966	106.480.774
5.7	Pledged Items-Depository		5.209	14.121	19.330
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		963.231	2.080.082	3.043.313
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		1.205.427.137	329.613.732	1.535.040.869

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED STATEMENT OF INCOME AS OF 30 SEPTEMBER 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. CONSOLIDATED STATEMENT OF INCOME			
INCOME AND EXPENSE ITEMS	Note (Section Five IV)	Prior Period 01 January-30 September 2017	Prior Period 01 July– 30 September 2017
I. INTEREST INCOME	(12)	26.757.461	9.226.014
1.1 Interest Income from Loans		21.254.578	7.687.359
1.2 Interest Income from Reserve Deposits		284.218	112.289
1.3 Interest Income from Banks		187.233	68.214
1.4 Interest Income from Money Market Placements		309.931	52.004
1.5 Interest Income from Marketable Securities		4.517.467	1.240.108
1.5.1 Financial Assets Held for Trading		3.875	1.091
1.5.2 Financial Assets Measured at Fair Value Through Profit or Loss		-	-
1.5.3 Financial Assets Available-for-Sale		4.031.914	1.115.388
1.5.4 Investments Held-to-Maturity		481.678	123.629
1.6 Finance Lease Income		145.858	51.389
1.7 Other Interest Income		58.176	14.651
II. INTEREST EXPENSES	(13)	13.672.403	5.051.948
2.1 Interest Expense on Deposits		9.011.075	3.311.254
2.2 Interest on Borrowings		518.051	185.665
2.3 Interest on Money Market Borrowings		3.609.466	1.337.678
2.4 Interest on Marketable Securities Issued		471.496	197.382
2.5 Other Interest Expense		62.315	19.969
III. NET INTEREST INCOME/EXPENSES (I - II)		13.085.058	4.174.066
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		1.369.029	355.443
4.1 Fees and Commissions Received		1.709.295	590.586
4.1.1 Non-cash Loans		364.247	129.815
4.1.2 Other		1.345.048	460.771
4.2 Fees and Commissions Paid	(22)	340.266	235.143
4.2.1 Non-cash Loans		372	(5.364)
4.2.2 Other		339.894	240.507
V. DIVIDEND INCOME		7.031	2.377
VI. TRADING PROFIT/LOSS (Net)	(14)	(337.468)	(333.494)
6.1 Profit/Loss from Capital Market Operations		38.236	4.105
6.2 Profit/losses on Derivative Financial Transactions		(524.577)	(357.908)
6.3 Profit/Loss from Foreign Exchanges		148.873	20.309
VII. OTHER OPERATING INCOME	(15)	2.731.747	855.876
VIII. TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)		16.855.397	5.054.268
IX. PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)	(16)	1.976.467	459.724
X. OTHER OPERATING EXPENSES(-)	(17)	5.918.527	1.826.807
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		8.960.403	2.767.737
XII. GAINS RECORDED AFTER MERGER		-	-
XIII. PROFIT/LOSS ON EQUITY METHOD APPLIED SUBSIDIARIES		19.975	6.287
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(18)	8.980.378	2.774.024
XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(19)	(1.914.107)	(576.433)
16.1 Current Tax Provision		(2.092.579)	(721.511)
16.2 Deferred Tax Provision		178.472	145.078
XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(20)	7.066.271	2.197.591
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from Non-current Assets Held for Sale		-	-
18.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
18.3 Other Income from Discontinued Operations		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Expenses for Non-current Assets Held for Sale		-	-
19.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3 Other Expenses from Discontinued Operations		-	-
XX. PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/LOSSES (XVII+XXII)	(21)	7.066.271	2.197.591
23.1 Group's Profit/Loss		7.066.090	2.197.528
23.2 Minority Shares Profit/Loss (-)		181	63
Earnings/Loss per Share (Full TL)		1.357	0,422

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

**CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER
SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2017**

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

V. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Prior Period
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	1 January-30 September 2017
I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	1.343.415
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	(57.126)
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective	142.366
V. Part of Fair Value Differences)	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS'	-
VIII. EQUITY ACCORDING TO TAS	(45.559)
IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(256.716)
NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY	
X. (I+II+...+IX)	1.126.380
XI. CURRENT YEAR PROFIT/LOSS	7.066.271
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	38.236
11.2 Reclassification of cash flow hedge transactions and presentation of the related under income statement	-
11.3 Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-
11.4 Other	7.028.035
XII. TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	8.192.651

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VI. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																				
	30 June 2017	Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity	
I.	Balance at the Beginning of the Period		5.100.000	-	-	-	3.393.778	-	18.052.605	1.345.642	-	8.207.208	(1.394.015)	4.187.740	17.388	-	-	1.451	38.911.797	
	Changes During the Period																			
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	1.074.827	-	-	-	-	(95)	1.074.732	
IV.	Hedging Funds (Active Part)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	(54.270)	-	-	-	-	(54.270)	
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Foreign Exchange Differences		-	-	-	-	10.563	-	-	-	-	88.725	43.078	-	-	-	-	-	142.366	
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII.	Increase in Capital		500.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500.000	
12.1	Cash		500.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500.000	
12.2	From Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII.	Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV.	Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI.	Other		-	-	-	-	-	-	(36.448)	-	-	-	-	-	-	-	-	-	(36.448)	
XVII.	Net Profit or Losses		-	-	-	-	-	-	-	7.066.090	-	-	-	-	-	-	-	181	7.066.271	
XVIII.	Profit Distribution		-	-	-	-	430.886	-	6.557.597	-	-	(7.482.765)	-	-	-	-	-	-	(494.282)	
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	(524.118)	-	-	-	-	-	-	(524.118)	
18.2	Transfers to Legal Reserves		-	-	-	-	429.578	-	6.557.597	-	-	(6.958.647)	-	-	-	-	-	-	28.528	
18.3	Other		-	-	-	-	1.308	-	-	-	-	-	-	-	-	-	-	-	1.308	
	Balance at the end of the period (I+II+III+.....+ XVI+XVII+XVIII)		5.600.000	-	-	-	3.835.227	-	24.610.202	1.309.194	7.066.090	813.168	(276.110)	4.133.470	17.388	-	-	1.537	47.110.166	

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30 SEPTEMBER 2017**

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

VII. CONSOLIDATED STATEMENT OF CASH FLOWS		Note (Section Five)	Prior Period 1 January-30 September 2017
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		6.450.418
1.1.1	Interest Received		25.309.789
1.1.2	Interest Paid		(13.459.332)
1.1.3	Dividend Received		7.031
1.1.4	Fees and Commissions Received		2.102.441
1.1.5	Other Income		1.006.332
1.1.6	Collections from Previously Written-off Loans and Other Receivables		1.270.621
1.1.7	Payments to Personnel and Service Suppliers		(2.243.969)
1.1.8	Taxes Paid		(2.205.804)
1.1.9	Other		(5.336.691)
1.2	Changes in Operating Assets and Liabilities		(10.256.938)
1.2.1	Net (increase) / decrease in Trading Securities		(178.055)
1.2.2	Net (increase) / decrease in Fair Value Through Profit/Loss Financial Assets		-
1.2.3	Net (increase) / decrease in Banks		546.402
1.2.4	Net (increase) / decrease in Loans		(50.536.336)
1.2.5	Net (increase) / decrease in Other Assets		(1.372.815)
1.2.6	Net increase / (decrease) in Bank Deposits		7.956.180
1.2.7	Net increase / (decrease) in Other Deposits		27.735.730
1.2.8	Net increase / (decrease) in Funds Borrowed		3.233.334
1.2.9	Net increase / (decrease) in Payables		-
1.2.10	Net increase / (decrease) in Other Liabilities		2.358.622
I.	Net Cash Provided from Banking Operations		(3.806.520)
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES		
II.	Net Cash Provided from Investing Activities		(1.724.826)
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		(532.078)
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-
2.3	Fixed Assets Purchases		(158.365)
2.4	Fixed Assets Sales		40.697
2.5	Cash Paid for Purchase of Financial Assets Available for Sale		(12.500.605)
2.6	Cash Obtained from Sale of financial Assets Available for Sale		10.836.911
2.7	Cash Paid for Purchase of Investment Securities		(307.555)
2.8	Cash Obtained from Sale of Investment Securities		2.022.709
2.9	Other		(1.126.540)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from Financing Activities		5.651.494
3.1	Cash Obtained from Funds Borrowed and Securities Issued		7.809.015
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.407.100)
3.3	Issued Equity Instruments		500.000
3.4	Dividends Paid		(250.000)
3.5	Payments for Finance Leases		(421)
3.6	Other		-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		663.062
V.	Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)		783.210
VI.	Cash and Cash Equivalents at the Beginning of the Period		15.899.913
VII.	Cash and Cash Equivalents at the End of the Period		16.683.123

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

(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 and in accordance with amendments of the additional communiqués. 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 as modified in accordance with inflation adjustments applied 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”).

CHANGES IN ACCOUNTING POLICIES

As of 1 January 2018 the Group has applied TFRS 9 Financial Instruments (TFRS 9) published by POA according to “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750 for the first time in attached financial statements.

Prior period financial statements and notes were not restated in accordance with the transition provisions of TFRS 9. Therefore, the impact of the first application of standard has been reflected to Prior years' profit or loss and attached financial statements are presented separately rather than comparatively. TFRS 9 has been in effect as of 1 January 2018, the impact on opening balances are presented in Note XXV of Section Three.

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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 source is Turkish Lira deposits, repurchase agreements, issued securities, shareholders’ equity and government funds transferred from the budget, ministerial offices and other public resources to the Bank by means of legislative and administrative decisions. 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 Bank adopts high 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 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. Due to the Parent Bank is a public bank with an extensive branch network, it is assumed that banks deposits will not be significantly affected in case of liquidity risk.

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 recognized at transaction date and valued by Parent Bank’s prevailing counter currency buying rate. At period ends, foreign currency asset and liability balances are valued at the Parent Bank’s period end counter currency buying rates and translated to Turkish currency and the resulting exchange differences are recognized as a “foreign exchange gain or loss”.

Foreign currency capital amounts transferred to the equity participations operating abroad are evaluated and presented on the financial statements with the exchange rate on the date of the transfer.

Assets and liabilities and income statement items of the abroad branches of the Parent Bank are translated into Turkish Lira with the Parent Bank’s prevailing counter currency buying rates at the balance sheet date.

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES

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” (“TFRS 10”).

1.1. Consolidation Principles for Subsidiaries

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

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES (Continued)

1. Consolidation Principles Applied (Continued)

1.1. Consolidation Principles for Subsidiaries (Continued)

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

In accordance with the full consolidation method, assets, liabilities, profit or loss and off balance sheet items of the subsidiaries have been consolidated line by line with the assets, liabilities, profit or loss 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 income statement, minority shares have been presented separately.

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	30 September 2018		31 December 2017	
			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.	İstanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Sigorta A.Ş.	İstanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Finansal Kiralama A.Ş.	İstanbul/Turkey	Leasing	100,00	100,00	100,00	100,00
Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	Brokerage Houses	99,60	99,60	99,60	99,60
Ziraat Portföy Yönetimi A.Ş.	İstanbul/Turkey	Portfolio Management	99,70	99,80	99,70	99,80
Ziraat Katılım Bankası A.Ş.	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 Bank International AG	Frankfurt/Germany	Banking	100,00	100,00	100,00	100,00
Ziraat Bank BH d.d.	Sarajevo/Bosnia and 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

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.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES (Continued)

1. Consolidation Principles Applied (Continued)

1.2. Consolidation Principles of Associates and Joint Ventures (Continued)

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	30 September 2018		31 December 2017	
			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.	Istanbul/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 Group. 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 unconsolidated associates and subsidiaries are booked at cost value, less any impairment if any, and recognized in the consolidated financial statements.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

The Group’s derivative transactions include cross swap transactions related to currency, swap transactions related to interest rates, currency and precious metal swaps, long-term financing transactions, full indemnity options and forward foreign currency buy/sell transaction contracts. 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 Standards", "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 values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts from their contractual values.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

Interest income of the Group and expenses are recorded 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 is recorded 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 income statement line and is amortized over the estimated life of the financial asset.

If the financial asset is impaired and classified as a non-performing receivable, the Group applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods.

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 income 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/loss on the date they are collected.

Prepaid expense amounts are recognize 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.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

Financial Assets Measured at Fair Value Through Profit or Loss

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

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

Government bonds and treasury bills included in held for trading and available for sale portfolios traded in BIST are carried at weighted average exchange prices of BIST as of the balance sheet date and those securities that are not traded in BIST are carried at prices of the Central Bank of the Republic of Turkey. Eurobonds are carried at prices in the over the counter markets. All gains and losses arising from these valuations are reflected in the income statement.

Financial Assets Measured at Fair Value Through Other Comprehensive Income

In addition to Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. 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 income statement. “Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders' equity.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

Financial Assets Measured at Fair Value Through Other Comprehensive Income (Continued)

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment. Regarding the banking operations of Ziraat Bank, there exist ineffective shares of Kredi Garanti Fonu, Turkish Trade Bank in receivership, 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 out 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 income statement.

"Fair value through other comprehensive income" and "measured at amortized cost" securities portfolio of the Group include Consumer Price Indexed (CPI) Bonds. These securities are valued and accounted using the effective interest rate method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. The estimated inflation rate used is updated as needed within the year. At the end of the year, the real inflation rate is used. The reference indices used in calculating the actual coupon payment amounts of these assets are based on the Consumer Price Index (CPI) of prior two months. The Group also sets the estimated inflation rate accordingly.

Loans

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate Method".

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

The Group's loans are recorded under the "Measured at Amortized Cost" account.

Impairment For Expected Loss

As of 1 January 2018, the Bank recognize provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9.

The expected credit loss model includes instruments that are recorded at amortized cost or at fair value in other comprehensive income tables (such as bank deposits, loans and securities) and, in addition, financial lease receivables that are not measured at fair value through profit or loss, credit commitments and financial guarantee contracts.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

Impairment for Expected Loss (Continued)

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

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

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

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

12 Month Expected Credit Losses (Stage 1)

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

The expected 12 month loss values (within 12 months after the reporting date or within a shorter period if the life of a financial instrument is shorter than 12 months) are part of the estimation of loss of life expectancy.

Significant Increase in Credit Risk (Stage 2)

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument’s lifetime expected credit losses.

Credit-Impaired Losses (Stage 3 / Special Provision)

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

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

Credits that differ in cash flows or have different characteristics with other credits may be subject to individual valuation instead of aggregate valuation. A credit loss can be defined as the difference between all contractual cash flows that are outstanding under the contract and the original expected EIR (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.

VIII. 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.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IX. 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 Reverse Repurchase Agreements” on the balance sheet and interest income accrual is calculated using internal rate of return method.

As of the balance sheet date, the Group has no securities lending transactions.

X. INFORMATION ON ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS AND EXPLANATIONS ON LIABILITIES RELATED WITH THESE ASSETS

Property and equipment held-for-sale consist of tangible assets that were acquired by the Group due to non-performing loans and receivables, and are accounted in the financial statements in accordance with the regulations of “Turkish Financial Reporting Standard for Assets Held for Sale and Discontinued Operations (TFRS 5)”.

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 fixed assets held for sale 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 income statement. The Bank does not have any discontinued operations.

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, the Group has no goodwill within the financial statements.

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

Other intangible assets are amortized by using the straight line method based on their useful 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 6,67% to 33,3%.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

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 a result of the fair valuation of the real estates, TL 3.780.292 net is followed under shareholders’ equity as of 30 September 2018. As of 30 January 2014, the net book amount of real estates of the tangible assets before valuation was TL 816.950.

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.

XIII. EXPLANATIONS ON INVESTMENT PROPERTY

As of the balance sheet date, the Group does not have investment properties.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

The Group performs financial operations as “Lessor” and “Lessee”.

1. Accounting of Leasing Transactions for the Lessee

Financial Lease

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

Operational Lease

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operating lease. Payments that are made as operating leases are accounted in income statements with linear method during the lease period.

2. Accounting of Leasing Transactions for Lessor

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

XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES

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

The 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 inflow of economic benefits arise, the asset and the related income are recognized in the financial statements in which the change occurs.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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. This assumptions based on the calculation are below:

The Parent Bank uses independent actuaries in determining liability, and also makes assumptions about issues such as discount rate and inflation. These assumptions are reviewed on an nine month basis. Retirement benefit obligation is TL 925.577 (31 December 2017: TL 820.157).

	Current Period 30 September 2018	Prior Period 31 December 2017
Discount Rate	14,00%	12,10%
Inflation	11,10%	8,90%

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 145.119 was classified as “Other Reserves” 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’s and Ziraat Katılım Bankası A.Ş.’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees' Pension Fund (“Fund”) which was established by 20th provisional article of Social Security Law Act numbered 506. In accordance with 23rd 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 1st paragraph of the 1st article of the 23rd 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.

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.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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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 58th article and 7th 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 20th 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 20th 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.

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

The technical balance sheet report as of 31 December 2017 which is prepared in accordance with the new law and the 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.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION

Current Tax

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

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

Corporations are required to pay advance corporate tax quarterly at a rate of 22% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

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

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

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warrantors’ real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors’ revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax. . (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%.)

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION (Continued)

Current Tax (Continued)

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments with tax authorities. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Tax rates used in tax calculation considering the related countries' tax legislation as of 30 September 2018 are presented below:

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

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 through offsetting them on individual financial statements of consolidated subsidiaries.

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

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVIII. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES

1. 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.

Unexpired Risk Provision

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that, future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected ratios. Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. In accordance with "the circular about the Change of Unexpired Risks Reserve Calculation" numbered 2012/15 published by Treasury, if the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share.

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 under secretariat 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 accounts its debt instruments in accordance with TFRS 9 "Financial Instruments". In the following periods, all financial liabilities are carried at amortized cost by using the internal rate of return method. There are 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.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

The decision to increase the capital to TL 6.100.000 was approved by the Parent Bank's Ordinary General Assembly held on 13 August 2018, and the capital increase and the related amendment to the articles of association of the Articles of Association were registered on 22 October 2018. It was announced in the Trade Registry Gazette No. 9688. The accounting for this capital increase was made on 9 November 2018 with the permission of BRSA.

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.

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. 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 about Operating Segments” together with organizational and internal reporting structure of the Group, are disclosed in Note VIII of Section Four.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXV. EXPLANATIONS ON OTHER MATTERS

Explanations on profit distribution

In accordance with the decision taken in the General Assembly of the Parent Bank in 2017, which was carried out on 13 August 2018, from TL 7.940.121 net profit, TL 397.006 is transferred to first legal reserve and TL 25.000 was transferred to second legal reserve. TL 280.000 was paid to shareholder as a first dividend and TL 250.000 was paid to employees as an additional payment. 50% of the sales revenue of the real estates sold in 2017 is TL 77.722 thousand and transferred to Other Reserves for monitoring in a special fund account. Within this framework, it has been decided to keep TL 7.160.393 of the profit within the Parent Bank.

IFRS 9 Financial Instruments Standart

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

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

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

Explanations on the impact of IFRS 9 implementation of the Group are below.

Reconciliation of statement of financial position balances to IFRS 9

ASSETS	31 December 2017	IFRS-9 Reclassification impact	IFRS-9 Remeasurement impact	1 January 2018
FINANCIAL ASSETS (Net)	124.716.719	(118.686)	100.148	124.698.181
Cash and cash equivalents	51.984.862	-	-	51.984.862
Cash and balances at Central Bank	46.220.337	-	-	46.220.337
Banks	5.632.140	-	-	5.632.140
Receivables from Money Markets	132.385	-	-	132.385
Financial assets measured at fair value to profit or loss	71.096	-	-	71.096
Financial assets measured at fair value to other comprehensive income	63.638.231	-	-	63.638.231
Financial assets measured at amortised cost	7.625.763	-	-	7.625.763
Derivative financial assets	1.396.767	-	-	1.396.767
Non-performing financial assets	-	-	-	-
Allowance for expected credit losses (-)	-	118.686	(100.148)	18.538
LOANS (Net)	319.903.621	(4.917.056)	4.900.932	319.887.497
Loans	316.795.002	-	-	316.795.002
Loans measured at amortised cost	316.795.002	-	-	316.795.002
Finance lease receivables	3.075.898	-	-	3.075.898
Factoring receivables	1.614	-	-	1.614
Non-performing loans	5.028.967	-	-	5.028.967
Allowance for expected credit losses (-)	4.997.860	4.917.056	(4.900.932)	5.013.984
<i>12-Month expected credit losses (Stage 1)</i>	-	4.680.739	(4.092.769)	587.970
<i>Significant increase in credit risk (Stage 2)</i>	-	236.317	(90.124)	146.193
<i>Credit-Impaired (Stage 3)</i>	4.997.860	-	(718.039)	4.279.821
NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	674.819	-	-	674.819
INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	188.038	-	-	188.038
Investments in associates (Net)	128.419	-	-	128.419
Investments in subsidiaries (Net)	7.583	-	-	7.583
Jointly Controlled Partnerships (Joint Ventures) (Net)	52.036	-	-	52.036
TANGIBLE ASSETS (Net)	6.679.632	-	-	6.679.632
INTANGIBLE ASSETS AND GOODWILL (Net)	532.088	-	-	532.088
INVESTMENT PROPERTIES (Net)	-	-	-	-
CURRENT TAX ASSET	11.261	-	-	11.261
DEFERRED TAX ASSET	29.794	-	-	29.794
OTHER ASSETS	4.190.157	-	-	4.190.157
TOTAL ASSETS	456.926.129	(5.035.742)	5.001.080	456.891.467

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXV. EXPLANATIONS ON OTHER MATTERS (Continued)

Reconciliation of statement of financial position balances to TFRS 9

LIABILITIES AND EQUITY	31 December 2017	TFRS-9 Reclassification impact	TFRS-9 Remeasurement impact	1 January 2018
DEPOSITS	282.569.613	-	-	282.569.613
FUNDS BORROWED	31.118.253	-	-	31.118.253
MONEY MARKET BALANCES	56.309.523	-	-	56.309.523
MARKETABLE SECURITIES ISSUED (Net)	13.474.280	-	-	13.474.280
FUNDS	6.030.575	-	-	6.030.575
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-
DERIVATIVE FINANCIAL LIABILITIES	548.910	-	-	548.910
LEASE LIABILITIES	-	-	-	-
PROVISIONS	10.362.037	(5.038.318)	(428.230)	4.895.489
<i>General Provisions</i>	5.635.198	(5.635.198)	-	-
Employee Benefits Provisions	1.328.920	-	-	1.328.920
Insurance Technical Provisions(Net)	1.514.046	-	-	1.514.046
Other Provisions	1.883.873	596.880	(428.230)	2.052.523
CURRENT TAX LIABILITY	1.003.338	-	209.250	1.212.588
DEFERRED TAX LIABILITY	307.100	-	(180.901)	126.199
OTHER LIABILITIES	6.719.344	-	-	6.719.344
SHAREHOLDERS' EQUITY	48.483.156	2.576	5.400.961	53.886.693
Paid-in capital	5.600.000	-	-	5.600.000
Capital Reserves	(95.773)	95.521	-	(252)
Other Capital Reserves	(95.773)	95.521	-	(252)
Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss	-	3.968.830	-	3.968.830
Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss	-	(933.992)	(175)	(934.167)
<i>Marketable Securities Valuation Differences</i>	(953.956)	953.956	-	-
<i>Tangible Assets Revaluation Reserves</i>	4.064.351	(4.064.351)	-	-
<i>Bonus Shares of Subsidiaries, Associates and Entities Under Common Control</i>	17.388	(17.388)	-	-
Profit Reserves	30.317.558	-	-	30.317.558
Legal Reserves	3.824.868	-	-	3.824.868
Status Reserves	-	-	-	-
Extraordinary Reserves	24.836.410	-	-	24.836.410
Other Profit Reserves	1.656.280	-	-	1.656.280
Profit or (Loss)	9.531.923	-	5.401.136	14.933.059
Prior Periods' Profit or (Loss)	647.804	-	5.401.136	6.048.940
Current Period Profit or (Loss)	8.884.119	-	-	8.884.119
Minority Interest	1.665	-	-	1.665
TOTAL LIABILITIES AND EQUITY	456.926.129	(5.035.742)	5.001.080	456.891.467

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXV. EXPLANATIONS ON OTHER MATTERS (Continued)

Reconciliation of the opening balances of the provision to TFRS 9

	Book Value Before TFRS 9 31 December 2017	Remeasurements	Book Value After TFRS 9 1 January 2018
Loans Provision	9.914.916	(4.900.932)	5.013.984
Stage 1 ⁽¹⁾	4.680.739	(4.092.769)	587.970
Stage 2 ⁽¹⁾	236.317	(90.124)	146.193
Stage 3	4.997.860	(718.039)	4.279.821
Financial Assets ⁽²⁾	121.262	(100.323)	20.939
Non-Cash Loans ⁽³⁾	735.115	(428.230)	306.885
Stage 1 and 2	596.880	(460.448)	136.432
Stage 3	138.235	32.218	170.453
Total	10.771.293	(5.429.485)	5.341.808

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

⁽²⁾ Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Fair Value Through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets.

⁽³⁾ Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified "12. General Provision" and expected credit loss for stage 3 non-cash loans is classified "12.5. Other Provisions" under liabilities. In accordance with TFRS 9, the expected loss provisions for the 1st, 2nd and 3rd stage non-cash loans are in the "10.4 Other Provisions" column in the liabilities.

The Impact of TFRS 9 Transition on Equity

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not restated, it is stated that the difference between the book value of 1 January 2018 at the date of application should be reflected in the retained earning of equity. The explanations about the transition effects to TFRS 9 presented in the equity items under the scope of this article are given below.

The Group's difference between the provision for impairment of the prior period and allowance for expected credit losses that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 amounting to TL 5.429.485 as income is recorded to "Prior years' profits or losses" in shareholders' equity.

As stated in the Communiqué on "Uniform Chart of Accounts and Prospectus" issued on 20 September 2017, for general provisions (TFRS 9 expected loss provisions for the loans at first and second stages), deferred tax assets calculation has started as of 1 January 2018. Within this scope, deferred tax assets amounting to TL 180.901 have been reflected to the opening financials of 1 January 2018 and the related amount has been recorded to "Prior years' profits or losses" in shareholders' equity.

For the specific provisions (TFRS 9 allowance for expected credit losses for third stage loans) which have been cancelled due to TFRS 9 transition, income tax loss amounting to TL 209.250 is recorded to "Prior years' profits or losses" in equity as of 1 January 2018.

The general provision amounting to TL 2.402 relating to equity investments in available-for-sale financial assets, which were presented under general provision in before TFRS 9, has been started to be recognized in "Other accumulated comprehensive income that will be reclassified in profit or loss" under equity.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVI. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT AVAILABLE FOR THE CURRENT PERIOD

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

Financial assets at fair value through profit or loss

With in the Group, Financial assets, which are classified as “financial assets at fair value through profit or loss”, are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer’s margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading securities are initially recognized at cost. The cost of the securities is recognized as fair value. Subsequently, trading securities are carried at fair value in the financial statements.

Government bonds and treasury bills included in held for trading and available for sale portfolios traded in BIST are carried at weighted average exchange prices of BIST as of the balance sheet date and those securities that are not traded in BIST are carried at prices of the Central Bank of the Republic of Turkey. Eurobonds are carried at prices in the over the counter markets. The positive difference between the cost and fair value of held for trading securities is accounted under “Other Interest and Income Accrual” and the negative difference is accounted under “Impairment Loss for Marketable Securities” account. The positive difference between the cost and amortized cost is accounted under “Interest income” account, the negative difference is accounted as impairment loss. The positive difference between the fair value and amortized cost is accounted under “Profit from Capital Market Operations” account and the negative difference is accounted under “Loss from Capital Market Operations” account.

Held-to-maturity financial assets

Investments held to maturity include financial assets other than Group loans and receivables and those where there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and where there are fixed or determinable payments with fixed maturity. Marketable securities classified as Financial Assets Held to Maturity may subject to exchange-repurchase bids or refundment transactions within the scope of early redemption.

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

There are not any financial assets that are previously classified as investments held-to-maturity but prohibited to be classified in this portfolio for two years because of incompliance with the principles of financial assets classification.

Interests received from investments held to maturity are recognized as an interest income.

Held to maturity assets are initially recognized at cost value.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVI. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT AVAILABLE FOR THE CURRENT PERIOD (Continued)

Loans and receivables

The Group loans and receivables represent financial assets other than those held for trading or held for sale in a short period generated through providing cash, assets or rendering services to the debtor.

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

The Group sets specific and general provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 26333 and dated 1 November 2006 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. Allocated provisions are deducted from the income for the period. The Group reserves specific provisions for non-performing loans over the minimum ratios specified in the Regulation without considering the collaterals. If the receivables for which provisions were set in the previous years are collected, provision for allowances are released and recognized as income under “Other Operating Income” account. Releases of current period provisions are made by the reversal of the amount from the “Provision for Impairment of Loans and Other Receivables” account. The Group allocates general provisions for the first and second group loans and other receivables above the minimum rates specified in the Regulation.

Available-for-sale financial assets

Available-for-sale financial assets are defined as financial assets other than the ones classified as “Loans and Receivables”, “Held-to-Maturity Assets” or “Financial Asset at Fair Value Through Profit or Loss”.

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

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

The difference between fair value and cost of available for sale financial assets is booked as interest income accruals or impairment provision. Furthermore, amortized cost using the effective interest method and cost value is compared and the difference is booked as interest income or impairment expense. Fair value and amortised cost of these securities are compared and the difference is recognized in shareholders’ equity as “Marketable Securities Value Increase Fund”. When these financial assets are disposed of or impaired the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement.

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

Regarding the banking operations of the Group, there exist ineffective shares of Kredi Garanti Fonu, Turkish Trade Bank in receivership, 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 available-for-sale financial assets and are carried out at book value. The reason to explain the necessary action is the inability to reliably measure the subject asset type at fair value.

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SECTION FOUR

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

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”.

In the calculation of Capital Adequacy Ratios and Capital Bumps, considering the BRSA regulation dated 12 August 2018, the negative valuation differences related to the securities included in the “Marketable Securities at Fair Value Through Other Comprehensive Income” portfolio acquired before this date are not taken into consideration by the Group.

In accordance with the BRSA regulation dated 13 August 2018, in calculating the TL reserves of foreign currency balances subject to credit risk, the simplest arithmetic average of 252 business days of the CBRT foreign exchange buying rate at the date of the reporting date and the higher foreign exchange buying rate based on the 30 June 2018 financial statements are taken into consideration by the Group.

As of 30 September 2018 Group’s total capital has been calculated as TL 65.597.748 TL (31 December 2017: TL 51.743.724), capital adequacy ratio is 15,29% (31 December 2017: 14,60%). This ratio is above the minimum ratio required by the legislation.

1. Information Related to the Components of Shareholders' Equity

	Current Period 30 September 2018	Amount as per the regulation before 1/1/2014*
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.600.000	-
Share issue premiums	-	-
Reserves	35.758.745	-
Gains recognized in equity as per TAS	7.746.401	-
Profit	13.128.763	-
Current Period Profit	6.527.253	-
Prior Period Profit	6.601.510	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17.388	-
Minority Shares	248	-
Common Equity Tier 1 Capital Before Deductions	62.251.545	-
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	176.088	-
Improvement costs for operating leasing	66.601	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	675.091	675.091
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-

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SECTION FOUR (Continued)

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

I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY (Continued)

1. Information Related to the Components of Shareholders' Equity (Continued)

	Current Period 30 September 2018	Amount as per the regulation before 1/1/2014*
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	-	-
Total Deductions from Common Equity Tier I Capital	917.780	-
Total Common Equity Tier I Capital	61.333.765	-
ADDITIONAL TIER I CAPITAL		
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)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
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 Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items to be defined by the BRSA (-)	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	61.333.765	-
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	4.265.952	-
Tier II Capital Before Deductions	4.265.952	-
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	4.265.952	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	65.599.717	-

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SECTION FOUR (Continued)

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

I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY (Continued)

1. Information Related to the Components of Shareholders' Equity (Continued)

	Current Period 30 September 2018	Amount as per the regulation before 1/1/2014 ⁽¹⁾
Deductions from Total Capital		
	65.599.717	-
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	1.969	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	65.597.748	-
Total Risk Weighted Assets	428.942.304	-
CAPITAL ADEQUACY RATIOS		
CET 1 Capital Ratio (%)	14,30	-
Tier I Capital Ratio (%)	14,30	-
Capital Adequacy Ratio (%)	15,29	-
BUFFERS		
Total additional core capital requirement ratio (a+b+c)	3,41	-
a) Capital conservation buffer requirement (%)	1,88	-
b) Bank specific countercyclical buffer requirement (%)	0,031	-
c) Higher bank buffer requirement ratio (%)	1,50	-
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	6,30	-
Amounts Lower than Excesses as per Deduction Rules	-	-
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	175.938	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	83.450	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1.838.181	-
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand)	4.265.952	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4.265.952	-
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	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
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	-	-

⁽¹⁾ Amounts considered within transition provisions

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SECTION FOUR (Continued)

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

I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY (Continued)

1. Information Related to the Components of Shareholders' Equity (Continued)

	Prior Period 31 December 2017	Amount as per the regulation before 1/1/2014⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.600.000	-
Share issue premiums	-	-
Reserves	30.317.558	-
Gains recognized in equity as per TAS	4.911.781	-
Profit	9.531.923	-
Current Period Profit	8.884.119	-
Prior Period Profit	647.804	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17.388	-
Minority Shares	178	-
Common Equity Tier 1 Capital Before Deductions	50.378.828	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks		
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1.897.159	-
Improvement costs for operating leasing	83.440	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	425.670	532.088
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions from Common Equity Tier I Capital	2.406.269	
Total Common Equity Tier I Capital	47.972.559	
ADDITIONAL TIER I CAPITAL		
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)	-	-
Additional Tier I Capital before Deductions		

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

I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY (Continued)

1. Information Related to the Components of Shareholders' Equity (Continued)

	Prior Period 31 December 2017	Amount as per the regulation before 1/1/2014*
Deductions from Additional Tier I Capital		
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 Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items to be defined by the BRSA (-)	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	106.418	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	47.866.141	-
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	3.879.292	-
Tier II Capital Before Deductions	3.879.292	-
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	3.879.292	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	51.745.433	-
Deductions from Total Capital		
51.745.433	51.745.433	-
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	1.709	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
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SECTION FOUR (Continued)

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

I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY (Continued)

1. Information Related to the Components of Shareholders' Equity (Continued)

	Prior Period 31 December 2017	Amount as per the regulation before 1/1/2014*
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 (-)	-	-
Total Capital (Total of Tier I Capital and Tier II Capital)	51.743.724	-
Total Risk Weighted Assets	354.454.906	-
CAPITAL ADEQUACY RATIOS		
CET 1 Capital Ratio (%)	13,53	-
Tier I Capital Ratio (%)	13,50	-
Capital Adequacy Ratio (%)	14,60	-
BUFFERS		
Total additional core capital requirement ratio (a+b+c)	2,28	-
a) Capital conservation buffer requirement (%)	1,25	-
b) Bank specific countercyclical buffer requirement (%)	0,026	-
c) Higher bank buffer requirement ratio (%)	1,00	-
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	5,53	-
Amounts Lower than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	156.212	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	68.380	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	29.794	-
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand)	5.635.198	-
General Loan Provisions for Exposures in Standard Approach Limited by 1,25% of Risk Weighted Assets	3.879.292	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
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	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

⁽¹⁾ Amounts considered within transition provisions

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SECTION FOUR (Continued)

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

I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY (Continued)

2. Information Related to the Components which Subject to Temporary Implementation in the Calculation of Equity

None.

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

Current Period 30 September 2018	Balance sheet value	Amount of correction	Value at capital report
Paid-in capital	5.600.000	-	5.600.000
Other Capital Reserves	(542)	542	-
Bonus Shares which are not accounted in the current period profit or loss of Associates, Subsidiaries and Joint-Ventures	-	17.388	17.388
Portion of the current and prior periods’ gains and losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	-	7.570.313	7.570.313
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	3.866.149	(3.866.149)	-
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(5.007.974)	5.007.974	-
Profit Reserves	37.398.102	(1.639.357)	35.758.745
Profit or Loss	13.128.763	-	13.128.763
Prior Periods’ Profit/Loss	6.601.510	-	6.601.510
Current Period Net Profit/Loss	6.527.253	-	6.527.253
Deductions from Common Equity Tier I Capital ⁽¹⁾	-	(741.692)	(741.692)
Minority Shares	2.614	(2.366)	248
Common Equity Tier 1 capital	-	-	61.333.765
Tier 1 capital	-	-	61.333.765
Provisions	-	-	4.265.952
Tier 2 capital ⁽²⁾	-	4.265.952	4.265.952
Shareholders’ Equity Adjustments ⁽³⁾	-	(1.969)	(1.969)
Total Shareholders’ Equity	54.987.112	(10.610.636)	65.597.748

⁽¹⁾ The regulations cover Common Equity Tier 1 capital adjustments within the framework of paragraphs 9-1-b and c.

⁽²⁾ The regulations cover general loan provisions included in Tier 2 capital within the framework of paragraphs 8-1-a.

⁽³⁾ The regulations cover Shareholders’ Equity adjustments within the framework of paragraphs 9-8-ç.

II. 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, 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 positions and limits for foreign exchange transactions are under the authorization of the Board of Directors.

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
24.09.2018	5,9347	6,9970	4,3121	0,9379	0,6758	6,1820	4,5909	0,7302	7,7982	1,5824	5,2739
25.09.2018	5,9684	7,0308	4,3307	0,9425	0,6788	6,1862	4,6106	0,7358	7,8556	1,5915	5,2874
26.09.2018	5,8864	6,9165	4,2735	0,9271	0,6680	6,0791	4,5399	0,7259	7,7624	1,5694	5,2092
27.09.2018	5,7651	6,7389	4,1659	0,9035	0,6538	5,9105	4,4154	0,7094	7,5685	1,5374	5,0911
28.09.2018	5,8798	6,8358	4,2576	0,9166	0,6617	6,0262	4,5537	0,7226	7,6725	1,5679	5,1791
30.09.2018	5,8798	6,8358	4,2576	0,9166	0,6617	6,0262	4,5537	0,7226	7,6725	1,5679	5,1791

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
6,0221	7,0245	4,3900	0,9524	0,6800	6,2959	4,6744	0,7383	7,9499	1,6240	5,4385

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SECTION FOUR (Continued)

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

II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (Continued)

6. Information on the Foreign Currency Risk of the Group

	EUR	USD	Other FC	Total
Current Period 30 September 2018				
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	18.387.185	16.103.748	9.453.694	43.944.627
Banks	932.247	4.093.541	1.029.692	6.055.480
Financial Assets Measured at Fair Value Through Profit or Loss	301	20.732	-	21.033
Money Market Placements	20.774	14.793	154.198	189.765
Financial Assets Measured at Fair Value Through Other Comprehensive Income	5.803.048	19.129.802	160.163	25.093.013
Loans ⁽¹⁾	66.329.667	87.542.988	3.549.482	157.422.137
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) ⁽³⁾	-	67.067	2.640	69.707
Financial Assets Measured at Amortised Cost	1.022.369	4.383.687	9.676	5.415.732
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	17.890	396	213.941	232.227
Intangible Assets	25.333	-	30.458	55.791
Other Assets ⁽⁵⁾	1.928.815	1.060.837	205.763	3.195.415
Total Assets⁽⁴⁾⁽⁶⁾	94.467.629	132.417.591	14.809.707	241.694.927
Liabilities				
Interbank Deposits	9.717.102	12.180.939	1.184.175	23.082.216
Foreign Currency Deposits	95.390.863	54.244.345	12.274.489	161.909.697
Money Market Borrowings	-	15.896.092	-	15.896.092
Funds Provided from Other Financial Institutions	13.156.089	31.354.131	4.439	44.514.659
Issued Marketable Securities	68.778	14.108.618	60.249	14.237.645
Sundry Creditors	3.258.503	139.112	12.542	3.410.157
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	529.175	395.730	124.191	1.049.096
Total Liabilities	122.120.510	128.318.967	13.660.085	264.099.562
Net Balance Sheet Position	(27.652.881)	4.098.624	1.149.622	(22.404.635)
Net Off-Balance Sheet Position⁽²⁾	26.537.946	(10.620.323)	1.862.399	17.780.022
Financial Derivative Assets	33.274.722	34.637.832	5.026.080	72.938.634
Financial Derivative Liabilities	6.736.776	45.258.155	3.163.681	55.158.612
Non-Cash Loans	41.202.269	56.044.013	6.917.262	104.163.544
Prior Period 31 December 2017				
Total Assets	55.633.927	91.531.503	12.988.685	160.154.115
Total Liabilities	77.180.954	84.737.365	7.781.885	169.700.204
Net Balance Sheet Position	(21.547.027)	6.794.138	5.206.800	(9.546.089)
Net Off-Balance Sheet Position⁽²⁾	22.012.420	(9.288.810)	(3.168.835)	9.554.775
Financial Derivative Assets	26.541.737	17.055.288	2.548.157	46.145.182
Financial Derivative Liabilities	4.529.317	26.344.098	5.716.992	36.590.407
Non-Cash Loans	26.178.914	35.515.822	4.564.048	66.258.784

⁽¹⁾ TL 1.723.091 equivalent of USD and TL 1.768.978 equivalent of EUR loans are originated as foreign currency indexed loans (31 December 2017: TL 2.021.754 equivalent of USD, TL 2.165.005 equivalent of EUR and TL 2.040 equivalent of GBP).

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

⁽³⁾ 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 currency equivalents. No exchange rate difference arises from such investments.

⁽⁴⁾ Derivative financial assets held for trading and liabilities are not included in the table.

⁽⁵⁾ Prepaid expenses amounting TL 48.244 among other expenses are not included in the table.

⁽⁶⁾ Expected loss provisions for financial assets and other assets are reflected in the related items.

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SECTION FOUR (Continued)

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

III. 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 30 September 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	31.242.498	-	-	-	-	20.246.665	51.489.163
Banks	2.811.373	181.086	280.319	-	-	5.242.637	8.515.415
Financial Assets Measured at Fair Value Through Profit or Loss	5	9.715	27.239	23.405	6.491	8	66.863
Money Market Placements	254.731	-	-	-	-	-	254.731
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.966.510	9.757.828	21.248.297	20.909.132	22.755.085	524.053	78.160.905
Loans Given ⁽³⁾	130.511.449	35.405.051	74.018.350	143.142.564	30.744.366	2.155.758	415.977.538
Financial Assets Measured at Amortised Cost	90.719	95.205	3.928.004	2.654.071	3.734.391	8.792	10.511.182
Other Assets ⁽²⁾	658.696	2.228.481	858.505	198.246	23.372	16.097.074	20.064.374
Total Assets ⁽¹⁾⁽⁵⁾	168.535.981	47.677.366	100.360.714	166.927.418	57.263.705	44.274.987	585.040.171
Liabilities							
Interbank Deposits	22.536.378	6.629.295	2.048.695	153.726	-	2.663.005	34.031.099
Other Deposits	146.855.590	54.055.121	37.782.735	5.118.496	160.812	92.564.497	336.537.251
Money Market Borrowings	66.449.315	284.707	4.405.327	541.524	-	-	71.680.873
Sundry Creditors	90	-	114.992	-	-	6.878.388	6.993.470
Issued Marketable Securities	1.174.661	1.885.740	4.721.363	9.435.654	-	555	17.217.973
Funds Provided from Other Financial Institutions	17.696.327	8.804.992	11.131.359	6.700.174	1.321.386	34.829	45.689.067
Other Liabilities ⁽⁴⁾	2.290.385	1.360.181	1.337.490	6.640.342	30.760	61.231.280	72.890.438
Total Liabilities ⁽¹⁾	257.002.746	73.020.036	61.541.961	28.589.916	1.512.958	163.372.554	585.040.171
Balance Sheet Long Position	-	-	38.818.753	138.337.502	55.750.747	-	232.907.002
Balance Sheet Short Position	(88.466.765)	(25.342.670)	-	-	-	(119.097.567)	(232.907.002)
Off-Balance Sheet Long Position	249.512	(1.511.970)	-	-	-	-	(1.262.458)
Off-Balance Sheet Short Position	16.528	31.708	(559.769)	(738.824)	-	5.154	(1.245.203)
Total Position	(88.200.725)	(26.822.932)	38.258.984	137.598.678	55.750.747	(119.092.413)	(2.507.661)

⁽¹⁾ Balances without fixed maturity are shown in the “Up to 1 Month” and “Non-Interest Bearing” columns.

⁽²⁾ Deferred tax asset is shown under the “Non-Interest Bearing” column.

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

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

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

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SECTION FOUR (Continued)

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

III. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK (Continued)

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

(Based on days to repricing dates)

Prior Period 31 December 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	34.986.464	-	-	-	-	11.233.873	46.220.337
Banks	2.587.026	1.110.786	53.308	-	-	1.881.020	5.632.140
Financial Assets at Fair Value Through Profit and Loss	650.931	466.520	282.567	62.631	5.010	204	1.467.863
Money Market Placements	132.385	-	-	-	-	-	132.385
Financial Assets at Fair Value Through Other Comprehensive Income	4.475.074	6.406.801	14.676.889	16.496.888	20.572.603	1.009.976	63.638.231
Loans Given ⁽⁴⁾	80.254.771	22.495.445	77.822.618	109.794.406	26.427.762	225.486	317.020.488
Financial Assets Measured at Amortised Cost	2.841.118	38.661	1.314.541	1.628.610	1.802.833	-	7.625.763
Other Assets ⁽³⁾	202.210	222.845	637.881	1.478.947	313.647	12.333.392	15.188.922
Total Assets ⁽¹⁾	126.129.979	30.741.058	94.787.804	129.461.482	49.121.855	26.683.951	456.926.129
Liabilities							
Interbank Deposits	8.208.140	2.058.662	2.903.605	75.510	-	2.104.256	15.350.173
Other Deposits	137.118.504	26.369.070	31.962.941	2.134.968	128.701	69.505.256	267.219.440
Money Market Borrowings	52.098.847	1.842.847	1.524.704	843.125	-	-	56.309.523
Sundry Creditors	20.832	-	11.339	-	-	4.111.219	4.143.390
Issued Marketable Securities	1.037.916	2.031.130	1.369.741	7.147.958	1.887.400	135	13.474.280
Funds Provided from Other Financial Institutions	4.371.514	7.108.659	15.502.599	3.126.560	1.008.921	-	31.118.253
Other Liabilities ⁽²⁾⁽⁵⁾	1.377.415	297.811	430.455	6.571.837	19.889	60.613.663	69.311.070
Total Liabilities ⁽¹⁾	204.233.168	39.708.179	53.705.384	19.899.958	3.044.911	136.334.529	456.926.129
Balance Sheet Long Position	-	-	41.082.420	109.561.524	46.076.944	-	196.720.888
Balance Sheet Short Position	(78.103.189)	(8.967.121)	-	-	-	(109.650.578)	(196.720.888)
Off Balance Sheet Long Position	793.471	1.712.937	-	-	-	-	2.506.408
Off Balance Sheet Short Position	319.906	314.728	(9.626)	(1.113.533)	-	-	(488.525)
Total Position	(76.989.812)	(6.939.456)	41.072.794	108.447.991	46.076.944	(109.650.578)	2.017.883

⁽¹⁾ Balances without fixed maturity are shown in the “Up to 1 Month” and “Non-Interest Bearing” columns.

⁽²⁾ The fund for the risk for loans not belonging to the Parent Bank balance amounting to TL 5.972.568 is shown under the “1 - 5 Years” column. TL 58.007 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.

⁽³⁾ Deferred tax asset is shown under the “Non-Interest Bearing” column.

⁽⁴⁾ Net balance of loans under follow-up is shown under the “Non-Interest Bearing” column in loans given.

⁽⁵⁾ Total shareholders’ equity is shown under the “Non-Interest Bearing” column.

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SECTION FOUR (Continued)

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

III. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK (Continued)

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

	EUR	USD	JPY	TL
Current Period 30 September 2018				
Assets				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾	-	1,50	-	13,00
Banks	1,50	4,06	-	22,88
Financial Assets Measured at Fair Value Through Profit or Loss	2,20	5,36	-	23,25
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	4,75	5,68	-	13,83
Loans Given ⁽²⁾	4,96	7,07	4,70	15,92
Financial Assets Measured at Amortised Cost	6,63	7,32	-	19,40
Liabilities				
Interbank Deposits ⁽³⁾	0,72	2,83	-	23,24
Other Deposits ⁽⁴⁾	1,22	2,11	-	11,59
Money Market Borrowings	-	3,36	-	24,03
Sundry Creditors	-	-	-	-
Issued Marketable Securities	0,60	4,76	1,50	20,67
Funds Provided from Other Financial Institutions	1,14	3,75	-	18,98

⁽¹⁾ The ratio on TL column denotes the interest rates applied for required reserve at CBRT.

⁽²⁾ Credit card loan balances are not included.

⁽³⁾ Rates shown in the table are calculated by using the annual domestic simple interest rates, except for foreign currency interbank deposits.

⁽⁴⁾ Rates include also demand deposit data.

	EUR	USD	JPY	TL
Prior Period 31 December 2017				
Assets				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾	-	0,81	-	3,99
Banks	0,42	2,28	-	12,28
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	10,72
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,74	5,61	-	9,90
Loans Given ⁽²⁾	4,51	6,02	-	13,44
Investments Held-to-Maturity	6,63	7,20	-	11,05
Liabilities				
Interbank Deposits ⁽³⁾	0,48	1,57	-	12,47
Other Deposits ⁽⁴⁾	1,05	1,73	-	7,67
Money Market Borrowings	0,92	2,44	-	12,74
Sundry Creditors	-	-	-	-
Issued Marketable Securities	1,00	4,74	1,50	13,72
Funds Provided from Other Financial Institutions	1,21	3,02	-	10,51

⁽¹⁾ The ratio on TL column denotes the interest rates applied for required reserve at CBRT.

⁽²⁾ Credit card loans balances are not included.

⁽³⁾ Rates shown in the table are calculated by using the annual domestic simple interest rates, except for foreign currency interbank deposits.

⁽⁴⁾ Rates include also demand deposit data.

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SECTION FOUR (Continued)

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

IV. EXPLANATIONS ON THE CONSOLIDATED 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

	Comparison		
	Balance Sheet Value	Fair Value	Market Value
Investments in Equity Instruments			
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 ⁽¹⁾	163.201	163.201	-

⁽¹⁾ 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 163.201 and 100% of them are risk weighted (31 December 2017: are amounted TL 144.209 and 100% of them are risk weighted).

V. EXPLANATIONS ON THE 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 and the loss associated with it. 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.

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, three months, six 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 Treasury Management and International Banking Assistant General Management to direct liquidity risk and surpluses in effective way.

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SECTION FOUR (Continued)

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

V. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

1. Liquidity Risk (Continued)

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

The Parent Bank’s fundamental funding resources are deposits, the strategy of preserving the common base structure of deposits are sustained. Moreover, within the diversification strategy of resources structure, long-term and appropriate costed resources rate that are out of deposits are aimed to be raised. In the resources out of deposits; repurchase agreements, post finance, syndication credits, credits assured by international finance associations, exported securities, capital market transactions and credits taken by bilateral 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 some projections are being performed regarding future.

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 fund range and decrease the maturity gap between assets and liabilities, giving weight to liabilities other than deposits such as bond/bill issuance, repo and funds borrowed.

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 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 bank. These actions have been shared with key management 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”.

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

V. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

2. Liquidity Coverage Ratio (Continued)

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 it to the BRSA on a monthly basis. In the last three months (July, August, September) the consolidation ratios were respectively for FC 205,83% and for the total 86,10% at April; for FC 1094,74% and for the total 86,14% at May; for FC 129,70% and for the total 78,15% at September (31 December 2017: In the last three months, the consolidation ratios were respectively for FC 181,79% and for the total 96,49% at October; for FC 199,41% and for the total 92,73% at November; for FC 207,67% and for the total 86,31% at December).

	Total Unweighted Value (Average) ⁽¹⁾		Total Weighted Value (Average) ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
Current Period 30 September 2018				
High Quality Liquid Assets				
High Quality Liquid Assets			63.364.437	50.551.704
Cash Outflows				
Retail and Small Business Customers, of which;	235.468.085	110.654.474	19.960.700	11.065.447
Stable deposits	71.722.172	-	3.586.109	-
Less stable deposits	163.745.913	110.654.474	16.374.591	11.065.447
Unsecured wholesale funding, of which;	113.401.518	52.902.951	64.286.385	32.552.672
Operational deposit	5.991.088	719.886	1.494.158	176.357
Non-operational deposits	86.970.446	40.587.280	44.399.620	21.546.942
Other unsecured funding	20.439.984	11.595.785	18.392.607	10.829.373
Secured funding			-	-
Other cash outflows, of which;	49.934.678	14.801.201	11.037.704	9.123.045
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	6.233.655	6.552.485	6.233.655	6.552.485
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	43.701.023	8.248.716	4.804.049	2.570.560
Other revocable off-balance sheet commitments and contractual obligations	10.888	5.775	544	289
Other irrevocable or conditionally revocable off-balance sheet obligations	105.139.924	41.441.114	5.321.477	2.072.324
Total Cash Outflows			100.606.810	54.813.777
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	32.996.154	16.138.800	22.369.901	12.072.529
Other cash inflows	2.074.606	12.112.414	2.060.234	12.098.043
Total Cash Inflows	35.070.760	28.251.214	24.430.135	24.170.572
			Upper Limit Applied Amounts	
Total HQLA Stock			63.364.437	50.551.704
Total Net Cash Outflows			76.176.675	30.643.205
Liquidity Coverage Ratio (%)			83,18	164,97

⁽¹⁾ The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

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

V. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

2. Liquidity Coverage Ratio (Continued)

	Total Unweighted Value (Average) ⁽¹⁾		Total Weighted Value (Average) ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
Prior Period 31 December 2017				
High Quality Liquid Assets				
High Quality Liquid Assets			51.969.108	42.724.037
Cash Outflows				
Retail and Small Business Customers, of which;	183.599.877	73.938.183	15.184.556	7.393.818
Stable deposits	63.508.627	-	3.175.431	-
Less stable deposits	120.091.250	73.938.183	12.009.125	7.393.818
Unsecured wholesale funding , of which;	87.300.313	35.897.745	47.013.225	21.610.215
Operational deposit	5.207.052	651.604	1.301.763	162.901
Non-operational deposits	66.176.640	26.149.586	30.641.992	13.170.168
Other unsecured funding	15.916.621	9.096.555	15.069.470	8.277.146
Secured funding			-	-
Other cash outflows, of which;	40.073.487	10.183.005	10.396.630	6.002.182
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2.470.900	2.833.447	2.470.900	2.833.447
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	37.602.587	7.349.558	7.925.730	3.168.735
Other revocable off-balance sheet commitments and contractual obligations	244.960	217.867	12.248	10.893
Other irrevocable or conditionally revocable off-balance sheet obligations	39.616.655	27.946.305	2.465.677	1.815.226
Total Cash Outflows			75.072.336	36.832.334
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	25.040.855	7.349.811	17.444.144	5.913.101
Other cash inflows	1.059.177	9.126.013	1.056.421	9.123.257
Total Cash Inflows	26.100.032	16.475.824	18.500.565	15.036.358
			Upper Limit Applied Amounts	
Total HQLA Stock			51.969.108	42.724.037
Total Net Cash Outflows			56.571.771	21.795.976
Liquidity Coverage Ratio (%)			91,86	196,02

⁽¹⁾ The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

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SECTION FOUR (Continued)

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

V. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

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

Bank deposit, which has not a fluctuant structure, together with constituting an important part of its sources and liquidity coverage ratio, in proportion to other deposits, public deposits can cause periodic changes within total deposits. Considering previous periods, total deposit are observed to follow an increasing trend.

As well as its low turn into cash ratio, since the non-cash loans has 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.

As a warrant of increasing repo transactions in time, bond and bill has been used which issuance by the Republic of Turkey Prime Ministry Undersecretariat of Treasury. Making repo transactions with these securities that consisting a huge part of the security portfolio, affect free securities which are accepted in high quality liquid asset classification in calculation of liquidity coverage ratio. Since the securities used in repo transactions lose the characteristic of being free, even if all other conditions fulfilled, they are not considered as high quality liquid asset.

High quality liquid assets are comprised to which items

All of the high-quality liquid assets of 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 Prime Ministry Undersecretariat of Treasury and other bonds).

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

The major part of the resources of funds in the Group is comprised of deposits, the remaining is divided according to their share in the balance sheet as repo, borrowings, 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 meet 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) with additional, as well as operations performed by the banks is performed again ISDA and CSA contracts signed. Operations performed under the said contracts in the determined periods are subject to daily market valuation and additional collateralization as cash. Operations could create additional collateral input or output 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 Senior Management. These limits are followed in particular frequency. Besides, It has 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.

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SECTION FOUR (Continued)

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

V. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

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 ^{(1) (2) (3)}	Total
Current Period 30 September 2018								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	49.907.415	1.581.748	-	-	-	-	-	51.489.163
Banks	5.242.637	2.811.372	181.086	280.320	-	-	-	8.515.415
Financial Assets Measured at Fair Value Through Profit or Loss	8	5	9.715	8.737	41.907	6.491	-	66.863
Money Market Placements	-	254.731	-	-	-	-	-	254.731
Financial Assets Available-for-Sale	80.320	195.645	2.634.366	8.809.866	30.356.517	35.621.595	462.596	78.160.905
Loans Given	688.334	19.365.372	27.373.941	155.140.592	172.819.884	38.085.793	2.503.622	415.977.538
Investments Held-to-Maturity	8.792	90.720	96.018	2.039.984	4.554.157	3.721.511	-	10.511.182
Other Assets	5.732.918	655.592	2.194.946	805.858	198.245	23.371	10.453.444	20.064.374
Total Assets⁽⁴⁾	61.660.424	24.955.185	32.490.072	167.085.357	207.970.710	77.458.761	13.419.662	585.040.171
Liabilities								
Interbank Deposits	2.663.005	22.536.378	6.629.295	2.048.695	153.726	-	-	34.031.099
Other Deposits	92.564.497	146.809.223	54.035.505	37.588.311	5.335.559	204.156	-	336.537.251
Funds Provided from Other Financial Institutions	34.829	4.182.311	5.930.149	18.356.368	13.119.329	4.066.081	-	45.689.067
Money Market Borrowings	-	66.449.315	284.707	4.405.327	541.524	-	-	71.680.873
Issued Marketable Securities	-	1.174.661	1.875.262	4.732.396	9.435.654	-	-	17.217.973
Sundry Creditors	4.680.441	2.112.725	-	114.992	-	-	85.312	6.993.470
Other Liabilities	6.392.281	1.362.353	1.834.154	1.337.490	6.640.343	1.364.656	53.959.161	72.890.438
Total Liabilities	106.335.053	244.626.966	70.589.072	68.583.579	35.226.135	5.634.893	54.044.473	585.040.171
Liquidity Gap	(44.674.629)	(219.671.781)	(38.099.000)	98.501.778	172.744.575	71.823.868	(40.624.811)	-
Net Off-Balance Sheet Position	-	(35.277)	(528.524)	42.846	980.555	-	-	459.600
Financial Derivative Assets	-	35.080.873	16.456.123	4.917.170	2.570.330	-	-	59.024.496
Financial Derivative Liabilities	-	35.116.150	16.984.647	4.874.324	1.589.775	-	-	58.564.896
Non-cash Loans	59.891.258	2.365.985	7.670.924	39.455.438	32.257.523	4.250.660	195.124	146.086.912
Prior Period 31 December 2017								
Total Assets	50.919.082	18.929.714	23.628.689	116.762.600	164.763.387	71.096.945	10.825.712	456.926.129
Total Liabilities	80.054.211	202.342.883	37.340.267	54.711.293	22.933.230	6.034.152	53.510.093	456.926.129
Liquidity Gap	(29.135.129)	(183.413.169)	(13.711.578)	62.051.307	141.830.157	65.062.793	(42.684.381)	-
Net Off-Balance Sheet Position	-	289.511	(50.634)	(18.587)	520.911	-	-	741.201
Financial Derivative Assets	-	31.372.193	5.138.945	4.045.596	2.487.182	-	-	43.043.916
Financial Derivative Liabilities	-	31.082.682	5.189.579	4.064.183	1.966.271	-	-	42.302.715
Non-cash Loans	44.309.179	4.153.866	4.677.686	25.135.933	20.450.899	3.599.059	-	102.326.622

(1) 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 non-performing 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.

(2) Deferred tax asset is included under the "Undistributed" column

(3) Net amount of non-performing loans are presented in "Undistributed" column.

(4) Allowance for expected credit losses for financial assets and other assets are recognized in the related account.

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

VI. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO

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

The Parent Bank’s consolidated leverage ratio calculated by force of the regulation “Regulation on Measurement and Assessment of Leverage Ratios of Banks” is 6,91% (31 December 2017: 7,98%). The decrease on leverage ratios results from the increase on total risk amount. The regulation sentenced the minimum leverage ratio as 3%.

	Current Period ⁽¹⁾ 30 September 2018	Prior Period ⁽¹⁾ 31 December 2017
Balance sheet assets		
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	574.465.227	452.721.717
(Assets deducted in determining Tier 1 capital)	(6.949.576)	(2.586.076)
Total on-balance sheet risks (sum of lines 1 and 2)	567.515.651	450.135.641
Derivative financial instruments and credit derivatives		
Replacement cost associated with all derivative financial instruments and credit derivatives	4.384.091	1.590.316
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	772.198	500.985
Total risks of derivative financial instruments and credit derivatives	5.156.289	2.091.301
Securities or commodity financing transactions (SCFT)		
Risks from SCFT assets	5.250.719	5.102.788
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	5.250.719	5.102.788
Other off-balance sheet transactions		
Gross notional amounts of off-balance sheet transactions	190.358.844	136.027.916
(Adjustments for conversion to credit equivalent amounts)	(3.754.911)	(1.937.432)
Total risks of off-balance sheet items	186.603.933	134.090.484
Capital and total risks		
Tier 1 capital	52.656.138	47.185.249
Total risks	764.526.592	591.420.214
Leverage ratio		
Leverage ratio (%)	6,91	7,98

⁽¹⁾ The amounts shown in the table are 3 month averages.

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

	Current Period ⁽¹⁾ 30 September 2018	Prior Period ⁽¹⁾ 31 December 2017
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ⁽²⁾	585.099.832	456.979.890
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”	59.661	53.761
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	164.313.938	97.270.270
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 of such instruments	51.239.271	14.574.814
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	3.754.911	1.937.432
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	(52.105.899)	(18.087.286)
Total Risk Amount	764.526.592	591.420.214

⁽¹⁾ The amounts shown in the table are 3 month averages.

⁽²⁾ 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 not audited financial statements dated 30 September 2018 of the nonfinancial subsidiaries.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

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

SECTION FOUR (Continued)

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

VII. 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. As of 30 September 2018, 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 (Risk Weighted Amounts) flow statements of credit risk exposures under IRB

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

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

1. Explanations on Risk Management and Risk Weighted Amount (Continued)

Overview of Risk Weighted Amounts

		Risk Weighted Amount Current Period 30 September 2018	Minimum capital Requirement Current Period 30 September 2018
1	Credit Risk (excluding counterparty credit risk)	371.046.599	29.683.728
2	Standardised approach	371.046.599	29.683.728
3	Internal rating-based approach	-	-
4	Counterparty credit risk	3.853.198	308.256
5	Standardised approach for counterparty credit risk	3.853.198	308.256
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	1.668.663	133.492
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	20.650.120	1.652.010
17	Standardised approach	20.650.120	1.652.010
18	Internal model approaches	-	-
19	Operational risk	31.723.724	2.537.898
20	Basic Indicator approach	31.723.724	2.537.898
21	Standard approach	-	-
22	Advanced measurement approach	-	-
23	The amount of the discount threshold under the equity(subject to a 250% risk weight)	-	-
24	Floor adjustment	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	428.942.304	34.315.384

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SECTION FOUR (Continued)

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

VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT

1. Explanations on Risk Management and Risk Weighted Amount (Continued)

Overview of Risk Weighted Amounts (Continued)

		Risk Weighted Amount	Minimum capital requirement
		Prior Period	Prior Period
		31 December 2017	31 December 2017
1	Credit Risk (excluding counterparty credit risk)	305.800.542	24.464.043
2	Standardised approach	305.800.542	24.464.043
3	Internal rating-based approach	-	-
4	Counterparty credit risk	3.434.653	274.772
5	Standardised approach for counterparty credit risk	3.434.653	274.772
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	1.108.145	88.652
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	18.965.749	1.517.260
17	Standardised approach	18.965.749	1.517.260
18	Internal model approaches	-	-
19	Operational risk	25.145.817	2.011.665
20	Basic Indicator approach	25.145.817	2.011.665
21	Standard approach	-	-
22	Advanced measurement approach	-	-
23	The amount of the discount threshold under the equity(subject to a 250% risk weight)	-	-
24	Floor adjustment	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	354.454.906	28.356.392

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SECTION FOUR (Continued)

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

VII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

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

The Group has operations in retail banking, corporate and entrepreneurial 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 funds whose risk does not belong to the Parent Bank, credit cards, automatic payment, cheques and notes, money transfer order, foreign exchange transactions, internet banking, mobile banking, safe-deposit box and insurance brokerage services. Moreover, existing instruments are improved and new banking instruments are created in order to benefit from services undertaken as being a state bank in increasing the profitability of the Parent Bank. By “Finart” system, which is working in a centralized manner, the Bank has the technical infrastructure required by modern banking sector to meet its clients’ needs.

In the context of corporate and entrepreneurial banking, the Group gives loans for operations, 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 Parent Bank is the main financial institution that meets the financing needs of agricultural sector in Turkey, it extends agricultural operations 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 funds.

Treasury transactions and international banking activities are conducted by the Treasury Management and International Banking Executive Vice Presidency By foregoing departments, the Parent Bank's liquidity is used for Turkish Lira, foreign exchange and securities transactions in local and international organized and over-the-counter markets, and enables sources of funds in Turkish Lira and foreign currencies according to the needs of the Parent Bank. The Parent Bank acts as an intermediary for transaction of securities and Eurobonds by the related departments, for transaction of shares and public offerings as an agency of Ziraat Yatırım Menkul Değerler A.Ş. and for transaction of investment funds founded by Ziraat Portföy Yönetimi A.Ş. and other portfolio management companies’, and keeps records of these financial instruments and the Parent Bank performs repo/reverse repo transactions. Besides the Parent Bank performs derivative transactions which are accounted as held for trading. As financial derivative transactions, the Parent Bank performs foreign currency forward agreements and currency swap transactions. Besides, the Parent Bank has commission revenue from insurance and other finance institutions by rendering agency services through its branches.

Besides, the Parent Bank has commission revenue from insurance, non-life insurance and Personal Retirement insurances and other finance institutions by rendering agency services through its Branches.

As of 30 September 2018 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”.

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SECTION FOUR (Continued)

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

VIII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)

1. Table for Segment Reporting

	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Corrections	Other/ Undistributed	Total
Current Period 30 September 2018							
OPERATING INCOME/EXPENSE							
Interest Income	8.393.888	13.996.371	5.031.372	10.910.494	-	341.775	38.673.900
Interest Income from Loans	8.393.888	13.996.371	5.031.372	3.302.879	-	39.859	30.764.369
Interest Income from Banks	-	-	-	332.669	-	-	332.669
Interest Income from Securities	-	-	-	6.776.429	-	-	6.776.429
Other Interest Income	-	-	-	498.517	-	301.916	800.433
Interest Expense	8.466.742	3.653.834	-	8.618.333	-	122.440	20.861.349
Interest Expense on Deposits	8.466.742	3.653.834	-	1.172.043	-	11	13.292.630
Interest Expense on Funds Borrowed	-	-	-	1.113.019	-	-	1.113.019
Interest Expense on Money Market Transactions	-	-	-	5.415.396	-	-	5.415.396
Interest Expense on Securities Issued	-	-	-	917.875	-	-	917.875
Other Interest Expense	-	-	-	-	-	122.429	122.429
Net Interest Income/Expense	(72.854)	10.342.537	5.031.372	2.292.161	-	219.335	17.812.551
Net Fees and Commission Income/Expense	1.278.821	1.023.999	69.472	(471.263)	-	27.437	1.928.466
Fees and Commissions Received	1.287.262	1.027.218	69.492	10.117	-	277.714	2.671.803
Fees and Commissions Paid	8.441	3.219	20	481.380	-	250.277	743.337
Personnel Expense	-	-	-	-	-	2.370.915	2.370.915
Dividend Income	-	-	-	291.626	(286.992)	-	4.634
Trading Income/Loss (Net)	-	-	-	(3.209.136)	-	494	(3.208.642)
Other Operating Income	27.949	131.568	20.589	2.660	-	1.936.215	2.118.981
Provision for Loans or Other Receivables	-	-	-	-	-	-	-
Losses	769.893	2.104.650	505.611	751	-	61.376	3.442.281
Other Operating Expense	1.272.420	62.398	36.743	-	-	3.043.360	4.414.921
Income Before Tax	(808.397)	9.331.056	4.579.079	(1.094.703)	(286.992)	(3.292.170)	8.427.873
Profit/Loss on Equity Method Applied	-	-	-	-	-	-	-
Subsidiaries	-	-	-	-	28.682	-	28.682
Tax Provision	-	-	-	-	-	(1.928.946)	(1.928.946)
Net Profit/Loss	(808.397)	9.331.056	4.579.079	(1.094.703)	(258.310)	(5.221.116)	6.527.609
SEGMENT ASSETS 30 September 2018							
Financial Assets at FV Through P/L	-	-	-	66.863	-	-	66.863
Banks and Other Financial Institutions	-	-	-	8.770.146	-	-	8.770.146
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	78.160.758	147	-	78.160.905
Loans	95.611.442	238.410.996	61.956.709	19.805.537	-	192.854	415.977.538
Financial Assets Measured at Amortised Cost	-	-	-	10.511.182	-	-	10.511.182
Derivative Financial Assets	-	-	-	3.487.083	-	-	3.487.083
Associates, Subsidiaries and Joint Ventures	-	-	-	6.825.860	(6.614.443)	-	211.417
Other Assets	-	-	-	-	(39.405)	67.894.442	67.855.037
TOTAL SEGMENT ASSETS	95.611.442	238.410.996	61.956.709	127.627.429	(6.653.701)	68.087.296	585.040.171
SEGMENT LIABILITIES 30 September 2018							
Deposits	267.120.491	60.862.631	-	35.363.707	-	7.221.521	370.568.350
Derivative Financial Liabilities Held for Trading	-	-	-	2.113.987	-	-	2.113.987
Funds Borrowed	-	-	-	45.689.067	-	-	45.689.067
Money Market Funds	-	-	-	71.680.873	-	-	71.680.873
Securities Issued (Net)	-	-	-	17.217.973	-	-	17.217.973
Provisions	1.151	391.357	-	774	-	4.843.734	5,237.016
Other Liabilities	-	-	-	-	(95.773)	17,641.566	17,545.793
Shareholders' Equity	-	-	-	-	(6,557,928)	61,545,040	54,987,112
Total Segment Liabilities	267.121.642	61.253.988	-	172.066.381	(6.653.701)	91.251.861	585.040.171
OTHER SEGMENT ITEMS 30 September 2018							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	266.074	266.074
Restructuring Costs	-	-	-	-	-	-	-

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SECTION FOUR (Continued)

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

VIII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)

1. Table for Segment Reporting (Continued)

	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Corrections	Other/ Undistributed	Total
Prior Period							
OPERATING INCOME/EXPENSE							
30 September 2017							
Interest Income	6.677.978	9.959.521	4.146.227	5.732.277	-	241.458	26.757.461
Interest Income from Loans	6.677.978	9.959.521	4.146.227	443.773	-	27.079	21.254.578
Interest Income from Banks	-	-	-	183.422	-	3.811	187.233
Interest Income from Securities	-	-	-	4.517.467	-	-	4.517.467
Other Interest Income	-	-	-	587.615	-	210.568	798.183
Interest Expense	5.618.069	2.789.515	-	5.162.148	-	102.671	13.672.403
Interest Expense on Deposits	5.618.069	2.785.525	-	604.169	-	3.312	9.011.075
Interest Expense on Funds Borrowed	-	3.947	-	492.921	-	21.183	518.051
Interest Expense on Money Market Transactions	-	-	-	3.609.466	-	-	3.609.466
Interest Expense on Securities Issued	-	-	-	455.592	-	15.904	471.496
Other Interest Expense	-	43	-	-	-	62.272	62.315
Net Interest Income/Expense	1.059.909	7.170.006	4.146.227	570.129	-	138.787	13.085.058
Net Fees and Commission Income/Expense	1.030.402	408.481	73.756	(240.894)	-	97.284	1.369.029
Fees and Commissions Received	1.030.402	415.170	73.756	4.438	-	185.529	1.709.295
Fees and Commissions Paid	-	6.689	-	245.332	-	88.245	340.266
Dividend Income	-	-	-	283.827	(282.201)	5.405	7.031
Trading Income/Loss (Net)	-	6.355	-	(337.009)	-	(6.814)	(337.468)
Other Operating Income	30.678	246.314	14.760	1.282	-	2.438.713	2.731.747
Provision for Loans or Other Receivables							
Losses	466.441	876.530	295.114	212	1.754	336.416	1.976.467
Other Operating Expense	92.618	551.947	35.303	-	(1.351)	5.240.010	5.918.527
Income Before Tax	1.561.930	6.402.679	3.904.326	277.123	(282.604)	(2.903.051)	8.960.403
Profit/Loss on Equity Method	-	-	-	-	19.975	-	19.975
Tax Provision	-	-	-	-	-	(1.914.107)	(1,914,107)
Net Profit/Loss	1.561.930	6.402.679	3.904.326	277.123	(262.629)	(4.817.158)	7.066.271
SEGMENT ASSETS 31 December 2017							
Financial Assets at FV Through P/L	-	-	-	1.439.036	-	28.827	1,467,863
Banks and Other Financial Institutions	-	-	-	4,074,040	-	1,690,485	5,764,525
Financial Assets Available for Sale (Net)	-	-	-	63,625,878	1,727	10,626	63,638,231
Loans	86,409,546	164,623,963	54,642,948	11,336,455	-	7,576	317,020,488
Held to Maturity Investments (Net)	-	-	-	7,595,887	-	29,876	7,625,763
Associates, Subsidiaries and Joint Ventures	-	-	-	5,313,062	(5,161,312)	36,288	188,038
Other Assets	-	-	-	-	(104,524)	61,325,745	61,221,221
Total Segment Assets	86.409.546	164.623.963	54.642.948	93.384.358	(5.264.109)	63.129.423	456.926.129
SEGMENT LIABILITIES 31 December 2017							
Deposits	199,692,047	61,906,376	-	16,842,602	-	4,128,588	282,569,613
Derivative Financial Liabilities Held for Trading	-	-	-	547,769	-	1,141	548,910
Funds Borrowed	-	-	-	30,458,041	-	660,212	31,118,253
Money Market Funds	-	-	-	56,309,523	-	-	56,309,523
Securities Issued (Net)	-	-	-	13,296,528	-	177,752	13,474,280
Provisions	-	-	-	-	25,094	10,336,943	10,362,037
Other Liabilities	-	-	-	-	(104,524)	14,164,881	14,060,357
Shareholders' Equity	-	-	-	-	(5,184,680)	53,667,836	48,483,156
Total Segment Liabilities	199.692.047	61.906.376	-	117.454.463	(5.264.110)	83.137.353	456.926.129
OTHER SEGMENT ITEMS 30 September 2017							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	347,804	347,804
Restructuring Costs	-	-	-	-	-	-	-

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Current Period)

In accordance with the transition provisions of TFRS 9, the prior period financial statements and footnotes are not restated. Footnotes prepared on different bases are presented in separate tables.

1. Information on Cash and Balances with Central Bank of the Republic of Turkey

	Current Period 30 September 2018	
	TL	FC
Cash in TL/Foreign Currency	2.437.030	1.936.762
Central Bank of the Republic of Turkey	5.107.710	41.747.051
Other	300	260.858
Total	7.545.040	43.944.671

Information on Required Reserves

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

As of the balance sheet date, according to CBRT’s Communiqué about Required Reserves No. 2018/6, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity, and for deposits up to 3-months maturity 8%; for deposits up to 6-months maturity 5%; for deposits up to 1-year maturity 3%; for deposits 1-year and longer maturity 1,5%; for TL liabilities other than deposits up to 1-year maturity 8%; for TL liabilities other than deposits between 1- and 3-years maturity 4,5%; for TL liabilities other than deposits more than 3-years maturity 1,5%; for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturities 12%; for FC deposit accounts with 1-year and longer maturity 8%, for FC liabilities other than deposits up to 1-year maturity 20%; for FC liabilities other than deposits up to 2-years maturity 15%; for FC liabilities other than deposits up to 3-years maturity 10%; for FC liabilities other than deposits up to 5-years maturity 6%; and for FC liabilities other than deposits more than 5-years maturity 4%.

According to the press release of CBRT held on 21 October 2014, interest payment for Turkish Lira reserve requirement has been commenced from the November 2014 maintenance period. In addition, according to Press Release of CBRT on Remuneration of Foreign Currency Required and Free Reserves numbered 2015/35, the implementation of remuneration for US dollars denominated required reserves, reserve options and free reserves held at CBRT has been started as of 5 May 2015.

Information on the account of the Central Bank of the Republic of Turkey

	Current Period 30 September 2018	
	TL	FC
Unrestricted Demand Deposit	4.829.593	6.212.758
Unrestricted Time Deposit	-	-
Restricted Time Deposit	-	4.559.681
Other ⁽¹⁾	278.117	30.974.612
Total	5.107.710	41.747.051

⁽¹⁾ Includes required reserves and CBRT Restricted Electronic Money Funds amounting to TL 9.724. Required reserve of branches abroad amounting to TL 128.547 is presented in this line. TL 9.363.936 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 Measured at Fair Value Through Profit or Loss Given or Blocked as Collateral or Subject to Repurchase Agreements

None.

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Current Period) (Continued)

3. Positive Differences Related to The Derivative Financial Assets

	Current Period 30 September 2018	
	TL	FC
Derivative financial assets held-for-trading		
Forward Transactions	465.557	40.512
Swap Transactions	2.597.233	383.478
Futures Transactions	-	-
Options	303	-
Other	-	-
Total	3.063.093	423.990

4. Information on Banks and Other Financial Institutions

4.1. Information on Banks

	Current Period 30 September 2018	
	TL	FC
Banks		
Domestic Banks	2.241.655	76.910
Foreign Banks	222.194	5.984.040
Foreign Head Office and Branches	-	-
Total	2.463.849	6.060.950

5. Explanation Regarding to the Comparison of Net Values of Financial Assets Available-For-Sale Given or Blocked as Collateral and Subject to Repurchase Agreements

	Current Period 30 September 2018
Assets Subject to Repurchase Agreements	33.501.496
Assets Blocked/Given as Collateral	41.184.807
Total	74.686.303

6. Information on financial assets at fair value through other comprehensive income

	Current Period 30 September 2018
Debt Securities	87.254.395
Quoted in Stock Exchange	87.030.805
Not Quoted in Stock Exchange	223.590
Share Certificates	479.304
Quoted in Stock Exchange	299.742
Not Quoted in Stock Exchange	179.562
Provision for Impairment (-)	9.572.794
Total	78.160.905

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 30 September 2018	
	Cash	Non-Cash
Direct Loans Granted to Shareholders of the Group		
Legal Entities	-	-
Individuals	-	-
Indirect Loans Granted to Shareholders of the Group		
Loans Granted to Employees of the Group ⁽¹⁾⁽²⁾	410.439	-
Total	410.439	-

(1) Interest rediscount and interest accrual amounting TL 3.887, are not included in the table above.

(2) Since the balance of overdraft accounts related to employees amounting TL 16.583, is showed under Table 7.4. as overdraft accounts (real person), it is not included to the table above.

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Current Period) (Continued)

7. Information Related to Loans (Continued)

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

Current Period 30 September 2018	Loans Under Close Monitoring			
	Standard Loans	Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled Loans with revised contract terms	Refinancing
Cash Loans				
Non-Specialized Loans	328.775.345	13.432.915	643.860	25.425
Commercial Loans	211.068.099	5.276.111	565.583	25.425
Export Loans	9.306.777	20.575	-	-
Import Loans	687.995	2.910	-	-
Loans Given to Financial Sector	3.474.478	6.794.922	-	-
Consumer Loans	89.340.045	1.175.405	77.639	-
Credit Cards	5.090.712	111.289	484	-
Other	9.807.239	51.703	154	-
Specialized Lending ^{(1) (2)}	56.357.368	1.364.043	491.056	-
Other Receivables	-	-	-	-
Interest Income Accruals	9.882.608	1.447.846	44.929	1.395
Total	395.015.321	16.244.804	1.179.845	26.820

⁽¹⁾ Agricultural loans of funds originated are shown in specialized lendings.

⁽²⁾ Farmer support agricultural loans are shown in specialized lendings.

	Standard Loans	Loans Under Close Monitoring
12-Month expected credit losses	814.391	-
Significant increase in credit risk	-	1.701.797

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended	6.124.545	3.606.508
3 - 4 or 5 Times Extended	443.130	403.188
Over 5 Times Extended	7.800	10.715

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	3.192.395	2.139.732
6 - 12 Months	1.254.336	484.668
1 - 2 Years	366.611	407.995
2 - 5 Years	1.580.828	909.938
5 Years and Over	181.305	78.078
Total	6.575.475	4.020.411

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Current Period) (Continued)

7. Information Related to Loans (Continued)

7.3. Information on Consumer Loans, Individual Credit Cards and Personnel Loans and Personnel Credit Cards

Current Peiod 30 September 2018	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	650.318	87.494.162	88.144.480
Real Estate Loans ⁽²⁾	11.408	54.633.620	54.645.028
Vehicle Loans	4.607	279.495	284.102
Consumer Loans ⁽²⁾	634.303	32.581.047	33.215.350
Other	-	-	-
Consumer Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	381.578	515.943	897.521
Real Estate Loans	184	113.462	113.646
Vehicle Loans	-	945	945
Consumer Loans	2.463	124.605	127.068
Other	378.931	276.931	655.862
Individual Credit Cards-TL	3.984.962	111.853	4.096.815
With Installment	1.236.520	108.490	1.345.010
Without Installment	2.748.442	3.363	2.751.805
Individual Credit Cards-FC	53.095	-	53.095
With Installment	-	-	-
Without Installment	53.095	-	53.095
Personnel Loans-TL	11.596	250.422	262.018
Real Estate Loans	-	2.372	2.372
Vehicle Loans	-	97	97
Consumer Loans	11.596	247.953	259.549
Other	-	-	-
Personnel Loans-Indexed to FC	128	315	443
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	128	315	443
Other	-	-	-
Personnel Loans-FC	1.730	34.074	35.804
Real Estate Loans	-	1.497	1.497
Vehicle Loans	-	-	-
Consumer Loans	-	943	943
Other	1.730	31.634	33.364
Personnel Credit Cards-TL	110.144	1.995	112.139
With Installment	41.792	1.904	43.696
Without Installment	68.352	91	68.443
Personnel Credit Cards-FC	35	-	35
With Installment	-	-	-
Without Installment	35	-	35
Overdraft Accounts-TL (Real Person)	1.252.796	-	1.252.796
Overdraft Accounts-FC (Real Person)	27	-	27
Total ⁽¹⁾	6.446.409	88.408.764	94.855.173

⁽¹⁾ TL 636.599 of interest income accrual is not included in the table above.

⁽²⁾ Consumer loans originated from funds amounting to TL 3.860.040 of are included in the table above.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Current Period) (Continued)

7. Information Related to Loans (Continued)

7.4. Information on Commercial Installment Loans and Corporate Credit Cards

Current Period 30 September 2018	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	1.531.746	34.342.213	35.873.959
Business Loans	5.108	984.824	989.932
Vehicle Loans	84.399	975.556	1.059.955
Consumer Loans	1.442.239	32.381.833	33.824.072
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	63.374	63.374
Business Loans	-	-	-
Vehicle Loans	-	63.374	63.374
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	1.032.723	34.402.692	35.435.415
Business Loans	463.337	1.443.491	1.906.828
Vehicle Loans	640	18.461	19.101
Consumer Loans	291.835	32.052.269	32.344.104
Other	276.911	888.471	1.165.382
Corporate Credit Cards-TL	924.066	14.735	938.801
With Installment	312.735	14.691	327.426
Without Installment	611.331	44	611.375
Corporate Credit Cards-FC	1.600	-	1.600
With Installment	1.507	-	1.507
Without Installment	93	-	93
Overdraft Account-TL (Legal Entity)	481.583	-	481.583
Overdraft Account-FC (Legal Entity)	15.218	-	15.218
Total ⁽¹⁾	3.986.936	68.823.014	72.809.950

⁽¹⁾ Accruals and rediscount amounts are not included in the table above.

7.5. Breakdown of Domestic and International Loans

	Current Period 30 September 2018
Domestic Loans	387.238.370
Foreign Loans	13.851.642
Interest Income Accruals of Loans	11.376.778
Total	412.466.790

7.6. Loans Granted to Subsidiaries and Associates

None.

7.7. Specific provisions provided against loans

	Current Period 30 September 2018
Loans and other receivables with limited collectability	259.913
Loans and other receivables with doubtful collectability	969.322
Uncollectible loans and other receivables	4.235.154
Total	5.464.389

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Current Period) (Continued)

7. Information Related to Loans (Continued)

7.8. Information on Non-Performing Receivables (Net)

7.8.1. Information on Non-Performing Loans and Loans which are Restructured or Rescheduled

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period 30 September 2018	22.157	62.340	163.307
Gross amounts before the provisions	-	-	-
Rescheduled loans	22.157	62.340	163.307

7.8.2. Information on the Movement of Non-Performing Receivables

	Group III	Group IV	Group V
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior Period Ending Balance	395.153	559.151	4.074.663
Additions (+)	2.245.134	400.418	551.713
Transfers from Other Categories of Loans under Follow-Up (+)	-	1.545.136	716.558
Transfers to Other Categories of Loans under Follow-Up (-)	1.545.136	716.558	-
Collections (-)	237.642	160.568	431.414
Write-offs (-)	13.528	920	28.401
Sold Portfolio	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance	843.981	1.626.659	4.883.119
Provision (-)	259.913	969.322	4.235.154
Net Balance on Balance Sheet	584.068	657.337	647.965

7.8.3. Information on Foreign Currency Non-Performing Loans

	Group III	Group IV	Group V
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period: 30 September 2018			
Period Ending Balance	161.651	325.469	509.236
Provision (-)	32.299	102.174	470.287
Net Balance on Balance Sheet	129.352	223.295	38.949

7.8.4. Gross and Net Amounts of Non-Performing Receivables According to User Groups

	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
Current Period (Net) 30 September 2018	584.068	657.337	647.965
Loans to Real Persons and Legal Entities (Gross)	843.981	1.626.659	4.785.517
Specific Provisions (-)	259.913	969.322	4.137.552
Loans to Real Persons and Legal Entities (Net)	584.068	657.337	647.965
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	97.602
Specific Provisions (-)	-	-	97.602
Other Loans and Receivables (Net)	-	-	-

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Current Period) (Continued)

7. Information Related to Loans (Continued)

7.8. Information on Non-Performing Receivables (Net)

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period (Net) 30 September 2018 ⁽¹⁾	27.448	21.789	6.379
Interest Accruals and Valuation Differences	44.034	49.301	9.734
Provision (-)	16.586	27.512	3.355

⁽¹⁾ The amounts in the table are composed of uncollected accrual and rediscount balances before the transition to non-performing receivables.

8. Financial Assets Measured at Amortised Cost

8.1. Information on Comparative Net Values of Subject to Repo Transactions and Given as a Collateral/Blocked

Financial Assets Measured at Amortised Cost subject to repo transactions

	Current Period 30 September 2018	
	TL	FC
Government Bonds	2.151.808	2.003.063
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-
Asset Backed Securities	-	-
Other	-	-
Total	2.151.808	2.003.063

Financial Assets Measured at Amortised Cost given as collateral or blocked

	Current Period 30 September 2018	
	TL	FC
Bills	-	-
Bonds and Similar Investment Securities	2.612.395	3.354.829
Other	-	-
Total	2.612.395	3.354.829

8.2. Information on Government Bonds and Treasury Bills Measured at Amortised Cost

	Current Period 30 September 2018
Government Bonds	10.387.268
Treasury Bills	-
Other Public Sector Debt Securities	8.792
Total	10.396.060

8.3. Information on Investments Measured at Amortised Cost

	Current Period 30 September 2018
Debt securities	10.512.179
Quoted in a Stock Exchange	10.387.268
Not Quoted in a Stock Exchange	124.911
Provision for Impairment (-)	-
Total	10.512.179

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Current Period) (Continued)

8. Financial Assets Measured at Amortised Cost (Continued)

8.4 Movements of Financial Assets Measured at Amortised Cost

	Current Period 30 September 2018
Beginning Balance	7.625.763
Foreign Currency Differences on Monetary Assets ⁽¹⁾	2.571.014
Purchases During the Year	3.143.118
Disposals through Sales and Redemptions	(2.827.716)
Provision for Impairment (-)	-
Period End Balance	10.512.179

⁽¹⁾ Accruals are shown in “Purchases During the Year”.

9. Information About Associates Accounts (Net)

9.1. Information About Unconsolidated Associates

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage, if Different, Voting Percentage (%)	The Parent Bank’s Risk Group Share Percentage (%)
1	Bankalararası Kart Merkezi A.Ş.	İstanbul/Turkey	12,50	17,98
2	Kredi Kayıt Bürosu A.Ş.	İstanbul/Turkey	10,00	9,09

	Total Assets ⁽²⁾	Shareholders’ Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾⁽³⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽²⁾	Prior Period Profit / Loss ⁽²⁾	Fair Value ⁽¹⁾
1	105.286	68.797	48.892	4.119	-	19.703	6.983	-
2	291.183	176.342	151.912	1.487	-	30.093	36.919	-

⁽¹⁾ Since shares of associates are not traded in the stock market, fair values cannot be identified.

⁽²⁾ Current period information of associates has been provided from unaudited financial statements as of 30 September 2018. Prior period profit/loss information of associates has been provided from unaudited financial statements as of 30 September 2017.

⁽³⁾ Total non-current assets include tangible and intangible fixed assets

9.2. Explanation Regarding Consolidated Associates

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage, if Different, Voting Percentage (%)	The Parent Bank’s Risk Group Share Percentage (%)
1	Arap Türk Bankası A.Ş.	İstanbul/Turkey	25,00	15,43

	Total Assets ⁽²⁾	Shareholder s’ Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽²⁾	Prior Period Profit / Loss ⁽²⁾	Fair Value ⁽¹⁾
1	6.504.738	827.515	116.633	187.548	25.961	63.711	66.783	-

⁽¹⁾ Since shares of ArapTürk Bankası A.Ş. are not traded in the stock market, fair values cannot be identified.

⁽²⁾ Current period information of Arap Türk Bankası A.Ş. has been provided from unaudited financial statements as of 30 September 2018. Prior period profit/loss information of ArapTürk Bankası A.Ş. has been provided from audited financial statements as of 30 September 2017.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Current Period) (Continued)

9. Information about Associates Accounts (Net) (Continued)

9.2. Information about Associates (Continued)

	Current Period 30 September 2018
Balance at the Beginning of the Period	121.185
Movement During the Period	6.501
Additions	-
Bonus Share Certificates	-
Shares of Current Year Profits	9.831
Transfer	-
Sales	-
Revaluation Increase	65
Impairment Provision (-) ⁽¹⁾	3.395
Balance at the End of the Period	127.686
Capital Commitments	-
Period Ending Share of Capital Participation (%)	15,43

⁽¹⁾ The amount of dividends received from Arap Türk Bankası A.Ş.

9.3. Sectoral Information and Related Amounts of Associates

	Current Period 30 September 2018
Banks	127.686
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Associates	-

9.4. Associates Quoted to a Stock Exchange

None (31 December 2017: None).

10. Information on Subsidiaries

10.1. Information about Unconsolidated Subsidiaries

	Description	Address (City/ Country)	The Parent Bank's Share Percentage- if different Voting Percentage (%)	The Parent Bank's Group Share Percentage (%)
1	Ziraat Teknoloji A.Ş.	Istanbul/Turkey	100,00	100,00

	Total Assets ⁽²⁾	Shareholders' Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽²⁾	Prior Period Profit / Loss ⁽²⁾	Fair Value ⁽¹⁾
1	56.639	9.066	4.977	1.190	223	(4.029)	(1.108)	-

⁽¹⁾ Since shares of subsidiaries are not traded in the stock market, fair values cannot be identified.

⁽²⁾ Current period information of subsidiaries has been provided from unaudited financial statements as of 30 September 2018. Prior period profit/loss information has been provided from audited financial statements as of 30 September 2017.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Current Period) (Continued)

10. Information on Subsidiaries (Net) (Continued)

10.2. Information about Consolidated Subsidiaries

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 in the consolidated financial statements of the Parent Bank.

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage- if different Voting Percentage (%)	The Parent Bank’s Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	İstanbul / Turkey	100,00	100,00
2	Ziraat Sigorta A.Ş.	İstanbul / Turkey	100,00	100,00
3	Ziraat Finansal Kiralama A.Ş.	İstanbul / Turkey	100,00	100,00
4	Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul / Turkey	100,00	99,60
5	Ziraat Portföy Yönetimi A.Ş.	İstanbul / Turkey	100,00	99,80
6	Ziraat Katılım Bankası A.Ş.	İstanbul / Turkey	100,00	100,00
7	Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul / Turkey	100,00	100,00
8	Ziraat Bank International A.G.	Frankfurt / Germany	100,00	100,00
9	Ziraat Bank BH d.d.	Sarajevo / Bosnia Herzegovina	100,00	100,00
10	Ziraat Bank (Moscow) JSC	Moscow / Russia	100,00	100,00
11	Kazakhstan Ziraat Int. Bank	Almaty / Kazakhstan	100,00	99,58
12	Ziraat Bank Azerbaycan ASC	Baku / Azerbaijan	100,00	100,00
13	Ziraat Bank Montenegro AD	Podgorica / Montenegro	100,00	100,00
14	JSC Ziraat Bank Georgia	Tbilisi / Georgia	100,00	100,00
15	Ziraat Bank Uzbekistan JSC	Tashkent / Uzbekistan	100,00	100,00

	Total Assets ⁽⁴⁾	Shareholders’ Equity ⁽⁴⁾	Total Non- Current Assets ⁽⁴⁾	Interest Income ⁽³⁾⁽⁴⁾	Income from Marketable Securities ⁽²⁾⁽⁴⁾	Current Period Profit / Loss ⁽⁴⁾	Prior Period Profit /Loss ⁽⁴⁾	Fair Value ⁽¹⁾	Shareholders equity amount needed
1	7.323.671	868.817	1.585	217.870	-	382.070	314.019	-	-
2	1.541.125	566.542	914	100.430	-	217.092	158.955	-	-
3	3.682.429	365.814	1.430	5.673	-	30.708	69.537	-	-
4	245.286	165.212	341	-	789.413	51.322	28.098	-	-
5	60.096	53.642	437	6.044	23.061	14.373	10.728	-	-
6	21.728.699	1.640.386	121.455	1.291.286	75.268	242.045	98.592	-	-
7	1.586.718	1.584.314	1.368.512	578	-	33.531	43.279	-	-
8	10.294.809	1.558.311	25.371	274.945	2.641	76.161	51.004	1.467.697	-
9	3.410.840	674.338	120.705	107.081	233	(46.251)	6.305	719.839	-
10	611.568	241.853	16.178	42.184	286	16.664	10.269	150.954	-
11	1.003.902	431.423	20.563	51.479	-	31.158	16.178	286.462	-
12	741.043	226.054	59.638	32.806	522	5.572	6.580	162.098	-
13	423.973	95.548	4.061	9.505	677	(4.173)	(2.643)	100.755	-
14	207.120	94.326	9.806	4.645	2.818	4.388	1.183	70.562	-
15	374.261	156.468	3.365	23.620	-	3.028	8.894	115.629	-

⁽¹⁾ The subsidiaries other than the ones presented with fair value are not traded in stock exchange and accordingly fair values cannot be determined and they are carried at cost less impairment, if any. For the subsidiaries having fair value, fair value shows the portion belonging to Ziraat Bank.

⁽²⁾ The income from marketable securities portfolio of Ziraat Yatırım Menkul Değerler A.Ş. and Ziraat Portföy Yönetimi A.Ş. are representing the net sales.

⁽³⁾ The amount of Ziraat Katılım Bankası A.Ş. shown in interest income column includes incomes from the participation funds.

⁽⁴⁾ Information on the subsidiaries in the table is taken from the unconsolidated financial statements of the subsidiaries dated 30 September 2018 and the previous profit / loss figures are taken from the unaudited financial statements dated 30 September 2017.

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Current Period) (Continued)

10. Information on Subsidiaries (Net) (Continued)

10.2. Information about Consolidated Subsidiaries (Continued)

Information on Consolidated Subsidiaries (Represents Values Belonging to the Parent Bank)

	Current Period 30 September 2018
Balance at the Beginning of the Period	5.138.250
Movements During the Period	1.468.683
Additions to Scope of Consolidation	-
Purchases ⁽¹⁾	770.211
Bonus Shares Obtained	-
Dividends from current year income	-
Sales	-
Revaluation Increase	698.472
Impairment Provision (-)	-
Balance at the End of the Period	6.606.933
Capital Commitments	-
Share percentage at the end of the period (%)	-

⁽¹⁾ Paid Capital Increases made during the period are classified under “Purchases” account.

Sectorial Information on Subsidiaries and The Related Carrying Amounts (Represents Values Belonging to the Parent Bank)

	Current Period 30 September 2018
Banks	4.827.697
Insurance Companies	129.972
Factoring Companies	-
Leasing Companies	282.839
Financing Companies	-
Other Financial Subsidiaries	1.366.425

10.3. Subsidiaries which are Quoted on a Stock Exchange

None.

11. Information on Entities Under Common Control (Joint Ventures)

Entities under Common Control (Joint Ventures) ^(*)	Parent Bank’s Share ^(**)	Group’s Share	Current Assets	Non- Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	104.464	104.464	3.977.342	17.538	26.756	70.186	40.824
Total	104.464	104.464	3.977.342	17.538	26.756	70.186	40.824

⁽¹⁾ Information on entity under joint control is provided from the unaudited financial statements as of 30 September 2018.

⁽²⁾ Represents the Bank’s share in the shareholders’ equity of this entity under common control based on the shareholding rate of the Bank.

Entities under common control domiciled and operating abroad are followed by their fair values in the unconsolidated financial statements of the Parent Bank. 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 in equity.

12. Information on Finance Lease Receivables

Information on finance lease receivables are as below:

	Current Period 30 September 2018	
	Gross	Net
Less than 1 Year	1.669.991	1.490.565
1-5 Years	2.806.308	2.349.053
More than 5 Years	356.553	296.524
Total	4.832.852	4.136.142

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Current Period) (Continued)

13. Information on Derivative Financial Assets for Hedging Purposes

The Group has no derivative financial assets for hedging purposes.

14. Information on Investment Property

None.

15. Information on Deferred Tax Asset if Available

The Group has deferred tax asset amounting to TL 1.838.181.

16. Information on Assets Held For Sale and Tangibles Corresponding Discontinuing Operations

The Group does not have any discontinuing operations. The assets held for sale are composed of immovables acquired due to consumer, commercial and agricultural loans and immovables for which no necessity of usage exists by the Parent Bank. Those immovables considered for sales are announced at the web site of the Parent Bank.

The Group’s immovables acquired amount to TL 1.092.395 consisting of TL 15.511 due to consumer loans, TL 993.038 on its commercial loans and TL 83.846 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 2.838.

17. Explanations on Property and Equipment

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End						
Cost	7.030.213	14.184	47.297	279.218	1.163.308	8.534.220
Accumulated Depreciation (-)	962.491	4.826	31.552	195.778	656.711	1.851.358
Impairment (-)	2.768	-	-	-	462	3.230
Net Book Value	6.064.954	9.358	15.745	83.440	506.135	6.679.632
Current Period End						
Net Book Value at the Beginning of the Period	6.064.954	9.358	15.745	83.440	506.135	6.679.632
Change During the Period (Net)	23.358	(551)	(4.617)	(17.889)	(59.022)	(58.721)
- Cost	32.258	539	(343)	11.133	55.579	99.166
- Depreciation	8.720	1.090	4.274	29.022	114.601	157.707
- Impairment	180	-	-	-	-	180
Net Currency Translation from Foreign Subsidiaries	56.876	-	458	1.050	12.487	70.871
Cost at Period End	7.119.347	14.723	47.412	291.401	1.231.374	8.704.257
Accumulated Depreciation at Period End (-)	971.211	5.916	35.826	224.800	771.312	2.009.065
Impairment (-)	2.948	-	-	-	462	3.410
Closing Net Book Value	6.145.188	8.807	11.586	66.601	459.600	6.691.782

18. 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.

19. 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.

Information on expected credit loss for financial investments

	Current Period 30 September 2018
Cash and balances at Central Bank	548
Banks and Receivables from Money Markets	9.384
Financial assets measured at amortised cost	997
Other Assets	55.986
Total	66.915

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Information on Cash and Balances with Central Bank of the Republic of Turkey as of 31 December 2017

Information on balances with Central Bank of the Republic of Turkey

	Prior Period 31 December 2017	
	TL	FC
Cash in TL/Foreign Currency	2.312.736	1.475.343
Central Bank of the Republic of Turkey	2.964.799	39.313.476
Other	-	153.983
Total	5.277.535	40.942.802

Information on Required Reserves

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

As of the balance sheet date, according to CBRT’s Communiqué about Required Reserves No. 2016/4, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity, and for deposits up to 3-months maturity 10,5%; for deposits up to 6-months maturity 7,5%; for deposits up to 1-year maturity 5,5%; for deposits 1-year and longer maturity 4%; for TL liabilities other than deposits up to 1-year maturity 10,5%; for TL liabilities other than deposits between 1- and 3-years maturity 7%; for TL liabilities other than deposits more than 3-years maturity 4%; for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturities 12%; for FC deposit accounts with 1-year and longer maturity 8%, for FC liabilities other than deposits up to 1-year maturity 24%; for FC liabilities other than deposits up to 2-years maturity 19%; for FC liabilities other than deposits up to 3-years maturity 14%; for FC liabilities other than deposits up to 5-years maturity 6%; and for FC liabilities other than deposits more than 5-years maturity 4%.

According to the press release of CBRT held on 21 October 2014, interest payment for Turkish Lira reserve requirement has been commenced from the November 2014 maintenance period. In addition, according to Press Release of CBRT on Remuneration of Foreign Currency Required and Free Reserves numbered 2015/35, the implementation of remuneration for US dollars denominated required reserves, reserve options and free reserves held at CBRT has been started as of 5 May 2015.

As of 31 December 2017, total reserve requirement of the Group is TL 42.815.417 including Central Banks abroad.

Information on the account of the Central Bank of the Republic of Turkey

	Prior Period 31 December 2017	
	TL	FC
Unrestricted Demand Deposit	2.779.169	4.497.785
Unrestricted Time Deposit	-	-
Restricted Time Deposit	-	6.316
Other ⁽¹⁾	185.630	34.809.375
Total	2.964.799	39.313.476

⁽¹⁾ Includes required reserves and CBRT Restricted Electronic Money Funds amounting to TL 8.541. Required reserve of branches abroad amounting to TL 108.320 is presented in this line. TL 18.737.782 of the current period’s FC required reserve is the part of the TL required reserves that are held in FC.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

22. Information on Financial Assets at Fair Value Through Profit and Loss Given or Blocked as Collateral or Subject to Repurchase Agreements as of 31 December 2017

None.

23. Positive Differences Related to The Derivative Financial Assets Held-for-Trading as of 31 December 2017

Derivative financial assets held-for-trading	Prior Period 31 December 2017	
	TL	FC
Forward Transactions	75.527	27.444
Swap Transactions	803.137	485.432
Futures Transactions	-	-
Options	1.385	3.842
Other	-	-
Total	880.049	516.718

24. Information on Banks and Other Financial Institutions as of 31 December 2017

24.1. Information on Bank Balances as of 31 December 2017

	Prior Period 31 December 2017	
	TL	FC
Banks		
Domestic Banks	2.246.529	1.333.807
Foreign Banks	126.700	1.925.104
Foreign Head Office and Branches	-	-
Total	2.373.229	3.258.911

25. Explanation Regarding to the Comparison of Net Values of Financial Assets Available-For-Sale Given or Blocked as Collateral and Subject to Repurchase Agreements as of 31 December 2017

	Prior Period 31 December 2017
Assets Subject to Repurchase Agreements	15.399.490
Assets Blocked/Given as Collateral	45.702.660
Total	61.102.150

26. Information on Financial Assets Available For Sale 31 December 2017

	Prior Period 31 December 2017
Debt Securities	64.386.278
Quoted in Stock Exchange	64.275.184
Not Quoted in Stock Exchange	111.094
Share Certificates	982.967
Quoted in Stock Exchange	824.280
Not Quoted in Stock Exchange	158.687
Provision for Impairment (-)	1.731.014
Total	63.638.231

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Prior Period) (Continued)

27. Information Related to Loans as of 31 December 2017

27.1 Information on All Types of Loans and Advances Given to Shareholders and Employees of the Group as of 31 December 2017

	Prior Period 31 December 2017	
	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-
Legal Entities	-	-
Individuals	-	-
Indirect Loans Granted to Shareholders	-	188
Loans Granted to Employees⁽¹⁾⁽²⁾	343.693	213
Total	343.693	401

⁽¹⁾ Interest rediscount and interest accrual amounting TL 2.911, are not included in the table above.

⁽²⁾ Since the balance of overdraft accounts related to employees amounting TL 16.543, is showed under Table 27.3. as overdraft accounts (real person), it is not included to the table above.

27.2 Information on the First and Second Group Loans and Other Receivables Including Restructured or Rescheduled Loans as of 31 December 2017

Prior Period 31 December 2017	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms	Other		Loans and other receivables with revised contract terms ⁽¹⁾	Other
Cash Loans						
Non-Specialized Loans	250.756.625	3.640.314	-	1.722.726	2.305.738	-
Commercial Loans	147.284.029	2.306.103	-	1.068.800	2.074.379	-
Export Loans	4.536.246	-	-	24.032	-	-
Import Loans	433.206	607	-	135	2.832	-
Loans Given to Financial Sector	8.018.950	-	-	5.659	-	-
Consumer Loans	80.214.729	1.332.499	-	575.102	225.455	-
Credit Cards	4.124.899	74	-	43.314	2.409	-
Other	6.144.566	1.031	-	5.684	663	-
Specialized Lending ⁽¹⁾⁽²⁾	45.829.370	4.943.655	-	564.931	552.408	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals ⁽²⁾	5.854.409	269.474	-	115.301	240.051	-
Total	302.440.404	8.853.443	-	2.402.958	3.098.197	-

⁽¹⁾ Agricultural loans of funds originated are shown in specialized lendings.

⁽²⁾ Farmer support agricultural loans are shown in specialized lendings.

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended	8.300.250	2.881.483
3 - 4 or 5 Times Extended	550.318	213.720
Over 5 Times Extended	2.875	2.994

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	7.554.937	1.954.951
6 - 12 Months	271.974	294.062
1 - 2 Years	265.174	348.512
2 - 5 Years	716.167	436.757
5 Years and Over	45.191	63.915
Total	8.853.443	3.098.197

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I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Prior Period) (Continued)

27. Information Related to Loans as of 31 December 2017 (Continued)

27.3. Information on Consumer Loans, Individual Credit Cards and Personnel Loans and Personnel Credit Cards as of 31 December 2017

Prior Period 31 December 2017	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	571.124	80.018.469	80.589.593
Real Estate Loans ⁽²⁾	11.764	48.557.484	48.569.248
Vehicle Loans	4.453	239.864	244.317
Consumer Loans ⁽²⁾	550.269	30.657.460	31.207.729
Abroad	3.936	376.587	380.523
Other	702	187.074	187.776
Consumer Loans- Indexed to FC	296	210.364	210.660
Real Estate Loans	-	23.594	23.594
Vehicle Loans	-	132	132
Consumer Loans	-	-	-
Other	296	186.638	186.934
Consumer Loans-FC	2.272	114.682	116.954
Real Estate Loans	147	28.298	28.445
Vehicle Loans	-	-	-
Consumer Loans	770	55.041	55.811
Abroad	869	30.082	30.951
Other	486	1.261	1.747
Individual Credit Cards-TL	3.336.692	65.152	3.401.844
With Installment	1.153.521	62.085	1.215.606
Without Installment	2.183.171	3.067	2.186.238
Individual Credit Cards-FC	430	-	430
With Installment	-	-	-
Without Installment	430	-	430
Personnel Loans-TL	9.482	219.295	228.777
Real Estate Loans	-	2.573	2.573
Vehicle Loans	-	19	19
Consumer Loans	9.359	208.805	218.164
Abroad	105	2.038	2.143
Other	18	5.860	5.878
Personnel Loans-Indexed to FC	30	12.652	12.682
Real Estate Loans	-	3.235	3.235
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	30	9.417	9.447
Personnel Loans-FC	144	2.516	2.660
Real Estate Loans	-	1.134	1.134
Vehicle Loans	-	-	-
Consumer Loans	130	1.092	1.222
Other	14	290	304
Personnel Credit Cards-TL	98.438	1.118	99.556
With Installment	39.313	1.038	40.351
Without Installment	59.125	80	59.205
Personnel Credit Cards-FC	18	-	18
With Installment	-	-	-
Without Installment	18	-	18
Overdraft Accounts-TL (Real Person)	1.186.402	-	1.186.402
Overdraft Accounts-FC (Real Person)	57	-	57
Total ⁽¹⁾	5.205.385	80.644.248	85.849.633

⁽¹⁾ TL 520.675 of interest income accrual is not included in the table above.

⁽²⁾ Consumer loans originated from funds amounting to TL 3.730.985 of are included in the table above.

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27. Information Related to Loans as of 31 December 2017 (Continued)

27.4. Information on Commercial Installment Loans and Corporate Credit Cards as of 31 December 2017

Prior Period 31 December 2017	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	1.615.341	30.542.566	32.157.907
Business Loans	434	487.934	488.368
Vehicle Loans	76.929	991.295	1.068.224
Consumer Loans	1.363.581	28.719.604	30.083.185
Other	174.397	343.733	518.130
Commercial Installment Loans- Indexed to FC	158.703	580.624	739.327
Business Loans	-	-	-
Vehicle Loans	7.847	43.694	51.541
Consumer Loans	-	-	-
Other	150.856	536.930	687.786
Commercial Installment Loans - FC	223.400	19.014.867	19.238.267
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	109.167	18.561.648	18.670.815
Other	114.233	453.219	567.452
Corporate Credit Cards-TL	658.188	10.522	668.710
With Installment	235.346	10.474	245.820
Without Installment	422.842	48	422.890
Corporate Credit Cards-FC	138	-	138
With Installment	-	-	-
Without Installment	138	-	138
Overdraft Account-TL (Legal Entity)	182.646	-	182.646
Overdraft Account-FC (Legal Entity)	-	-	-
Total ⁽¹⁾	2.838.416	50.148.579	52.986.995

⁽¹⁾ Accruals and rediscount amounts are not included in the table above.

27.5. Breakdown of Domestic and International Loans as of 31 December 2017

	Prior Period 31 December 2017
Domestic Loans	299.929.540
Foreign Loans	10.386.227
Interest Income Accruals of Loans	6.479.235
Total	316.795.002

27.6. Loans Granted to Subsidiaries and Associates as of 31 December 2017

None.

27.7. Specific provisions provided against loans as of 31 December 2017

	Prior Period 31 December 2017
Loans and other receivables with limited collectability	394.823
Loans and other receivables with doubtful collectability	556.534
Uncollectible loans and other receivables	3.852.124
Total	4.803.481

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27. Information Related to Loans as of 31 December 2017 (Continued)

27.8. Information on Non-Performing Receivables (Net) as of 31 December 2017

27.8.1. Information on Loans and Other Receivables Included In Non-Performing Receivables which are Restructured or Rescheduled as of 31 December 2017

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period 31 December 2017	8.215	29.876	151.817
Gross amounts before the specific provisions	-	-	-
Loans which are restructured	8.215	29.876	151.817

27.8.2. Information on the Movement of Non-Performing Receivables as of 31 December 2017

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period 31 December 2017			
Prior Period Ending Balance	379.416	993.140	3.007.934
Additions (+)	1.697.196	170.168	301.173
Transfers from Other Categories of Loans under Follow-Up (+)	-	1.505.768	1.915.754
Transfers to Other Categories of Loans under Follow-Up (-)	1.505.768	1.915.754	-
Collections (-)	175.691	194.171	1.150.198
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance	395.153	559.151	4.074.663
Specific Provision (-)	394.823	556.534	3.852.124
Net Balance on Balance Sheet	330	2.617	222.539

27.8.3. Information on Foreign Currency Non-Performing Loans as of 31 December 2017

	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
Prior Period 31 December 2017			
Prior Period:			
Period Ending Balance	32.700	60.049	146.151
Specific Provision (-)	32.700	60.049	146.151
Net Balance on Balance Sheet	-	-	-

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I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Prior Period) (Continued)

27. Information Related to Loans as of 31 December 2017 (Continued)

27.8.4. Gross and Net Amounts of Non-Performing Receivables According to User Groups as of 31 December 2017

	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
Prior Period (Net) 31 December 2017	330	2.617	222.539
Loans to Real Persons and Legal Entities (Gross)	395.153	473.910	4.074.663
Specific Provisions (-)	394.823	471.293	3.852.124
Loans to Real Persons and Legal Entities (Net)	330	2.617	222.539
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	85.241	-
Specific Provisions (-)	-	85.241	-
Other Loans and Receivables (Net)	-	-	-

28. Information on Held-To-Maturity Investments as of 31 December 2017

28.1. Information on Comparative Net Values of Held-to-Maturity Investments Subject to Repo Transactions and Given as a Collateral/Blocked as of 31 December 2017

Held-to-maturity investments subject to repo transactions

	Prior Period 31 December 2017	
	TL	FC
Government Bonds	174.799	2.103.464
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-
Asset Backed Securities	-	-
Other	-	-
Total	174.799	2.103.464

Held-to-maturity investments given as collateral or blocked

	Prior Period 31 December 2017	
	TL	FC
Bills	-	-
Bonds and Similar Investment Securities	2.369.824	2.651.289
Other	-	-
Total	2.369.824	2.651.289

28.2. Information on Held-to-Maturity Government Bonds and Treasury Bills as of 31 December 2017

	Prior Period 31 December 2017
Government Bonds	7.518.530
Treasury Bills	-
Other Public Sector Debt Securities	-
Total	7.518.530

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I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Prior Period) (Continued)

28. Information on Held-To-Maturity Investments as of 31 December 2017

28.3 Information on Held-to-Maturity Investments as of 31 December 2017

	Prior Period 31 December 2017
Debt securities	7.625.763
Quoted in a Stock Exchange	7.518.530
Not Quoted in a Stock Exchange	107.233
Provision for Impairment (-)	-
Total	7.625.763

28.4 Movements of Held-to-Maturity Investments as of 31 December 2017

	Prior Period 31 December 2017
Beginning Balance	8.794.915
Foreign Currency Differences on Monetary Assets	326.988
Purchases During the Year ⁽¹⁾	434.046
Disposals through Sales and Redemptions	(1.930.186)
Provision for Impairment (-)	-
Period End Balance	7.625.763

⁽¹⁾ Accruals are shown in “Purchases During the Year”.

29. Information about Associates Accounts (Net) as of 31 December 2017

29.1. Information About Unconsolidated Associates

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage, if Different, Voting Percentage (%)	The Bank’s Risk Group Share 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

	Total Assets ⁽²⁾	Shareholders’ Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾⁽³⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽²⁾	Prior Period Profit / Loss ⁽²⁾	Fair Value ⁽¹⁾
1	93.761	51.077	53.466	1.547	-	11.181	10.403	-
2	263.183	158.185	150.459	1.720	-	36.272	34.759	-

⁽¹⁾ Since shares of associates are not traded in the stock market, fair values cannot be identified.

⁽²⁾ Current period information of associates has been provided from unaudited financial statements as of 31 December 2017. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 December 2016.

⁽³⁾ Total non-current assets include tangible and intangible fixed assets.

29.2. Explanation Regarding Consolidated Associates as of 31 December 2017

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage, if Different, Voting Percentage (%)	The Parent Bank’s Risk Group Share Percentage (%)
1	Arap Türk Bankası A.Ş.	Istanbul/Turkey	22,22	15,43

	Total Assets ⁽²⁾	Shareholders’ Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽²⁾	Prior Period Profit / Loss ⁽²⁾	Fair Value ⁽¹⁾
1	5.063.759	785.384	115.205	164.771	58.528	80.268	61.597	-

⁽¹⁾ Since shares of Arap Türk Bankası A.Ş. are not traded in the stock market, fair values cannot be identified.

⁽²⁾ Current period information of Arap Türk Bankası A.Ş. has been provided from unaudited financial statements as of 31 December 2017. Prior period profit/loss information of Arap Türk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2016.

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I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Prior Period) (Continued)

29. Information about Associates Accounts (Net) as of 31 December 2017 (Continued)

29.2. Explanation Regarding Consolidated Associates as of 31 December 2017 (Continued)

	Prior Period 31 December 2017
Balance at the Beginning of the Period	98.869
Movement During the Period	22.316
Additions	-
Bonus Share Certificates	-
Shares of Current Year Profits	12.385
Transfer	-
Sales	-
Revaluation Increase	13.326
Impairment Provision (-) ⁽¹⁾	3.395
Balance at the End of the Period	121.185
Capital Commitments	-
Period Ending Share of Capital Participation (%)	15,43

⁽¹⁾ Dividend amount taken from Arap Türk Bankası A.Ş.

Sectoral Information and Related Amounts of Associates as of 31 December 2017

	Prior Period 31 December 2017
Banks	121.185
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Associates	-

29.3. Associates Quoted to a Stock Exchange as of 31 December 2017

None.

30. Information on Subsidiaries as of 31 December 2017 (Net)

30.1 Information about Unconsolidated Subsidiaries as of 31 December 2017

	Description	Address (City/ Country)	The Parent Bank's Share Percentage- if different Voting Percentage (%)	The Parent Bank's Group Share Percentage (%)
1	Ziraat Teknoloji A.Ş.	Istanbul/Turkey	100,00	100,00

	Total Assets⁽²⁾	Shareholders' Equity⁽²⁾	Total Non- Current Assets⁽²⁾	Interest Income⁽²⁾	Income from Marketable Securities⁽²⁾	Current Period Profit / Loss⁽²⁾	Prior Period Profit / Loss⁽²⁾	Fair Value ⁽¹⁾
1	62.950	13.444	19.131	961	150	2.823	2.467	-

⁽¹⁾ Since shares of subsidiaries are not traded in the stock market, fair values cannot be identified.

⁽²⁾ Current period information of subsidiaries has been provided from unaudited financial statements as of 31 December 2017. Prior period profit/loss information has been provided from audited financial statements as of 31 December 2016.

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I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Prior Period) (Continued)

30. Information on Subsidiaries (Net) as of 31 December 2017

30.2. Information on Subsidiaries as of 31 December 2017

Investments related to subsidiaries and joint ventures operating abroad in foreign currency are followed by their fair values in the consolidated financial statements of the Parent Bank. 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 (City/ Country)	The Parent Bank’s Share Percentage-if different Voting Percentage (%)	The Parent Bank’s Pares Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	İstanbul / Turkey	100,00	100,00
2	Ziraat Sigorta A.Ş.	İstanbul / Turkey	100,00	100,00
3	Ziraat Finansal Kiralama A.Ş.	İstanbul / Turkey	100,00	100,00
4	Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul / Turkey	100,00	99,60
5	Ziraat Portföy Yönetimi A.Ş.	İstanbul / Turkey	100,00	99,70
6	Ziraat Katılım Bankası A.Ş.	İstanbul / Turkey	100,00	100,00
7	Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul / Turkey	100,00	100,00
8	Ziraat Bank International A.G.	Frankfurt / Germany	100,00	100,00
9	Ziraat Bank BH d.d.	Sarajevo / Bosnia Herzegovina	100,00	100,00
10	Ziraat Bank (Moscow) JSC	Moscow / Russia	100,00	100,00
11	Kazakhstan Ziraat Int. Bank	Almaty / Kazakhstan	100,00	99,58
12	Ziraat Bank Azerbaycan ASC	Baku / Azerbaijan	100,00	100,00
13	Ziraat Bank Montenegro AD	Podgorica / Montenegro	100,00	100,00
14	JSC Ziraat Bank Georgia ⁽¹⁾	Tbilisi / Georgia	100,00	100,00
15	Ziraat Bank Uzbekistan JSC ⁽²⁾	Tashkent / Uzbekistan	100,00	100,00

(1) Tbilisi, Batum and Marneuli branches of the Parent Bank which were operating in Georgia have been gathered under the Parent Bank’s roof as of 2 May 2017 and continues to operate as a subsidiary with JSC Ziraat Bank Georgia title and all of the capital belonging to the Parent Bank.

(2) The share of partnership has increased to 100% and its status become subsidiary from entity under common control and continues its operations as Ziraat Bank Uzbekistan JSC.

	Total Assets ⁽³⁾	Shareholders’ Equity ⁽³⁾	Total Non- Current Assets ⁽³⁾	Interest Income ^{(3) (4)}	Income from Marketable Securities ^{(2) (3)}	Current Period Profit / Loss ⁽³⁾	Prior Period Profit /Loss ⁽³⁾	Fair Value ⁽¹⁾	Shareholders equity amount needed
1	5.785.955	663.224	2.457	200.552	-	449.105	231.541	-	-
2	1.152.752	439.579	1.450	94.377	-	226.794	128.912	-	-
3	2.637.889	331.959	1.498	1.720	-	65.203	30.003	-	-
4	185.304	127.203	494	78.960	856.821	51.053	24.935	-	-
5	44.966	39.205	618	3.800	28.198	15.820	8.582	-	-
6	14.350.143	1.403.681	110.515	932.758	48.634	158.902	30.673	-	-
7	1.551.822	1.550.783	1.253.180	168	-	236.712	13.585	-	-
8	7.894.189	979.381	18.750	221.983	2.440	74.888	40.843	971.937	-
9	2.409.237	371.514	81.996	89.695	253	10.973	(36.478)	337.820	-
10	412.101	164.371	11.889	35.441	252	11.162	6.596	150.954	-
11	648.822	289.377	15.193	38.218	8.078	23.486	23.030	286.462	-
12	410.543	140.611	26.999	24.712	433	8.676	11.278	162.098	-
13	238.128	32.067	4.074	7.525	258	(3.759)	(4.851)	30.508	-
14	136.031	44.890	5.477	2.466	910	1.204	-	53.605	-
15	198.326	98.046	1.544	10.981	-	53.719	11.186	115.629	-

(1) The subsidiaries other than the ones presented with fair value are not traded in stock exchange and accordingly fair values cannot be determined and they are carried at cost less impairment, if any. For the subsidiaries having fair value, fair value shows the portion belonging to Ziraat Bank.

(2) The income from marketable securities portfolio of Ziraat Yatırım Menkul Değerler A.Ş. and Ziraat Portföy Yönetimi A.Ş. are representing the net sales.

(3) Information on the subsidiaries included in the table above is taken from the financial statements of the subsidiaries as of 31 December 2017 and the previous profit / loss figures are taken from financial statements as of 31 December 2016.

(4) The amount of Ziraat Katılım Bankası A.Ş. shown in interest income column includes incomes from the participation funds.

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I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Prior Period) (Continued)

30. Information on Subsidiaries (Net) as of 31 December 2017 (Continued)

30.2. Information on Subsidiaries as of 31 December 2017

Information on Consolidated Subsidiaries (Represents Values Belonging to The Parent Bank)

	Prior Period 31 December 2017
Balance at the Beginning of the Period	4.101.352
Movements During the Period	1.036.898
Additions to Scope of Consolidation	-
Purchases ⁽¹⁾⁽²⁾	668.492
Bonus Shares Obtained	3.000
Dividends from current year income	-
Transfers to available for sale assets	-
Sales	-
Revaluation Increase	376.366
Impairment Provision (-)	10.960
Balance at the End of the Period	5.138.250
Capital Commitments	-
Share percentage at the end of the period (%)	-

⁽¹⁾ Paid Capital Increases made during the period are classified under “Purchases” account.

⁽²⁾ The share of partnership has increased to 100% and its status become subsidiary from entity under common control and continues its operations as Ziraat Bank Uzbekistan JSC.

Sectoral Information and Related Amounts of Subsidiaries (Represents Values Belonging to The Parent Bank)

	Prior Period 31 December 2017
Banks	3.359.014
Insurance Companies	129.972
Factoring Companies	-
Leasing Companies	282.839
Financing Companies	-
Other Financial Subsidiaries	1.366.425

30.3. Subsidiaries which are Quoted on a Stock Exchange as of 31 December 2017

None.

31. Information on Entities Under Common Control (Joint Ventures) as of 31 December 2017

Entities under Common Control (Joint Ventures) ⁽¹⁾	Parent Bank's Share ⁽²⁾	Group's Share	Current Assets	Non- Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	51.730	51.730	2.303.598	12.166	12.266	46.932	31.595
Total	51.730	51.730	2.303.598	12.166	12.266	46.932	31.595

⁽¹⁾ Information on entity under joint control is provided from the unaudited financial statements as of 31 December 2017.

⁽²⁾ Represents the Parent Bank's share in the shareholders' equity of this entity under common control based on the shareholding rate of the Parent Bank.

Entities under common control domiciled and operating 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 in “Marketable Securities Value Increase Fund” under shareholders' equity.

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32. Information on Finance Lease Receivables as of 31 December 2017

Information on finance lease receivables are as below:

	Prior Period 31 December 2017	
	Gross	Net
Less than 1 Year	1.131.066	997.962
1-5 Years	1.710.323	1.479.545
More than 5 Years	509.823	404.012
Total	3.351.212	2.881.519

33. Information on Derivative Financial Assets for Hedging Purposes as of 31 December 2017

The Group has no derivative financial assets for hedging purposes.

34. Information on Investment Property as of 31 December 2017

None.

35. Information on Deferred Tax Asset if Available 31 December 2017

The Group has deferred tax asset amounting to TL 29.794.

36. Information on Assets Held For Sale and Tangibles Corresponding Discontinuing Operations as of 31 December 2017

The Group does not have any 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 Parent Bank. Those immovables considered for sales are announced at the web site of the Parent Bank.

The Group’s immovables acquired amount to TL 672.899 consisting of TL 14.819 due to consumer loans, TL 596.417 on its commercial loans and TL 61.663 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1.920.

37. Explanations on Property and Equipment 31 December 2017

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End						
Cost	6.244.530	12.459	45.850	252.001	961.440	7.516.280
Accumulated Depreciation (-)	937.584	3.419	26.331	151.695	522.468	1.641.497
Impairment (-)	2.312	-	-	-	462	2.774
Net Book Value	5.304.634	9.040	19.519	100.306	438.510	5.872.009
Current Period End						
Net Book Value at the Beginning of the Period	5.304.634	9.040	19.519	100.306	438.510	5.872.009
Change During the Period (Net)	743.106	332	(4.008)	(17.020)	63.910	786.320
- Cost	768.469	1.739	1.213	27.063	198.153	996.637
- Depreciation	24.907	1.407	5.221	44.083	134.243	209.861
- Impairment	456	-	-	-	-	456
Net Currency Translation from Foreign Subsidiaries	17.214	(14)	234	154	3.715	21.303
Cost at Period End	7.030.213	14.184	47.297	279.218	1.163.308	8.534.220
Accumulated Depreciation at Period End (-)	962.491	4.826	31.552	195.778	656.711	1.851.358
Impairment (-)	2.768	-	-	-	462	3.230
Closing Net Book Value	6.064.954	9.358	15.745	83.440	506.135	6.679.632

38. 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 as of 31 December 2017

None.

39. 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 as of 31 December 2017

None.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Current Period)

1. Information on Deposits/Funds Collected

1.1. Information on Maturity Structure of Deposits Collected

Current Period 30 September 2018	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	30.447.153	-	3.969.598	75.146.168	6.339.306	1.594.621	1.745.307	135.121	119.377.274
Foreign Currency Deposits	38.847.397	-	9.672.763	50.023.614	10.870.443	10.808.859	31.815.932	958	152.039.966
Residents in Turkey	31.229.185	-	8.650.960	38.804.549	6.751.163	4.994.165	8.710.763	801	99.141.586
Residents Abroad	7.618.212	-	1.021.803	11.219.065	4.119.280	5.814.694	23.105.169	157	52.898.380
Public Sector Deposits	7.213.685	-	5.746.267	5.277.026	1.292.877	3.842.830	61.155	-	23.433.840
Commercial Inst. Deposits	7.343.664	-	2.968.114	8.767.911	969.347	1.845.504	105.095	-	21.999.635
Other Inst. Deposits	2.691.757	-	1.104.453	4.948.079	927.113	1.112.998	1.587.098	-	12.371.498
Precious Metals	6.020.841	-	62.881	1.030.341	87.189	49.209	64.577	-	7.315.038
Interbank Deposits	2.663.005	-	16.857.154	6.896.522	1.306.341	4.386.330	1.921.747	-	34.031.099
CBRT	2.013	-	-	-	-	-	-	-	2.013
Domestic Banks	317.087	-	15.752.996	317.336	287.707	6.384	26.651	-	16.708.161
Foreign Banks	2.206.821	-	1.104.158	6.579.186	713.240	4.379.946	1.589.702	-	16.573.053
Participation Banks	137.084	-	-	-	305.394	-	305.394	-	747.872
Other	-	-	-	-	-	-	-	-	-
Total	95.227.502	-	40.381.230	152.089.661	21.792.616	23.640.351	37.300.911	136.079	370.568.350

1.2. Saving Deposits Under the Guarantee of Deposit Insurance and Exceeding the Deposit Insurance Limit

Current Period 30 September 2018	Under the Guarantee of Deposit Insurance	Exceeding Deposit Insurance Limit
Saving Deposits ⁽¹⁾	77.075.835	41.792.542
Foreign Currency Saving Deposits ⁽¹⁾	36.553.319	74.415.923
Other Deposits in the form of Saving Deposits	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance ⁽²⁾	1.171.487	181.075
Deposits at Off-Shore Banking Regions' and under Foreign Authorities' Insurance	-	-

⁽¹⁾ Related deposit balances do not include foreign branches.

⁽²⁾ 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 179.783 and TL 22.685 respectively, cannot be decomposed by type and are therefore included in the table above.

Based on the Council of Minister's decree dated 29 December 2003 and numbered 2003/6668, TL 663 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 100 attributable to a real person is covered by the insurance, TL 1.165.228 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 Parent 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.

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Information on Deposits/Funds Collected (Continued)

1.4. Saving Deposits of Real Persons Not Covered by the Deposit Insurance Fund

	Current Period 30 September 2018
Deposits and other Accounts in Branches Abroad	72.157
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	9.293
Deposits Obtained through Illegal Acts Defined in the 282 nd 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 30 September 2018	
	TL	FC
Forward Transactions	519.548	35.308
Swap Transactions	935.643	612.500
Futures Transactions	-	-
Options	5.437	5.551
Other	-	-
Total	1.460.628	653.359

3. Information on Banks and Other Financial Institutions

3.1. General Information on Banks and Other Financial Institutions

	Current Period 30 September 2018	
	TL	FC
Borrowings from CBRT	-	-
Domestic Banks and Institutions	588.279	6.370.780
Foreign Banks, Institutions and Funds	586.129	38.143.879
Total	1.174.408	44.514.659

3.2. Maturity Structure of Funds Borrowed

	Current Period 30 September 2018	
	TL	FC
Short-Term	587.001	12.046.924
Medium and Long-Term	587.407	32.467.735
Total	1.174.408	44.514.659

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

63,34% 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.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Information on Money Market Borrowings

	Current Period 30 September 2018	
	TL	FC
From Domestic Transactions	55.784.781	2.351.920
Financial Institutions and Organizations	55.689.065	2.351.920
Other Institutions and Organizations	91.855	-
Real Person	3.861	-
From Overseas Operations	-	13.544.172
Financial Institutions and Organizations	-	13.544.172
Other Institutions and Organizations	-	-
Real Person	-	-
Total	55.784.781	15.896.092

5. Information on Securities Issued

	Current Period 30 September 2018	
	TL	FC
Bank Bonds	1.894.422	127.156
Asset-Backed Securities	905.628	-
Treasury Bills	180.278	14.110.489
Total	2.980.328	14.237.645

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)

In the finance lease agreements, lease payments are determined according to the price of leasehold, the Group’s interest rate of commercial loan and maturity of the agreement. The amounts in the lease agreements are paid in equal instalments. There are not any restrictions in these agreements that create significant obligations to the Group.

The Group has no finance lease payables (31 December 2017: None)

8. Information on Derivative Financial Liabilities for Hedging Purposes

The Group has 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

The Group’s foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables amount to TL 26.

9.2. Specific Provisions for Unindemnified Non-Cash Loans

The Group’s specific provisions for unindemnified non-cash loans amount to TL 189.223.

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9. Explanations on Provisions (Continued)

9.3. Information on Other Provisions

9.3.1. Information on Free Provisions For Possible Risks

These financial statements include a free provision which is not in accordance with BRSA Principles amounting to TL 1.475.000 provided by the Parent Bank 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 25.150 for the money groups and other provision amounting to TL 217.

	Current Period 30 September 2018
Free provisions for possible risks	1.500.367

9.3.2. The Names and Amounts of Sub-Accounts of Other Provisions Exceeding 10% of the Total Provision Amount

Based on the information provided by the legal department, TL 78.019 provision has been provided in financial statements for the lawsuits against the Group which are not finalized yet amounting to TL 127.651.

The Group also provided provisions amounting to TL 189.223 for unindemnified non-cash loans, and TL 207.849 expected credit loss (stage 1 and 2) for non cash loans and TL 156.400 for other provisions. As a result of the provisions mentioned above, the other provision balance on the Group’s balance sheet amounts to TL 2.131.858.

9.4. Liabilities on Reserve for Employee Termination Benefits

9.4.1. Employment Termination Benefits 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 30 September 2018, unpaid vacation liability amounted to TL 199.439, and employment termination amounted to TL 925.577 are presented under the “Employee Benefits Provision” in the financial statements.

9.4.2. Additional Bonus Provision Paid to Personnel

The Group provided provisions amounting to TL 237.055 of additional bonus provision with the decision of General Assembly.

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

10. Information on Tax Liability

10.1. Information on Current Tax Liability

10.1.1. Information on Tax Provisions

As of 30 September 2018, the remaining corporate tax liability of the Group after deducting temporary taxes paid for the period is TL 572.019.

10.1.2. Information on Current Taxes Payable

	Current Period 30 September 2018
Corporate Tax Payable	572.019
Taxation on Income From Securities	357.840
Property Tax	2.649
Banking Insurance Transactions Tax (BITT)	202.465
Foreign Exchange Transactions Tax	76
Value Added Tax Payable	6.928
Other	89.717
Total	1.231.694

10.1.3. Information on Premiums

	Current Period 30 September 2018
Social Security Premiums – Employee	40
Social Security Premiums – Employer	55
Bank Social Aid Pension Fund Premium – Employee	11.489
Bank Social Aid Pension Fund Premium – Employer	16.017
Pension Fund Membership Fees and Provisions – Employee	1
Pension Fund Membership Fees and Provisions – Employer	1
Unemployment Insurance – Employee	1.859
Unemployment Insurance – Employer	3.720
Other	-
Total	33.182

10.2. Information on Deferred Tax Liabilities, if any

The Group have deferred tax liabilities amounting to TL 6.434.

11. Information on Payables for Assets Held For Sale and Discontinued Operations

The Group does not have any payables for assets held for sale and discontinued operations.

12. Explanations on Subordinated Debts

The Group does not have any subordinated debts.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

13. Information on Shareholders’ Equity

13.1. Presentation on Paid-In Capital

	Current Period 30 September 2018
Common stock	5.600.000
Preferred stock	-

13.2. Paid-in Capital Amount, Explanation Whether the Registered Capital System is Applicable by the Parent 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

The decision to increase the capital to TL 6.100.000 was approved by the Parent Bank's Ordinary General Assembly on 13 August 2018, and the capital increase and the related amendment to the articles of association of the Articles of Association were registered on 22 October 2018. It was announced in the Trade Registry Gazette No. 9688. The accounting for this capital increase was made on 9 November 2018 with the permission of BRSA.

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

There are no capital commitments.

13.6. Indicators of The Bank’s Income, Profitability and Liquidity for The Previous Periods and Possible Effects of Future Assumptions Based on The Uncertainty of These Indicators on the 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

There are no preferred shares.

13.8. Information on Marketable Securities Value Increase Fund

	Current Period 30 September 2018	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	69.057	15.224
Revaluation Difference	(108)	15.224
Foreign Exchange Difference	69.165	-
From Financial Assets at Fair Value Through Other Comprehensive Income	(4.636.192)	(3.553.778)
Revaluation Difference	(6.946.180)	(3.553.765)
Deferred Tax Effect	2.309.988	(13)
Foreign Exchange Difference	-	-
Total	(4.567.135)	(3.538.554)

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Prior Period)

14. Information on Deposits/Funds Collected as of 31 December 2017

14.1. Information on Maturity Structure of Deposits Collected as of 31 December 2017

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	26.091.092	-	3.414.824	67.470.823	5.082.603	1.158.237	1.034.048	96.557	104.348.184
Foreign Currency Deposits	24.196.973	-	6.995.900	32.461.783	6.838.514	7.907.224	20.646.249	463	99.047.106
Residents in Turkey	19.470.588	-	6.127.263	25.418.213	3.898.520	3.032.340	5.592.478	290	63.539.692
Residents Abroad	4.726.385	-	868.637	7.043.570	2.939.994	4.874.884	15.053.771	173	35.507.414
Public Sector Deposits	6.128.722	-	7.166.830	7.427.947	992.332	5.516.199	56.872	-	27.288.902
Commercial Inst. Deposits	7.337.456	-	4.281.408	8.284.147	574.282	1.501.131	97.707	-	22.076.131
Other Inst. Deposits	2.170.712	-	2.098.970	3.580.174	385.560	829.811	1.159.978	-	10.225.205
Precious Metals	3.580.301	-	45.192	503.299	46.355	25.265	33.500	-	4.233.912
Interbank Deposits	2.104.256	-	6.801.769	2.168.481	1.098.715	2.338.050	838.902	-	15.350.173
CBRT	3.291	-	-	-	-	-	-	-	3.291
Domestic Banks	89.586	-	6.738.902	136.783	193.193	2.047	2.046	-	7.162.557
Foreign Banks	924.653	-	62.867	2.031.698	905.522	2.336.003	836.856	-	7.097.599
Participation Banks	1.086.726	-	-	-	-	-	-	-	1.086.726
Other	-	-	-	-	-	-	-	-	-
Total	71.609.512	-	30.804.893	121.896.654	15.018.361	19.275.917	23.867.256	97.020	282.569.613

14.2. Saving Deposits Under the Guarantee of Deposit Insurance and Exceeding the Deposit Insurance Limit as of 31 December 2017

Prior Period 31 December 2017	Under the Guarantee of Deposit Insurance	Exceeding Deposit Insurance Limit
Saving Deposits ⁽¹⁾	68.870.575	34.813.148
Foreign Currency Saving Deposits ⁽¹⁾	28.077.369	41.270.577
Other Deposits in the form of Saving Deposits	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance ⁽²⁾	858.357	101.979
Deposits at Off-Shore Banking Regions' and under Foreign Authorities' Insurance	-	-

⁽¹⁾ Related deposit balances do not include foreign branches.

⁽²⁾ 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 79.160 and TL 17.595 respectively, cannot be decomposed by type and are therefore included in the table above.

Based on the Council of Minister's decree dated 29 December 2003 and numbered 2003/6668, TL 917 of demand deposits is not included in the above calculation, since the Parent 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 100 attributable to a real person is covered by the insurance, TL 718.659 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.

14.3. Information on Saving Deposits/Real Persons' Private Current and Accession Accounts Not Related to Commercial Transactions in a Turkish Branch of the Parent Bank Whose Head Office is Abroad, and Reasons if it is Covered in Where The Head Office is Located 31 December 2017

The Parent Bank's head office is located in Turkey.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

14. Information on Deposits/Funds Collected as of 31 December 2017

14.4. Saving Deposits of Real Persons Not Covered by the Deposit Insurance Fund as of 31 December 2017

	Prior Period 31 December 2017
Deposits and other Accounts in Branches Abroad	65.522
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	7.476
Deposits Obtained through Illegal Acts Defined in the 282 nd 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	-

15. Negative Differences Related to the Derivative Financial Liabilities Held for Trading as of 31 December 2017

	Prior Period 31 December 2017	
	TL	FC
Forward Transactions	71.896	25.208
Swap Transactions	161.436	286.392
Futures Transactions	-	-
Options	2.174	1.804
Other	-	-
Total	235.506	313.404

16. Information on Banks and Other Financial Institutions as of 31 December 2017

16.1. General Information on Banks and Other Financial Institutions as of 31 December 2017

	Prior Period 31 December 2017	
	TL	FC
Borrowings from CBRT	410.436	-
Domestic Banks and Institutions	426.996	1.843.701
Foreign Banks, Institutions and Funds	925.624	27.511.496
Total	1.763.056	29.355.197

16.2. Maturity Structure of Funds Borrowed as of 31 December 2017

	Prior Period 31 December 2017	
	TL	FC
Short-Term	826.393	8.772.026
Medium and Long-Term	936.663	20.583.171
Total	1.763.056	29.355.197

16.3. Further Information is Disclosed for the Areas Of Liability Concentrations. Main Liability Concentration Areas are Fund Suppliers, Sector Groups or other Risk Concentration Criteria as of 31 December 2017

61,84% 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.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

17. Information on Funds Supplied from Repurchase Agreements as of 31 December 2017

	Prior Period 31 December 2017	
	TL	FC
From Domestic Transactions	1.339.819	-
Financial Institutions and Organizations	1.243.480	-
Other Institutions and Organizations	90.588	-
Real Person	5.751	-
From Overseas Operations	-	13.100.369
Financial Institutions and Organizations	-	13.100.369
Other Institutions and Organizations	-	-
Real Person	-	-
Total	1.339.819	13.100.369

18. Information on Securities Issued as of 31 December 2017

	Prior Period 31 December 2017	
	TL	FC
Bank Bonds	3.562.491	-
Asset-Backed Securities	557.804	-
Treasury Bills	177.752	9.176.233
Total	4.298.047	9.176.233

19. If Other Liabilities Exceed 10% of The Balance Sheet Total, Name and Amount Of Sub-Accounts Constituting at Least 20% of These Liabilities as of 31 December 2017

Other liabilities do not exceed 10% of the balance sheet total.

20. Information on Finance Lease Payables (Net) as of 31 December 2017

In the finance lease agreements, lease payments are determined according to the price of leasehold, the Group’s interest rate of commercial loan and maturity of the agreement. The amounts in the lease agreements are paid in equal instalments. There are not any restrictions in these agreements that create significant obligations to the Group.

The Group has no finance lease payables.

21. Information on Derivative Financial Liabilities for Hedging Purposes as of 31 December 2017

The Group has no derivative financial liabilities for hedging purposes.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

22. Explanations on Provisions as of 31 December 2017

22.1. Information on General Provisions as of 31 December 2017

	Prior Period 31 December 2017
General Provisions	5.635.198
Allocated for Group-I Loans and Receivables	4.680.739
Additional Provision for Loans and Receivables with Extended Maturities	311.350
Allocated for Group-II Loans and Receivables	236.317
Additional Provision for Loans and Receivables with Extended Maturities	79.190
Allocated for Non-cash Loans	596.880
Other	121.262

22.2. Foreign Exchange Loss Provisions on The Foreign Currency Indexed Loans and Finance Lease Receivables as of 31 December 2017

Group's foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables amount to TL 12.990.

22.3. Specific Provisions for Unindemnified Non-Cash Loans as of 31 December 2017

Group's specific provisions for unindemnified non-cash loans amount to TL 138.235.

22.4. Information on Other Provisions as of 31 December 2017

22.4.1. Information on Free Provisions For Possible Risks as of 31 December 2017

These financial statements include a free reserve provision which is not in accordance with BRSA Principles amounting to TL 1.475.000 which has a part of TL 530.000 from the current period, provided by the Bank 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 25.150 and other provision of TL 234 exist for cash transfers made by Bank officials.

	Prior Period 31 December 2017
Free provisions for possible risks	1.500.384

22.4.2. The Names and Amounts of Sub-Accounts of Other Provisions Exceeding 10% of the Total Provision Amount as of 31 December 2017

Based on the information provided by the legal department, lawsuits against the Parent Bank over TL 100 amounts to TL 94.838. Full provision has been provided in these financial statements for law suits ended against the Parent Bank but not finalized yet, amounting to TL 63.600. Together with the provision of consolidated with other associates amounting to TL 340, total provision for lawsuits of the Group amounts to TL 63.940.

Based on the decision of the Parent Bank management, provision amounting to TL 38.850 is provided for the consumer loans followed under standard loan portfolio that also have amounts in the non-performing loan portfolio in compliance with the Act on Preservation of Consumers numbered 4077. The provision is made in accordance with the conservatism principle without taking into consideration the guarantees of these loans.

The Group also provided provisions amounting to TL 138.235 for unidentified non-cash loans, TL 142.464 for other provisions. As a result of the provisions mentioned above, the other provision balance on the Group's balance sheet amounts to TL 1.883.873.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

22.5. Liabilities on Reserve for Employee Termination Benefits as of 31 December 2017

22.5.1. Employment Termination Benefits and Unused Vacation Rights as of 31 December 2017

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 2017, unpaid vacation liability amounted to TL 258.763, and employment termination amounted to TL 820.157 are presented under the “Employee Benefits Provision” in the financial statements.

22.5.2. Additional Bonus Provision Paid to Personel as of 31 December 2017

The Parent Bank provided provisions amounting to TL 250.000 of additional bonus provision with the decision of General Assembly.

23. Information on Tax Liability as of 31 December 2017

23.1. Information on Current Tax Liability as of 31 December 2017

23.1.1. Information on Tax Provisions as of 31 December 2017

As of 31 December 2017, remaining corporate tax liability of the Group after deducting temporary taxes paid for the period is TL 474.434.

23.1.2. Information on Current Taxes Payable as of 31 December 2017

	Prior Period 31 December 2017
Corporate Tax Payable	474.434
Taxation on Income From Securities	193.987
Property Tax	2.570
Banking Insurance Transactions Tax (BITT)	164.067
Foreign Exchange Transactions Tax	106
Value Added Tax Payable	7.289
Other	132.581
Total	975.034

23.1.3. Information on Premiums as of 31 December 2017

	Prior Period 31 December 2017
Social Security Premiums – Employee	37
Social Security Premiums – Employer	52
Bank Social Aid Pension Fund Premium - Employee	9.779
Bank Social Aid Pension Fund Premium - Employer	13.629
Pension Fund Membership Fees and Provisions - Employee	2
Pension Fund Membership Fees and Provisions - Employer	6
Unemployment Insurance – Employee	1.599
Unemployment Insurance – Employer	3.200
Other	-
Total	28.304

23.2. Information on Deferred Tax Liabilities, if any as of 31 December 2017

The Group’s deferred tax liability amounts to TL 307.100.

24. Information on Payables for Assets Held For Sale and Discontinued Operations as of 31 December 2017

The Group does not have any payables for assets held for sale and discontinued operations.

25. Explanations on Subordinated Debts as of 31 December 2017

The Group does not have any subordinated debts.

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

26. Information on Shareholders’ Equity as of 31 December 2017

26.1. Presentation on Paid-In Capital as of 31 December 2017

	Prior Period 31 December 2017
Common stock	5.600.000
Preferred stock	-

26.2. Paid-In Capital Amount, Explanation Whether the Registered Capital System is Applicable by the Parent Bank, if so the Registered Capital Ceiling Amount as of 31 December 2017

The Parent Bank does not have a registered capital system.

26.3. Information on Share Capital Increases and Their Sources; Other Information on Increased Capital Shares as of 31 December 2017

The decision of increasing the capital of the Parent Bank by TL 500.000 to TL 5.600.000 is approved in General Assembly in 9 June 2017. Increase of capital and amendments according to the relevant materials of the Articles of Association was registered on 11 July 2017. It has been announced in the Trade Registry Gazette numbered 9367 dated 14 July 2017. The offsetting transactions of the mentioned capital increase was accounted on 3 August 2017 accordance with the permission from the Banking Regulation and Supervision Agency.

26.4. Information on Additions from Capital Reserves to Capital as of 31 December 2017

The Parent Bank has no share capital amount included in capital.

26.5. 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 as of 31 December 2017

There are no capital commitments.

26.6. 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 as of 31 December 2017

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.

26.7. Information on Preferred Shares Representing The Capital as of 31 December 2017

There are no preferred shares.

26.8. Information on Marketable Securities Value Increase Fund as of 31 December 2017

	Prior Period 31 December 2017	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	3.375	-
Revaluation Difference	-	-
Foreign Exchange Difference	3.375	-
From Available for Sale Marketable Securities	(1.801.386)	844.055
Revaluation Difference	(2.091.729)	844.213
Deferred Tax Effect	290.343	(158)
Foreign Exchange Difference	-	-
Total	(1.798.011)	844.055

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. EXPLANATIONS AND NOTES TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS (Current Period)

1. Information on Off-Balance Sheet Liabilities

1.1. Nature and Amount Of Irrevocable Loan Commitments

	Current Period 30 September 2018
Commitments for Credit Card Expenditure Limits	13.124.330
Other Irrevocable Commitments	14.102.799
Loan Granting Commitments	6.911.071
Payment Commitments for Cheques	2.999.356
Asset Purchase Commitments	6.411.727
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	27.016
Tax and Fund Liabilities from Export Commitments	4.996
Subsidiaries and Associates Capital Contribution Commitments	-
Total	43.581.295

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 397.072 for possible losses arising from the off-balance sheet items in the current year.

1.2.1. Non-Cash Loans Including Guarantees, Acceptances, Financial Guarantees and Other Letter of Credits

	Current Period 30 September 2018
Guarantee Letters	114.604.475
Letters of Credit	21.027.029
Bank Acceptances	9.183.449
Factoring Guarantees	9.680
Other Guarantees	1.249.585
Other Warrantees	12.694
Total	146.086.912

1.2.2. Certain Guarantees, Temporary Guarantees, Surety Ships and Similar Transactions

	Current Period 30 September 2018
Letters of Certain Guarantees	73.644.906
Letters of Advance Guarantees	27.778.735
Letters of Temporary Guarantees	3.134.283
Letters of Guarantees Given to Customs Offices	1.604.157
Other Letters of Guarantees	8.442.394
Total	114.604.475

1.3. Explanations on Non-Cash Loans

1.3.1. Total Non-Cash Loans

	Current Period 30 September 2018
Non-Cash Loans for Providing Cash Loans	4.791.770
With Original Maturity of One Year or Less	309.946
With Original Maturity of More than One Year	4.481.824
Other Non-Cash Loans	141.295.142
Total	146.086.912

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**III. EXPLANATIONS AND NOTES TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS (Prior Period)
(Continued)**

2. Information on Off-Balance Sheet Liabilities as of 31 December 2017

2.1. Nature and Amount Of Irrevocable Loan Commitments as of 31 December 2017

	Prior Period 31 December 2017
Commitments for Credit Card Expenditure Limits	8.665.648
Other Irrevocable Commitments	10.318.492
Loan Granting Commitments	5.063.861
Payment Commitments for Cheques	3.761.934
Asset Purchase Commitments	4.829.656
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	26.137
Tax and Fund Liabilities from Export Commitments	1.966
Subsidiaries and Associates Capital Contribution Commitments	-
Total	32.667.694

2.2. Nature and Amount of Possible Losses and Commitments Arising From The Off-Balance Sheet Items Including The Below Mentioned as of 31 December 2017

Information related to possible losses of the Bank arising from off-balance sheet items is explained in 22nd note explanations on provisions of Section Five Explanations and Notes Related to Liabilities.

2.2.1. Non-Cash Loans Including Guarantees, Acceptances, Financial Guarantees and Other Letter Of Credits as of 31 December 2017

	Prior Period 31 December 2017
Guarantee Letters	81.154.998
Letters of Credit	14.525.459
Bank Acceptances	6.307.098
Factoring Guarantees	1.635
Other Guarantees	333.412
Other Warrantees	4.020
Total	102.326.622

2.2.2. Certain Guarantees, Temporary Guarantees, Surety Ships and Similar Transactions as of 31 December 2017

	Prior Period 31 December 2017
Letters of Certain Guarantees	52.790.337
Letters of Advance Guarantees	18.527.924
Letters of Temporary Guarantees	3.653.864
Letters of Guarantees Given to Customs Offices	1.332.481
Other Letters of Guarantees	4.850.392
Total	81.154.998

2.3. Explanations on Non-Cash Loans as of 31 December 2017

2.3.1. Total Non-Cash Loans as of 31 December 2017

	Prior Period 31 December 2017
Non-Cash Loans for Providing Cash Loans	2.422.713
With Original Maturity of One Year or Less	806.113
With Original Maturity of More than One Year	1.616.600
Other Non-Cash Loans	99.903.909
Total	102.326.622

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(Current Period)**

1. Interest Income

1.1. Information on Interest Income from Loans

	Current Period 30 September 2018	
	TL	FC
Interest on Loans ⁽¹⁾	25.286.909	5.477.460
Short Term Loans	7.054.515	438.543
Medium and Long Term Loans	18.117.466	5.034.567
Interest on Non-Performing Loans	114.928	4.350
Premiums from Resource Utilization Support Fund	-	-

⁽¹⁾ Includes fees and commissions income on cash loans.

1.2. Information on Interest Received from the Banks

	Current Period 30 September 2018	
	TL	FC
Central Bank of the Republic of Turkey	32.523	-
Domestic Banks	260.454	6.686
Foreign Banks	11.094	21.912
Foreign Head Office and Branches	-	-
Total	304.071	28.598

1.3. Information on Interest Income on Marketable Securities

	Current Period 30 September 2018	
	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss	3.756	483
Financial Assets Measured at Fair Value Through Other Comprehensive Income	5.117.486	1.016.178
Financial Assets Measured at Amortised Cost	355.062	283.464
Total	5.476.304	1.300.125

1.4. Information on Interest Income from Subsidiaries and Associates

Group has no interest income from subsidiaries and associates.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(Current Period) (Continued)

2. Within the Scope of Interest Expense

2.1. Information on Interest Expense on Borrowings

	Current Period 30 September 2018	
	TL	FC
Banks ⁽¹⁾	154.789	939.270
Central Bank of the Republic of Turkey	6.488	-
Domestic Banks	87.919	68.777
Foreign Banks	60.382	870.493
Foreign Head Office and Branches	-	-
Other Institutions	-	18.960
Total	154.789	958.230

⁽¹⁾ Includes fees and commissions expenses on cash loans.

2.2. Information on Interest Expenses Given to Subsidiaries and Associates

	Current Period 30 September 2018
Interest Expenses Given to Subsidiaries and Associates	1.358

2.3. Information on Interest Given on Securities Issued

	Current Period 30 September 2018	
	TL	FC
Interest Given on Securities Issued	473.581	444.294

2.4. Maturity Structure of the Interest Expense on Deposits

Account Name	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	-	1.036.291	4.823	-	-	-	-	1.041.114
Saving Deposit	16	252.637	6.174.267	443.076	83.884	81.988	3.579	7.039.447
Public Sector Deposit	379	417.383	508.492	102.518	515.990	3.031	-	1.547.793
Commercial Deposit	138	494.254	708.045	101.881	148.735	2.879	-	1.455.932
Other Deposit	5	127.622	300.438	75.711	99.270	23.953	-	626.999
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Total	538	2.328.187	7.696.065	723.186	847.879	111.851	3.579	11.711.285
FC								
Foreign Currency Deposit	1.349	185.417	715.817	93.199	122.295	325.738	-	1.443.815
Bank Deposit	887	126.759	444	1.871	613	-	-	130.574
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	2.449	3.679	331	225	272	-	6.956
Total	2.236	314.625	719.940	95.401	123.133	326.010	-	1.581.345
Grand Total	2.774	2.642.812	8.416.005	818.587	971.012	437.861	3.579	13.292.630

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(Current Period) (Continued)**

3. Information on Trading Profit/Loss (Net)

	Current Period 30 September 2018
Profit	92.536.010
Foreign Exchange Gains	90.401.071
Profit on Derivative Financial Instruments	2.122.927
Profit from the Capital Market Transactions	12.012
Loss (-)	95.744.652
Foreign Exchange Loss	91.212.724
Loss on Derivative Financial Instruments	4.525.912
Loss from the Capital Market Transactions	6.016

4. Information on Other Operating Income

**4.1. Information on Factors Covering The Recent Developments which has Significant Effect on The Bank’s Income
and the Extent Of Effect on Income**

There are no significant matters covering the recent developments which have significant effect on the Group’s income. Besides, of the Group’s other operating income consists of reversals from prior period provisions amounting to TL 357.037 and income from sales of assets amounting to TL 34.154.

5. Provision Expenses for Impairment on Loans and Other Receivables

Expected Credit Loss Provision in the Scope of TFRS 9

	Current Period 30 September 2018
Expected Credit Loss Provisions	3.421.882
12 month expected credit loss (stage 1)	405.554
Significant increase in credit risk (stage 2)	1.542.400
Non-performing loans (stage 3)	1.473.928
Marketable Securities Impairment Expense	800
Financial Assets Measured at Fair Value Through Profit or Loss	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	800
Subsidiaries, Associates and Entities under Common Control Provision Expenses for Impairment	-
Associates	-
Subsidiaries	-
Joint Ventures	-
Other	19.599
Total	3.442.281

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(Current Period) (Continued)**

6. Information on Other Operating Expenses

	Current Period 30 September 2018
Personnel Expenses ⁽²⁾	2.370.915
Reserve for Employee Termination Benefits	91.492
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	101
Depreciation Expenses of Tangible Fixed Assets	190.493
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	75.581
Impairment Expense for Equity Shares Subject to the Equity Method	-
Impairment Expense for Investment Securities that will be Disposed	-
Amortization Expenses of Investment Securities that will be Disposed	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-
Other Operating Expenses	2.341.076
Operational Leasing Expenses	242.109
Maintenance Expenses	78.370
Advertisement Expenses	130.652
Other Expenses	1.889.945
Loss on Sales of Assets	4.156
Other ⁽¹⁾	1.712.022
Total	6.785.836

⁽¹⁾ TL 509.887 of other items consists of Saving Deposit Insurance Fund accrual expense while TL 498.401 consists of taxes, duties and charges expense.

⁽²⁾ “Personnel Expenses” which is not included in “Other Operating Expenses” in the income statement, is included in this table.

7. Information on Profit/Loss Before Tax from Continuing and Discontinuing Operations

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

	Current Period 30 September 2018
Net Interest Income	17.812.551
Net Fees and Commissions Income	1.928.466
Other Operating Income	2.118.981
Dividend Income	4.634
Trading Income/Expense (Net)	(3.208.642)
Personnel Expense (-)	2.370.915
Expected Credit Loss (-)	3.442.281
Other Operating Expenses (-)	4.414.921
Profit/Loss on Equity Method	28.682
Profit / (Loss) From Continuing Operations	8.456.555

8. Information on Tax Provision for Continuing and Discontinuing Operations

As of 30 September 2018, TL 1.928.946 of the Group’s total tax provision expense amounting to TL 1.761.688, consists of current tax expense while remaining balances amounting to TL 167.258 consists of deferred tax expense.

9. Explanation on Net Income/Loss for the Period for Continued and Discontinued Operations

The Group’s net operating income after tax amounts to TL 6.527.609.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(Current Period) (Continued)**

10. Information on Net Profit/Loss

10.1. 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.

10.2. 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.

11. If Other Items in the Income Statement Exceed 10% of the Income Statement Total, Sub-Accounts Constituting At Least 20% of These Items are Shown Below

The “Other” statement under the “Fees and Commission Income” in the Income Statement mainly consists of commissions received from credit card and fees and commissions received from banking transactions.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Prior Period)

12. Interest Income as of 30 September 2017

12.1. Information on Interest Income from Loans as of 30 September 2017

	Prior Period 30 September 2017	
	TL	FC
Interest on Loans	18.320.160	2.934.418
Short Term Loans	4.715.877	195.485
Medium and Long Term Loans	13.513.256	2.738.243
Interest on Non-Performing Loans	91.027	690
Premiums from Resource Utilization Support Fund	-	-

⁽¹⁾ Includes fees and commissions income on cash loans.

⁽²⁾ Profit share income of Ziraat Katılım Bankası A.Ş. is shown in the line of interest income received from loans.

12.2. Information on Interest Received from the Banks as of 30 September 2017

	Prior Period 30 September 2017	
	TL	FC
Central Bank of the Republic of Turkey	15.173	-
Domestic Banks	155.879	3.606
Foreign Banks	3.315	9.260
Foreign Head Office and Branches	-	-
Total	174.367	12.866

12.3. Information on Interest Income on Marketable Securities as of 30 September 2017

	Prior Period 30 September 2017	
	TL	FC
Financial Assets Held for Trading	2.799	1.076
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available-for-Sale	3.423.588	608.326
Investments Held-to-Maturity	248.922	232.756
Total	3.675.309	842.158

12.4. Information on Interest Income from Subsidiaries and Associates as of 30 September 2017

	Prior Period 30 September 2017
Interest Income from Subsidiaries and Associates	678

13. Within the Scope of Interest Expense as of 30 September 2017

13.1. Information on Interest Expense on Borrowings as of 30 September 2017

	Prior Period 30 September 2017	
	TL	FC
Banks	90.041	413.501
Central Bank of the Republic of Turkey	-	-
Domestic Banks	23.466	27.619
Foreign Banks	66.575	385.882
Foreign Head Office and Branches	-	-
Other Institutions	-	14.509
Total ⁽¹⁾	90.041	428.010

⁽¹⁾ Includes fees and commissions expenses on cash loans.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Prior Period)
(Continued)

13.2 Information on Interest Expenses Given to Subsidiaries and Associates as of 30 September 2017

	Prior Period 30 September 2017
Interest Expenses Given to Subsidiaries and Associates	690

13.3 Information on Interest Given on Securities Issued as of 30 September 2017

	Prior Period 30 September 2017	
	TL	FC
Interest Given on Securities Issued	270.782	200.714

13.4 Maturity Structure of the Interest Expense on Deposits as of 30 September 2017

Account Name	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	-	558.069	214	-	-	-	-	558.283
Saving Deposit	1	188.934	4.381.760	306.008	59.798	59.834	432	4.996.767
Public Sector Deposit	648	261.264	404.159	161.771	358.519	2.924	-	1.189.285
Commercial Deposit	156	255.641	655.542	115.807	103.922	1.926	-	1.132.994
Other Deposit	44	71.588	212.838	23.499	32.754	72.829	-	413.552
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Total	849	1.335.496	5.654.513	607.085	554.993	137.513	432	8.290.881
FC								
Foreign Currency Deposit	896	77.151	278.562	46.315	41.183	190.632	7	634.746
Bank Deposit	7	48.154	29.388	2.556	458	2.654	-	83.217
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	435	1.447	152	104	93	-	2.231
Total	903	125.740	309.397	49.023	41.745	193.379	7	720.194
Grand Total	1.752	1.461.236	5.963.910	656.108	596.738	330.892	439	9.011.075

⁽¹⁾ Profit share expenses for the participation accounts of Ziraat Katılım Bankası A.Ş. are included in the table above.

14. Information on Trading Profit/Loss (Net) as of 30 September 2017

	Prior Period 30 September 2017
Profit	27.938.548
Foreign Exchange Gains	26.844.983
Profit on Derivative Financial Instruments	1.054.823
Profit from the Capital Market Transactions	38.742
Loss (-)	28.276.016
Foreign Exchange Loss	26.696.110
Loss on Derivative Financial Instruments	1.579.400
Loss from the Capital Market Transactions	506

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Prior Period)
(Continued)**

15. Information on Other Operating Income as of 30 September 2017

**15.1. Information on Factors Covering The Recent Developments which has Significant Effect on the Parent Bank’s
Income and the Extent Of Effect on Income as of 30 September 2017**

There are no significant matters covering the recent developments which have significant effect on the Parent Bank’s income. Main component of the Parent Bank’s other operating income consists of reversals from prior period (TL 492.926) and income from sales of assets amounting to TL 147.985.

16. Impairment losses on loans and other receivables of banks as of 30 September 2017

	Prior Period 30 September 2017
Specific Provisions for Loans and Other Receivables ⁽¹⁾	867.867
Group III Loans and Receivables	266.106
Group IV Loans and Receivables	484.042
Group V Loans and Receivables	117.719
General Provision Expenses	780.844
Provision Expenses for the Possible Losses	265.000
Marketable Securities Impairment Expense	264
Financial Assets at Fair Value through Profit and Loss	-
Financial Assets Available for Sale	264
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	-
Associates	-
Subsidiaries	-
Entities under Common Control (Business Partners)	-
Investment Securities Held to Maturity	-
Other	62.492
Total	1.976.467

⁽¹⁾ The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL 448.221 are presented in other operating income.

17. Information on Other Operating Expenses as of 30 September 2017

	Prior Period 30 September 2017
Personnel Expenses	2.034.273
Reserve for Employee Termination Benefits	67.375
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	-
Depreciation Expenses of Tangible Fixed Assets	297.927
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	49.877
Impairment Expense for Equity Shares subject to the Equity Method	-
Impairment Expense for Investment Securities that will be Disposed	-
Amortization Expenses of Investment Securities that will be Disposed	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-
Other Operating Expenses	1.483.689
Operational Leasing Expenses	212.293
Maintenance Expenses	51.861
Advertisement Expenses	79.909
Other Expenses	1.139.626
Loss on Sales of Assets	447
Other ⁽¹⁾	1.984.939
Total	5.918.527

⁽¹⁾ TL 402.399 of other item consists of Saving Deposit Insurance Fund accrual expense while TL 387.511 consists of taxes, duties and charges expense.

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Prior Period)
(Continued)**

18. 18. Information on Profit/Loss Before Tax from Continuing and Discontinuing Operations as of 30 September 2017

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

	Prior Period 30 September 2017
Net Interest Income	13.085.058
Net Fees and Commissions Income	1.369.029
Other Operating Income	2.731.747
Dividend Income	7.031
Trading Income/Expense (Net)	(337.468)
Provision for Loan or Other Receivables Losses (-)	1.976.467
Other Operating Expenses (-)	5.918.527
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	19.975
Profit/(Loss) from Continuing Operations	8.980.378

19. 19. Information on Tax Provision for Continuing and Discontinuing Operations as of 30 September 2017

As of 30 September 2017, TL 1.914.107 of the Group’s total tax provision expense amounting to TL 2.092.579 consists of current tax expense while remaining balances amounting to TL 178.472 consists of deferred tax income.

20. 20. Explanation on Net Income/Loss for the Period for Continued and Discontinued Operations as of 30 September 2017

As of 30 September 2017, the Group’s net operating income after tax amounts to TL 7.066.271.

21. 21. Information on Net Profit/Loss as of 30 September 2017

21.1. 21.1. 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 as of 30 September 2017

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.

21.2. 21.2. The Effect of the Change in Accounting Estimates to the Net Profit/Loss; Including the Effects to the Future Period, if any as of 30 September 2017

As of 30 September 2017, there is no change in accounting estimates that may require further explanations in the current period.

22. 22. If Other Items in the Income Statement Exceed 10% of the Income Statement Total, Sub-Accounts Constituting At Least 20% of These Items are Shown Below as of 30 September 2017

The “Other” statement under the “Fees and Commission Income” in the Income Statement mainly consists of commissions received from credit card and fees and commissions received from banking transactions.

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. EXPLANATIONS AND NOTES TO THE RISK GROUP OF THE PARENT BANK

1. The Transaction Volume of The Risk Group Of the Parent Bank, incompletd Credit and Deposit Transactions Of The End of The Period and Income and Expenses Related to The Period

Current Period

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance		37.252				78.923
Closing Balance						646.868
Interest and Commissions Income						

Prior Period

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	22.397	25.951				59.823
Closing Balance	-	37.252				78.923
Interest and Commissions Income ⁽¹⁾	870					

⁽¹⁾ Represent the amount of interest and commissions income as of 30 September 2017.

2. Deposits Held By The Bank’s Risk Group

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)	Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
		Current Period		Current Period	
Deposits					
Opening Balance		26.398			17.708
Closing Balance		75.042			42.044
Interest Expense on Deposits		1.358			8.939

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)	Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
		Prior Period		Prior Period	
Deposits					
Opening Balance		30.244		-	22.247
Closing Balance		26.398		-	17.708
Interest Expense on Deposits ⁽¹⁾		888		-	2.823

⁽¹⁾ Represent the amount of interest expense on deposits as of 30 September 2017.

3. Information on Forward Transactions, Option Agreements and Similar Transactions Between the Parent Bank’s Risk Group

None (31 December 2017: None).

4. Information about Fees Paid to the Group’s Key Management

Fees paid to the Group’s key management amount to TL 25.814 (30 September 2017: TL 19.527).

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

The decision to increase the capital to TL 6.100.000 was approved by the Parent Bank's Ordinary General Assembly on 13 August 2018, and the capital increase and the related amendment to the articles of association of the Articles of Association were registered on 22 October 2018. It was announced in the Trade Registry Gazette No. 9688. The accounting for this capital increase was made on 9 November 2018 with the permission of BRSA.

The Peja Branch, the third branch of the Parent Bank in Kosovo, has started its banking operations as of 19 October 2018.

Establishment procedures of Ziraat Venture Capital Investment Trust Inc Co. established as a subsidiary of the Parent Bank, is completed by a registration in the Turkish Trade Registry Gazette on 14 November 2018

The decision to increase the capital of Ziraat Participation Bank established as a subsidiary of the Parent Bank by TL 500.000 was approved by Ordinary General Assembly on 20 September 2018. The accounting for this capital increase was made on 23 October 2018 with the permission of BRSA. It was announced in the Trade Registry Gazette on 30 October 2018.

Decision to merge with Ziraat Leasing was approved by Board of Directors of Ziraat Participation Bank established as a subsidiary of the Parent Bank on 18 October 2018. The process is ongoing.

SECTION SIX

EXPLANATIONS ON AUDITORS' REVIEW REPORT

I. EXPLANATIONS ON AUDITORS' REVIEW REPORT

As of 30 September 2018, consolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and Auditors' Review Report dated 22 November 2018 is presented preceding the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

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SECTION SEVEN

EXPLANATIONS ON INTERIM ACTIVITY REPORT

I. Chairman’s Assessment

We have left behind a quarter in which growth performance has differentiated relatively in developed and developing countries. In the third quarter of 2018, when the contractionary policies of global foreign trade became apparent, it was observed that the synchronization in global growth decreased. In this context, the third quarter was marked to be a quarter where fragility in developing countries' assets were observed with geopolitical developments, rising interest rates in the US and political worries in Italy and the UK.

Following the US economy, which exhibited a steady growth outlook and which is one of the driving forces of the global economy, the US Central Bank continued to raise interest rates in September which formerly began in 2015. The European Central Bank continued to monitor the monetary policy set in June without making any changes in its monetary policy.

The downward risks in the Chinese economy came on the agenda with the continuation of the protectionist behaviour observed in global trade. The fact that a possible slowdown in the world's second-largest economy may also push down global growth continues to be highly considered. It was seen that the monetary and fiscal policy responses of the countries differed in a period when the volatility in the financial markets of some relatively vulnerable emerging economies was getting sharper.

The third quarter of 2018, in terms of the Turkish economy, was a period of apparent stabilization trend in the economic activity. It was observed that the economy management focused on financial stability policies in order to reach a strong growth trend in the long term. In order to direct growth to a healthy course, to decrease volatility in TL and to reduce inflation, a harmonized policy set has been prepared and the roadmap of the economy has been determined with the New Economic Programme.

The robust structure of the banking sector has been confirmed during a period of volatility which may be considered as a stress test for the sector. Ziraat Bank as the leading Bank of the sector continues to contribute to our economy through cash and non-cash loans. The Bank, with 70% of its assets consist of loans, is mainly involved in the financing of the real sector and continues its activities by increasing its support to every sector especially for increasing the exports, narrowing the current account deficit and providing employment. With its restructured and continuously developed business model, infrastructure, human resources and sound financial structure, Ziraat Bank will continue to increase its support as the leading bank of the country in all areas where financing is needed.

Dr. Ahmet GENÇ

Chairman of the Board

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SECTION SEVEN (Continued)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

II. Assessment of General Manager

The third quarter of 2018 was a period of intense volatility in the domestic financial markets. As Ziraat Bank, we endeavoured to be with our customers who are in need of financing within the responsibility of being the leader and moral bank of our country. While the total assets of Ziraat Bankası climbed 585 billion TL, 71% of this size is made of cash loans.

Our total loans including non-cash loans reached TL 562 billion. As in the case of total assets, our total loans have exceeded half trillion TL. 75% of our loan portfolio consists of the loans extended to corporate finance needs.

In the agricultural sector, not only product finance but also the total value chain financing and solutions are among our main strategies. In order to increase the interest of young people in agriculture, to increase number of educated and conscious young farmers and to raise awareness of entrepreneurship in the field of agriculture, young people in the Ziraat Bank Young Farmers Academy started their education.

Ziraat Bank, as the moral bank of our country, meets the financing needs of the customers with favourable terms in every period. In the 9-month period of 2018, Ziraat Bank provided one third of the growth in TL denominated loans. During the same period, while Ziraat Bank continued growing in the housing loans, while the housing loan stock of the sector decreased when Ziraat Bank was excluded. Our sector share in the housing loans reached 25%. In addition to housing and general purpose loans, we continue to stand by our customers as a bank providing moral support to our economy with products such as Bağ-Kur Premium Loan, Reconstruction/Housing Amnesty Loan, Paid Military Service Loan and SME Support Loans for those SMEs that had no access to working capital loans in favourable terms.

Ziraat Bank operating with 1.756 branches and 7.169 ATMs within the country and through its domestic subsidiaries in different financial areas and its subsidiary banks and branches in 18 different countries abroad will keep prioritising the balance sheet of our country while continuing to develop and grow as the Ziraat Finance Group.

Hüseyin AYDIN

Member of the Board and CEO

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SECTION SEVEN (Continued)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

III. Corporate Profile

Ziraat Bank uses its strong position to effect its performance with the growth potential provided by financial markets and to perform the best practices in workflows.

Ziraat Bank has made great breakthroughs in 154 years, it has created high added value for society and has reached the status of the leading bank.

Turkey's oldest and most powerful bank, Ziraat Bank began its operations in 1863. Nowadays, started from the date of its foundation, the Bank has been on the side of individuals from all levels of society, institutions and organizations from all sectors and transferred sources to them. Ever since the Bank has been the driving force of the economic development

Ziraat Bank has rich product and service diversity, long-term knowledge and experience, competent human resources and a strong financial structure.

The Bank continues to shape the Turkish banking sector with its excellent service delivery scale, growth power and growth potential.

Ziraat Bank also has a prestigious position in international banking. Operating in 18 countries around the world, the Bank has a large international network with 9 international subsidiary banks, 22 abroad branches and 1 representative office.

On the other hand under the roof Ziraat Finance Group the Bank is the owner of a large portfolio of subsidiaries in Turkey in financial leasing, personal pensions, insurance, banking, intermediation in capital markets, portfolio management, real estate investment trust and information technology fields. This strong structure is the most important factor supporting Ziraat Bank's ability to provide integrated financial services.

Ziraat Bank manages innovations and changes together in line with its goals, and operates in a stable manner both in terms of financial and operational aspects.

IV. Shareholding Structure

The paid in capital of T.C. Ziraat Bank is TL 5.600.000.000. The Bank's sole shareholder is Turkish Wealth Fund.

The decision to increase the capital to TL 6.100.000.000 was approved by the Parent Bank's Ordinary General Assembly on 13 August 2018, and the capital increase and the related amendment to the articles of association of the Articles of Association were registered on 22 October 2018. It was announced in the Trade Registry Gazette No. 9688. The accounting for this capital increase was made on 9 November 2018 with the permission of BRSA

Chairman and Members of the Board of Directors, Members of the Supervisory Board and General Manager and Vice General Managers are not a shareholder in the bank.

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SECTION SEVEN (Continued)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

V. Main Financial Indicators

ASSETS (TL Million)	30.09.2018
Cash and Cash Equivalents	60.269
Securities Portfolio	88.740
Loans	415.978
Other Assets	20.053
Total Assets	585.040
LIABILITIES (TL Million)	30.09.2018
Deposits	370.568
Non-deposits Resources	134.588
Other Liabilities	24.897
Shareholders' Equity	54.987
Total Liabilities	585.040
CHOSEN INCOME-EXPENSES (TL Million)	30.09.2018
Interest Income	38.674
Interest Expense	20.861
Net Interest Income	17.813
Net Fees and Commission Income	1.928
Other Operations Income	2.119
Other Operations Expense	4.415
Allowance for expected credit losses	3.442
Provision for Losses on Loans or Other Receivables	8.457
Income Before Taxes From Continuing Operations	1.929
Net Profit/Losses	6.528
RATIOS (%)	30.09.2018
Capital Adequacy Ratio	15,29
Equity / Total Assets	9,4
Cash Loans / Total Assets	71,1
Loans under follow-up (Gross) / Total Loans	1,8
Saving Deposits/ Total Deposits	25,7
FC Assets / FC Liabilities	91,4
Liquid Assets / Total Assets	10,3

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SECTION SEVEN (Continued)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

V. Main Financial Indicators (Continued)

ASSETS (TL Million)	31.12.2017
Liquid Assets	51.985
Securities Portfolio	72.732
Loans	317.020
Other Assets	15.189
Total Assets	456.926
LIABILITIES (TL Million)	31.12.2017
Deposits	282.570
Non-deposits Resources	100.902
Other Liabilities	24.971
Shareholders' Equity	48.483
Total Liabilities	456.926
CHOSEN INCOME-EXPENSES (TL Million)	30.09.2017
Interest Income	26.757
Interest Expense	13.672
Net Interest Income	13.085
Net Fees and Commission Income	1.369
Other Operations Income	2.732
Other Operations Expense	5.919
Provision for Losses on Loans or Other Receivables	1.976
Income Before Taxes From Continuing Operations	8.980
Provision For Taxes On Income From Continuing Operations	1.914
Net Profit/Losses	7.066
RATIOS (%)	31.12.2017
Capital Adequacy Ratio	14,60
Equity / Total Assets	10,6
Cash Loans / Total Assets	69,4
Loans under follow-up (Gross) / Total Loans	1,6
Saving Deposits/ Total Deposits	25,3
FC Assets / FC Liabilities	91,6
Liquid Assets / Total Assets	11,4

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SECTION SEVEN (Continued)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

VI. Economic Outlook in The World and Turkey

Third quarter of 2018 has been a period where the protectionism directed from the USA to China increased and the fragility in the emerging economies became more visible. Global growth, while losing some momentum in comparison with the first half of the year, has maintained its stable outlook that has been continuing since mid-2016.

The US economy, which displayed a positive outlook, became one of the most prominent economies of global growth this year and showed the highest growth performance of 15 quarters in the second quarter thanks to the pro-growth fiscal policy and the labour market. US Central Bank (FED) increased its policy rate to 2%-2,25% by making the third rate hike in September this year. The Fed's monetary policy continues to normalize. While there is no over-heating in the US economy, this positive outlook is considered as a signal that the FED will continue its gradual rate hikes.

In the quarter we left behind, the positive growth performance of the Eurozone was observed to lose momentum. The external demand left under pressure with protectionist policies, as well as the developments arising from Italy which has to manage a significant budget deficit, has been a factor increasing the sensitivity through the region. While the inflation is consistent with the expectations, the European Central Bank is expected to maintain the interest rates at the current levels until at least the summer of 2019.

We have left behind a quarter where the protectionist rhetoric started to turn into real trade barriers. Although the direct economic effects of the trade-restricting decisions since April are moderate for now, uncertainties for the future have increased. Increased uncertainty is thought to concretize downside risks on global growth by reducing investments. Also; the uncertainty of the UK's withdrawal process from the European Union and the Iranian policies of the US are other topics that might put pressure on global growth in the coming period.

In the third quarter, the fragility in developing countries has become more prominent. Argentina, one of the relatively fragile countries with macroeconomic fundamentals, has difficulty in recovering investor perception despite the assistance of the International Monetary Fund (IMF). China has increased its support to its economy, which has been slowing down by trade tensions, with its fiscal policy and monetary policy. As a result, taking into consideration the tariffs, political uncertainties and capital outflows in emerging markets, the growth expectations for the future have begun to be revised downwards. The IMF also decreased its global growth forecasts by 0.2 percentage points to 3.7% next year. Turkish economy, with the speculative increases in the exchange rates in the third quarter experienced high volatility. The Central Bank of Turkey, in order to limit the cost pressures as a result of the exchange rate developments, has reshaped its monetary stance. Having taken a strong monetary tightening step, the CBRT raised the one-week repo auction rate, which is the policy rate, from 17.75% to 24%. In September, the TL stabilized relatively in line with the monetary policy as well as regulation and supervision in order to ensure price and financial stability. Positive expectations in diplomatic relations, the expectation that direct investments in our country, especially from Qatar, China and the EU will increase, and the expectations that the relations with the USA will develop more positively seem to have supported this positive atmosphere.

It is observed that the increase in financial costs and the composition of total demand have a more balanced appearance. There are strong indications that a stabilization process will soon take place in the economy. Also, it is considered that the positive contribution of net exports to growth and the strong course in tourism will limit the slowdown in demand. With the slowdown in import demand as a result of a slowdown in domestic demand and increasing exports, the improvement in the current account balance is projected to be evident. In the coming periods; following the balancing process with the support of compatible monetary and fiscal policies, it is highly probable that our country will not face any obstacles in reaching its 2023 targets.