

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

Consolidated Financial Statements
As of and For the Nine-Month Period Ended 30 September 2017
With Auditors' Review Report Thereon
*(Convenience Translation of Consolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

14 November 2017

*This report contains "Auditors' Review Report"
comprising 2 pages and; "Consolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 85 pages.*

*Convenience Translation of the Review Report
Originally Prepared and Issued in Turkish (See Section 3.1)*

REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Report on the Consolidated Interim Financial Statements

We have reviewed the accompanying consolidated statement of financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (the "Bank") and its financial subsidiaries (together the "Group") as at 30 September 2017 and the consolidated statements of income, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the nine-month period then ended and summary of significant accounting policies and other explanatory information. The Bank Management is responsible for the preparation and fair presentation of this interim financial information in accordance with "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" except for the matters regulated by aforementioned legislations. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited 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 and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, a review of interim financial information 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 discussed in Section II. Note 9.4.1 of Explanations and Notes to the Consolidated Financial Statements, the accompanying consolidated interim financial information as of 30 September 2017 include general provision of total TL 1.210.000 thousands, of which TL 265.000 thousands had been recognized as expense in the current period and the rest of it from the 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 financial information do not presented fairly in all material respects, the consolidated financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and its financial subsidiaries at 30 September 2017 and of the results of its operations and its cash flows for the nine month period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Other matter

The consolidated financial statements of the Bank and its subsidiaries as at and for the year ended 31 December 2016 and as at and for the nine month period ended 30 September 2016 were audited and reviewed by another auditor who expressed a qualified opinion and qualified conclusion based on the reason represented in the section "basis for the qualified opinion" above thereon on 17 February 2017 and 9 November 2016, respectively.

Report on other regulatory requirements arising from legislation

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

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

Erdal Tıkmak, *SMMM*
Partner

14 November 2017
Istanbul, Turkey

Additional paragraph for convenience translation to English:

As explained in Section 3.1, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

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

**THE CONSOLIDATED INTERIM FINANCIAL REVIEW REPORT OF
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 30 SEPTEMBER 2017**

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

The consolidated financial report for 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 GROUP
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- EXPLANATIONS ON 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 Azerbaycan ASC
Ziraat Bank Montenegro AD
JSC Ziraat Bank Georgia

JOINT VENTURES

Turkmen Turkish Joint Stock Commercial Bank
UTBANK JSC

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

Muharrem KARSLI
Chairman of the Board,
Member of the Audit Committee

Hüseyin AYDIN
Member of the Board,
CEO

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

Ali KIRBAŞ
Banking Operations and
Communication
Executive Vice President

Atakan BEKTAŞ
Senior Vice President
of Reporting and Data
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 2017
(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 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 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 THE BANK BELONGS TO

The total share capital of the Bank is TL 5.600.000. The Bank's paid-in-capital committed by the Republic of Turkey Prime Ministry Undersecretariat of Treasury (“the Turkish Treasury”) consists of 5.600.000.000 shares of TL 1 nominal each. The Parent Bank's sole shareholder is the Turkish Wealth Fund.

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.

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	
Muharrem KARSLI	Chairman
Hüseyin AYDIN	CEO and Member
Yusuf DAĞCAN	Vice Chairman and Member
Cemalettin BAŞLI	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Mustafa ÇETİN	Member
Salim ALKAN	Member
Yusuf BILMEZ	Member
Audit Committee Members	
Muharrem KARSLI	Member
Feyzi ÇUTUR	Member
Executive Vice Presidents	
Ali KIRBAŞ	Banking Operations and Communication
Alpaslan ÇAKAR	Payment Systems
Bilgehan KURU	Treasury and International Banking
Bülent SUER	Internal Operations
Mehmet Cengiz GÖĞEBAKAN	Loan Policies
Musa ARDA	Loan Allocation and Management
Peyami Ömer ÖZDİLEK	Human Resources
Süleyman TÜRETKEN	Branch Banking
Yüksel CESUR	Internal Systems

The 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.

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2017

(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 2017, the Parent Bank carries its activities with a grand total of 1.802 branches; 1.779 domestic branches including 20 corporate branches, 89 entrepreneurial branches, 38 dynamic entrepreneurial branches, 1.627 branches and 5 mobile branches (31 December 2016: 1.786 domestic branches including 1.606 branches, 20 corporate branches, 79 entrepreneurial branches, 76 dynamic entrepreneurial branches, 5 mobile branches) and 23 branches abroad New York branch in United States, London branch in England, Baghdad and Arbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia, Plovdiv, Kardzhali and Varna branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina branch in Kosovo, Bahrain branch in Bahrain, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Akdoğan, Karaoğlanoğlu and İskele branches in Turkish Republic of Northern Cyprus. The 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 the Bank has the right to register members for Maximum. Transactions between the two banks are administered by Bankalararası Kart Merkezi.

Başakkart is a bank card through which demand deposit accounts and agricultural loan accounts can be linked. Bank can associate Başakkart 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 Başakkart can be used via POS machines of the Bank in Başakkart 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 Başakkart can be made through the branches of the Bank. Agricultural products/services obtained by using Başakkart are repaid without any interest charge within the time periods defined by the Bank.

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

As of 30 September 2017, the number of the Group's employees is 26.662 (31 December 2016: 27.030).

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TURKISH, SEE IN NOTE I. OF SECTION THREE**

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2017

(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, UTBANK JSC (formerly named as “Uzbekistan-Turkish Bank”) entities under common control are consolidated through “Equity Method” in accompanying consolidated financial statements of the 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 Bank and are not financial companies.

All other subsidiaries are fully consolidated.

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

None.

SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS

- I.** Consolidated Balance Sheet
- II.** Consolidated Statement of Off-balance sheet items
- III.** Consolidated Income statement
- IV.** Consolidated Statement of income and expense items accounted under shareholders' equity
- V.** Consolidated Statement of changes in shareholders' equity
- VI.** Consolidated Statement of cash flows

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 2017

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

I.	CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	Current Period (30/09/2017)			Prior Period (31/12/2016)		
			TL	FC	Total	TL	FC	Total
	ASSETS							
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	7.528.679	32.631.923	40.160.602	8.174.747	32.470.758	40.645.505
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	1.155.742	395.588	1.551.330	1.232.112	487.459	1.719.571
2.1	Financial Assets Held for Trading		1.155.742	395.588	1.551.330	1.232.112	487.459	1.719.571
2.1.1	Public Sector Debt Securities		14.139	27.869	42.008	35.694	5.131	40.825
2.1.2	Securities Representing a Share in Capital		4	-	4	-	-	-
2.1.3	Derivative Financial Assets Held for Trading		1.139.185	358.895	1.498.080	1.196.418	482.328	1.678.746
2.1.4	Other Marketable Securities	(3)	2.414	8.824	11.238	-	-	-
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	(4)	2.046.591	1.672.384	3.718.975	1.586.083	2.733.983	4.320.066
IV.	MONEY MARKET PLACEMENTS		1.205.634	143.789	1.349.423	33.968	218.976	252.944
4.1	Interbank Money Market Placements		1.171.578	60.547	1.232.125	-	113.813	113.813
4.2	Istanbul Stock Exchange Money Market Placements		33.024	-	33.024	30.800	-	30.800
4.3	Receivables from Reverse Repurchase Agreements		1.032	83.242	84.274	3.168	105.163	108.331
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(5,6)	45.360.654	16.160.487	61.521.141	44.271.134	14.857.080	59.128.214
5.1	Securities Representing a Share in Capital		109.968	722.902	832.870	109.021	540.377	649.398
5.2	Public Sector Debt Securities		44.736.671	15.319.346	60.056.017	43.700.624	14.199.635	57.900.259
5.3	Other Marketable Securities		514.015	118.239	632.254	461.489	117.068	578.557
VI.	LOANS AND RECEIVABLES	(7)	218.506.041	78.339.101	296.845.142	173.678.548	70.395.797	244.074.345
6.1	Loans and Receivables		218.276.368	78.339.101	296.615.469	173.427.099	70.395.797	243.822.896
6.1.1	Loans Granted to Risk Group of The Bank		-	15.910	15.910	-	22.397	22.397
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		218.276.368	78.323.191	296.599.559	173.427.099	70.373.400	243.800.499
6.2	Loans under Follow-up		4.558.289	203.411	4.761.700	4.210.742	169.748	4.380.490
6.3	Specific Provisions (-)		4.328.616	203.411	4.532.027	3.959.293	169.748	4.129.041
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	INVESTMENTS HELD TO MATURITY (Net)	(8)	2.830.223	4.429.335	7.259.558	3.630.564	5.164.351	8.794.915
8.1	Public Sector Debt Securities		2.664.249	4.428.453	7.092.702	3.491.761	5.156.130	8.647.891
8.2	Other Marketable Securities		165.974	882	166.856	138.803	8.221	147.024
IX.	INVESTMENTS IN ASSOCIATES (Net)	(9)	125.085	1.081	126.166	104.935	951	105.886
9.1	Accounted with Equity Method		119.019	-	119.019	98.869	-	98.869
9.2	Unconsolidated Associates		6.066	1.081	7.147	6.066	951	7.017
9.2.1	Financial Associates		-	-	-	-	-	-
9.2.2	Non-financial Associates		6.066	1.081	7.147	6.066	951	7.017
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(10)	7.598	-	7.598	7.457	-	7.457
10.1	Unconsolidated Financial Subsidiaries		1.361	-	1.361	1.220	-	1.220
10.2	Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237	6.237	-	6.237
XI.	ENTITIES UNDER COMMON CONTROL (Net)	(11)	-	92.651	92.651	-	101.105	101.105
11.1	Accounted with Equity Method		-	92.651	92.651	-	101.105	101.105
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	(12)	798.321	1.957.815	2.756.136	705.449	1.778.218	2.483.667
12.1	Finance Lease Receivables		989.576	2.227.480	3.217.056	855.662	2.000.508	2.856.170
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		191.255	269.665	460.920	150.213	222.290	372.503
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(13)	-	-	-	-	-	-
13.1	Fair Value Hedges		-	-	-	-	-	-
13.2	Cash Flow Hedges		-	-	-	-	-	-
13.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(16)	5.574.189	134.178	5.708.367	5.749.260	122.749	5.872.009
XV.	INTANGIBLE ASSETS (Net)		429.614	31.797	461.411	333.302	34.562	367.864
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		429.614	31.797	461.411	333.302	34.562	367.864
XVI.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(14)	652.620	-	652.620	643.290	-	643.290
XVII.	TAX ASSET		20.519	6.988	27.507	87.690	5.914	93.604
17.1	Current Tax Asset		4.563	6.988	11.551	1.121	5.914	7.035
17.2	Deferred Tax Asset		15.956	-	15.956	86.569	-	86.569
XVIII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(15)	664.149	2.480	666.629	562.983	32	563.015
18.1	Held for Sale		664.149	2.480	666.629	562.983	32	563.015
18.2	Held from Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS		3.047.295	1.655.343	4.702.638	1.398.325	1.310.143	2.708.468
	TOTAL ASSETS		289.952.954	137.654.940	427.607.894	242.199.847	129.682.078	371.881.925

The accompanying explanations and notes form an integral part of these consolidated 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 BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 SEPTEMBER 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

I.	CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	Current Period (30/09/2017)			Prior Period (31/12/2016)		
			TL	FC	Total	TL	FC	Total
	LIABILITIES AND EQUITY							
I.	DEPOSITS	(1)	161.869.767	102.381.923	264.251.690	152.475.037	80.436.956	232.911.993
1.1	Deposits Held By the Risk Group of the Bank		34.169	19.428	53.597	33.645	18.875	52.520
1.2	Other		161.835.598	102.362.495	264.198.093	152.441.392	80.418.081	232.859.473
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	88.004	468.741	556.745	239.703	413.662	653.365
III.	FUNDS BORROWED	(3)	1.182.125	26.487.618	27.669.743	1.338.546	23.087.983	24.426.529
IV.	MONEY MARKET BALANCES		38.525.448	14.114.754	52.640.202	35.075.206	12.270.423	47.345.629
4.1	Interbank Money Market Borrowings		33.623.800	1.185.383	34.809.183	4.640.000	-	4.640.000
4.2	Istanbul Stock Exchange Takasbank Borrowings		270.000	-	270.000	50.000	-	50.000
4.3	Funds Provided under Repurchase Agreements	(4)	4.631.648	12.929.371	17.561.019	30.385.206	12.270.423	42.655.629
V.	MARKETABLE SECURITIES ISSUED (Net)	(5)	3.775.602	8.721.468	12.497.070	2.390.059	4.680.692	7.070.751
5.1	Bills		3.344.308	-	3.344.308	2.156.778	-	2.156.778
5.2	Asset-backed Securities		253.642	-	253.642	101.459	-	101.459
5.3	Bonds		177.652	8.721.468	8.899.120	131.822	4.680.692	4.812.514
VI.	FUNDS		6.041.735	-	6.041.735	6.020.839	-	6.020.839
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		6.041.735	-	6.041.735	6.020.839	-	6.020.839
VII.	MISCELLANEOUS PAYABLES		2.428.534	1.742.517	4.171.051	1.305.967	1.260.934	2.566.901
VIII.	OTHER LIABILITIES	(6)	1.795.561	650.491	2.446.052	3.046.595	479.291	3.525.886
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	PAYABLES FROM LEASING TRANSACTIONS (Net)	(7)	-	-	-	-	-	-
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	(8)	-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XII.	PROVISIONS	(9)	8.929.598	160.445	9.090.043	7.378.704	159.957	7.538.661
12.1	General Provisions		4.769.001	65.847	4.834.848	3.983.630	58.795	4.042.425
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Employee Benefits Provisions		1.193.001	1.789	1.194.790	885.586	1.888	887.474
12.4	Insurance Technical Reserves (Net)		1.476.816	-	1.476.816	1.294.767	-	1.294.767
12.5	Other Provisions		1.490.780	92.809	1.583.589	1.214.721	99.274	1.313.995
XIII.	TAX LIABILITY	(10)	1.126.414	6.983	1.133.397	899.544	10.030	909.574
13.1	Current Tax Liability		1.111.552	3.020	1.114.572	899.544	6.567	906.111
13.2	Deferred Tax Liability		14.862	3.963	18.825	-	3.463	3.463
XIV.	LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
14.1	Held for Sale		-	-	-	-	-	-
14.2	Held from Discontinued Operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	(12)	-	-	-	-	-	-
XVI.	SHAREHOLDERS' EQUITY	(13)	46.278.222	831.944	47.110.166	39.451.361	(539.564)	38.911.797
16.1	Paid-in Capital		5.600.000	-	5.600.000	5.100.000	-	5.100.000
16.2	Capital Reserves		2.926.663	831.944	3.758.607	3.270.984	(539.564)	2.731.420
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Differences		(1.096.377)	820.267	(276.110)	(844.719)	(549.296)	(1.394.015)
16.2.4	Tangible Assets Revaluation Reserves		4.121.793	11.677	4.133.470	4.178.008	9.732	4.187.740
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	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		(116.141)	-	(116.141)	(79.693)	-	(79.693)
16.3	Profit Reserves		29.870.764	-	29.870.764	22.871.718	-	22.871.718
16.3.1	Legal Reserves		3.835.227	-	3.835.227	3.393.778	-	3.393.778
16.3.2	Statutory Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		24.610.202	-	24.610.202	18.052.605	-	18.052.605
16.3.4	Other Profit Reserves		1.425.335	-	1.425.335	1.425.335	-	1.425.335
16.4	Profit or Loss		7.879.258	-	7.879.258	8.207.208	-	8.207.208
16.4.1	Prior Years Profit/Loss		813.168	-	813.168	1.322.284	-	1.322.284
16.4.2	Net Period Profit/Loss		7.066.090	-	7.066.090	6.884.924	-	6.884.924
16.5	Minority Shares		1.537	-	1.537	1.451	-	1.451
	TOTAL LIABILITIES AND EQUITY		272.041.010	155.566.884	427.607.894	249.621.561	122.260.364	371.881.925

The accompanying explanations and notes form an integral part of these consolidated 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 OFF-BALANCE SHEET COMMITMENTS AS OF 30 SEPTEMBER 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I.	CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (30/09/2017)			Prior Period (31/12/2016)		
			TL	FC	Total	TL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		73.980.024	150.054.648	224.034.672	61.626.173	127.615.763	189.241.936
I.	GUARANTEES AND WARRANTIES	(I)	32.810.517	62.462.266	95.272.783	26.076.864	56.644.251	82.721.115
1.1	Letters of Guarantee		32.595.411	44.972.007	77.567.418	25.872.985	42.719.354	68.592.339
1.1.1	Guarantees Subject to State Tender Law		1.617.760	8.767.374	10.385.134	1.490.146	7.994.602	9.484.748
1.1.2	Guarantees Given for Foreign Trade Operations		27.445.883	34.129.236	61.575.119	21.980.667	33.311.238	55.291.905
1.1.3	Other Letters of Guarantee		3.531.768	2.075.397	5.607.165	2.402.172	1.413.514	3.815.686
1.2	Bank Acceptances		43.657	5.140.257	5.183.914	34.549	4.227.349	4.261.898
1.2.1	Import Letter of Acceptance		41.999	5.133.837	5.175.836	29.427	4.224.206	4.253.633
1.2.2	Other Bank Acceptances		1.658	6.420	8.078	5.122	3.143	8.265
1.3	Letters of Credit		167.099	12.062.454	12.229.553	157.159	9.170.443	9.327.602
1.3.1	Documentary Letters of Credit		167.099	12.024.809	12.191.908	157.159	9.125.262	9.282.421
1.3.2	Other Letters of Credit		-	37.645	37.645	-	45.181	45.181
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		-	-	-	-	-	-
1.8	Other Guarantees		4.350	281.867	286.217	12.000	520.131	532.131
1.9	Other Collaterals		-	5.681	5.681	171	6.974	7.145
II.	COMMITMENTS	(I)	23.136.284	9.487.253	32.623.537	18.528.082	6.321.850	24.849.932
2.1	Irrevocable Commitments		23.121.777	7.625.182	30.746.959	18.508.007	5.047.801	23.555.808
2.1.1	Asset Purchase and Sale Commitments		1.378.903	3.863.458	5.242.361	372.517	1.764.007	2.136.524
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		4.602.735	13.458	4.616.193	3.538.378	204.109	3.742.487
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		3.813.405	19	3.813.424	3.173.733	34	3.173.767
2.1.8	Tax and Fund Liabilities from Export Commitments		1.443	-	1.443	458	-	458
2.1.9	Commitments for Credit Card Limits		7.879.956	19.264	7.899.220	7.258.758	17.155	7.275.913
2.1.10	Commitments for Credit Cards and Banking Services Promotions		27.503	-	27.503	22.138	-	22.138
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		5.417.832	3.728.983	9.146.815	4.142.025	3.062.496	7.204.521
2.2	Revocable Commitments		14.507	1.862.071	1.876.578	20.075	1.274.049	1.294.124
2.2.1	Revocable Loan Granting Commitments		-	4.025	4.025	-	3.966	3.966
2.2.2	Other Revocable Commitments		14.507	1.858.046	1.872.553	20.075	1.270.083	1.290.158
III.	DERIVATIVE FINANCIAL INSTRUMENTS		18.033.223	78.105.129	96.138.352	17.021.227	64.649.662	81.670.889
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		18.033.223	78.105.129	96.138.352	17.021.227	64.649.662	81.670.889
3.2.1	Forward Foreign Currency Buy/Sell Transactions		2.605.555	6.236.434	8.841.989	1.353.480	3.719.751	5.073.231
3.2.1.1	Forward Foreign Currency Transactions-Buy		1.011.793	3.389.678	4.401.471	628.181	1.913.250	2.541.431
3.2.1.2	Forward Foreign Currency Transactions-Sell		1.593.762	2.846.756	4.440.518	725.299	1.806.501	2.531.800
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		15.305.336	71.640.613	86.945.949	15.656.747	60.918.593	76.575.340
3.2.2.1	Foreign Currency Swap-Buy		965.505	38.098.776	39.064.281	13.485.251	20.739.673	34.224.924
3.2.2.2	Foreign Currency Swap-Sell		14.339.831	23.878.473	38.218.304	2.171.496	30.856.286	33.027.782
3.2.2.3	Interest Rate Swap-Buy		-	4.831.682	4.831.682	-	4.661.317	4.661.317
3.2.2.4	Interest Rate Swap-Sell		-	4.831.682	4.831.682	-	4.661.317	4.661.317
3.2.3	Foreign Currency, Interest rate and Securities Options		122.332	228.082	350.414	11.000	11.318	22.318
3.2.3.1	Foreign Currency Options-Buy		61.166	114.041	175.207	5.500	5.659	11.159
3.2.3.2	Foreign Currency Options-Sell		61.166	114.041	175.207	5.500	5.659	11.159
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)		1.068.938.671	172.943.930	1.241.882.601	933.725.665	147.072.049	1.080.797.714
IV.	ITEMS HELD IN CUSTODY		335.703.611	18.214.170	353.917.781	251.122.581	14.575.165	265.697.746
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		5.257.027	6.666.619	11.923.646	3.549.338	6.213.402	9.762.740
4.3	Checks Received for Collection		7.917.643	697.760	8.615.403	6.276.854	553.317	6.830.171
4.4	Commercial Notes Received for Collection		7.697.822	537.956	8.235.778	6.345.097	568.396	6.913.493
4.5	Other Assets Received for Collection		8.834	-	8.834	-	8.834	-
4.6	Assets Received for Public Offering		302.629.350	16.455	302.645.805	230.498.311	3.354	230.501.665
4.7	Other Items Under Custody		12.190.736	10.193.785	22.384.521	4.441.948	7.179.931	11.621.879
4.8	Custodians		2.199	101.595	103.794	2.199	56.765	58.964
V.	PLEDGES RECEIVED		732.424.880	152.581.572	885.006.452	682.010.015	130.623.295	812.633.310
5.1	Marketable Securities		2.479.902	310.216	2.790.118	1.557.574	37.532	1.595.106
5.2	Guarantee Notes		15.016.884	2.829.996	17.846.880	14.412.792	2.535.527	16.948.319
5.3	Commodity		1.815.124	75.518	1.890.642	1.508.261	70.224	1.578.485
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		644.652.432	116.300.977	760.953.409	601.855.777	103.085.496	704.941.273
5.6	Other Pledged Items		68.455.329	33.051.680	101.507.009	62.670.402	24.881.798	87.552.200
5.7	Pledged Items-Depository		5.209	13.185	18.394	5.209	12.718	17.927
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		810.180	2.148.188	2.958.368	593.069	1.873.589	2.466.658
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			1.142.918.695	322.998.578	1.465.917.273	995.351.838	274.687.812	1.270.039.650

The accompanying explanations and notes form an integral part of these consolidated 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”).)**

III. CONSOLIDATED STATEMENT OF INCOME					
INCOME AND EXPENSE ITEMS	Note (Section Five IV)	Current Period	Prior Period	Current Period	Prior Period
		01/01-30/09/2017	01/01-30/09/2016	01/07-30/09/2017	01/07-30/09/2016
I. INTEREST INCOME	(1)	26.757.461	20.581.367	9.226.014	7.207.090
1.1 Interest Income from Loans		21.254.578	15.945.639	7.687.359	5.620.797
1.2 Interest Income from Reserve Deposits		284.218	135.739	112.289	46.380
1.3 Interest Income from Banks		187.233	163.711	68.214	54.011
1.4 Interest Income from Money Market Placements		309.931	8.664	52.004	3.535
1.5 Interest Income from Marketable Securities		4.517.467	4.169.604	1.240.108	1.435.042
1.5.1 Financial Assets Held for Trading		3.875	2.303	1.091	911
1.5.2 Financial Assets at Fair Value through Profit and Loss		-	6.755	-	25
1.5.3 Financial Assets Available-for-Sale		4.031.914	3.547.977	1.115.388	1.226.245
1.5.4 Investments Held-to-Maturity		481.678	612.569	123.629	207.861
1.6 Finance Lease Income		145.858	127.476	51.389	41.488
1.7 Other Interest Income		58.176	30.534	14.651	5.837
II. INTEREST EXPENSES	(2)	13.672.403	9.989.279	5.051.948	3.344.790
2.1 Interest Expense on Deposits		9.011.075	7.370.484	3.311.254	2.497.201
2.2 Interest on Borrowings		518.051	364.367	185.665	133.194
2.3 Interest on Money Market Borrowings		3.609.466	1.926.742	1.337.678	608.634
2.4 Interest on Marketable Securities Issued		471.496	285.109	197.382	102.129
2.5 Other Interest Expense		62.315	42.577	19.969	3.632
III. NET INTEREST INCOME/EXPENSES (I - II)		13.085.058	10.592.088	4.174.066	3.862.300
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		1.369.029	1.075.249	355.443	356.390
4.1 Fees and Commissions Received		1.709.295	1.345.875	590.586	440.864
4.1.1 Non-cash Loans		364.247	254.604	129.815	81.084
4.1.2 Other	(11)	1.345.048	1.091.271	460.771	359.780
4.2 Fees and Commissions Paid		340.266	270.626	235.143	84.474
4.2.1 Non-cash Loans		372	4.259	(5.364)	3.784
4.2.2 Other		339.894	266.367	240.507	80.690
V. DIVIDEND INCOME		7.031	32.364	2.377	529
VI. TRADING PROFIT/LOSS (Net)	(3)	(337.468)	(85.872)	(333.494)	(12.951)
6.1 Profit/Loss from Capital Market Operations		38.236	27.607	4.105	9.801
6.2 Profit/losses on Derivative Financial Transactions		(524.577)	109.766	(357.908)	346.353
6.3 Profit/Loss from Foreign Exchanges		148.873	(223.245)	20.309	(369.105)
VII. OTHER OPERATING INCOME	(4)	2.731.747	2.348.705	855.876	683.010
VIII. TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)		16.855.397	13.962.534	5.054.268	4.889.278
IX. PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)	(5)	1.976.467	2.616.664	459.724	1.091.703
X. OTHER OPERATING EXPENSES(-)	(6)	5.918.527	4.801.767	1.826.807	1.515.892
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		8.960.403	6.544.103	2.767.737	2.281.683
XII. GAINS RECORDED AFTER MERGER		-	-	-	-
XIII. PROFIT/LOSS ON EQUITY METHOD		19.975	14.931	6.287	4.023
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XV. INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(7)	8.980.378	6.559.034	2.774.024	2.285.706
XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(8)	(1.914.107)	(1.421.643)	(576.433)	(553.929)
16.1 Current Tax Provision		(2.092.579)	(1.600.464)	(721.511)	(417.542)
16.2 Deferred Tax Provision		178.472	178.821	145.078	(136.387)
XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(9)	7.066.271	5.137.391	2.197.591	1.731.777
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)	(10)	7.066.271	5.137.391	2.197.591	1.731.777
23.1 Group's Profit/Loss		7.066.090	5.137.311	2.197.528	1.731.792
23.2 Minority Shares Profit/Loss		181	80	63	(15)
Earnings/Loss per Share (Full TL)		1,357	1,018	0,422	0,345

The accompanying explanations and notes form an integral part of these consolidated 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").)

IV. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Current Period (01/01-30/09/2017)	Prior Period (01/01-30/09/2016)
I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	1.343.415	1.329.387
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	(57.126)	144.739
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	142.366	33.556
V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective 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	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	(45.559)	(56.974)
IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(256.716)	(486.066)
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	1.126.380	964.642
XI. CURRENT YEAR PROFIT/LOSS	7.066.271	5.137.391
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	38.236	27.607
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	5.109.784
XII. TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	8.192.651	6.102.033

The accompanying explanations and notes form an integral part of these consolidated 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 CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2017

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																			
		Note (Section Five)	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
30 September 2017																			
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+.....+ 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

The accompanying explanations and notes form an integral part of these consolidated 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 CASH FLOWS AS OF 30 SEPTEMBER 2017

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS			
	Note (Section Five VI)	Current Period (01/01-30/09/2017)	Prior Period (01/01-30/09/2016)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		6.450.418	5.572.774
1.1.1 Interest Received		25.309.789	18.724.099
1.1.2 Interest Paid		(13.459.332)	(9.922.464)
1.1.3 Dividend Received		7.031	32.357
1.1.4 Fees and Commissions Received		2.102.441	1.345.318
1.1.5 Other Income		1.006.332	2.599.318
1.1.6 Collections from Previously Written-off Loans and Other Receivables		1.270.621	722.907
1.1.7 Payments to Personnel and Service Suppliers		(2.243.969)	(1.852.845)
1.1.8 Taxes Paid		(2.205.804)	(1.925.763)
1.1.9 Other		(5.336.691)	(4.150.153)
1.2 Changes in Operating Assets and Liabilities		(10.256.938)	(3.854.337)
1.2.1 Net (Increase)/Decrease in Trading Securities		(178.055)	(27.701)
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3 Net (Increase)/Decrease in Banks		546.402	(52.609)
1.2.4 Net (Increase)/Decrease in Loans		(50.536.336)	(25.403.202)
1.2.5 Net (Increase)/Decrease in Other Assets		(1.372.815)	(516.162)
1.2.6 Net Increase/(Decrease) in Bank Deposits		7.956.180	(1.445.337)
1.2.7 Net Increase/(Decrease) in Other Deposits		27.735.730	21.510.069
1.2.8 Net Increase/(Decrease) in Funds Borrowed		3.233.334	1.347.173
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		2.358.622	733.432
I. Net Cash Provided from Banking Operations		(3.806.520)	1.718.437
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net Cash Provided from Investing Activities		(1.724.826)	(398.076)
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)	(256.550)
2.4 Fixed Assets Sales		40.697	124.044
2.5 Cash for Purchase of Financial Assets Available for Sale		(12.500.605)	(10.703.157)
2.6 Cash Obtained from Sale of financial Assets Available for Sale		10.836.911	9.369.141
2.7 Cash Paid for Purchase of Investment Securities		(307.555)	(110.038)
2.8 Cash Obtained from Sale of Investment Securities		2.022.709	2.583.998
2.9 Other		(1.126.540)	(1.405.514)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from Financing Activities		5.651.494	632.493
3.1 Cash from Funds Borrowed and Securities Issued		7.809.015	3.854.026
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.407.100)	(2.990.333)
3.3 Marketable Securities Issued		500.000	-
3.4 Dividends Paid		(250.000)	(231.200)
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	238.046
V. Net Decrease/Increase in Cash and Cash Equivalents (I+II+III+IV)		783.210	2.190.900
VI. Cash and Cash Equivalents at the Beginning of the Period		15.889.913	9.118.137
VII. Cash and Cash Equivalents at the End of the Period		16.673.123	11.309.037

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2017

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in the Official Gazette No. 28337, dated 28 June 2012 and amendments to these Communiqué. The Parent 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 TFRS.

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 until 31 December 2004, except for the financial assets and liabilities carried at fair value.

Consolidated balance sheet and consolidated statement of off-balance sheet commitments as of 30 September 2017 are presented comparatively with independently audited balances as of 31 December 2016 while consolidated income statement, consolidated statement of income and expense items accounted under shareholders’ equity, consolidated statement of cash flows and consolidated statement of changes in shareholders’ equity are presented comparatively with balances as of 30 September 2016.

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

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.

The amendments of TAS and TFRS which have entered into force as of 1 January 2017 have no material impact on the Bank’s accounting policies, financial position and performance. The amendments of TAS and TFRS, except TFRS 9 Financial Instruments, is predicted no impact on the accounting policies, financial condition and performance of the Bank. The Bank conducts the preparations in line with TFRS 9 Financial Instruments Standard, which will have entered into force as of 1 January 2018.

The accounting policies and valuation principles applied in the preparation of these financial statements are defined and applied in accordance with TAS. Those accounting policies and valuation principles are explained in Notes II. to XXVI. below.

Additional paragraph for convenience translation into English:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2017

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

SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

Main activity of the Parent Bank comprises 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 Parent 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 Parent Bank directs these funds to assets with high return and low risk. These assets include predominantly domestic government bonds and loans. The Parent Bank’s liquidity structure covers the financing of all liabilities at due date. Although most of the sources in the Parent 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 cards are the most important risk areas within the off-balance sheet accounts.

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

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

Foreign currency operations are 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 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2017

(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)

1.1. Consolidation principles for subsidiaries (Continued)

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

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

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary’s capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. In order to determine the net income of the Group, minority shares in the net income of the consolidated subsidiaries have been identified and deducted from the net income of the subsidiary. 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 2017		31 December 2016	
			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	Investment Management	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	-	-

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

1.2. Consolidation principles of associates and joint ventures

An Associate is a partnership with which the Parent Bank participates in its capital and has significant effect on it although it has no capital or management control, whose main operation is banking and which operates according to special legislation with permission and license and is established abroad. The related associate is consolidated with equity method in accordance with materiality principle.

Significant effect refers to the participation power on the constitution of the financial and management policies of the participated associate. If the Parent Bank has 10% or more voting right on the associate, as long as it is not proved otherwise, it will be accepted that the Parent Bank has significant effect on that associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changed amount in the associate participating shareholder’s equity during the period by the portion of the participant and the deduction of the dividend from the associate from the changed value of the associate amount.

The associates and joint ventures consolidated with the equity method, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Address (City/Country)	Main Activities	30 September 2017		31 December 2016	
			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
UTBANK JSC	Tashkent/Uzbekistan	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

None.

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.

2. 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.

When the cost of investments, associates and share certificates which are classified under available for sale portfolio is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value if any, considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

The Parent Bank’s derivative transactions mostly include currency and precious metal swaps and foreign currency forward contracts. The Parent Bank has no embedded derivative instruments separated from the articles of association.

The derivative instruments of the Parent Bank are classified as trading or hedging instruments in accordance with Turkish Accounting Standard on TAS 39 “Financial Instruments: Recognition and Measurement”. The Parent Bank has no derivative instruments for hedging purposes as of the balance sheet date. Accordingly, the Parent Bank is not subject to conditions whether derivative instruments do not meet the determination criteria for being classified as hedging instruments or whether such derivative transactions are finalized through sale, term expiry or fulfillment of obligations under the contract.

Derivative instruments are recognized at fair value on contractual date and subsequently re-valued at their fair values and associated with the income statement. If the fair value of derivative financial instruments is positive, it is disclosed under the main account “Financial Assets at Fair Value Through Profit or Loss” in “Trading Derivative Financial Assets” and if the fair value difference is negative, it is disclosed under “Financial Liabilities at Fair Value Through Profit or Loss” in “Trading Derivative Financial Liabilities”. Fair value changes are recorded under “Derivative Financial Transactions Gains/Losses” in income statement.

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 and expenses are recognized on an accrual basis using the internal rate of return method in conformity with TAS 39 “Financial Instruments: Recognition and Measurement”. In accordance with the Communiqué on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions” came into force after being published in the Official Gazette numbered 26333 dated 1 November 2006, no interest accrual is calculated for non-performing loans.

The Bank ceases accruing interest income on non-performing loans and reverses any interest income accrued from such loans. No income is accounted until the collection is made according to the related regulation.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

Financial instruments comprise financial assets and liabilities and derivative instruments. They are included in the balance sheet of the Group, if the Group is a legal party to these instruments.

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 are classified as investments held-to-maturity, bank loans and receivables, financial assets available for sale or held-for-trading at initial recognition.

The value difference between the settlement date and transaction date of financial assets accounted with their acquisition cost are subjected to rediscount (valuation).

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

Financial assets at fair value through profit or loss

In 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 bank 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.

Loans and receivables

The Parent Bank 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 loans and receivables originated by the Parent Bank 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.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

Loans and receivables: (Continued)

The Parent Bank 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. 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.

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 assets at fair value through profit or loss”.

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

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

The difference between fair value and cost of available for sale financial assets is booked as 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 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 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.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event (“loss event”) subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group.

If revalued amounts of financial assets at fair value through profit/loss is less than the prior revalued amounts, initially, value of prior records regarding the value increase are adjusted according to the recent value and if the impairment loss is more than the prior value increase, difference is reflected to “Impairment Expense for Marketable Securities”. If there is an increase in value, initially recognized impairment loss is reversed.

If financial assets available for sale are subject to permanent impairment, the amount is charged to “Impairment Expenses for Marketable Securities” account in accordance with the related Turkish Accounting Standard.

If subsidiaries, associates, entities under common control and assets held to maturity are subject to permanent impairment, the amount is charged to “Impairment Expenses for Subsidiaries, Associates, and Assets Held to Maturity”.

The principles for the accounting of provisions for loans and receivables are explained in detail in Note VII. of this section.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

Securities subject to repurchase agreements are classified under after “held for trading”, “available for sale” and/or “held-to-maturity” portfolios and they are valued based on the revaluation principles of the related portfolios. Funds obtained by these agreements are followed under the “Funds from Repurchase Agreements” account in the balance sheet and interest expense accrual is calculated using the internal rate of 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, there are no securities lending transactions.

XI. 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 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 Parent Bank’s receivables are shown at the fixed assets held for sale line according to the execution of the forward sales agreement.

A discontinued operation is a part of 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 Parent Bank does not have any discontinued operations.

XII. 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 5 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)

XIII. 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 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 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 4.121.649 net is followed under shareholders' equity as of 30 September 2017. 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 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.

Applied depreciation rates are as follows;

Buildings	: 2%
Vehicles and Fixtures	: 2 - 20%

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

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

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

XIV. EXPLANATIONS ON INVESTMENT PROPERTY

Investment properties consist of assets held for rent and / or gain on valuation. The related real estates, which the Group owns, are shown in the attached consolidated financial statements by fair value method within the framework of TAS 40 "Investment Property". Gains and losses arising from changes in fair value of investment properties are recognized in profit or loss when incurred.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XV. 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 installment paid for tangible fixed assets that are acquired under financial leasing are charged to liability account “Finance Lease Payable”, whereas interests are recognized in “Deferred Financial Leasing Expenses” account. At installment payments, principal and interest amount of installment amount are debited to “Financial Lease Payable” account, whereas interest is credited in “Deferred Financial Leasing Expenses” account and recorded to the “Other Interest Expenses”.

The Parent Bank does not perform financial operations as “Lessor”.

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

XVI. 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 it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in which the change occurs.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Employment Termination and Vacation Benefits

The Parent Bank 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 Bank and social security institution, retirement bonus pension/severance payments are calculated for the hours that the personnel has worked. The assumptions based on the calculation are below:

	Current Period	Prior Period
Discount Rate	10,50%	11,40%
Inflation	7,30%	8,00%
Expected salary increase rate	8,80%	9,50%

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 114.789 was classified as “Other Reserves” under shareholders’ equity in the financials by the Parent Bank.

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 does not employ its personnel by means of limited-period contracts.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

Some of the Parent Bank’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees’ Pension Fund (“Fund”) which was established by 20th provisional article of Social Security Law Act numbered 506.

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.

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 2016 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)

XVIII. EXPLANATIONS ON TAXATION

Current Tax

Turkish Tax Legislation does not permit the Parent Bank to file tax return over consolidated subsidiaries financial statements. Therefore, tax provisions which reflected to consolidated financial statements have been calculated per company.

Corporate Tax Law No. 5520 was taken into effect after being published in the Official Gazette dated 21 June 2006 No.26205. Many clauses of the “New Tax Law” are effective from 1 January 2006. According to the New Tax Law, the corporate tax rate in Turkey is payable at the rate of 20% as of 1 January 2006. 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. No further tax is payable unless the profit is distributed.

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 20% 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.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital in accordance with Corporate Tax Law or held in a special account under shareholders’ equity for five years

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 2017 are presented below:

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

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVIII. EXPLANATIONS ON TAXATION (Continued)

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.

XIX. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES

Technical Reserves

Reserve for unearned premiums

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

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.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIX. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES (Continued)

Technical Reserves (Continued)

Reserve for outstanding claims

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

Mathematical provisions

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

XX. EXPLANATIONS ON BORROWINGS

The Group accounts its debt instruments in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". In the following periods, all financial liabilities are carried at amortized cost by using the internal rate of return method. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings.

If required, the Parent Bank 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.

XXI. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

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.

XXII. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXIII. EXPLANATIONS ON GOVERNMENT GRANTS

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

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXIV. 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.

XXV. 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.

XXVI. EXPLANATIONS ON OTHER MATTERS

In accordance with the decision taken in the General Assembly of the year 2016, which was carried out on 9 June 2017, from TL 6.576.420 net profit, TL 328.821 is transferred to first legal reserve and TL 26.912 was transferred to second legal reserve, TL 230.000 was paid to employees and from the gross amount of TL 294.118, TL 250.000 was distributed to Treasury after deducting withholding tax of 15% (TL 44.118) in cash. In this context, TL 5.696.569 of the profit was preserved; dividend payment made to Treasury on 14 June 2017. Also TL 906.345 net profit from the last years, TL 45.317 was transferred to the legal reserves and TL 861.028 of the profit was preserved.

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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”.

As of 30 September 2017 Group’s total capital has been calculated as TL 50.187.258 (31 December 2016: TL 41.715.232), capital adequacy ratio is 15,03% (31 December 2016: 13,86%). This ratio is well above the minimum ratio required by the legislation.

1. Information Related to The Components of Shareholders' Equity

	Current Period 30 September 2017	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	29.870.764	
Gains recognized in equity as per TAS	5.192.468	
Profit	7.879.258	
Current period profit	7.066.090	
Prior period profit	813.168	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17.388	
Minorities’ Share	168	
Common Equity Tier 1 Capital Before Deductions	48.560.046	
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	1.451.249	
Improvement costs for operating leasing	89.255	
Goodwill netted with related deferred tax liabilities	-	
Other intangible assets netted with related deferred tax liabilities except mortgage servicing rights	369.129	461.411
Deferred tax assets that rely on future profitability excluding those arising from temporary differences netted with related deferred 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 on its own Tier I Capital	-	-
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	-	-

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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)

	Current Period 30 September 2017	Amount as per the regulation before 1/1/2014*
Total Deductions from Common Equity Tier I Capital	1.909.633	
Total Common Equity Tier I Capital	46.650.413	
ADDITIONAL TIER I CAPITAL		
Preferred stock not included in Common Equity Tier I Capital and the related share premiums	-	
Debt instruments and the related issuance premiums defined by the BRSA	-	
Debt instruments and the related issuance premiums defined by the BRSA (Covered by 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	-	
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	92.280	
Net deferred tax asset/liability which is not deducted from Common Equity Tier I 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)	46.558.133	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Third parties’ share in the Tier II Capital	-	
Third parties’ share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on the Equity of Banks)	3.630.513	
Total Deductions from Tier II Capital	3.630.513	
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 of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	3.630.513	
Total Equity (Total Tier I and Tier II Capital)	50.188.646	
Total Tier I and Tier II Capital (Total Equity)	50.188.646	
Loans Granted against the Articles 50 and 51 of the Banking Law	-	

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

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

	Current Period 30 September 2017	Amount as per the regulation before 1/1/2014*
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	1.388	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	50.187.258	
Total Risk Weighted Assets	333.934.371	
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	13,97	
Tier I Capital Adequacy Ratio (%)	13,94	
Capital Adequacy Ratio (%)	15,03	
BUFFERS		
Total additional core capital requirement ratio (a+b+c)	2,27	
a) Capital conservation buffer requirement (%)	1,25	
b) Bank specific countercyclical buffer requirement (%)	0,024	
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	5,97	
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	153.991	
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	97.631	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	15.956	
Limits for Provisions Used in Tier II Capital Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	4.834.848	
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	3.630.513	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper Limit for Additional Tier I Capital Items subjected to Temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(*) Amounts considered within transition provisions

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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 2016	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	5.100.000	-
Share issue premiums	-	-
Reserves	22.871.718	-
Gains recognized in equity as per TAS	4.804.405	-
Profit	8.207.208	-
Current Period Profit	6.884.924	-
Prior Period Profit	1.322.284	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17.388	-
Minority Share	139	-
Common Equity Tier 1 Capital Before Deductions	41.000.858	-
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	2.090.373	-
Improvement costs for operating leasing	100.306	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	220.718	367.865
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 1 Capital	2.411.397	-
Total Common Equity Tier I Capital	38.589.461	-

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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 2016	Amount as per the regulation before 1/1/2014*
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)	-	-
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 (-)	147.146	-
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)	38.442.315	-
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)	3.313.441	-
Tier II Capital Before Deductions	3.313.441	-
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	3.313.441	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	41.755.756	-
Deductions from Total Capital	41.755.756	-
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	38.071	-
Other items to be defined by the BRSA (-)	2.453	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

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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 2016	Amount as per the regulation before 1/1/2014*
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	41.715.232	-
Total Risk Weighted Assets	300.953.790	-
CAPITAL ADEQUACY RATIOS		
CET 1 Capital Ratio (%)	12,82	-
Tier I Capital Ratio (%)	12,77	-
Capital Adequacy Ratio (%)	13,86	-
BUFFERS		
Bank-specific total CET 1 Capital Ratio		-
Capital Conservation Buffer Ratio (%)	0,63	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,01	-
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	4,82	-
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	153.707	-
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	97.415	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	86.569	-
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)	4.042.425	-
General Loan Provisions for Exposures in Standard Approach Limited by 1,25% of Risk Weighted Assets	3.313.441	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Comminique on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Comminique 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	-	-

^(*)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’s equity and balance-sheet amounts

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision. In the calculation of Total Capital, general provision up to 1,25% credit risk is taken into consideration as Tier II Capital. Besides, losses that are subject to deductions from Common Equity Tier I and reflected to Equity in line with the TAS, are determined by excluding the losses related to cash flow hedge transactions. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and net book value of immovables that are acquired against overdue receivables and retained more than three years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

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”, “Reprising Gap Analysis” and “Structural Liquidity Gap Analysis” which takes into account historical reprising 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
25.09.2017	3,5247	4,1856	2,8007	0,5627	0,4392	3,6367	2,8600	0,4506	4,7580	0,9399	3,1490
26.09.2017	3,5279	4,1541	2,7793	0,5584	0,4337	3,6329	2,8506	0,4459	4,7351	0,9407	3,1460
27.09.2017	3,5555	4,1714	2,7954	0,5606	0,4357	3,6467	2,8769	0,4460	4,7591	0,9481	3,1537
28.09.2017	3,5440	4,1752	2,7768	0,5613	0,4356	3,6469	2,8439	0,4451	4,7593	0,9451	3,1452
29.09.2017	3,5379	4,1804	2,7716	0,5617	0,4335	3,6571	2,8322	0,4432	4,7433	0,9435	3,1445
30.09.2017	3,5379	4,1804	2,7716	0,5617	0,4335	3,6571	2,8322	0,4432	4,7433	0,9435	3,1445

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
3,4568	4,1204	2,7525	0,5539	0,4320	3,5921	2,8081	0,4406	4,6029	0,9218	3,1215

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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				
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	7.764.754	19.083.173	5.783.996	32.631.923
Banks	585.633	561.995	524.756	1.672.384
Financial Assets at Fair Value Through Profit and Loss ⁽⁴⁾	-	13.606	23.087	36.693
Money Market Placements	-	-	143.789	143.789
Financial Assets Available-for-Sale	3.843.720	12.250.657	66.110	16.160.487
Loans ⁽¹⁾	33.978.006	45.852.353	2.099.068	81.929.427
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) ⁽³⁾	19.697	72.954	1.081	93.732
Investments Held-to-Maturity	607.642	3.821.147	546	4.429.335
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	11.803	307	122.068	134.178
Intangible Assets	17.409	463	13.925	31.797
Other Assets ⁽⁵⁾	2.565.322	924.797	97.920	3.588.039
Total Assets⁽⁴⁾	49.393.986	82.581.452	8.876.346	140.851.784
Liabilities				
Interbank Deposits	4.989.825	3.617.145	353.476	8.960.446
Foreign Currency Deposits	52.178.739	34.828.812	6.413.926	93.421.477
Money Market Borrowings	346.269	13.750.326	18.159	14.114.754
Funds Provided from Other Financial Institutions	7.711.645	18.772.305	3.668	26.487.618
Issued Marketable Securities	42.430	8.644.967	34.071	8.721.468
Sundry Creditors	1.659.718	62.072	20.727	1.742.517
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	409.674	344.854	63.391	817.919
Total Liabilities	67.338.300	80.020.481	6.907.418	154.266.199
Net Balance Sheet Position	(17.944.314)	2.560.971	1.968.928	(13.414.415)
Net Off-Balance Sheet Position⁽²⁾	17.437.019	(2.130.873)	(542.921)	14.763.225
Financial Derivative Assets	21.710.610	22.443.851	2.279.716	46.434.177
Financial Derivative Liabilities	4.273.591	24.574.724	2.822.637	31.670.952
Non-Cash Loans	24.423.720	33.974.634	4.063.912	62.462.266
Prior Period				
Total Assets	43.032.975	79.657.615	9.112.394	131.802.984
Total Liabilities	58.372.001	59.133.108	4.881.157	122.386.266
Net Balance Sheet Position	(15.339.026)	20.524.507	4.231.237	9.416.718
Net Off-Balance Sheet Position⁽²⁾	14.918.785	(22.310.574)	(2.618.075)	(10.009.864)
Financial Derivative Assets	17.015.895	7.710.930	2.593.074	27.319.899
Financial Derivative Liabilities	2.097.110	30.021.504	5.211.149	37.329.763
Non-Cash Loans	19.785.282	32.994.991	3.863.978	56.644.251

⁽¹⁾ TL 1.518.140 equivalent of USD and TL 2.072.186 equivalent of EUR loans are originated as foreign currency indexed loans (31 December 2016: TL 1.290.033 equivalent of USD and TL 1.335.293 equivalent of EUR).

⁽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 34.587 among other expenses are not included in the table.

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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	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	27.017.398	-	-	-	-	13.143.204	40.160.602
Banks	1.807.905	590.739	39.321	-	-	1.281.010	3.718.975
Financial Assets at Fair Value Through Profit and Loss	273.179	849.369	359.101	63.988	4.696	997	1.551.330
Money Market Placements	1.349.423	-	-	-	-	-	1.349.423
Financial Assets Available-for-Sale	6.043.549	6.260.172	12.897.040	16.581.876	18.829.191	909.313	61.521.141
Loans Given	82.320.368	26.874.090	58.477.136	103.138.579	25.805.296	229.673	296.845.142
Investments Held-to-Maturity	190.035	10.172	3.852.212	1.517.449	1.689.690	-	7.259.558
Other Assets	197.185	246.605	590.826	1.534.820	177.783	12.454.504	15.201.723
Total Assets	119.199.042	34.831.147	76.215.636	122.836.712	46.506.656	28.018.701	427.607.894
Liabilities							
Interbank Deposits	8.796.749	1.975.133	1.981.756	49.820	-	1.755.829	14.559.287
Other Deposits	112.295.950	41.332.923	27.539.712	2.296.687	78.490	66.148.641	249.692.403
Money Market Borrowings	48.458.656	1.670.115	1.721.288	790.143	-	-	52.640.202
Sundry Creditors	8.603	1.164	17.113	-	-	4.144.171	4.171.051
Issued Marketable Securities	1.079.175	2.391.937	514.081	6.732.467	1.768.950	10.460	12.497.070
Funds Provided from Other Financial Institutions	8.642.416	4.280.647	10.845.288	2.563.945	1.337.447	-	27.669.743
Other Liabilities	1.401.785	281.997	338.147	6.563.004	20.630	57.772.575	66.378.138
Total Liabilities	180.683.334	51.933.916	42.957.385	18.996.066	3.205.517	129.831.676	427.607.894
Balance Sheet Long Position	-	-	33.258.251	103.840.646	43.301.139	-	180.400.036
Balance Sheet Short Position	(61.484.292)	(17.102.769)	-	-	-	(101.812.975)	(180.400.036)
Off-Balance Sheet Long Position	637.579	1.643.548	-	-	-	-	2.281.127
Off-Balance Sheet Short Position	1.371	3.553	(353.823)	(1.110.184)	-	-	(1.459.083)
Total Position	(60.845.342)	(15.455.668)	32.904.428	102.730.462	43.301.139	(101.812.975)	822.044

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

(2) TL 5.981.522 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the “1 - 5 Years” column TL 60.213 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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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	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	26.781.761	-	-	-	-	13.863.744	40.645.505
Banks	1.477.014	428.485	52.425	-	-	2.362.142	4.320.066
Financial Assets at Fair Value Through Profit and Loss	557.806	715.937	377.618	63.530	4.433	247	1.719.571
Money Market Placements	252.944	-	-	-	-	-	252.944
Financial Assets Available-for-Sale	6.262.067	6.231.045	10.886.839	16.553.494	18.466.636	728.133	59.128.214
Loans Given	71.989.277	19.739.060	54.872.411	77.739.693	19.482.455	251.449	244.074.345
Investments Held-to-Maturity	3.616.855	830.145	71.144	2.594.090	1.682.681	-	8.794.915
Other Assets	185.447	167.603	603.548	1.421.095	183.447	10.385.225	12.946.365
Total Assets	111.123.171	28.112.275	66.863.985	98.371.902	39.819.652	27.590.940	371.881.925
Liabilities							
Interbank Deposits	6.867.493	1.597.664	2.014.652	-	-	1.496.123	11.975.932
Other Deposits	116.331.186	25.869.031	22.188.911	1.412.078	119.357	55.015.498	220.936.061
Money Market Borrowings	41.796.418	3.747.109	1.085.940	716.162	-	-	47.345.629
Sundry Creditors	32.684	22.243	26.398	1.089	-	2.484.487	2.566.901
Issued Marketable Securities	836.455	1.468.491	391.680	4.374.125	-	-	7.070.751
Funds Provided from Other Financial Institutions	4.098.207	4.683.460	11.771.437	2.443.385	1.430.040	-	24.426.529
Other Liabilities	1.082.103	511.427	565.202	6.511.950	33.307	48.856.133	57.560.122
Total Liabilities	171.044.546	37.899.425	38.044.220	15.458.789	1.582.704	107.852.241	371.881.925
Balance Sheet Long Position	-	-	28.819.765	82.913.113	38.236.948	-	149.969.826
Balance Sheet Short Position	(59.921.375)	(9.787.150)	-	-	-	(80.261.301)	(149.969.826)
Off Balance Sheet Long Position	808.683	2.200.356	-	-	-	-	3.009.039
Off Balance Sheet Short Position	-	-	(373.698)	(1.428.568)	-	-	(1.802.266)
Total Position	(59.112.692)	(7.586.794)	28.446.067	81.484.545	38.236.948	(80.261.301)	1.206.773

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

(2) TL 5.950.057 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the “1 - 5 Years” column. TL 70.782 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 other assets.

(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 the values belonging to the Parent Bank) (%)

	EUR	USD	JPY	TL
Current Period				
Assets				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾	-	0,78	-	3,98
Banks	1,76	2,72	-	11,94
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	9,20
Money Market Placements	-	-	-	12,25
Financial Assets Available-for-Sale	4,74	5,59	-	9,48
Loans Given ⁽²⁾	4,48	5,89	-	12,44
Investments Held-to-Maturity	6,63	7,20	-	10,30
Liabilities				
Interbank Deposits ⁽³⁾	0,41	1,45	-	12,17
Other Deposits ⁽⁴⁾	1,00	1,61	-	7,47
Money Market Borrowings	0,92	2,15	-	12,14
Sundry Creditors	-	-	-	-
Issued Marketable Securities	1,00	4,72	1,50	13,46
Funds Provided from Other Financial Institutions	1,22	2,88	-	8,50

⁽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				
Assets				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾	0,03	0,49	-	3,36
Banks	1,56	2,82	-	8,44
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	7,98
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,73	5,64	-	9,20
Loans Given ⁽²⁾	4,30	5,52	-	12,82
Investments Held-to-Maturity	6,48	7,20	-	9,75
Liabilities				
Interbank Deposits ⁽³⁾	0,45	1,09	-	8,24
Other Deposits ⁽⁴⁾	0,94	1,14	-	6,52
Money Market Borrowings	0,95	1,82	-	8,55
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	4,37	-	9,77
Funds Provided from Other Financial Institutions	0,92	2,23	-	8,38

⁽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.

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

IV. EXPLANATIONS ON THE POSITION RISK OF CONSOLIDATED 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

There is no significant difference between balance sheet value, fair value and market value of investments in equity instruments (31 December 2016: None).

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 124.671 and 100% of them are risk weighted (31 December 2016: are amounted TL 124.451 and 100% of them are risk weighted).

**V. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND
CONSOLIDATED 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”.

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 Bank’s level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector 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 Isedes Regulations” of the Parent Bank. In this context, liquidity risk strategies and policies are published in periodically on weeks, months and years with all of the units with board directors in bank. Moreover, analyses done and reports are handled in the Assets-Liability Commission Conferences, Board of Director is informed by Audit Commission.

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

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

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

The Parent Bank’s fundamental funding resources are deposits, 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.

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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
CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued)**

1. Liquidity Risk (Continued)

**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 the Parent Bank’s Internal Capital Adequacy Assessment Process (ICAAP)”.

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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 CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued)

2. Liquidity Coverage Ratio

Within the framework of "Regulation on Calculation of Liquidity Covered Rate of Banks" published in the Official Gazette dated 21 March 2014 and numbered 28948 by the BRSA, the Parent Bank calculates the Liquidity Cover Rate and transmits it to the BRSA on a monthly basis. In the last three months the consolidation ratios were respectively for FC 171,95% and for the total 75,39% at June; for FC 180,17% and for the total 74,34% at August; for FC 220,83% and for the total 95,70% at September (31 December 2016: In the last three months (January-February-March), the consolidation ratios were respectively for FC 86,61% and for the total 81,65% at October; for FC 92,29% and for the total 76,33% at November; for FC 102,33% and for the total 77,90% at December).

Current Period	Total Unweighted Value (average)^(*)		Total Weighted Value (average)^(*)	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			45.354.088	32.282.870
Cash Outflows				
Retail and Small Business Customers, of which;	172.200.593	67.797.367	14.166.579	6.779.737
Stable deposits	61.069.607	-	3.053.480	-
Less stable deposits	111.130.986	67.797.367	11.113.099	6.779.737
Unsecured wholesale funding , of which;	78.529.049	30.224.578	44.157.916	18.973.091
Operational deposit	4.403.111	458.092	1.100.778	114.523
Non-operational deposits	59.999.624	21.637.490	29.827.176	11.610.519
Other unsecured funding	14.126.314	8.128.996	13.229.962	7.248.049
Secured funding			-	-
Other cash outflows, of which;	34.836.477	9.206.685	9.584.452	5.411.689
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2.516.200	2.520.789	2.516.200	2.520.789
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	32.320.277	6.685.896	7.068.252	2.890.900
Other revocable off-balance sheet commitments and contractual Obligations	294.060	275.387	14.703	13.769
Other irrevocable or conditionally revocable off-balance sheet Obligations	35.985.649	25.055.655	2.281.676	1.668.985
Total Cash Outflows			70.205.326	32.847.271
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	19.121.927	5.804.506	12.589.780	4.515.034
Other cash inflows	1.995.732	11.283.622	1.980.156	11.268.047
Total Cash Inflows	21.117.659	17.088.128	14.569.936	15.783.081
			Total Adjusted Value	
Total HQLA Stock			45.354.088	32.282.870
Total Net Cash Outflows			55.635.390	17.064.190
Liquidity Coverage Ratio (%)			81,52	189,18

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

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

2. Liquidity Coverage Ratio (Continued)

Prior Period	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			47.060.923	26.647.052
Cash Outflows				
Retail and Small Business Customers, of which;	143.898.400	51.675.017	11.622.939	5.167.502
Stable deposits	55.338.033	-	2.766.902	-
Less stable deposits	88.560.367	51.675.017	8.856.037	5.167.502
Unsecured wholesale funding , of which;	80.482.580	24.151.123	46.653.885	16.242.578
Operational deposit	1.687.101	291.581	421.775	72.895
Non-operational deposits	67.505.167	17.490.912	34.986.034	9.818.460
Other unsecured funding	11.290.312	6.368.630	11.246.076	6.351.223
Secured funding			-	-
Other cash outflows, of which;	20.783.315	13.237.304	5.963.394	11.556.687
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2.133.363	10.295.383	2.133.363	10.295.383
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	18.649.952	2.941.921	3.830.031	1.261.304
Other revocable off-balance sheet commitments and contractual Obligations	39.627	21.913	1.981	1.096
Other irrevocable or conditionally revocable off-balance sheet Obligations	40.843.572	24.557.903	9.739.071	3.337.772
Total Cash Outflows			73.981.270	36.305.635
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	17.850.713	7.875.744	12.618.858	6.975.435
Other cash inflows	1.480.005	780.641	1.465.414	766.050
Total Cash Inflows	19.330.718	8.656.385	14.084.272	7.741.485
			Total Adjusted Value	
Total HQLA Stock			47.060.923	26.647.052
Total Net Cash Outflows			59.896.998	28.564.150
Liquidity Coverage Ratio (%)			78,57	93,29

^(*) The average of last three months' consolidated 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
CONSOLIDATED 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. When comparing with the previous periods, the percentage of the total deposit in financial statement does not change and has an increasing sail.

As well as its low turn into cash ratio, since the non-cash loans 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; 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, other bonds).

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

The major part of the resources of funds in Bank 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 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 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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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

V. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND CONSOLIDATED 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⁾	Total
Current Period								
Assets								
Cash (Cash in vault, effectives, Money in transit, cheques purchased) and Balances with the Central Bank of Turkey	38.915.164	1.245.438	-	-	-	-	-	40.160.602
Banks	1.281.010	1.808.744	589.900	39.321	-	-	-	3.718.975
Financial Assets at Fair Value Through Profit and Loss	997	273.179	849.369	352.256	56.523	4.696	14.310	1.551.330
Money Market Placements	-	1.349.423	-	-	-	-	-	1.349.423
Financial Assets Available-for-Sale	2.479	4.012.138	407.220	5.321.963	22.532.924	28.411.547	832.870	61.521.141
Loans Given	-	11.103.757	21.037.453	106.451.256	125.672.108	30.775.171	1.805.397	296.845.142
Investments Held-to-Maturity	-	190.035	10.172	2.145.572	3.224.089	1.689.690	-	7.259.558
Other Assets	4.167.432	179.140	252.622	629.420	1.614.189	218.326	8.140.594	15.201.723
Total Assets	44.367.082	20.161.854	23.146.736	114.939.788	153.099.833	61.099.430	10.793.171	427.607.894
Liabilities								
Interbank Deposits	1.755.827	8.796.749	1.975.133	1.981.756	49.822	-	-	14.559.287
Other Deposits	66.148.641	118.581.564	35.817.604	27.088.359	1.955.293	100.942	-	249.692.403
Funds Provided from Other Financial Institutions	-	991.375	3.323.773	15.844.141	4.616.664	2.893.790	-	27.669.743
Money Market Borrowings	-	48.458.656	1.670.115	1.721.288	790.143	-	-	52.640.202
Issued Marketable Securities	10.460	1.079.175	2.392.063	513.955	6.732.467	1.768.950	-	12.497.070
Sundry Creditors	2.470.303	1.553.167	35.751	66.782	102	-	44.946	4.171.051
Other Liabilities ⁽³⁾	4.616.591	888.678	964.384	805.808	6.563.004	1.204.780	51.334.893	66.378.138
Total Liabilities	75.001.822	180.349.364	46.178.823	48.022.089	20.707.495	5.968.462	51.379.839	427.607.894
Liquidity Gap	(30.634.740)	(160.187.510)	(23.032.087)	66.917.699	132.392.338	55.130.968	(40.586.668)	-
Net Off-Balance Sheet Position	-	(77.194)	316.723	145.803	421.598	-	-	806.930
Financial Derivative Assets	-	31.270.719	7.009.431	2.563.369	2.797.440	-	-	43.640.959
Financial Derivative Liabilities	-	31.347.913	6.692.708	2.417.566	2.375.842	-	-	42.834.029
Non-cash Loans	39.703.975	4.293.039	4.330.207	24.107.789	19.135.152	3.702.621	-	95.272.783
Prior Period								
Total Assets	46.662.136	14.372.061	20.611.306	99.482.203	128.430.398	54.624.698	7.699.123	371.881.925
Total Liabilities	64.339.267	167.591.756	36.429.622	39.802.556	17.974.768	3.641.949	42.102.007	371.881.925
Liquidity Gap	(17.677.131)	(153.219.695)	(15.818.316)	59.679.647	110.455.630	50.982.749	(34.402.884)	-
Net Off-Balance Sheet Position	-	101.816	(4.584)	511.465	598.076	-	-	1.206.773
Financial Derivative Assets	-	23.887.140	7.574.728	2.638.403	2.677.243	-	-	36.777.514
Financial Derivative Liabilities	-	23.785.324	7.579.312	2.126.938	2.079.167	-	-	35.570.741
Non-cash Loans	39.328.862	1.045.731	5.027.611	18.874.379	14.761.801	3.682.731	-	82.721.115

(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) TL 5.981.522 of the funds balance, whose risk is not born by the Parent Bank, is included in other liabilities and shown under the "1-5 years" column, fund balance amounted to TL 60.213 is not granted as loan and is included under "Up to One Month" column.

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

VI. EXPLANATIONS ON CONSOLIDATED LEVERAGE

1. Explanations on the difference between the prior and current period of leverage ratio

The Bank’s leverage calculated by force of the regulation “Regulation on Measurement and Assessment of Leverage Ratios of Banks” is 8,29% (31 December 2016: 8,00%). The change on leverage results occur from the more percental increase on Tier 1 capital than the percental increase on total risk amount. The regulation sentenced the minimum leverage as 3%.

Balance sheet assets	Current Period ^(*)	Prior Period ^(*)
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	422.276.054	359.875.628
(Assets deducted in determining Tier 1 capital)	(1.908.728)	(2.072.001)
Total on-balance sheet risks (sum of lines 1 and 2)	420.367.326	357.803.627
Derivative financial instruments and credit derivatives		
Replacement cost associated with all derivative financial instruments and credit Derivatives	1.652.818	1.516.660
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	457.000	394.485
Total risks of derivative financial instruments and credit derivatives	2.109.818	1.911.145
Securities or commodity financing transactions (SCFT)		
Risks from SCFT assets	4.728.135	4.889.181
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	4.728.135	4.889.181
Other off-balance sheet transactions		
Gross notional amounts of off-balance sheet transactions	126.139.596	105.343.560
(Adjustments for conversion to credit equivalent amounts)	(1.688.931)	(1.415.380)
Total risks of off-balance sheet items	124.450.665	103.928.180
Capital and total risks		
Tier 1 capital	45.731.779	37.505.342
Total risks	551.655.944	468.532.133
Leverage ratio		
Leverage ratio %	8,29	8,00

(*) Three month average of the amounts in the table are taken.

2. An extract comparison table of total risks placed in consolidated financial statements coordinated in accordance with TAS

	Current Period ^(*)	Prior Period ^(*)
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ^(**)	427.657.596	371.924.474
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”	49.702	42.549
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	89.241.293	76.404.601
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	14.929.326	39.216.454
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	1.688.931	1.415.380
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	(18.004.644)	(42.588.977)
Total Risk Amount	551.655.944	468.532.133

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

(**) The current year balance of the Consolidated Financial Statements prepared in accordance with paragraph 6 of Article 5 of the Communiqué on Preparation of Consolidated Financial Statements of Banks has been prepared by using the temporary financial statements dated 30 September 2017 of the nonfinancial subsidiaries.

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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

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 2017, the following notes to be presented on a quarterly and semi-annually basis according to Communiqué have not been presented due to usage of standard approach for the calculation of capital adequacy by the Bank.

RWA flow statements under an Internal Model Approach (IMA)

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 Amounts

Overview of Risk Weighted Amounts

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	286.485.382	260.065.282	22.918.831
2	Standardised approach	286.485.382	260.065.282	22.918.831
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3.338.573	3.323.247	267.086
5	Standardised approach for counterparty credit risk	3.338.573	3.323.247	267.086
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	617.098	1.686.718	49.368
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	18.347.500	15.358.775	1.467.800
17	Standardised Approach	18.347.500	15.358.775	1.467.800
18	Internal model Approaches	-	-	-
19	Operational risk	25.145.818	20.519.768	2.011.665
20	Basic Indicator Approach	25.145.818	20.519.768	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)	333.934.371	300.953.790	26.714.750

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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

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 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 Parent 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 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 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 Bank. The 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 Bank performs repo/reverse repo transactions. Besides the Bank performs derivative transactions which are accounted as held for trading. As financial derivative transactions, the Bank performs foreign currency forward agreements and currency swap transactions. Besides, the Bank has commission revenue from insurance and other finance institutions by rendering agency services through its branches.

Besides, the Bank has commission revenue from insurance and other finance institutions by rendering agency services through its Branches.

As of 30 September 2017, 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 OPERATING SEGMENTS (Continued)

Table for Segment Reporting

Current Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Correction	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE 30.09.2017							
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 30.09.2017							
Financial Assets at FV Through P/L	-	-	-	1.528.324	-	23.006	1.551.330
Banks and Other Financial Institutions	-	-	-	4.993.008	-	75.390	5.068.398
Financial Assets Available for Sale (Net)	-	-	-	61.519.974	147	1.020	61.521.141
Loans	81.064.168	152.668.604	52.344.383	10.405.963	-	362.024	296.845.142
Held to Maturity Investments (Net)	-	-	-	7.259.558	-	-	7.259.558
Associates, Subsidiaries and Joint Ventures	-	1.081	-	4.846.818	(4.653.055)	31.571	226.415
Other Assets	-	263.396	-	-	(71.236)	54.943.750	55.135.910
Total Segment Assets	81.064.168	152.933.081	52.344.383	90.553.645	(4.724.144)	55.436.761	427.607.894
SEGMENT LIABILITIES 30.09.2017							
Deposits	184.851.824	59.871.133	-	15.915.218	-	3.613.515	264.251.690
Derivative Financial Liabilities Held for Trading	-	-	-	556.423	-	322	556.745
Funds Borrowed	-	-	-	26.966.875	-	702.868	27.669.743
Money Market Funds	-	-	-	52.640.202	-	-	52.640.202
Securities Issued (Net)	-	-	-	12.319.418	-	177.652	12.497.070
Provisions	1.198	26.637	-	-	24.382	9.037.826	9.090.043
Other Liabilities	-	23.638	-	-	(71.236)	13.839.833	13.792.235
Shareholders' Equity	-	130.450	-	-	(4.677.290)	51.657.006	47.110.166
Total Segment Liabilities	184.853.022	60.051.858	-	108.398.136	(4.724.144)	79.029.022	427.607.894
OTHER SEGMENT ITEMS 30.09.2017							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	347.804	347.804
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 OPERATING SEGMENTS (Continued)

Table for Segment Reporting (Continued)

Prior Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Correction	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE 30.09.2016							
Interest Income	4.978.939	7.258.955	3.388.849	4.687.759	-	266.865	20.581.367
Interest Income from Loans	4.978.939	7.215.559	3.388.849	342.558	-	19.734	15.945.639
Interest Income from Banks	-	36.705	-	46.229	-	80.777	163.711
Interest Income from Securities	-	-	-	4.159.385	-	10.219	4.169.604
Other Interest Income	-	6.691	-	139.587	-	156.135	302.413
Interest Expense	4.898.794	2.159.959	-	2.850.091	-	80.435	9.989.279
Interest Expense on Deposits	4.898.794	2.159.959	-	310.100	-	1.631	7.370.484
Interest Expense on Funds Borrowed	-	-	-	339.702	-	24.665	364.367
Interest Expense on Money Market Transactions	-	-	-	1.926.740	-	2	1.926.742
Interest Expense on Securities Issued	-	-	-	273.549	-	11.560	285.109
Other Interest Expense	-	-	-	-	-	42.577	42.577
Net Interest Income/Expense	80.145	5.098.996	3.388.849	1.837.668	-	186.430	10.592.088
Net Fees and Commission Income/Expense	735.226	304.814	75.750	(182.942)	-	142.401	1.075.249
Fees and Commissions Received	735.226	310.721	76.781	3.047	-	220.100	1.345.875
Fees and Commissions Paid	-	5.907	1.031	185.989	-	77.699	270.626
Dividend Income	-	-	-	255.651	(227.301)	4.014	32.364
Trading Income/Loss (Net)	-	6.743	-	(92.985)	-	370	(85.872)
Other Operating Income	23.690	214.679	30.763	2.727	-	2.076.846	2.348.705
Provision for Loans or Other Receivables Losses	688.442	1.310.646	542.370	120	(1.485)	76.571	2.616.664
Other Operating Expense	41.903	207.963	39.466	-	(889)	4.513.324	4.801.767
Income Before Tax	108.716	4.106.623	2.913.526	1.819.999	(224.927)	(2.179.834)	6.544.103
Profit/Loss on Equity Method	-	-	-	-	-	14.931	14.931
Tax Provision	-	-	-	-	-	(1.421.643)	(1.421.643)
Net Profit/Loss	108.716	4.106.623	2.913.526	1.819.999	(224.927)	(3.586.546)	5.137.391
SEGMENT ASSETS 31.12.2016							
Financial Assets at FV Through P/L	-	9.042	-	1.684.798	-	25.731	1.719.571
Banks and Other Financial Institutions	-	767.830	-	2.904.692	-	900.488	4.573.010
Financial Assets Available for Sale (Net)	-	-	-	59.119.312	147	8.755	59.128.214
Loans	63.876.189	122.691.522	46.461.974	10.701.124	-	343.536	244.074.345
Held to Maturity Investments (Net)	-	15.975	-	8.749.464	-	29.476	8.794.915
Associates, Subsidiaries and Joint Ventures	-	951	-	4.311.740	(4.125.232)	26.989	214.448
Other Assets	-	247.399	-	-	(6.135)	53.136.158	53.377.422
Total Segment Assets	63.876.189	123.732.719	46.461.974	87.471.130	(4.131.220)	54.471.133	371.881.925
SEGMENT LIABILITIES 31.12.2016							
Deposits	157.246.729	60.890.317	10.183	13.325.891	-	1.438.873	232.911.993
Derivative Financial Liabilities Held for Trading	-	-	-	642.476	-	10.889	653.365
Funds Borrowed	-	16.458	-	23.459.531	-	950.540	24.426.529
Money Market Funds	-	-	-	47.345.629	-	-	47.345.629
Securities Issued (Net)	-	4.469	-	6.934.460	-	131.822	7.070.751
Provisions	824	22.114	-	-	22.628	7.493.095	7.538.661
Other Liabilities	-	38.425	-	-	(6.135)	12.990.910	13.023.200
Shareholders' Equity	-	252.276	-	-	(4.147.715)	42.807.236	38.911.797
Total Segment Liabilities	157.247.553	61.224.059	10.183	91.707.987	(4.131.222)	65.823.365	371.881.925
OTHER SEGMENT ITEMS 30.09.2016							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	247.718	247.718
Restructuring Costs	-	-	-	-	-	-	-

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1.909.988	1.446.553	1.738.822	1.053.954
Central Bank of the Republic of Turkey	5.617.521	31.108.005	6.432.150	31.248.539
Other	1.170	77.365	3.775	168.265
Total	7.528.679	32.631.923	8.174.747	32.470.758

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 since 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		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	5.437.958	4.161.692	6.332.401	2.254.151
Unrestricted Time Deposit	-	-	-	2.312.376
Restricted Time Deposit	-	98.865	-	-
Other ⁽¹⁾	179.563	26.847.448	99.749	26.682.012
Total	5.617.521	31.108.005	6.432.150	31.248.539

⁽¹⁾ Includes required reserves and CBRT Restricted Electronic Money Funds amounting to TL 9.613 (31 December 2016: None). Required reserve of branches abroad amounting to TL 91.841 is presented in this line (31 December 2016: TL 88.706). TL 12.428.794 of the current period’s FC required reserve is the part of the TL required reserves that are held in FC (31 December 2016: TL 12.703.608).

2. Information on financial assets at fair value through profit and loss given or blocked as collateral or subject to repurchase agreements

None.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

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

3. Positive differences related to the derivative financial assets held-for-trading

Derivative Financial Assets Held-for-Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	46.464	47.643	34.505	62.310
Swap Transactions	1.092.712	310.954	1.161.871	420.018
Futures Transactions	-	-	-	-
Options	9	298	42	-
Other	-	-	-	-
Total	1.139.185	358.895	1.196.418	482.328

4. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	1.852.626	334.091	1.515.980	376.346
Foreign Banks	193.965	1.338.293	70.103	2.357.637
Foreign Head Office and Branches	-	-	-	-
Total	2.046.591	1.672.384	1.586.083	2.733.983

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	Prior Period
Assets Subject to Repurchase Agreements	18.191.168	41.422.834
Assets Blocked/Given as Collateral	40.209.743	5.879.016
Total	58.400.911	47.301.850

6. Information on financial assets available for sale

	Current Period	Prior Period
Debt Securities	62.097.997	60.472.357
Quoted in Stock Exchange	61.991.915	60.387.940
Not Quoted in Stock Exchange	106.082	84.417
Share Certificates	869.352	686.242
Quoted in Stock Exchange	711.360	528.908
Not Quoted in Stock Exchange	157.992	157.334
Provision for Impairment (-)	1.446.208	2.030.385
Total	61.521.141	59.128.214

7. Information related to loans

7.1. Information on all types of loans and advances given to shareholders and employees of the Group

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	350.284	196	290.654	155
Total	350.284	196	290.654	155

⁽¹⁾ Interest rediscount and interest accrual amounting TL 3.054 are not included in the table above.

⁽²⁾ Since the balance of overdraft accounts related to employees amounting TL 15.274 is showed under Table 7.3 as overdraft accounts (real person), it is not included to the table above.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (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

Cash Loans	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 ⁽¹⁾	Other		Loans and other receivables with revised contract terms ⁽¹⁾	Other
Non-Specialized Loans	233.258.163	3.625.412	-	1.722.803	2.122.864	-
Commercial loans	134.799.129	2.279.198	-	930.106	1.865.846	-
Export Loans	4.461.383	407	-	21.027	-	-
Import Loans	411.805	1.062	-	31.689	-	-
Loans Given to Financial Sector	6.347.496	-	-	-	-	-
Consumer Loans	76.630.848	1.344.660	-	691.268	254.298	-
Credit Cards	3.910.643	85	-	41.851	2.720	-
Other	6.696.859	-	-	6.862	-	-
Specialized Lending ^{(3) (4)}	43.575.481	4.697.817	-	603.771	466.732	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals ⁽²⁾	6.531.799	-	-	10.627	-	-
Total	283.365.443	8.323.229	-	2.337.201	2.589.596	-

⁽¹⁾ Restructured or rescheduled loans cannot be decomposed systematically. Therefore it is shown in the “Loans and Other Receivables with Revised Contract Terms” section.

⁽²⁾ Restructured or rescheduled loans and the loans under close monitoring and the separation of the accruals of other receivables cannot be obtained by the available information operating system.

⁽³⁾ Fund sourced agricultural loans are shown under specialized lending

⁽⁴⁾ Agriculturally qualified farmer standby loans have been displayed under specialized lending.

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended ^(*)	7.954.938	2.416.049
3 - 4 or 5 Times Extended	367.080	171.449
Over 5 Times Extended	1.211	2.098

^(*) Number of modification made according to extent of payment plan of individual loans cannot be decomposed systematically therefore it is shown in this line.

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	6.896.557	1.612.120
6 - 12 Months	310.202	160.882
1 - 2 Years	298.163	268.592
2 - 5 Years	768.122	484.036
5 Years and Over	50.185	63.966
Total	8.323.229	2.589.596

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

7. Information related to loans (Continued)

7.3. Information on consumer loans, individual credit cards and personnel loans and personnel credit cards

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	538.467	76.742.548	77.281.015
Real Estate Loans ⁽²⁾	14.306	46.180.647	46.194.953
Vehicle Loans	3.990	235.034	239.024
Consumer Loans ⁽²⁾	514.953	29.780.522	30.295.475
Abroad	4.304	361.389	365.693
Other	914	184.956	185.870
Consumer Loans- Indexed to FC	160	174.432	174.592
Real Estate Loans	-	19.095	19.095
Vehicle Loans	-	132	132
Consumer Loans	-	-	-
Other	160	155.205	155.365
Consumer Loans-FC	1.839	100.682	102.521
Real Estate Loans	54	20.740	20.794
Vehicle Loans	-	-	-
Consumer Loans	654	50.823	51.477
Abroad	827	27.679	28.506
Other	304	1.440	1.744
Individual Credit Cards-TL	3.207.431	50.103	3.257.534
With Installment	1.119.677	47.090	1.166.767
Without Installment	2.087.754	3.013	2.090.767
Individual Credit Cards-FC	430	-	430
With Installment	-	-	-
Without Installment	430	-	430
Personnel Loans-TL	10.286	231.963	242.249
Real Estate Loans	-	2.447	2.447
Vehicle Loans	-	20	20
Consumer Loans	10.142	219.601	229.743
Abroad	108	2.131	2.239
Other	36	7.764	7.800
Personnel Loans-Indexed to FC	9	9.193	9.202
Real Estate Loans	-	2.589	2.589
Vehicle Loans	-	-	-
Consumer Loans	-	732	732
Other	9	5.872	5.881
Personnel Loans-FC	66	1.418	1.484
Real Estate Loans	-	757	757
Vehicle Loans	-	-	-
Consumer Loans	33	444	477
Other	33	217	250
Personnel Credit Cards-TL	96.451	875	97.326
With Installment	40.778	798	41.576
Without Installment	55.673	77	55.750
Personnel Credit Cards-FC	23	-	23
With Installment	-	-	-
Without Installment	23	-	23
Overdraft Accounts-TL (Real Person)	1.109.998	-	1.109.998
Overdraft Accounts-FC (Real Person)	13	-	13
Total⁽¹⁾	4.965.173	77.311.214	82.276.387

⁽¹⁾ TL 488.296 of interest income accrual is not included in the table above.

⁽²⁾ Consumer loans originated from funds amounting to TL 3.688.746 are included in the table above.

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(Continued)**

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

7. Information related to loans (Continued)

7.4. Information on commercial installment loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	1.923.865	28.250.191	30.174.056
Business Loans	1.029	486.155	487.184
Vehicle Loans	64.880	943.064	1.007.944
Consumer Loans	1.658.514	26.491.221	28.149.735
Other	199.442	329.751	529.193
Commercial Installment Loans- Indexed to FC	104.916	493.081	597.997
Business Loans	-	-	-
Vehicle Loans	9.332	27.715	37.047
Consumer Loans	-	-	-
Other	95.584	465.366	560.950
Commercial Installment Loans - FC	202.372	17.564.697	17.767.069
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	98.590	17.172.172	17.270.762
Other	103.782	392.525	496.307
Corporate Credit Cards-TL	591.903	8.029	599.932
With Installment	200.718	7.995	208.713
Without Installment	391.185	34	391.219
Corporate Credit Cards-FC	54	-	54
With Installment	-	-	-
Without Installment	54	-	54
Overdraft Account-TL (Legal Entity)	157.916	-	157.916
Overdraft Account-FC (Legal Entity)	-	-	-
Total ⁽¹⁾	2.981.026	46.315.998	49.297.024

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

7.5. Breakdown of domestic and international loans

	Current Period	Prior Period
Domestic Loans	280.765.508	227.406.151
Foreign Loans	9.307.535	11.661.617
Interest Income Accruals of Loans	6.542.426	4.755.128
Total	296.615.469	243.822.896

7.6. Loans granted to subsidiaries and associates

None (31 December 2016: None).

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(Continued)

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

7. Information related to loans (Continued)

7.7. Specific provisions provided against loans

	Current Period	Prior Period
Loans and other receivables with limited collectability	258.908	377.489
Loans and other receivables with doubtful collectability	693.397	984.449
Uncollectible loans and other receivables	3.579.722	2.767.103
Total	4.532.027	4.129.041

7.8. Information on non-performing receivables (net)

7.8.1. Information on loans and other receivables included in non-performing receivables which are restructured or rescheduled by the Parent Bank

	Group III: Loans and Receivables with Limited Collectability	Group IV: Loans and Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Receivables
Current Period	7.446	43.828	147.985
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	7.446	43.828	147.985
Rescheduled loans and other receivables	-	-	-
Prior Period	14.498	58.203	127.037
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	14.498	58.203	127.037
Rescheduled loans and other receivables	-	-	-

7.8.2. Information on the movement of non-performing receivables

	Group III: Loans and Receivables with Limited Collectability	Group IV: Loans and Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Receivables
Prior Period Ending Balance	379.416	993.140	3.007.934
Additions (+)	1.270.062	139.815	241.954
Transfers from Other Categories of Loans under Follow-up (+)	-	1.269.332	1.536.372
Transfers to Other Categories of Loans under Follow-up (-)	1.269.332	1.536.372	-
Collections (-) ⁽¹⁾	121.098	164.425	985.098
Write-offs (-)	-	-	-
Corporate and Entrepreneurial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance ⁽²⁾	259.048	701.490	3.801.162
Specific Provision (-)	258.908	693.397	3.579.722
Net Balance on Balance Sheet ⁽²⁾	140	8.093	221.440

(1) The restructured and rescheduled loans, are included on the stated sum.

(2) Includes the loans originated from funds amounting to TL 229.673 whose risk does not belong to the Parent Bank.

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

7. Information related to loans (Continued)

7.8. Information on non-performing receivables (net) (Continued)

7.8.3. Information on foreign currency non-performing loans

	Group III: Loans and Other Receivables with Limited Collectability	Group IV: Loans and Other Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Other Receivables
Current Period:			
Period Ending Balance	49.909	41.587	111.915
Specific Provision (-)	49.909	41.587	111.915
Net Balance on Balance Sheet	-	-	-
Prior Period:			
Period Ending Balance	36.561	41.095	92.092
Specific Provision (-)	36.561	41.095	92.092
Net Balance on Balance Sheet	-	-	-

7.8.4. Gross and net amounts of non-performing receivables according to user groups

	Group III: Loans and Other Receivables with Limited Collectability	Group IV: Loans and Other Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Other Receivables
Current Period (Net)	140	8.093	221.440
Loans to Real Persons and Legal Entities (Gross)	259.048	618.625	3.801.162
Specific Provisions (-)	258.908	610.532	3.579.722
Loans to Real Persons and Legal Entities (Net)	140	8.093	221.440
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	82.865	-
Specific Provisions (-)	-	82.865	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	1.927	8.691	240.831
Loans to Real Persons and Legal Entities (Gross)	379.416	917.477	3.007.934
Specific Provisions (-)	377.489	908.786	2.767.103
Loans to Real Persons and Legal Entities (Net)	1.927	8.691	240.831
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	75.663	-
Specific Provisions (-)	-	75.663	-
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 (Continued)

8. Information on held-to-maturity investments

8.1. Information on comparative net values of held-to-maturity investments subject to repo transactions and given as a collateral/blocked

Held-to-maturity investments subject to repo transactions

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	170.929	1.935.475	2.301.823	2.384.104
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	170.929	1.935.475	2.301.823	2.384.104

Held-to-maturity investments given as collateral or blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	2.289.848	2.486.982	1.089.898	2.252.339
Other	-	-	-	-
Total	2.289.848	2.486.982	1.089.898	2.252.339

8.2 Information on held-to-maturity government bonds and treasury bills

	Current Period	Prior Period
Government Bonds	7.092.702	8.647.891
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Total	7.092.702	8.647.891

8.3. Information on held-to-maturity investments

	Current Period	Prior Period
Debt securities	7.259.558	8.794.915
Quoted in a Stock Exchange	7.092.702	8.647.891
Not Quoted in a Stock Exchange	166.856	147.024
Provision for Impairment (-)	-	-
Total	7.259.558	8.794.915

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

8. Information on held-to-maturity investments (Continued)

8.4. Movements of held-to-maturity investments

	Current Period	Prior Period
Beginning Balance	8.794.915	10.223.475
Foreign Currency Differences on Monetary Assets	197.045	475.282
Purchases During the Year ^(*)	308.462	937.418
Disposals through Sales and Redemptions	(2.040.864)	(2.841.260)
Provision for Impairment (-)	-	-
Period End Balance	7.259.558	8.794.915

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

Within the year 2008, the Parent Bank has reclassified securities previously classified in available for sale portfolio with nominal values of TL 23.630.115, EUR 717.616 thousand and USD 1.483.317 thousand to held-to-maturity portfolio with fair values of TL 22.971.669, EUR 702.950 thousand and USD 1.562.742 thousand respectively which have been taken into consideration as book values after reclassification. The Bank has also reclassified securities previously classified in financial assets at fair value through profit and loss portfolio with nominal values of EUR 37.951 thousand and USD 45.501 thousand to held-to-maturity portfolio with fair values of EUR 37.178 thousand and USD 62.311 thousand respectively which have been taken into consideration as book values after reclassification in accordance with TAS 39 “Turkish Accounting Standard for Financial Instruments: Recognition and Measurement” published in the Official Gazette No. 27040 dated 31 October 2008 by Public Oversight Accounting and Auditing Standards Authority (“POA”).

Revaluation differences of reclassified available for sale securities before deferred tax are TL 68.984, EUR (23.067) thousand and USD (15.207) thousand respectively and are recorded under shareholders’ equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. At the end of balance sheet date, negative revaluation differences accounted under shareholders’ equity are amounted as USD 9.295 thousand and EUR 603 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 19.945 thousand and USD 65.128 thousand respectively.

If the reclassification from the held for trading securities portfolio to the held-to-maturity portfolio had not been performed, income accrual amounting to TL 28.908 would have been recorded. As of 30 September 2017, the reclassification from held for trading securities to held-to-maturity investments has an expense impact of TL 28.822.

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

9. Information about associates (net)

9.1. 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.	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	80.603	48.183	47.322	927	-	8.286	14.517	-
2	243.705	153.651	149.688	4.164	-	31.738	16.458	-

⁽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 unreviewed financial statements as of 30 September 2017. Prior period profit/loss information of associates has been provided from reviewed financial statements as of 30 September 2016.

⁽³⁾ Total non-current assets include property and equipment.

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	22,22	15,43

	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	4.721.743	771.345	114.177	117.380	48.126	66.783	47.919	-

⁽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 reviewed financial statements as of 30 September 2017. Prior period profit/loss information of ArapTürk Bankası A.Ş. has been provided from reviewed financial statements as of 30 September 2016.

⁽³⁾ Total fixed assets include tangible and intangible assets.

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

9. Information about associates (net) (Continued)

9.2. Explanation regarding consolidated associates (Continued)

Information about consolidated associates

	Current Period	Prior Period
Beginning Balance	98.869	92.861
Movement During the Period	20.150	6.008
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits ⁽¹⁾	10.305	9.504
Transfer to Available for Sale Fin. Assets	-	-
Sales	-	-
Revaluation Increase ⁽¹⁾	13.240	-
Impairment Provision (-) ⁽²⁾	3.395	3.496
Ending Balance	119.019	98.869
Capital Commitments	-	-
Period Ending Share of Capital Participation (%)	15,43	15,43

(1) The balance includes the valuation amount occurred by consolidation according to equity method

(2) This balance includes the dividend amount taken from Arap Türk Bank A.Ş.

Sector information about consolidated associates

	Current Period	Prior Period
Banks	119.019	98.869
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

9.3. Consolidated associates quoted to a stock exchange

None (31 December 2016: None).

10. Information on subsidiaries (net)

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	52.183	9.980	14.384	781	113	(641)	(575)	-

(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 unreviewed financial statements as of 30 September 2017. Prior period profit/loss information has been provided from reviewed financial statements as of 30 September 2016.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

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

10. Information on subsidiaries (net) (Continued)

10.2. Information about consolidated subsidiaries

In consolidated financial statements of Parent Bank’s, 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 shareholder’s equity.

	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	99,70
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 ^(*)	Tbilisi/ Georgia	100,00	100,00

(*) Tbilisi, Batum and Marneuli branches of the Bank which were operating in Georgia have been gathered under the 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 Bank.

	Total Assets ⁽³⁾	Shareholders’ Equity ⁽³⁾	Total Non- Current Assets ⁽³⁾	Interest Income ⁽³⁾⁽⁴⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽³⁾	Prior Period Profit / Loss ⁽³⁾	Fair Value ⁽¹⁾	Shareholder s’ Equity Needed
1	5.164.396	528.162	2.760	143.584	-	314.019	140.308	-	-
2	1.106.417	371.796	1.695	64.848	-	158.955	94.413	-	-
3	2.556.206	343.876	1.415	1.236	-	77.115	28.966	-	-
4	162.376	104.248	426	52.093	666.111	28.098	18.436	-	-
5	38.966	34.112	622	2.724	19.898	10.728	6.750	-	-
6	12.043.556	1.352.852	74.261	625.722	32.865	98.592	12.437	-	-
7	1.358.049	1.357.008	1.054.897	26.697	-	43.279	-	-	-
8	7.056.660	887.481	17.303	154.696	1.793	51.423	27.101	782.931	-
9	2.054.480	339.021	75.701	64.169	246	6.376	(5.019)	280.456	-
10	323.292	152.000	11.031	24.697	184	10.391	6.738	109.090	-
11	647.096	258.240	14.862	25.691	6.124	16.315	(505)	237.838	-
12	344.948	129.528	23.339	16.855	627	5.948	10.310	135.261	-
13	213.267	30.357	3.708	5.326	187	(2.671)	(3.865)	29.540	-
14	111.327	32.994	5.414	1.610	558	1.199	-	32.078	-

(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 subsidiaries shown in the above table has been provided from unreviewed financial statements as of 30 September 2017, the prior period profit/loss balances have been provided from reviewed financial statements as of 30 September 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 (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	Prior Period
Balance at the Beginning of the Period	4.101.352	2.442.943
Movements During the Period	535.078	1.658.409
Additions to Scope of Consolidation	-	-
Purchases ⁽¹⁾	532.078	1.446.624
Bonus Shares Obtained	3.000	2.996
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales	-	-
Revaluation Increase	-	281.824
Impairment Provision	-	73.035
Balance at the End of the Period	4.636.430	4.101.352
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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

Sectoral information on subsidiaries and the related carrying amounts (Represents values belonging to the Parent Bank)

	Current Period	Prior Period
Banks	2.857.194	2.322.116
Insurance Companies	129.972	129.972
Factoring Companies	-	-
Leasing Companies	282.839	282.839
Financing Companies	-	-
Other Financial Subsidiaries	1.366.425	1.366.425

10.3. Subsidiaries which are quoted on a stock exchange

None (31 December 2016: None).

11. Information on entities under common control (joint ventures)

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	47.012	47.012	1.442.217	11.432	11.515	32.340	20.909
UTBANK JSC	45.815	45.833	202.291	1.474	1.483	69.847	20.014
Total	92.827	92.845	1.644.508	12.906	12.998	102.187	40.923

⁽¹⁾ Information on entities under joint control is provided from the unaudited financial statements as of 30 September 2017.

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

In the unconsolidated financial statements of the Parent Bank, investments in partnerships operating in foreign countries controlled by foreign currency combinations are followed at fair value. 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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SECTION FIVE (Continued)

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

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

12. Information on finance lease receivables (net)

Information on finance lease receivables are as below:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	1.095.101	958.014	1.017.502	892.067
1-5 Years	1.851.934	1.580.020	1.553.514	1.356.447
More than 5 Years	270.021	218.102	285.154	235.153
Total	3.217.056	2.756.136	2.856.170	2.483.667

13. Information on derivative financial assets for hedging purposes

The Group has no derivative financial assets for hedging purposes (31 December 2016: None).

14. Information on investment property

As of 30 September 2017, the Group has investment property amounting to TL 652.620 (31 December 2016: TL 643.290).

15. 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 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 amounting to TL 663.969 due to TL 16.102 of consumer loans, TL 581.940 of commercial loans and TL 65.927 of agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 2.660.

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SECTION FIVE (Continued)

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

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

16. Explanations on property and equipment

	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)	(181.137)	(272)	(3.965)	(11.096)	22.304	(174.166)
- Cost	(43.716)	703	(649)	20.772	106.667	83.777
- Depreciation Net (-)	137.421	975	3.316	31.868	84.363	257.943
- Impairment (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	8.701	(14)	(54)	45	1.846	10.524
Cost at Period End	6.209.515	13.148	45.147	272.818	1.069.953	7.610.581
Accumulated Depreciation at Period End (-)	1.075.005	4.394	29.647	183.563	606.831	1.899.440
Impairment (-)	2.312	-	-	-	462	2.774
Closing Net Book Value	5.132.198	8.754	15.500	89.255	462.660	5.708.367

- 17. The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this**

None (31 December 2016: None).

- 18. Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets**

None (31 December 2016: None).

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

1. Information on Deposits/Funds collected

1.1. Information on maturity structure of deposits collected

Current Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	25.501.774	-	3.299.905	64.025.303	4.980.560	1.097.343	1.064.742	86.573	100.056.200
Foreign Currency Deposits	22.057.947	-	6.175.211	28.148.294	6.342.186	6.883.819	18.788.853	776	88.397.086
Residents in Turkey	17.895.078	-	5.399.815	22.125.113	3.779.470	1.796.963	5.170.241	609	56.167.289
Residents Abroad	4.162.869	-	775.396	6.023.181	2.562.716	5.086.856	13.618.612	167	32.229.797
Public Sector Deposits	6.428.244	-	4.603.518	8.805.634	778.375	5.513.103	60.276	-	26.189.150
Commercial Inst. Deposits	7.003.163	-	3.547.831	8.226.844	711.363	1.776.195	25.262	-	21.290.658
Other Inst. Deposits	2.218.325	-	2.166.674	3.225.548	383.899	589.446	1.739.171	-	10.323.063
Precious Metals	2.939.188	-	40.556	373.094	35.065	24.447	23.896	-	3.436.246
Interbank Deposits	1.755.829	-	6.843.838	2.009.363	1.020.834	2.371.495	557.928	-	14.559.287
CBRT	1.809	-	-	-	-	-	-	-	1.809
Domestic Banks	105.799	-	6.790.248	97.841	184.336	-	2.142	-	7.180.366
Foreign Banks	858.408	-	53.590	1.911.522	836.498	2.371.495	555.786	-	6.587.299
Participation Banks	789.813	-	-	-	-	-	-	-	789.813
Other	-	-	-	-	-	-	-	-	-
Total	67.904.470	-	26.677.533	114.814.080	14.252.282	18.255.848	22.260.128	87.349	264.251.690

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	22.548.091	-	3.211.532	60.686.575	4.404.259	1.024.789	857.926	44.170	92.777.342
Foreign Currency Deposits	16.043.174	-	6.158.621	19.113.290	5.174.283	4.969.554	16.427.978	619	67.887.519
Residents in Turkey	13.814.369	-	5.883.031	15.986.117	4.411.314	3.059.414	10.853.638	619	54.008.502
Residents Abroad	2.228.805	-	275.590	3.127.173	762.969	1.910.140	5.574.340	-	13.879.017
Public Sector Deposits	6.223.181	-	2.935.849	7.310.177	2.090.069	4.742.350	13.571	-	23.315.197
Commercial Inst. Deposits	6.319.002	-	6.593.154	9.922.821	497.592	67.658	52.483	-	23.452.710
Other Inst. Deposits	1.815.386	-	2.709.644	4.398.157	412.382	827.365	946.954	-	11.109.888
Precious Metals	2.066.664	-	32.607	240.919	23.444	16.479	13.292	-	2.393.405
Interbank Deposits	1.496.123	-	5.033.318	1.687.431	636.144	1.973.477	1.149.439	-	11.975.932
CBRT	5.252	-	-	-	698	-	-	-	5.950
Domestic Banks	420.083	-	4.405.931	87.962	191.176	-	6.364	-	5.111.516
Foreign Banks	164.921	-	627.387	1.599.469	444.270	1.973.477	1.143.075	-	5.952.599
Participation Banks	905.867	-	-	-	-	-	-	-	905.867
Other	-	-	-	-	-	-	-	-	-
Total	56.511.621	-	26.674.725	103.359.370	13.238.173	13.621.672	19.461.643	44.789	232.911.993

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
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II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

1. Information on Deposits/Funds collected (Continued)

**1.2. Saving deposits under the guarantee of deposit insurance and exceeding the deposit insurance limit
(Represents values belonging to the Parent Bank)**

	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits				
Saving Deposits ⁽¹⁾	65.117.801	60.568.084	31.949.709	29.701.060
Foreign Currency Saving Deposits ⁽¹⁾	26.400.973	21.431.931	35.949.981	28.972.511
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance ⁽²⁾	756.093	636.306	72.890	42.853
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 (31 December 2016: Bulgaria and Greece, TL 47.282 and TL 13.226, respectively).

Based on the Council of Minister’s decree dated 29 December 2003 and numbered 2003/6668, TL 878 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 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 631.870 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 (Information belongs to the Parent Bank)

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

1.4. Saving deposits of real persons not covered by the deposit insurance fund (Represents values belonging to the Parent Bank)

	Current Period	Prior Period
Deposits and Other Accounts in Branches Abroad	84.774	81.373
Deposits of Ultimate Shareholders and Their Close Families	-	-
Deposits of Chairman and Members of the Board of Directors , General Manager, Assistant General Managers and Their Close Family Members	6.380	6.448
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	-	-

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(Continued)**

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

2. Information related to the derivative financial liabilities held for trading

2.1. Negative differences related to the derivative financial liabilities held for trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	42.463	43.215	33.498	50.329
Swap Transactions	45.535	424.954	206.170	363.333
Futures Transactions	-	322	-	-
Options	6	250	35	-
Other	-	-	-	-
Total	88.004	468.741	239.703	413.662

3. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	253.210	1.750.889	403.098	1.653.704
Foreign Banks, Institutions and Funds	928.915	24.736.729	935.448	21.434.279
Total	1.182.125	26.487.618	1.338.546	23.087.983

3.1. Maturity structure of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	235.750	8.599.769	394.462	7.048.505
Medium and Long-Term	946.375	17.887.849	944.084	16.039.478
Total	1.182.125	26.487.618	1.338.546	23.087.983

3.2. Further information is disclosed for the areas of the Group’s liability concentrations. Main liability concentration areas are fund suppliers, sector groups or other risk concentration criteria

61,80% of the Group’s liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Group’s liabilities are not subject to a significant concentration risk (31 December 2016: None).

4. Information on funds supplied from repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	4.631.648	-	30.385.206	-
Financial Institutions and Organizations	4.507.177	-	30.211.399	-
Other Institutions and Organizations	119.464	-	166.520	-
Real Person	5.007	-	7.287	-
From Overseas Operations	-	12.929.371	-	12.270.423
Financial Institutions and Organizations	-	12.929.371	-	12.270.423
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
Total	4.631.648	12.929.371	30.385.206	12.270.423

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

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

5. Information on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	3.344.308	-	2.156.778	-
Asset-Backed Securities	253.642	-	101.459	-
Treasury Bills	177.652	8.721.468	131.822	4.680.692
Total	3.775.602	8.721.468	2.390.059	4.680.692

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 installments. There are not any restrictions in these agreements that create significant obligations to the Group.

The Group has no liabilities from finance leases (31 December 2016: None).

8. Information on derivative financial liabilities for hedging purposes

There are no derivative financial liabilities for hedging purposes (31 December 2016: None).

9. Explanations on provisions

9.1. Information on general provisions

	Current Period	Prior Period
General Provisions	4.834.848	4.042.425
Allocated for Group-I Loans and Receivables	3.932.306	3.271.408
Additional Provision for Loans and Receivables with Extended Maturities	303.342	233.456
Allocated for Group-II Loans and Receivables	207.890	181.621
Additional Provision for Loans and Receivables with Extended Maturities	77.671	61.127
Allocated for Non-Cash Loans	546.335	466.954
Other	148.317	122.442

9.2. Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables

Foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables amount to TL 5.649 (31 December 2016: TL 327).

9.3. Specific provisions for unindemnified non-cash loans

Specific provisions of Parent Bank for unindemnified non-cash loans amount to TL 134.563 (31 December 2016: TL 150.916).

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SECTION FIVE (Continued)

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

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

9. Explanations on provisions (Continued)

9.4. Information on other provisions

9.4.1. 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 1.210.000 which has a part of TL 265.000 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 19.700 and other provision of TL 230 exist for cash transfers made by Bank officials.

	Current Period	Prior Period
Free Provisions for Possible Risks	1.229.930	964.944

9.4.2. 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, lawsuits against the Parent Bank over TL 100 amounts to TL 74.012. Full provision has been provided in these financial statements for law suits ended against the Bank but not finalized yet, amounting to TL 36.650.

Based on the decision of the Bank management, provision amounting to TL 44.000 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 (31 December 2016: TL 60.400).

The Group also provided provisions amounting to TL 134.563 (31 December 2016: TL 150.916) for unindemnified non-cash loans, TL 138.446 (31 December 2016: TL 102.026) for other provisions. As a result of the provisions mentioned above, the other provision balance on the Group’s balance sheet amounts to TL 1.583.589 (31 December 2016: TL 1.313.995).

9.5. Liabilities on reserve for employee termination benefits

9.5.1. 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 2017, unpaid vacation liability amounted to TL 218.080 (31 December 2016: TL 192.237), and employment termination amounted to TL 789.210 (31 December 2016: TL 695.237) are presented under the “Employee Benefits Provision” in the financial statements.

9.5.2. Information on additional bonus payed to the personnel

The Bank has set provision amounting to TL 187.500 for additional bonus will be payed to the personnel with the resolution of General Assembly (31 December 2016: None).

9.6. Information on insurance technical reserves

As of 30 September 2017, the Group’s insurance technical reserves amounting to TL 1.476.816 (31 December 2016: TL 1.294.767.).

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

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

10. Information on tax liability

10.1. Information on current tax liability

10.1.1. Information on tax provisions

As of 30 September 2017, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 686.839 (31 December 2016: TL 444.505).

10.1.2. Information on current taxes payable

	Current Period	Prior Period
Corporate Tax Payable	686.839	444.505
Taxation on Income From Securities	188.784	215.147
Property Tax	2.329	2.491
Banking Insurance Transactions Tax (BITT)	132.708	144.072
Foreign Exchange Transactions Tax	86	59
Value Added Tax Payable	7.246	7.091
Other	68.484	67.194
Total	1.086.476	880.559

10.2. Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee	36	39
Social Security Premiums - Employer	50	56
Bank Social Aid Pension Fund Premium - Employee	9.616	8.840
Bank Social Aid Pension Fund Premium - Employer	13.438	12.400
Pension Fund Membership Fees and Provisions - Employee	2	13
Pension Fund Membership Fees and Provisions - Employer	35	59
Unemployment Insurance - Employee	1.640	1.382
Unemployment Insurance - Employer	3.279	2.763
Other	-	-
Total	28.096	25.552

10.3. Information on deferred tax liabilities, if any

The Group’s deferred tax liability, for the current term, amounts to TL 18.825 (31 December 2016: TL 3.463).

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 (Continued)

13. Information on shareholders’ equity

13.1. Presentation on paid-in capital

	Current Period	Prior Period
Common Stock	5.600.000	5.100.000
Preferred Stock	-	-

13.2. Paid-in capital amount, explanation whether the registered capital system is applicable by the bank, if so the registered capital ceiling amount

The Parent Bank does not have a registered capital system.

13.3. Information on share capital increases and their sources; other information on increased capital shares in the current period

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.

13.4. Information on additions from capital reserves to capital in the current period

There is no share capital amount included in capital.

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

The Parent Bank has no capital commitments.

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

In the current period, the Parent Bank follows its operations in line with the previous periods. The Parent Bank’s balance sheet has been managed with precaution by being affected by the interest, rate of exchange and credit risks at the minimum level. This helps to reduce the effects of fluctuations in the market to the Parent Bank’s performance and contributes to the profitability structure to be sustainable.

13.7. Information on preferred shares representing the capital

The Parent Bank has no preferred shares.

13.8. Information on marketable securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	238.731	1.025	416.619	1.025
Revaluation Difference	-	1.025	-	1.025
Foreign Exchange Difference	238.731	-	416.619	-
From Available for Sale Marketable Securities	(1.335.108)	819.242	(1.261.338)	(550.321)
Revaluation Difference	(1.462.655)	819.292	(1.657.745)	(550.250)
Deferred Tax Effect	127.547	(50)	396.407	(71)
Foreign Exchange Difference	-	-	-	-
Total	(1.096.377)	820.267	(844.719)	(549.296)

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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

1. Information on off-balance sheet liabilities

1.1. Nature and amount of irrevocable loan commitments

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	7.899.220	7.275.913
Other Irrevocable Commitments	9.146.815	7.204.521
Loan Granting Commitments	4.616.193	3.742.487
Payment Commitments for Cheques	3.813.424	3.173.767
Asset Purchase Commitments	5.242.361	2.136.524
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	27.503	22.138
Tax and Fund Obligations Resulting from Export Commitments	1.443	458
Subsidiaries and Associates Capital Contribution Commitments	-	-
Total	30.746.959	23.555.808

1.2. Nature and amount of possible losses and commitments arising from the off-balance sheet items including the below mentioned

Information related to possible losses of the Group arising from off-balance sheet items is explained in note VII. explanations on provisions of section five Explanations and Notes Related to the Consolidated Financial Statements.

1.2.1. Non-cash loans including guarantees, acceptances, financial guarantees and other letter of credits

	Current Period	Prior Period
Guarantee Letters	77.567.418	68.592.339
Letter of Credits	12.229.553	9.327.602
Bank Acceptances	5.183.914	4.261.898
Other Guarantees	286.217	532.131
Other Warrantees	5.681	7.145
Total	95.272.783	82.721.115

1.2.2. Certain guarantees, temporary guarantees, surety ships and similar transactions

	Current Period	Prior Period
Letters of Certain Guarantees	50.035.003	42.394.237
Letters of Advance Guarantees	18.209.683	18.614.529
Letters of Temporary Guarantees	3.719.255	3.767.887
Letters of Guarantees Given to Customs Offices	1.235.934	786.137
Other Letters of Guarantees	4.367.543	3.029.549
Total	77.567.418	68.592.339

1.2.3. Total non-cash loans

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	2.263.522	1.675.735
With Original Maturity of One Year or Less	859.716	25.218
With Original Maturity of More than One Year	1.403.806	1.650.517
Other Non-Cash Loans	93.009.261	81.045.380
Total	95.272.783	82.721.115

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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

1. Within the scope of Interest Income

1.1. Information on interest income from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans ⁽¹⁾⁽²⁾	18.320.160	2.934.418	13.856.660	2.088.979
Short Term Loans	4.715.877	195.485	3.380.656	98.923
Medium and Long Term Loans	13.513.256	2.738.243	10.388.778	1.990.030
Interest on Non-Performing Loans	91.027	690	87.226	26
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.

1.2. Information on interest received from the banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	15.173	-	3.279	-
Domestic Banks	155.879	3.606	141.493	3.121
Foreign Banks	3.315	9.260	1.393	14.425
Foreign Head Office and Branches	-	-	-	-
Total	174.367	12.866	146.165	17.546

1.3. Information on interest income on marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	2.799	1.076	2.077	226
Financial Assets at Fair Value through Profit or Loss	-	-	6.755	-
Financial Assets Available-for-Sale	3.423.588	608.326	3.082.997	464.980
Investments Held-to-Maturity	248.922	232.756	345.126	267.443
Total	3.675.309	842.158	3.436.955	732.649

1.4. Information on interest income from subsidiaries and associates

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	678	153

2. Within the scope of Interest Expense

2.1. Information on interest expense on borrowings

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks ⁽¹⁾	90.041	413.501	91.268	266.866
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	23.466	27.619	22.610	8.196
Foreign Banks	66.575	385.882	68.658	258.670
Foreign Head Office and Branches	-	-	-	-
Other Institutions	-	14.509	3.861	2.372
Total	90.041	428.010	95.129	269.238

⁽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 (Continued)

2.2. Information on interest expenses given to subsidiaries and associates

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	690	3.026

2.3. Information on interest given on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	270.782	200.714	179.609	105.500

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	-	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	-	-	-	-	-	-	-	-
Precious Metals	-	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 expense of Ziraat Katılım Bankası A.Ş. is included in the table above.

3. Information on trading profit/loss (net)

	Current Period	Prior Period
Profit	27.938.548	24.445.064
Foreign Exchange Gains	26.844.983	21.471.417
Profit on Derivative Financial Instruments	1.054.823	2.942.503
Profit from the Capital Market Transactions	38.742	31.144
Loss (-)	28.276.016	24.530.936
Foreign Exchange Loss	26.696.110	21.694.662
Loss on Derivative Financial Instruments	1.579.400	2.832.737
Loss from the Capital Market Transactions	506	3.537

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
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IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued)

4. Information on other operating income

4.1. Information on factors covering the recent developments which has significant effect on the Parent Bank’s income and the extent of effect on income:

There are no significant matters covering the recent developments which have significant effect on the Parent Bank’s income. Main component of the Bank’s other operating income consists of reversals from prior period provisions amounting to TL 492.926 (30 September 2016: TL 662.615) and income from sales of assets amounting to TL 147.985 (30 September 2016: TL 164.991).

5. Provision expenses for impairment on loans and other receivables

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables ⁽¹⁾	867.867	1.831.894
Group III Loans and Receivables	266.106	417.179
Group IV Loans and Receivables	484.042	723.689
Group V Loans and Receivables	117.719	691.026
General Provision Expenses	780.844	699.199
Provision Expenses for the Possible Losses	265.000	960
Marketable Securities Impairment Expense	264	120
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available for Sale	264	120
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	84.491
Total	1.976.467	2.616.664

⁽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 (30 September 2016: TL 372.588).

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

6. Information on other operating expenses

	Current Period	Prior Period
Personnel Expenses	2.034.273	1.852.845
Reserve for Employee Termination Benefits	67.375	33.519
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	297.927	212.767
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	49.877	34.951
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	983.466
Operational Leasing Expenses	212.293	171.408
Maintenance Expenses	51.861	55.028
Advertisement Expenses	79.909	53.193
Other Expenses	1.139.626	703.837
Loss on Sales of Assets	447	733
Other ⁽¹⁾	1.984.939	1.683.486
Total	5.918.527	4.801.767

⁽¹⁾ TL 402.399 of other items consists of Saving Deposit Insurance Fund accrual expense (30 September 2016: TL 348.853) while TL 387.511 consists of taxes, duties and charges expense (30 September 2016: TL 333.091).

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	Prior Period
Net Interest Income	13.085.058	10.592.088
Net Fees and Commissions Income	1.369.029	1.075.249
Other Operating Income	2.731.747	2.348.705
Dividend Income	7.031	32.364
Trading Income/Expense (Net)	(337.468)	(85.872)
Provision for Loan or Other Receivables Losses (-)	1.976.467	2.616.664
Other Operating Expenses (-)	5.918.527	4.801.767
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	19.975	14.931
Profit/(Loss) from Continuing Operations	8.980.378	6.559.034

8. Information on tax provision for continuing and discontinuing operations

As of 30 September 2017, TL 1.914.107 (30 September 2016: TL 1.421.643) of the Group’s total tax provision expense amounting to TL 2.092.579 (30 September 2016: TL 1.600.464), consists of current tax expense while the remaining balances amounting to TL 178.472 (30 September 2016: TL 178.821 deferred tax income) consists of deferred tax income.

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

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 7.066.271 (30 September 2016: TL 5.137.391).

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 (30 September 2016: None).

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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(Continued)**

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

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances

Current Period

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the the Parent 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	13.373	-	-	-	-
Closing Balance	15.910	13.109	-	-	-	-
Interest and Commissions Income	870	-	-	-	-	-

Prior Period

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the the Parent 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	25.125	-	-	-	-	-
Closing Balance	22.397	13.373	-	-	-	-
Interest and Commissions Income ⁽¹⁾	153	-	-	-	-	-

⁽¹⁾ The prior period amounts of Interest and Commission Income represents the amount of 30 September 2016.

2. Deposits held by the Parent 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	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Opening Balance	52.520	38.385	-	-	-	-
Closing Balance	53.597	52.520	-	-	-	-
Interest Expense on Deposits ⁽¹⁾	3.711	3.026	-	-	-	-

⁽¹⁾ The prior period amounts of Interest Expense on Deposits represents the amount of 30 September 2016.

3. Information on forward transactions, option agreements and similar transactions between the Parent Bank’s risk group

None (31 December 2016: None).

4. Information about fees paid to the Group’s key management

Fees paid to the Group’s key management amount to TL 35.169 (30 September 2016: TL 32.490).

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SECTION FIVE (Continued)

VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

SECTION SIX

EXPLANATIONS ON AUDITOR’S REVIEW REPORT

I. EXPLANATIONS ON AUDITOR’S REVIEW REPORT

As of 30 September 2017, consolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Auditor’s Review Report dated 14 November 2017 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

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SECTION SEVEN (*)

EXPLANATIONS ON THE INTERIM ACTIVITY REPORT

I. Chairman’s Assessment

The third quarter of 2017 has been a period where the outlook of the global economic conditions remained to be positive and the risk appetite developed to be relatively strong while inflow of funds to the emerging countries (EM) continued. In spite of the recovering global economy, the global inflation rate remaining low lead to the financing conditions to be relatively moderate and the steps towards normalization of the monetary policies to be gradual.

The performance of the US economy in the second quarter was the best performance of the last nine quarters and maintained its growth pace in the third quarter, in spite of the hurricanes. As a result of this positive outlook of the US economy, the Federal Reserve (FED) has announced that it will begin to reduce its balance sheet that is about USD 4,5 trillion. (FED balance sheet size was about USD 900 billion before the 2008 Financial Crisis). The improvement in the labor market in the period we left behind enabled FED to maintain the monetary policy it envisaged in the beginning of the year. It’s expected that the FED will make the third rate hike for this year in December. Despite these developments, the inflation rate remaining low for temporary reasons is causing the FED to be relatively cautious in its steps.

While the current pace of global growth is indicating a stronger outlook compared to 2016, it has been observed that the noteworthy economic performance of the Eurozone countries’ made substantial contribution to the global growth. As a result of these positive indicators in the Eurozone, the European Central Bank (ECB) has made a moderate change in its excessive loose monetary policy and opted to decrease its asset purchases. Taking the relative weakness in the inflation rate into consideration, since the need for quantitative easing continued, the ECB lowered the purchase amount and extended the asset purchase programme for nine months. It seems that the need of the economy for the support of the ECB will continue until the inflation rate gradually reaches to the targeted level.

Turkish economy, in the first 9 months of 2017, had the status of the country with the most positive revisions, by recording a balanced growth with the help of the space created by the fiscal discipline and the rising demand with the increase in the growth in Europe.

Since the inflation outlook is not yet at the desired level, the Central Bank has not compromised its tight monetary policy in the third quarter, similar to the second quarter. The downward trend in the inflation is expected to be more explicit as of the end of the year.

Since the last quarter of previous year, the banking sector has provided important support to the economy through loans. Banks have had a significant role in the remarkable performance of the economy through the retail loans and the loans that are extended to small and medium-sized enterprises via CGF program. While local deposits were used mainly as a funding source for these loans, banks have continued to utilise external funds. Contrary to the claims, our banks did not face any difficulty in renewing their syndicated loans and successfully issued Eurobonds and subordinated debt products in international capital markets in excess of two times of their repayments.

Ziraat Bank, as the largest bank of our country, continues its operations as being an efficient and effective bank which is the main management strategy far from the size.

Muharrem KARSLI

Chairman

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SECTION SEVEN (Continued)

EXPLANATIONS ON THE INTERIM ACTIVITY REPORT (Continued)

II. General Manager’s Assessment

As of the third quarter of 2017, Ziraat Bank maintained its leading position as Turkey's largest bank with an asset size of TL 428 billion. As a main management strategy; we aim to be an efficiency- based institution with a goal to achieve a sustainable growth trend and continue to be a bank that contributes to the value added of our customers and therefore to the economy. Within this framework; in 2017 we achieved approximately 95% of our balance sheet growth by means of loan growth. In the third quarter of the year, we realized cash loan growth higher than our balance sheet growth. In the first 9 months of the year, we have increased our cash loans by approximately TL 53 billion and our total loans including non-cash loans by TL 65 billion. Through our loans, our contribution to the economy has exceeded TL 392 billion in total.

We value the active contribution of our balance sheet to the economy rather than the size. Within this scope, we have transformed our balance sheet into a more customer driven structure, which contributes more to the real sector. This approach will continue. In accordance with this objective; while the share of loans in the balance sheet rises to about 70%, about three quarters of the lending consists of corporate lending used for the real sector financing. Although we treat the agricultural sector as a main sector for business we continue to provide financial support to all sectors that will contribute to the development of our country, the current account balance and employment. We continue to offer best services and products to our customers with tailored products ranging from individual needs to housing financing, small-scale businesses to large projects financing.

As a Parent Bank we provided a significant increase in loans extended to small and medium-sized enterprises supported by Credit Guarantee Fund. In particular, as a Parent Bank we used this credit facility with a ‘broader base allocation approach’ relevant with its purpose. Within this scope, we have allocated more than TL 17 billion TL amount to 65,000 SME segment customers which makes us the sector leader in the widespread allocation of these loans. We are also continuing our sector leadership in housing loans with a market share of 22%. Ziraat Bank alone extended more than half of the housing loans allocated by the entire banking sector in 2017.

Taking into account that our country's savings balance is not sufficient for investments, we continue to work both to achieve funds from abroad and we care that the fund is scarce and has to be used more effectively. Considering the need for long-term financing, we have issued Eurobonds totaling USD 1.1 billion in 2017, with a 5-year maturity of USD 600 million and a 6-year maturity of USD 500 million. We also renewed our syndication loan facility amounting to USD 1.1 billion this year. In addition, we increased the amount of loans received from International Financial Institutions and banks by approximately USD 800 million.

In order to provide funding diversity and to contribute our country's savings balance, we have provided substantial gold deposits within the scope of bringing the gold under the mattress into the economy by the implementation of “Altın Vakti” facility. This time, we also intermediated the issuance of Gold Bonds and Certificates by the Undersecretariat of Treasury. In the first issuance period, we contributed to bring 2.5 tons of gold under the mattress into the economy.

As the bank with the most widespread network with approximately 1,800 domestic branches, we continue to invest in digital banking by making non-branch channels more efficient while serving through our branches. In spite of these investments, as a consequence of our understanding of efficiency, cost income ratio of 32,5% continues to be well below the sector average. We also expect that, digital banking will contribute to our cost management in the forthcoming periods.

We continue to invest in our service network abroad. We proceed our activities as a subsidiary bank in Georgia, which was formerly in branch status. The process to acquire another 50% share of our subsidiary bank in Uzbekistan, in which we already have 50% share, is about to complete. We will continue our activities in Uzbekistan with a wholly- owned subsidiary bank following the completion of the acquisition process in November.

Hüseyin AYDIN

Member of the Board of Directors and General Manager

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SECTION SEVEN (Continued)

EXPLANATIONS ON THE INTERIM ACTIVITY REPORT (Continued)

III. Shareholding Structure

The paid in capital of T.C. Ziraat Bank is TL 5.600.000.000. While The Parent Bank's sole shareholder was the Republic of Turkey Prime Ministry Undersecretariat of Treasury, all shares of the Bank transferred to the Turkish Wealth Fund with the decision of the Council of Ministry numbered 2017/9756 dated 24 January 2017.

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.

IV. Main Financial Indicators

ASSETS (TL Million)	30 September 2017	31 December 2016	(%)
Liquid Assets and Banks	45.229	45.219	0,0
Securities Portfolio	70.332	69.643	1,0
Loans	296.845	244.074	21,6
Other Assets	15.202	12.946	17,4
Total Assets	427.608	371.882	15,0
LIABILITIES (TL Million)	30 September 2017	31 December 2016	(%)
Deposits	264.252	232.912	13,5
Non-deposits Resources	92.807	78.843	17,7
Other Liabilities	23.439	21.215	10,5
Shareholders' Equity	47.110	38.912	21,1
Total Liabilities	427.608	371.882	15,0
CHOSEN INCOME-EXPENSES (TL Million)	30 September 2017	30 September 2016	(%)
Interest Income	26.757	20.581	30,0
Interest Expense	13.672	9.989	36,9
Net Interest Income	13.085	10.592	23,5
Net Fees and Commission Income	1.369	1.075	27,3
Other Operations Income	2.732	2.349	16,3
Other Operations Expense	5.919	4.802	23,3
Provision for Losses on Loans Or Other Receivables	1.976	2.617	-24,5
Income Before Taxes From Continuing Operations	8.980	6.559	36,9
Provision For Taxes On Income From Continuing Operations	1.914	1.422	34,6
Net Profit/Losses	7.066	5.137	37,6

RATIOS (%)	30 September 2017	31 December 2016
Capital Adequacy Ratio	15,03	13,86
Equity / Total Assets	11,0	10,5
Cash Loans / Total Assets	69,4	65,6
Loans under follow-up (Gross) / Total Loans	1,6	1,8
Saving Deposits/ Total Deposits	25,7	24,3
FC Assets / FC Liabilities	88,5	106,1
Liquid Assets / Total Assets	10,6	12,2
	30 September 2017	30 September 2016
Net Profit (Loss) / Average Total Assets	2,3	2,1
Net Profit (Loss) / Average Equities	21,2	19,6
Interest Incomes / Interest Expenses	195,7	206,0

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SECTION SEVEN (Continued)

EXPLANATIONS ON THE INTERIM ACTIVITY REPORT (Continued)

V. Expectations for the Period after 2017 III. Interim

Another quarter has passed with stable global economic growth. In the global framework, improvement of the developed countries' labor markets positively affected the global economic activity together with the ongoing recovery in investment, industrial production and foreign trade channels. Stabilization of commodity prices, especially that of oil, has reduced the fragility of commodity exporting economies, and the moderate growth of wages versus the declining unemployment figures globally has prevented us from encountering a sharp inflationary pressure. In line with these, it is seen that global economic growth which surpassed expectations led central banks of developed countries to take steps to normalize their monetary policies. Limited increase in wages and low inflation caused a degree of moderation in the normalization process of monetary policies.

Healthy progress of the US economy can be seen in the 3rd quarter. It is observed that the damage caused by hurricanes has been remedied up to a point through restructuring, despite heavy costs and loss of work power. US economy, which has grown 3% during the third quarter of 2017, has maintained a measured growth level following a 3,1% growth rate reached during the second quarter. Within the anticipation that Trump's tax reforms come to life, it seems probable that economic growth will be supported with increased investments and efficiency. However, concerns over whether inflation, which already has a weaker outlook than expected, is going to be permanent pushes Fed to be more cautious about the interest rate hikes in the upcoming period. The question on FED presidency, which is one of the most important monetary policy actors of the global economy, has gained prominence in the past term as a factor that increases volatility. Expectation is that another governor will be appointed who will keep the current monetary policies in place.

Eurozone Countries, which also performed better than expected during this year in which the global economy has gained a healthier footing, enabled the European Central Bank (ECB) to revise its growth expectations upwards. While it can be observed that the excessive loose monetary policy implemented by ECB has been effective; as another positive reflection of the expansionary monetary policy, unemployment rates have dropped to the lowest point since 2009. The recovery in global economy keeps supporting Eurozone exports, and increased employment keeps supporting private consumption. With this perspective, the ECB has opted to decrease its asset purchases in light of expectation of faster growth in the Eurozone economies. Trend of increase in the value of Euro and relatively low inflation confirms the region's ongoing need for loose monetary policy. In this scope, ECB has extended the period of asset purchases by nine months although with a lower amount. Considering developments in the UK and Spain, it is expected for ECB support to continue until inflation data becomes consistent with targets.

Turkey has left behind a period of positive revisions in growth expectation supported by its performance during the first half. The economy has gained momentum in the second quarter compared to first quarter with the help of private consumption spending and investments and its performance exceeded expectations. Increased contribution of tourism and agriculture sectors in the growth during the third quarter and the positive impact of the base effect are reflected on evaluations of double digit growth rates. The positive outlook in the Eurozone countries which make up a major market for Turkish exporters and the global foreign demand conditions are expected to enable exports to be one of locomotives of economic growth.

While annual inflation of core indicators increased in the quarter we left behind; inflation maintained its double-digit course together with increase in energy and food prices. Despite this image, a gradual improvement in inflation outlook starting from the end of the year is assessed to be possible as the peak point has been approached. In this direction, we are likely to end the year with a single digit inflation figure in line with the Medium Term Programme (MTP) expectations. In case the producer prices rise moderately in the upcoming period, the downward trend in inflation may become evident in 2018. The Central Bank is expected to maintain tight monetary policy until it sees improvement in inflation expectations.

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**SECTION SEVEN (Continued)
EXPLANATIONS ON THE INTERIM ACTIVITY REPORT (Continued)**

V. Expectations for the Period after 2017 III. Interim (Continued)

In year 2017, it is intended to support economic activity through fiscal policies that have been applied in a more expansionary manner without giving up fiscal discipline. Therefore, by the help of measures taken in fiscal policies that are mostly temporary, the growth is likely to be over 5,5% this year, which is the MTP estimate. The realization of such a strong growth refers to a lower need for expenditures which are made intentionally for the purpose of supporting employment, real sector and investing parties.

In the first nine months of 2017, Turkish economy continued to generate employment, thanks to the faster turnover of the economy and the stimuli the authorities applied within the scope of employment campaign. In the light of these developments, the unemployment rates decreased significantly in the first half of the year. For the rest of the year, it is likely that the decline in unemployment rates will slow down as a result of continuous increase in the labor force participation rate to record levels and seasonality.