

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

**PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS
TOGETHER WITH REVIEW REPORT
AT 30 SEPTEMBER 2016**

**(Convenience Translation of Publicly Announced
Unconsolidated Financial Statements and
Review Report
Originally Issued in Turkish,
See in Note I. of Section Three)**

INTERIM REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor’s report originally issued in Turkish, See Note I of Section three)

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

Introduction

We have reviewed the unconsolidated balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“the Bank”) at 30 September 2016 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders’ equity, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine-month period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial 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 Authority and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial statements 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 reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards of Turkey and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

Basis for the Qualified Conclusion

As mentioned in Section II. Note 7.d1 of Explanations and Notes to the Unconsolidated Financial Statements; as of the balance sheet date at 30 September 2016, the accompanying unconsolidated financial statements include a free provision amounting to TL 945.000 thousand, (TL 295.400 thousand of this provision amount was reversed from the income statement in the current year), 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.

Qualified Conclusion

Based on our review, except for the effect of the matter on the financial statements described in the basis for the qualified conclusion paragraph nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. at 30 September 2016 and 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.

Report on Other Responsibilities Arising From Regulatory Requirements

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

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Didem Demer Kaya, SMMM
Partner

Istanbul, 9 November 2016



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

**THE UNCONSOLIDATED INTERIM FINANCIAL REVIEW REPORT OF
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 30 SEPTEMBER 2016**

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

The unconsolidated 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 BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- EXPLANATIONS ON REVIEW REPORT
- INTERIM REPORT

The accompanying unconsolidated financial statements for nine months and notes to these financial statements which are expressed, unless otherwise stated, in thousand 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

Peyami Ömer ÖZDİLEK
Financial Coordination
Executive Vice President

Atakan BEKTAŞ
Senior Vice President
of Financial Reporting and
Budget 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
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE I. OF SECTION THREE**

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

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

The foundation of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“Ziraat Bankası” or “the 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. The Bank, which was given the authority to perform all the banking activities, has its head office located in Ankara and all shares of the Bank belong to the Treasury.

II. EXPLANATION ABOUT THE 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 sole shareholder of the Bank is the Republic of Turkey Prime Ministry Undersecretariat of Treasury (“Treasury”).

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

GENERAL INFORMATION ABOUT THE BANK (Continued)

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 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
Mehmet Hamdi YILDIRIM	Member
Metin ÖZDEMİR	Member
Mustafa ÇETİN	Member
Salim ALKAN	Member
Audit Committee Members	
Muharrem KARSLI	Member
Feyzi ÇUTUR	Member
Executive Vice Presidents	
Alpaslan ÇAKAR	Distribution Channels Management
Bilgehan KURU	Treasury and International Banking
Bülent SUER	Operational Transactions
Mehmet Cengiz GÖĞEBAKAN	Loan Policies
Musa ARDA	Loan Allocation and Management
Ömer Muzaffer BAKTIR	Marketing
Peyami Ömer ÖZDİLEK	Financial Coordination
Yüksel CESUR	Internal Systems

The directors above mentioned do not retain any shares of the Bank’s capital.

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

Name/Trade Name	Amount of Share	Percentage of Share %	Paid-in Shares	Unpaid Shares
Treasury	5.100.000	100	5.100.000	-

The sole shareholder of the Bank is the Treasury.

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

GENERAL INFORMATION ABOUT THE BANK (Continued)

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

The purpose of activity of the Bank is stated in articles of association as to perform all kinds of banking activities including acceptance of deposits. For this purpose, the Bank can perform all sorts of operations, without prejudice to the provisions of 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 2016, Bank carries its activities with a grand total of 1.812 branches; 1.785 domestic branches including 21 corporate branches, 79 entrepreneurial branches, 76 dynamic entrepreneurial branches, 1.604 branches and 5 mobile branches (31 December 2015: 1.786 domestic branches including 1.596 branches, 22 corporate branches, 80 entrepreneurial branches, 83 dynamic entrepreneurial branches, 5 mobile branches) and 27 branches abroad including 22 branches and 5 sub branches (New York branch in United States, London branch in England, Tbilisi branch and Batumi, Marneuli sub branches in Georgia, Baghdad and Arbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina in Kosovo, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Akdoğan, Near East University, Karaoğlanoğlu, Karakum and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has a representative office in Tehran, Iran.

The 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 Interbank Card Center.

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.

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

None.

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

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 SEPTEMBER 2016

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

SECTION TWO
UNCONSOLIDATED FINANCIAL STATEMENTS

I.	BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	Current Period (30/09/2016)			Prior Period (31/12/2015)		
			TL	FC	Total	TL	FC	Total
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	6.018.395	33.206.154	39.224.549	4.072.948	32.463.015	36.535.963
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	736.731	388.645	1.125.376	662.198	282.701	944.899
2.1	Financial Assets Held for Trading		736.731	388.645	1.125.376	662.198	282.701	944.899
2.1.1	Public Sector Debt Securities		12.659	15.701	28.360	12.238	4.377	16.615
2.1.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.1.3	Derivative Financial Assets Held for Trading		724.072	372.944	1.097.016	649.960	278.324	928.284
2.1.4	Other Marketable Securities		-	-	-	-	-	-
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	(3)	534.014	3.052.759	3.586.773	735.999	3.710.793	4.446.792
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	43.701.655	13.111.218	56.812.873	42.207.247	11.575.061	53.782.308
5.1	Securities Representing a Share in Capital		103.708	458.414	562.122	103.528	500.214	603.742
5.2	Public Sector Debt Securities		43.574.893	12.555.902	56.130.795	42.100.780	11.004.930	53.105.710
5.3	Other Marketable Securities		23.054	96.902	119.956	2.939	69.917	72.856
VI.	LOANS AND RECEIVABLES	(5)	156.158.423	53.807.121	209.965.544	141.002.935	45.809.916	186.812.851
6.1	Loans and Receivables		155.891.037	53.807.121	209.698.158	140.133.474	45.809.385	185.942.859
6.1.1	Loans Granted to Risk Group of The Bank		50.849	1.065.981	1.116.830	100.929	755.369	856.298
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		155.840.188	52.741.140	208.581.328	140.032.545	45.054.016	185.086.561
6.2	Loans under Follow-up		3.856.580	15.700	3.872.280	3.129.081	11.443	3.140.524
6.3	Specific Provisions (-)		3.589.194	15.700	3.604.894	2.259.620	10.912	2.270.532
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	INVESTMENTS HELD TO MATURITY (Net)	(6)	3.492.775	4.433.579	7.926.354	4.538.342	5.605.800	10.144.142
8.1	Public Sector Debt Securities		3.409.093	4.415.580	7.824.673	4.504.483	5.594.461	10.098.944
8.2	Other Marketable Securities		83.682	17.999	101.681	33.859	11.339	45.198
IX.	INVESTMENTS IN ASSOCIATES (Net)	(7)	94.912	-	94.912	94.912	-	94.912
9.1	Accounted with Equity Method		-	-	-	-	-	-
9.2	Unconsolidated Associates		94.912	-	94.912	94.912	-	94.912
9.2.1	Financial Associates		88.846	-	88.846	88.846	-	88.846
9.2.2	Non-financial Associates		6.066	-	6.066	6.066	-	6.066
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	1.229.477	1.291.703	2.521.180	1.157.477	1.291.703	2.449.180
10.1	Unconsolidated Financial Subsidiaries		1.223.240	1.291.703	2.514.943	1.151.240	1.291.703	2.442.943
10.2	Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237	6.237	-	6.237
XI.	ENTITIES UNDER COMMON CONTROL (Net)	(9)	-	116.995	116.995	-	111.274	111.274
11.1	Accounted with Equity Method		-	-	-	-	-	-
11.2	Unconsolidated Entities Under Common Control		-	116.995	116.995	-	111.274	111.274
11.2.1	Financial Entities Under Common Control		-	116.995	116.995	-	111.274	111.274
11.2.2	Non Financial Entities Under Common Control		-	-	-	-	-	-
XII.	RECEIVABLES FROM LEASING TRANSACTIONS	(10)	-	-	-	-	-	-
12.1	Finance Lease Receivables		-	-	-	-	-	-
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1	Fair Value Hedges		-	-	-	-	-	-
13.2	Cash Flow Hedges		-	-	-	-	-	-
13.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(14)	4.912.546	11.788	4.924.334	4.830.792	10.846	4.841.638
XV.	INTANGIBLE ASSETS (Net)		282.708	4.006	286.714	207.761	3.750	211.511
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		282.708	4.006	286.714	207.761	3.750	211.511
XVI.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-	-	-	-
XVII.	TAX ASSET		1.121	-	1.121	262.631	-	262.631
17.1	Current Tax Asset		1.121	-	1.121	901	-	901
17.2	Deferred Tax Asset		-	-	-	261.730	-	261.730
XVIII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	293.416	-	293.416	240.606	-	240.606
18.1	Held for Sale		293.416	-	293.416	240.606	-	240.606
18.2	Held from Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS		2.081.586	787.335	2.868.921	1.266.086	703.533	1.969.619
	TOTAL ASSETS		219.537.759	110.211.303	329.749.062	201.279.934	101.568.392	302.848.326

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 SEPTEMBER 2016

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	Current Period (30/09/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES AND EQUITY					
I. DEPOSITS	(1)	137.699.268	66.817.221	204.516.489	120.592.405	65.877.030	186.469.435
1.1 Deposits Held By the Risk Group of the Bank		445.140	410.021	855.161	378.896	175.066	553.962
1.2 Other		137.254.128	66.407.200	203.661.328	120.213.509	65.701.964	185.915.473
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	91.232	461.161	552.393	30.655	261.616	292.271
III. FUNDS BORROWED	(3)	1.611.823	19.020.573	20.632.396	1.392.459	18.150.189	19.542.648
IV. MONEY MARKET BALANCES		27.482.343	14.465.369	41.947.712	28.340.963	14.744.813	43.085.776
4.1 Interbank Money Market Borrowings		2.070.000	-	2.070.000	1.100.000	-	1.100.000
4.2 Istanbul Stock Exchange Takasbank Borrowings		-	-	-	-	-	-
4.3 Funds Provided under Repurchase Agreements		25.412.343	14.465.369	39.877.712	27.240.963	14.744.813	41.985.776
V. MARKETABLE SECURITIES ISSUED (Net)		2.144.770	4.076.970	6.221.740	2.199.333	3.088.273	5.287.606
5.1 Bills		2.144.770	100.811	2.245.581	2.199.333	756.233	2.955.566
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		-	3.976.159	3.976.159	-	2.332.040	2.332.040
VI. FUNDS		6.103.265	-	6.103.265	5.931.129	-	5.931.129
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		6.103.265	-	6.103.265	5.931.129	-	5.931.129
VII. MISCELLANEOUS PAYABLES		1.216.647	733.815	1.950.462	1.477.006	843.177	2.320.183
VIII. OTHER LIABILITIES	(4)	3.602.953	433.386	4.036.339	2.044.873	389.249	2.434.122
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. PAYABLES FROM LEASING TRANSACTIONS (Net)	(5)	-	317	317	-	686	686
10.1 Finance Lease Payables		-	321	321	-	699	699
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	4	4	-	13	13
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(6)	-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XII. PROVISIONS	(7)	5.663.706	39.657	5.703.363	5.125.958	34.938	5.160.896
12.1 General Provisions		3.516.900	10.892	3.527.792	2.833.693	10.491	2.844.184
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		949.325	-	949.325	851.869	-	851.869
12.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5 Other Provisions		1.197.481	28.765	1.226.246	1.440.396	24.447	1.464.843
XIII. TAX LIABILITY	(8)	817.629	1.443	819.072	776.453	852	777.305
13.1 Current Tax Liability		767.537	1.443	768.980	776.453	852	777.305
13.2 Deferred Tax Liability		50.092	-	50.092	-	-	-
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(9)	-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Held from Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(10)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(11)	36.432.071	833.443	37.265.514	30.865.420	680.849	31.546.269
16.1 Paid-in Capital		5.100.000	-	5.100.000	5.000.000	-	5.000.000
16.2 Capital Reserves		3.515.601	833.443	4.349.044	2.537.588	680.849	3.218.437
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(9.523)	833.443	823.920	(1.001.889)	680.849	(321.040)
16.2.4 Tangible Assets Revaluation Reserves		3.637.646	-	3.637.646	3.607.167	-	3.607.167
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		(129.910)	-	(129.910)	(85.078)	-	(85.078)
16.3 Profit Reserves		22.648.034	-	22.648.034	18.005.564	-	18.005.564
16.3.1 Legal Reserves		3.203.307	-	3.203.307	2.920.983	-	2.920.983
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		18.019.392	-	18.019.392	13.659.246	-	13.659.246
16.3.4 Other Profit Reserves		1.425.335	-	1.425.335	1.425.335	-	1.425.335
16.4 Profit or Loss		5.168.436	-	5.168.436	5.322.268	-	5.322.268
16.4.1 Prior Years Profit/Loss		159.798	-	159.798	159.798	-	159.798
16.4.2 Net Period Profit/Loss		5.008.638	-	5.008.638	5.162.470	-	5.162.470
TOTAL LIABILITIES AND EQUITY		222.865.707	106.883.355	329.749.062	198.776.654	104.071.672	302.848.326

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS OF 30 SEPTEMBER 2016

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

II.	STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (30/09/2016)			Prior Period (31/12/2015)		
			TL	FC	Total	TL	FC	Total
			A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		51.389.591	102.650.063	154.039.654
I.	GUARANTEES AND WARRANTIES	(I)	23.997.422	45.696.046	69.693.468	19.707.145	40.579.030	60.286.175
1.1	Letters of Guarantee		23.909.103	34.789.910	58.699.013	19.606.622	29.635.315	49.241.937
1.1.1	Guarantees Subject to State Tender Law		1.460.354	6.381.818	7.842.172	1.181.920	5.635.033	6.816.953
1.1.2	Guarantees Given for Foreign Trade Operations		20.278.559	28.125.632	48.404.191	16.927.658	23.740.445	40.668.103
1.1.3	Other Letters of Guarantee		2.170.190	282.460	2.452.650	1.497.044	259.837	1.756.881
1.2	Bank Acceptances		28.601	3.536.155	3.564.756	12.965	4.178.340	4.191.305
1.2.1	Import Letter of Acceptance		28.601	3.535.479	3.564.080	12.965	4.173.792	4.186.757
1.2.2	Other Bank Acceptances		-	676	676	-	4.548	4.548
1.3	Letters of Credit		59.718	7.369.981	7.429.699	87.558	6.765.375	6.852.933
1.3.1	Documentary Letters of Credit		59.718	7.327.819	7.387.537	87.558	6.728.524	6.816.082
1.3.2	Other Letters of Credit		-	42.162	42.162	-	36.851	36.851
1.4	Pre-financing 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		-	-	-	-	-	-
1.9	Other Collaterals		-	-	-	-	-	-
II.	COMMITMENTS	(I)	17.114.136	3.996.021	21.110.157	15.984.047	3.614.654	19.598.701
2.1	Irrevocable Commitments		17.114.124	3.985.162	21.099.286	15.984.035	3.609.756	19.593.791
2.1.1	Asset Purchase and Sale Commitments		494.206	1.822.702	2.316.908	153.461	1.695.131	1.848.592
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		3.021.492	52.226	3.073.718	2.693.280	112.533	2.805.813
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		3.075.390	-	3.075.390	3.076.439	-	3.076.439
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		6.986.160	-	6.986.160	7.130.144	-	7.130.144
2.1.10	Commitments for Credit Cards and Banking Services Promotions		24.860	-	24.860	20.185	-	20.185
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		3.512.016	2.110.234	5.622.250	2.910.526	1.802.092	4.712.618
2.2	Revocable Commitments		12	10.859	10.871	12	4.898	4.910
2.2.1	Revocable Loan Granting Commitments		-	10.859	10.859	-	4.898	4.898
2.2.2	Other Revocable Commitments		12	-	12	12	-	12
III.	DERIVATIVE FINANCIAL INSTRUMENTS		10.278.033	52.957.996	63.236.029	3.119.312	54.430.547	57.549.859
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		10.278.033	52.957.996	63.236.029	3.119.312	54.430.547	57.549.859
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.053.909	3.534.684	4.588.593	1.332.892	4.096.601	5.429.493
3.2.1.1	Forward Foreign Currency Transactions-Buy		511.569	1.784.549	2.296.118	642.706	2.072.867	2.715.573
3.2.1.2	Forward Foreign Currency Transactions-Sell		542.340	1.750.135	2.292.475	690.186	2.023.734	2.713.920
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		9.224.124	49.423.312	58.647.436	1.773.374	50.290.572	52.063.946
3.2.2.1	Foreign Currency Swap-Buy		7.233.011	18.379.097	25.612.108	436.624	22.770.642	23.207.266
3.2.2.2	Foreign Currency Swap-Sell		1.991.113	22.992.567	24.983.680	1.336.750	21.284.304	22.621.054
3.2.2.3	Interest Rate Swap-Buy		-	4.025.824	4.025.824	-	3.117.813	3.117.813
3.2.2.4	Interest Rate Swap-Sell		-	4.025.824	4.025.824	-	3.117.813	3.117.813
3.2.3	Foreign Currency, Interest rate and Securities Options		-	-	-	13.046	43.374	56.420
3.2.3.1	Foreign Currency Options-Buy		-	-	-	6.523	21.687	28.210
3.2.3.2	Foreign Currency Options-Sell		-	-	-	6.523	21.687	28.210
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)		725.718.488	105.282.620	831.001.108	645.572.139	98.062.897	743.635.036
IV.	ITEMS HELD IN CUSTODY		100.852.024	11.980.293	112.832.317	87.769.019	11.281.019	99.050.038
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		30.772.742	5.003.659	35.776.401	30.615.944	4.389.662	35.005.606
4.3	Checks Received for Collection		5.761.184	446.891	6.208.075	4.576.100	342.690	4.918.790
4.4	Commercial Notes Received for Collection		6.003.898	433.434	6.437.332	4.782.653	309.103	5.091.756
4.5	Other Assets Received for Collection		8.903	-	8.903	8.934	-	8.934
4.6	Assets Received for Public Offering		54.168.971	-	54.168.971	44.389.111	-	44.389.111
4.7	Other Items Under Custody		4.134.677	6.096.309	10.230.986	3.394.628	6.239.564	9.634.192
4.8	Custodians		1.649	-	1.649	1.649	-	1.649
V.	PLEDGES RECEIVED		624.152.686	91.792.648	715.945.334	557.200.217	85.495.840	642.696.057
5.1	Marketable Securities		1.524.994	33.393	1.558.387	907.730	28.100	935.830
5.2	Guarantee Notes		13.396.029	857.876	14.253.905	13.208.506	808.101	14.016.607
5.3	Commodity		1.089.240	61.865	1.151.105	1.072.015	18.248	1.090.263
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		551.127.061	70.328.277	621.455.338	495.609.918	65.182.872	560.792.790
5.6	Other Pledged Items		57.010.153	20.500.252	77.510.405	46.396.839	19.447.947	65.844.786
5.7	Pledged Items-Depository		5.209	10.985	16.194	5.209	10.572	15.781
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		713.778	1.509.679	2.223.457	602.903	1.286.038	1.888.941
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			777.108.079	207.932.683	985.040.762	684.382.643	196.687.128	881.069.771

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
UNCONSOLIDATED INCOME STATEMENT AS OF 30 SEPTEMBER 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

III. STATEMENT OF INCOME					
INCOME AND EXPENSE ITEMS					
	Note (Section Five IV)	Current Period 01/01- 30/09/2016	Prior Period 01/01- 30/09/2015	Current Period 01/07- 30/09/2016	Prior Period 01/07- 30/09/2015
I. INTEREST INCOME	(1)	19.929.950	15.999.646	6.970.589	5.600.145
1.1 Interest Income from Loans		15.580.162	12.079.038	5.475.686	4.382.425
1.2 Interest Income From Reserve Deposits		133.135	32.712	45.257	18.885
1.3 Interest Income from Banks		60.187	48.849	20.618	19.641
1.4 Interest Income from Money Market Placements		45	6	41	2
1.5 Interest Income from Marketable Securities		4.140.922	3.793.148	1.426.072	1.175.429
1.5.1 Financial Assets Held for Trading		948	948	334	196
1.5.2 Financial Assets at Fair Value through Profit and Loss		-	-	-	-
1.5.3 Financial Assets Available-for-Sale		3.531.285	3.227.152	1.219.000	987.849
1.5.4 Investments Held-to-Maturity		608.689	565.048	206.738	187.384
1.6 Finance Lease Income		-	-	-	-
1.7 Other Interest Income		15.499	45.893	2.915	3.763
II. INTEREST EXPENSES	(2)	9.845.050	8.425.140	3.277.063	3.018.069
2.1 Interest Expense on Deposits		7.281.256	6.349.582	2.448.368	2.244.645
2.2 Interest on Borrowings		326.100	302.434	119.771	111.374
2.3 Interest on Money Market Borrowings		1.921.685	1.533.920	606.311	579.195
2.4 Interest on Marketable Securities Issued		273.549	197.510	98.481	74.586
2.5 Other Interest Expense		42.460	41.694	4.132	8.269
III. NET INTEREST INCOME/EXPENSES (I - II)		10.084.900	7.574.506	3.693.526	2.582.076
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		1.146.978	926.319	381.362	318.334
4.1 Fees and Commissions Received		1.426.580	1.179.909	480.845	402.827
4.1.1 Non-cash Loans		243.587	173.728	84.906	65.320
4.1.2 Other	(12)	1.182.993	1.006.181	395.939	337.507
4.2 Fees and Commissions Paid		279.602	253.590	99.483	84.493
4.2.1 Non-cash Loans		257	114	95	59
4.2.2 Other		279.345	253.476	99.388	84.434
V. DIVIDEND INCOME		255.651	195.655	529	3.489
VI. TRADING PROFIT/LOSS (Net)	(3)	(96.364)	(223.477)	(16.134)	(146.949)
6.1 Profit/Loss from Capital Market Operations		26.609	68.903	8.805	9.973
6.2 Profit/losses on Derivative Financial Transactions	(4)	99.614	(910.828)	341.961	(104.115)
6.3 Profit/Loss from Foreign Exchanges		(222.587)	618.448	(366.900)	(52.807)
VII. OTHER OPERATING INCOME	(5)	1.273.257	998.787	290.195	328.957
VIII. TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)		12.664.422	9.471.790	4.349.478	3.085.907
IX. PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)	(6)	2.476.306	1.108.965	1.018.193	212.147
X. OTHER OPERATING EXPENSES(-)	(7)	3.864.276	3.781.771	1.201.926	1.418.525
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		6.323.840	4.581.054	2.129.359	1.455.235
XII. GAINS RECORDED AFTER MERGER		-	-	-	-
XIII. PROFIT/LOSS ON EQUITY METHOD		-	-	-	-
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XV. INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(8)	6.323.840	4.581.054	2.129.359	1.455.235
XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(9)	(1.315.202)	(999.414)	(509.556)	(303.012)
16.1 Current Tax Provision		(1.488.632)	(420.897)	(369.814)	(199.567)
16.2 Deferred Tax Provision		173.430	(578.517)	(139.742)	(103.445)
XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(10)	5.008.638	3.581.640	1.619.803	1.152.223
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)	(11)	5.008.638	3.581.640	1.619.803	1.152.223
Earnings/ Loss per Share		0,993	0,712	0,321	0,229

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS'
EQUITY AS OF 30 SEPTEMBER 2016**

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

IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Current Period (30/09/2016)	Prior Period (30/09/2015)
I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	1.514.050	(4.033.084)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	144.029	(17.272)
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	13.820	(32.235)
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	(56.040)	18.831
IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(485.252)	826.170
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	1.130.607	(3.237.590)
XI. CURRENT YEAR PROFIT/LOSS	5.008.638	3.581.640
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	26.609	68.547
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	4.982.029	3.513.093
XII. TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	6.139.245	344.050

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. 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.	Total Equity	
30 September 2015																			
I.	Balance at the Beginning of the Period		2.500.000	543.482	-	-	2.725.124	-	11.880.556	850.864	-	4.210.307	2.178.133	3.634.310	17.388	-	-	-	28.540.164
II.	Corrections according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	The Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	The Effect of Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I+II)		2.500.000	543.482	-	-	2.725.124	-	11.880.556	850.864	-	4.210.307	2.178.133	3.634.310	17.388	-	-	-	28.540.164
	Changes During the Period																		
IV.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(3.203.148)	-	-	-	-	-	(3.203.148)
VI.	Hedging Funds (Active Part)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	(17.272)	-	-	-	-	(17.272)
VIII.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	(32.235)	-	-	-	-	-	(32.235)
XI.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Increase in Capital		2.500.000	(543.482)	-	-	-	-	(1.281.518)	-	-	-	-	-	-	-	-	-	675.000
14.1	Cash		675.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	675.000
14.2	From Internal Resources		1.825.000	(543.482)	-	-	-	-	(1.281.518)	-	-	-	-	-	-	-	-	-	-
XV.	Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	15.065	-	-	-	-	-	-	-	-	-	15.065
XIX.	Net Profit or Losses		-	-	-	-	-	-	-	3.581.640	-	-	-	-	-	-	-	-	3.581.640
XX.	Profit Distribution		-	-	-	-	195.859	-	3.041.293	503.357	-	(4.050.509)	-	-	-	-	-	-	(310.000)
20.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	(310.000)	-	-	-	-	-	-	(310.000)
20.2	Transfers to Legal Reserves		-	-	-	-	195.859	-	3.041.293	503.357	-	(3.740.509)	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the end of the period (I+II+III+.....+XVIII+XIX+XX)		5.000.000	-	-	-	2.920.983	-	13.640.331	1.369.286	3.581.640	159.798	(1.057.250)	3.617.038	17.388	-	-	-	29.249.214

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

v. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																			
30 September 2016		Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premiu m	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.	Total Equity	
I.	Balance at the Beginning of the Period		5.000.000	-	-	-	2.920.983	-	13.659.246	1.340.257	-	5.322.268	(321.040)	3.607.167	17.388	-	-	-	31.546.269
	Changes During the Period																		
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	1.131.140	-	-	-	-	-	1.131.140
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		-	-	-	-	-	-	-	-	-	-	-	30.479	-	-	-	-	30.479
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	13.820	-	-	-	-	-	13.820
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		100.000	-	-	-	-	-	(28.000)	-	-	-	-	-	-	-	-	-	72.000
12.1	Cash		72.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72.000
12.2	From Internal Resources		28.000	-	-	-	-	-	(28.000)	-	-	-	-	-	-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	(44.832)	-	-	-	-	-	-	-	-	(44.832)
XVII.	Net Profit or Losses		-	-	-	-	-	-	-	-	5.008.638	-	-	-	-	-	-	-	5.008.638
XVIII.	Profit Distribution		-	-	-	-	282.324	-	4.388.146	-	-	(5.162.470)	-	-	-	-	-	-	(492.000)
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	(492.000)	-	-	-	-	-	-	(492.000)
18.2	Transfers to Legal Reserves		-	-	-	-	282.324	-	4.388.146	-	-	(4.670.470)	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the end of the period		5.100.000	-	-	-	3.203.307	-	18.019.392	1.295.425	5.008.638	159.798	823.920	3.637.646	17.388	-	-	-	37.265.514
	(I+II+III+.....+XVI+XVII+XVIII)		5.100.000	-	-	-	3.203.307	-	18.019.392	1.295.425	5.008.638	159.798	823.920	3.637.646	17.388	-	-	-	37.265.514

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30 SEPTEMBER 2016**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VI. STATEMENT OF CASH FLOWS			
	Note (Section Five)	Current Period 01/01-30/09/2016	Prior Period 01/01-30/09/2015
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		4.549.925	3.047.357
1.1.1 Interest Received		18.073.042	14.642.340
1.1.2 Interest Paid		(9.674.748)	(5.759.717)
1.1.3 Dividend Received		253.746	185.036
1.1.4 Fees and Commissions Received		1.426.023	1.179.155
1.1.5 Other Income		1.449.604	478.228
1.1.6 Collections from Previously Written-off Loans and Other Receivables		722.389	1.051.014
1.1.7 Payments to Personnel and Service Suppliers		(1.713.642)	(1.554.643)
1.1.8 Taxes Paid		(1.830.048)	(985.274)
1.1.9 Other		(4.156.441)	(6.188.782)
1.2 Changes in Operating Assets and Liabilities		(838.443)	3.227.596
1.2.1 Net (Increase)/Decrease in Trading Securities		(11.889)	(17.411)
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3 Net (Increase)/Decrease in Banks		2.395.914	(6.469.566)
1.2.4 Net (Increase)/Decrease in Loans		(23.397.598)	(38.382.199)
1.2.5 Net (Increase)/Decrease in Other Assets		(428.872)	(1.645.163)
1.2.6 Net Increase/(Decrease) in Bank Deposits		(1.072.289)	4.499.830
1.2.7 Net Increase/(Decrease) in Other Deposits		17.928.638	38.100.886
1.2.8 Net Increase/(Decrease) in Funds Borrowed		1.075.574	5.497.457
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		2.672.079	1.643.762
I. Net Cash Provided from Banking Operations		3.711.482	6.274.953
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net Cash Provided from Investing Activities		(328.554)	(3.510.854)
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		(76.354)	(791.595)
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3 Fixed Assets Purchases		(252.004)	(191.374)
2.4 Fixed Assets Sales		124.044	3.954
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		(10.703.157)	(13.681.632)
2.6 Cash Obtained from Sale of financial Assets Available for Sale		9.359.131	15.207.977
2.7 Cash Paid for Purchase of Investment Securities		(101.254)	(147.367)
2.8 Cash Obtained from Sale of Investment Securities		2.544.639	1.227.432
2.9 Other		(1.223.599)	(5.138.249)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from Financing Activities		632.254	250.727
3.1 Cash Obtained from Funds Borrowed and Securities Issued		3.854.156	2.577.940
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.990.333)	(2.325.824)
3.3 Marketable Securities Issued		-	-
3.4 Dividends Paid		(231.200)	-
3.5 Payments for Finance Leases		(369)	(1.389)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		212.929	688.153
V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)		4.228.111	3.702.979
VI. Cash and Cash Equivalents at the Beginning of the Period		8.064.097	4.866.373
VII. Cash and Cash Equivalents at the End of the Period		12.292.208	8.569.352

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The unconsolidated 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 and accounting principles on accounting records of Banks published by Banking Regulation and Supervision Agency (“BRSA”) and circulars and interpretations and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards 34 “Interim Financial Reporting Standards” and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (all referred as “BRSA Accounting and Financial Reporting Regulation” or “BRSA Principles”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”).

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

The unconsolidated 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.

Balance sheet and statement of off-balance sheet commitments as of 30 September 2016 are presented comparatively with independently audited balances as of 31 December 2015 while income statement, statement of income and expense items accounted under shareholders’ equity, statement of cash flows and statement of changes in shareholders’ equity are presented comparatively with balances as of 30 September 2015.

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, estimates and the effects of the changes are explained in related notes.

The amendments of TAS and TFRS which have entered into force as of 1 January 2016 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 XXIV. below.

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

I. BASIS OF PRESENTATION (Continued)

Additional paragraph for convenience translation into English:

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

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

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

Loans and securities are instruments from which the 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 commitments for credit card limits are the most important risk areas within the off-balance sheet accounts.

Since the Bank’s total debt to the market is low among its total liabilities, the Bank can borrow easily from short-term markets, such as; Borsa Istanbul (“BIST”), Central Bank of the Republic of Turkey, Money Market or Interbank Money Market in case of need. 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 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 Bank’s prevailing counter currency buying rate. At period ends, foreign currency asset and liability balances are valued at the 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 Bank are translated into Turkish Lira with the Bank’s prevailing counter currency buying rates at the balance sheet date.

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

Based on the TAS 27 “Turkish Accounting Standard for Consolidated and Separate Financial Statements”, Turkish Lira denominated investments in associates and subsidiaries are accounted at cost value and are reflected to the unconsolidated financial statements after clarifying the impairment, if any.

Investments related to subsidiaries and joint ventures operating abroad in foreign currency are followed by their fair values. For these subsidiaries, fair value is determined by valuation reports, TL equivalents of investments related to subsidiaries are fixed as of revaluation date and revaluation differences added to subsidiaries’ values are recognized in “Marketable Securities Value Increase Fund” under shareholders’ equity.

IV. EXPLANATIONS ON DERIVATIVE INSTRUMENTS

The Bank’s derivative transactions mostly include cross currency swaps, currency and precious metal swaps, long term financing operations, full indemnity options and foreign currency forward contracts. The Bank has no embedded derivative instruments separated from the articles of association.

The derivative instruments of the Bank are classified as trading or hedging instruments in accordance with Turkish Accounting Standard on TAS 39 “Financial Instruments: Recognition and Measurement”. The Bank has no derivative instruments for hedging purposes as of the balance sheet date. Accordingly, the 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. Realized interest accruals calculated for non-performing loans and recognized as income although not collected are reversed and interest income related to these loans is recognized as interest income only when collected.

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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

Financial assets mainly constitute the Bank’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.

Sale and purchase transactions of financial assets are accounted for using the settlement date basis.

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

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.

b. 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 value.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

c. Loans and receivables:

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.

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

The 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”. In addition to this, in the related Regulation and the interpretations of BRSA does not include any clause which prevents to reflect excess provisions than the required level. 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.

d. Available-for-sale financial assets:

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

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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 Expense 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 Expense for Subsidiaries, Associates, and Assets Held to Maturity”.

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

Loans and other receivables are classified in accordance with the Communiqué on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions” published in the Official Gazette numbered 26333 and dated 1 November 2006.

IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

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

Securities subject to repurchase agreements are classified under “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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

Tangible assets acquired in consideration of receivables are accounted for in accordance with the requirements of the Communiqué on “Methods, Principles for Purchase and Sale of Precious Metal and Sale of Goods and Immovables obtained in Return of Receivables” published in the Official Gazette numbered 26333 and dated 1 November 2006 and these assets are subject to revaluation by no means.

A discontinued operation is a part of the Bank’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.

The Bank has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

Other intangible assets are amortized by using the straight line method based on their useful 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 Bank 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 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 %.

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. The Bank’s tangible fixed assets purchased before 1 January 2005 are carried at inflation adjusted cost in the balance sheet before 31 December 2004 and its tangible fixed assets that are purchased subsequent to 1 January 2005 are valued at historical cost. 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 1 January 2014 valuation results are reflected in the accounting records. As a result of the fair valuation of the real estates which is included in tangible fixed assets, TL 3.637.646 revaluation difference is followed under shareholders’ equity as of 30 September 2016. As of 30 January 2014, the net book amount of real estates of the tangible assets before valuation was TL 816.950. Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and impairment loss, if any. Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives. No changes made in the current period regarding depreciation method.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT (Continued)

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 LEASING TRANSACTIONS

Financial Lease

The Bank, 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 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.

XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES (Continued)

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

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

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment Termination and Vacation Benefits

The Bank recognizes its liabilities of employment terminations and vacation benefits in accordance with TAS 19 “Employee Benefits” 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 resignation depending on the arise of the legal conditions or employment termination. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, Employment Termination Benefit Provision is calculated based on the final salary at the date of retirement or leave (to the extent that the payments and/or salary amount does not exceed the Employment Termination Benefit Provision ceiling).

Communiqué on “Turkish Accounting Standard (TAS 19) 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 129.910 was classified as “Other Comprehensive Expense” in the financials.

In every year the unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting cumulative summation of used vacation days of all personnel from legally deserved vacation days.

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

The technical balance sheet report as of 31 December 2015 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 Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

XVII. EXPLANATIONS ON TAXATION

a. Current Tax

“Corporate Tax Law” (“New 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 affiliation privilege) 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.

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XVII. EXPLANATIONS ON TAXATION (Continued)

b. Deferred tax

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

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

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

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

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

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

XVIII. EXPLANATIONS ON BORROWINGS

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

XIX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

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

XX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

Commitments regarding bill guarantees and acceptances of the Bank are presented in the "Off-Balance Sheet" commitments.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXI. EXPLANATIONS ON GOVERNMENT GRANTS

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

XXII. 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.

XXIII. 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 Bank, are disclosed in Note IX. of Section Four.

XXIV. EXPLANATIONS ON OTHER MATTERS

In accordance with the decision taken in the General Assembly of the year 2015, which was carried out on 30 March 2016, from TL 5.162.470 net profit, which is subject to distribution, TL 258.124 is transferred to first legal reserve and TL 24.200 is transferred to second legal reserve TL 220.000 was paid to employees and TL 231.200 is distributed to Treasury after deducting withholding tax of 15% (TL 40.800) in cash. In this context, TL 4.388.146 of the profit is preserved; dividend payment made to Treasury on 15 April 2016, and TL 186.662 was paid to employees as an additional premium.

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SECTION FOUR

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

I. EXPLANATIONS ON THE COMPONENTS OF 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 2016 Bank’s total capital has been calculated as TL 39.737.549, capital adequacy ratio is 15,24%. As of 31 December 2015, Bank’s total capital amounted to TL 34.995.187, capital adequacy ratio was 15,08% calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

a) Information Related to The Components of Shareholders' Equity:

	Amount	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	22.648.034	-
Gains recognized in equity as per TAS	4.865.251	-
Profit	5.168.436	-
Current Period Profit	5.008.638	-
Prior Period Profit	159.798	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17.388	-
Common Equity Tier 1 Capital Before Deductions	37.799.109	-
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	488.762	-
Improvement costs for operating leasing	83.139	-
Goodwill netted with related deferred tax liabilities	-	-
Other intangible assets netted off related deferred tax liabilities except mortgage servicing rights	172.028	286.714
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net off 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	44.833	-
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	788.762	-
Total Common Equity Tier 1 Capital	37.010.347	-

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(Continued)**

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

a) Information Related To The Components Of Shareholders' Equity: (Continued)

	Amount	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 (Covered by 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 (-)	-	-
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 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	114.686	-
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)	36.895.661	-
TIER II CAPITAL	-	-
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on the Equity of Banks)	2.876.577	-
Tier II Capital Before Deductions	2.876.577	-
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	2.876.577	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	39.772.238	-
The sum of Tier I Capital and Tier II Capital (Total Capital)	39.772.238	-
Loans Granted against the Articles 50 and 51 of the Banking Law	-	-
Net book values of movables and immovables exceeding the limit defined in the Article 57, Clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years	33.859	-
Other items to be defined by the BRSA (-)	830	-
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	-	-

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I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS’ EQUITY

a) Information Related To The Components Of Shareholders' Equity: (Continued)

	Amount	Amount as per the regulation before 1/1/2014*
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	39.737.549	-
Total Risk Weighted Assets	260.756.251	-
CAPITAL ADEQUACY RATIOS		
Common Equity Tier I Capital Adequacy Ratio (%)	14,19	-
Tier I Capital Adequacy Ratio (%)	14,15	-
Capital Adequacy Ratio (%)	15,24	-
BUFFERS		
Bank-specific total buffer ratio	-	-
Capital conservation buffer ratio (%)	0,63	-
Bank-specific counter-cyclical capital buffer ratio (%)	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	6,19	-
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	148.814	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	84.905	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	-	-
Limits for Provisions Used in Tier II Capital Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3.527.792	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2.876.577	-
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 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	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subject to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subject to temporary Article 4	-	-

(*) Amounts considered within transition provisions

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

a) Information Related To The Components Of Shareholders' Equity: (Continued)

	Prior Period^(*)
COMMON EQUITY TIER 1 CAPITAL	
Paid-in Capital to be Entitled for Compensation after All Creditors	5.000.000
Share Premium	-
Share Cancellation Profits	-
Reserves	18.005.564
Income recognized under equity in accordance with TAS	4.664.239
Profit	5.322.268
Current Period's Profit	5.162.470
Prior Period's Profit	159.798
Free Provision for Possible Risks	1.257.419
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	17.388
Common Equity Tier 1 Capital Before Deductions	34.266.878
Deductions from Common Equity Tier 1 Capital	
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	1.463.190
Leasehold Improvements on Operational Leases (-)	86.055
Goodwill and intangible asset and the related deferred tax liability (-)	84.604
Net Deferred Tax Asset / Liability (-)	-
Excess amount expressed in the law (Article 56 4th paragraph) (-)	-
Bank's direct or indirect investments on its own Tier 1 Capital (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Amounts related to mortgage servicing rights (-)	-
Excess amount of deferred tax assets from temporary differences (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from common equity tier 1 capital (-)	-
Total Deductions from Common Equity Tier 1 Capital	1.633.849
Total Common Equity Tier 1 Capital	32.633.029
ADDITIONAL TIER 1 CAPITAL	
Premiums that are not included in Common Equity Tier 1 capital	-
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	-
Additional Tier 1 Capital before Deductions	-

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
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I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS’ EQUITY (Continued)

a) Information Related To The Components Of Shareholders' Equity: (Continued)

	Prior Period^(*)
Deductions from Additional Tier 1 Capital	-
Bank's a direct or indirect investment in Tier 1 Capital (-)	-
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 Common Equity 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 Determined by BRSA (-)	-
The amount to be deducted from Additional Tier 1 Capital (-)	-
Total Deductions from Additional Tier 1 Capital	-
Total Additional Tier 1 Capital	-
Deductions From Tier 1 Capital	126.907
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	126.907
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-
Tier 1 Capital	32.506.122
TIER 2 CAPITAL	
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	-
Pledged assets of the shareholders to be used for the Bank's capital increases	-
General Provisions	2.490.182
Tier 2 Capital Before Deductions	2.490.182
Deductions From Tier 2 Capital	
Bank's direct or indirect investment in Tier 2 capital (-)	-
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 Common Equity Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other Items Determined by BRSA (-)	-
Total Deductions From Tier 2 Capital	-
Total Tier 2 Capital	2.490.182
TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS	34.996.304
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	1.044
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-
Securitization positions that is deducted -preferably- from the shareholders' equity (Article 20 paragraph 2) (-)	-
Other items to be defined by BRSA (-)	73
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%, but exceeding 10% of Common Equity Tier I not deducted from Common Equity Tier 1, Tier 1 or Tier 2 (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of the bank (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of bank(-)	-
TOTAL CAPITAL	34.995.187
Amounts below deduction thresholds	
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%	120.823
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%	80.423
Mortgage servicing rights	-
Deferred tax assets arising from temporary differences (net of related tax liability) (-)	261.730

(*) Total capital has been calculated in accordance with the “Regulations regarding to changes on Regulation on Equity of Banks” effective from date 31 March 2016, the information given in the prior period column has been calculated pursuant to former regulation and reflects the information dated 31 December 2015.

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

b) Information Related to the Components which Subject to Temporary Implementation in the Calculation of Equity:

None.

c) Necessary explanations in order to reach an agreement between the statement of shareholders’ 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. 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 five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

II. EXPLANATIONS ON THE CURRENCY RISK

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

The Bank’s policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, 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 determined by of the Board of Directors.

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

None.

c) Management policy for foreign currency risk:

“Liquidity Gap Analysis”, “Repricing Gap Analysis” and “Structural Liquidity Gap Analysis” which takes into account historical repricing rates of foreign currency accounts, are prepared periodically in order to define liquidity and interest rate risks at US Dollar and Euro, which are mainly used by the 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.

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II. EXPLANATIONS ON THE CURRENCY RISK(Continued)

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
23.09.2016	2,9402	3,2951	2,2410	0,4421	0,3436	3,0267	2,2371	0,3609	3,8093	0,7840	2,9093
26.09.2016	2,9670	3,3394	2,2671	0,4482	0,3477	3,0658	2,2548	0,3652	3,8462	0,7912	2,9535
27.09.2016	2,9689	3,3237	2,2733	0,4461	0,3442	3,0557	2,2431	0,3636	3,8552	0,7916	2,9589
28.09.2016	2,9696	3,3253	2,2735	0,4464	0,3456	3,0570	2,2414	0,3656	3,8590	0,7919	2,9525
29.09.2016	2,9828	3,3493	2,2851	0,4495	0,3485	3,0826	2,2773	0,3705	3,8704	0,7945	2,9343
30.09.2016	2,9858	3,3492	2,2853	0,4498	0,3482	3,0747	2,2775	0,3728	3,8732	0,7960	2,9466

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
2,9524	3,3072	2,2407	0,4442	0,3457	3,0292	2,2568	0,3584	3,8831	0,7873	2,8921

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II. EXPLANATIONS ON THE CURRENCY RISK (Continued)

Information on the foreign currency risk of the Bank:

	EUR	USD	Other FC ⁽¹⁾	Total
Current Period				
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	8.440.219	16.764.442	8.001.493	33.206.154
Banks	631.420	1.982.486	438.853	3.052.759
Financial Assets at Fair Value Through Profit and Loss ⁽⁵⁾	-	15.701	-	15.701
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	3.613.623	9.451.179	46.416	13.111.218
Loans ⁽²⁾	17.661.972	37.394.480	53.215	55.109.667
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) ⁽⁴⁾	884.574	524.124	-	1.408.698
Investments Held-to-Maturity	1.199.966	3.229.294	4.319	4.433.579
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	5.333	1.453	5.002	11.788
Intangible Assets	2.978	1	1.027	4.006
Other Assets ⁽⁶⁾	538.579	215.736	26.054	780.369
Total Assets	32.978.664	69.578.896	8.576.379	111.133.939
Liabilities				
Interbank Deposits	3.717.423	2.978.215	119.711	6.815.349
Foreign Currency Deposits	36.031.457	21.191.216	2.779.199	60.001.872
Money Market Borrowings	277.418	14.187.951	-	14.465.369
Funds Provided from Other Financial Institutions	5.642.520	13.375.734	2.319	19.020.573
Issued Marketable Securities	100.873	3.976.097	-	4.076.970
Sundry Creditors	710.128	20.942	2.745	733.815
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	228.991	215.326	30.486	474.803
Total Liabilities	46.708.810	55.945.481	2.934.460	105.588.751
Net Balance Sheet Position	(13.730.146)	13.633.415	5.641.919	5.545.188
Net Off-Balance Sheet Position ⁽³⁾	14.305.959	(13.412.968)	(5.472.047)	(4.579.056)
Financial Derivative Assets	16.237.925	6.757.982	1.193.563	24.189.470
Financial Derivative Liabilities	1.931.966	20.170.950	6.665.610	28.768.526
Non-cash Loans	15.214.884	26.938.755	3.542.407	45.696.046
Prior Period				
Total Assets	25.328.934	69.683.515	7.291.987	102.304.436
Total Liabilities	43.677.501	56.883.928	2.567.778	103.129.207
Net Balance Sheet Position	(18.348.567)	12.799.587	4.724.209	(824.771)
Net Off-Balance Sheet Position ⁽³⁾	19.428.812	(12.841.685)	(5.051.656)	1.535.471
Financial Derivative Assets	21.565.135	5.207.441	1.210.433	27.983.009
Financial Derivative Liabilities	2.136.323	18.049.126	6.262.089	26.447.538
Non-cash Loans	12.805.276	24.756.552	3.017.202	40.579.030

- 1) Of the foreign currencies presented in the other FC column of assets 92,19% is Gold, 3,76% is GBP, 1,57% is IQD, 0,63% is SAR, and the remaining 1,85% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 44,84% is Gold, 29,4% is GBP, 13,74% is CHF, 4,56% is DKK, 2,22% SEK, 0,97% is BGN, 0,70% is SAR and the remaining 3,57% is other foreign currencies. (31 December 2015: Of the foreign currencies presented in the other FC column of assets 94,50% is Gold, 1,43% is GBP, 1,55% is IQD, 0,71% is SAR, and the remaining 1,81% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 47,63% is Gold, 25,49% is GBP, 14,23% is CHF, 4,66% is DKK, 1,53% is BGN, 1,28% is SAR and the remaining 5,18% is other foreign currencies).
- 2) TL 583.030 equivalent of EUR and TL 719.516 equivalent of USD loans are originated as foreign currency indexed loans (31 December 2015: TL 650.455 equivalent of EUR and TL 206.706 equivalent of USD).
- 3) Indicates the net balance of receivables and payables on derivative financial instruments.
- 4) 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 their domestic currency equivalents. No exchange rate difference arises from such investments.
- 5) Derivative financial assets held for trading and liabilities are not included in the table.
- 6) Prepaid expenses in other assets amounting to TL 6.966 are not included in the table.

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

III. EXPLANATIONS ON THE INTEREST RATE RISK

a) 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	29.533.450	-	-	-	-	9.691.099	39.224.549
Banks	1.071.771	799.683	531.984	-	-	1.183.335	3.586.773
Financial Assets at Fair Value Through Profit and Loss	123.970	565.767	349.953	81.642	4.044	-	1.125.376
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	6.879.052	5.169.839	11.899.041	15.075.904	17.185.484	603.553	56.812.873
Loans Given	68.184.098	21.968.730	43.389.837	62.241.238	13.914.255	267.386	209.965.544
Investments Held-to-Maturity	1.011.223	48.722	3.223.900	2.210.149	1.432.360	-	7.926.354
Other Assets	-	-	-	-	-	11.107.593	11.107.593
Total Assets	106.803.564	28.552.741	59.394.715	79.608.933	32.536.143	22.852.966	329.749.062
Liabilities							
Interbank Deposits	6.670.145	680.795	1.833.685	-	-	599.493	9.784.118
Other Deposits	105.335.809	23.395.233	17.675.179	620.024	-	47.706.126	194.732.371
Money Market Borrowings	40.292.690	171.764	1.005.254	478.004	-	-	41.947.712
Sundry Creditors	-	-	-	-	-	1.950.462	1.950.462
Issued Marketable Securities	131.393	1.489.404	775.415	3.825.528	-	-	6.221.740
Funds provided from Other Financial Institutions	7.958.395	1.925.467	7.782.477	1.537.960	1.428.097	-	20.632.396
Other Liabilities	153.779	294.492	28.494	6.087.787	-	47.915.711	54.480.263
Total Liabilities	160.542.211	27.957.155	29.100.504	12.549.303	1.428.097	98.171.792	329.749.062
Balance Sheet Long Position	-	595.586	30.294.211	67.059.630	31.108.046	-	129.057.473
Balance Sheet Short Position	(53.738.647)	-	-	-	-	(75.318.826)	(129.057.473)
Off-Balance Sheet Long Position	611.018	1.895.652	-	-	-	-	2.506.670
Off-Balance Sheet Short Position	-	-	(178.374)	(1.696.225)	-	-	(1.874.599)
Total Position	(53.127.629)	2.491.238	30.115.837	65.363.405	31.108.046	(75.318.826)	632.071

- (1) Balances without fixed maturity are shown in the “Up to 1 Month” and “Non-Interest Bearing” columns.
(2) TL 6.011.842 of fund balance, whose risk does not belong to the Bank, in other liabilities is shown under the “1 - 5 Years” column. TL 91.423 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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(Continued)**

III. EXPLANATIONS ON THE INTEREST RATE RISK (Continued)

a) Information related to interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on days to repricing dates) (Continued):

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	68.125	-	-	-	-	36.467.838	36.535.963
Banks	1.440.455	261.811	622.259	-	-	2.122.267	4.446.792
Financial Assets at Fair Value Through Profit and Loss	271.581	178.096	435.552	55.405	4.265	-	944.899
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	5.500.374	6.886.623	10.873.456	15.334.272	14.583.841	603.742	53.782.308
Loans Given	59.537.587	17.681.107	45.334.801	53.769.634	9.619.730	869.992	186.812.851
Investments Held-to-Maturity	3.408.301	1.648.784	935.985	2.757.201	1.393.871	-	10.144.142
Other Assets	-	-	-	-	-	10.181.371	10.181.371
Total Assets	70.226.423	26.656.421	58.202.053	71.916.512	25.601.707	50.245.210	302.848.326
Liabilities							
Interbank Deposits	7.360.373	1.894.998	135.475	-	-	336.455	9.727.301
Other Deposits	95.316.420	23.117.617	17.613.731	401.647	-	40.292.719	176.742.134
Money Market Borrowings	36.277.186	4.312.765	1.841.293	654.532	-	-	43.085.776
Sundry Creditors	-	-	-	-	-	2.320.183	2.320.183
Issued Marketable Securities	932.357	1.605.472	486.509	2.263.268	-	-	5.287.606
Funds Provided from Other Financial Institutions	2.636.989	4.182.857	10.332.714	1.518.502	871.586	-	19.542.648
Other Liabilities	101.620	101.760	36.844	5.885.912	-	40.016.542	46.142.678
Total Liabilities	142.624.945	35.215.469	30.446.566	10.723.861	871.586	82.965.899	302.848.326
Balance Sheet Long Position	-	-	27.755.487	61.192.651	24.730.121	-	113.678.259
Balance Sheet Short Position	(72.398.522)	(8.559.048)	-	-	-	(32.720.689)	(113.678.259)
Off Balance Sheet Long Position	621.061	1.300.401	-	-	-	-	1.921.462
Off Balance Sheet Short Position	-	-	(111.409)	(1.222.188)	-	-	(1.333.597)
Total Position	(71.777.461)	(7.258.647)	27.644.078	59.970.463	24.730.121	(32.720.689)	587.865

- (1) Balances without fixed maturity are shown in the “Up to 1 Month” and “Non-Interest Bearing” columns.
(2) TL 5.833.179 of fund balance, whose risk does not belong to the Bank, in other liabilities is shown under the “1 - 5 Years” column. TL 97.950 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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IV. EXPLANATIONS ON THE INTEREST RATE RISK (Continued)

b) Average interest rate applied to the monetary financial instruments:

	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⁾	0,03	0,49	-	3,49
Banks	0,97	2,45	-	7,99
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	6,72
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,74	5,64	-	9,09
Loans Given ⁽²⁾	4,29	5,40	-	13,26
Investments Held-to-Maturity	6,48	7,20	-	9,06
Liabilities				
Interbank Deposits ⁽³⁾	0,44	0,78	-	8,25
Other Deposits ⁽⁴⁾	0,96	1,17	-	6,71
Money Market Borrowings	0,95	1,34	-	8,09
Sundry Creditors	-	-	-	-
Issued Marketable Securities	0,30	4,37	-	9,41
Funds Provided from Other Financial Institutions	0,91	2,15	-	8,31

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

⁽²⁾ Credit card loans 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⁾	-	0,28	-	3,45
Banks	1,30	1,82	-	9,68
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	6,84
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,71	5,68	-	9,09
Loans Given ⁽²⁾	4,09	4,98	-	12,82
Investments Held-to-Maturity	6,42	7,08	-	9,71
Liabilities				
Interbank Deposits ⁽³⁾	0,65	0,58	-	9,06
Other Deposits ⁽⁴⁾	1,21	1,12	-	7,19
Money Market Borrowings	0,72	1,05	-	9,84
Sundry Creditors	-	-	-	-
Issued Marketable Securities	0,59	3,79	-	10,86
Funds Provided from Other Financial Institutions	1,22	1,69	-	10,03

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

⁽²⁾ Credit card loans 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
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IV. EXPLANATIONS ON THE POSITION RISK OF EQUITY SECURITIES

1. Equity securities position risk derived from banking books:

a. 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:

Equity Share Investments	Comparison		
	Balance Sheet Value	Fair Value	Market Value
1. Stock Investment Group A	-	-	-
Stock Exchange Securities	-	-	-
2. Stock Investment Group B	-	-	-
Stock Exchange Securities	-	-	-
3. Stock Investment Group C	-	-	-
Stock Exchange Securities	-	-	-
4. Stock Investment Other Group	-	-	-
Other	120.746	120.746	-

b. The breakdown of capital requirements on the basis of related stock investments 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 stock investments, partaking in banking accounts according to the credit risk standard method, are amounted TL 120.746 and 100% of them are risk weighted.

V. EXPLANATIONS ON THE LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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

The Bank performs “Remaining Maturity Analysis” for the observation of the maturity structure of the balance sheet, “Liquidity Gap” and “Structural Liquidity Gap Analysis” for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank’s liquidity and in the worst case scenario and the loss associated with it. The renewal of deposits which constitutes the 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

a) Explanations related to the liquidity risk management including the 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 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 İsedes Regulations” of the 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.

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

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

1) Liquidity Risk (Continued)

b) 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 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.

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

The 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.

d) Explanation related to liquidity management as currencies forming at least 5 percentage of aggregate liabilities of the Bank:

The 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.

e) Information related to the techniques about the reduction of current liquidity risk:

The Bank’s source of funds is mainly formed of deposits. The 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 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.

f) 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 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.

g) 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 Bank from organized market and other banks are on the level where they meet the structural liquidity deficits on different maturity segments. The 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 Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”).

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

2) Liquidity Coverage Ratio:

Within the frame of the regulation named “Regulation on the Calculation of Liquidity Coverage Ratio” issued by BRSA in the Official Gazette numbered 28948, dated 21 March 2014, the Bank calculates the liquidity coverage ratio and reports it to BRSA monthly in an unconsolidated base. The liquidity coverage ratio sails above the frontier limits determined by BRSA. Within the last 3 months the unconsolidated lowest ratios are as follows: Take place for FC as 91,22 in the week of September 30, 2016; and for the total 75,30 in the week of 8 July 2016. As for the highest ratios take place for FC as 104,04 in the week of August 19, 2016 and for the total as 91,66 in the week of September 16, 2016.

	Total Unweighted Value (Average)		Total Weighted Value (Average)	
	TL+FC	FC	TL+FC	FC
Current Period				
High Quality Liquid Assets				
High Quality Liquid Assets			47.242.960	27.738.311
Cash Outflows	258.040.500	100.916.144	66.767.500	33.617.493
Retail and Small Business Customers, of which;	133.724.880	45.411.511	10.647.199	4.541.151
Stable deposits	54.505.791	-	2.725.290	-
Less stable deposits	79.219.089	45.411.511	7.921.909	4.541.151
Unsecured wholesale funding, of which;	68.386.670	23.919.221	40.229.338	17.009.123
Operational deposit	1.009.383	75.005	252.346	18.751
Non-operational deposits	57.268.927	16.708.203	29.868.670	9.854.397
Other unsecured funding	10.108.360	7.136.013	10.108.322	7.135.975
Secured funding			-	-
Other cash outflows, of which;	55.928.950	31.585.412	15.890.964	12.067.219
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2.364.758	7.597.992	2.364.758	7.597.992
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off balance sheet obligations	17.967.035	3.085.472	2.877.891	835.450
Other revocable off-balance sheet commitments and contractual Obligations	9.940	9.927	497	496
Other irrevocable or conditionally revocable off-balance sheet Obligations	35.587.217	20.892.021	10.647.818	3.633.281
Total Cash Outflows			66.767.501	33.617.493
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	12.722.248	5.105.209	8.729.568	4.575.126
Other cash inflows	1.573.820	892.010	1.573.820	892.010
Total Cash Inflows	14.296.068	5.997.219	10.303.388	5.467.136
			Total Adjusted Value	
Total HQLA Stock			47.242.960	27.738.311
Total Net Cash Outflows			56.464.112	28.150.357
Liquidity Coverage Ratio (%)			83,67	98,54

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

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

2) Liquidity Coverage Ratio (Continued)

	Total Unweighted Value (Average)		Total Weighted Value (Average)	
	TL+FC	FC	TL+FC	FC
Prior Period - 31 December 2015				
High Quality Liquid Assets				
High Quality Liquid Assets			45.308.278	29.686.334
Cash Outflows				
Retail and Small Business Customers, of which;	121.542.584	42.195.973	8.916.790	3.414.841
Stable deposits	64.749.352	16.095.120	3.237.467	804.756
Less stable deposits	56.793.232	26.100.853	5.679.323	2.610.085
Unsecured wholesale funding , of which;	58.157.462	22.380.140	31.641.440	14.271.644
Operational deposit	941.417	30.185	235.356	7.546
Non-operational deposits	50.614.196	17.065.024	24.804.235	8.979.167
Other unsecured funding	6.601.849	5.284.931	6.601.849	5.284.931
Secured funding			-	-
Other cash outflows, of which;	54.050.254	25.490.090	15.453.351	6.541.385
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	406.059	609.286	406.059	609.286
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	42.314.873	13.638.436	14.480.826	5.369.980
Other revocable off-balance sheet commitments and contractual obligations	6.409	6.396	320	320
Other irrevocable or conditionally revocable off-balance sheet obligations	11.322.913	11.235.972	566.146	561.799
Total Cash Outflows			56.011.581	24.227.870
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	9.023.285	1.541.481	5.239.401	1.071.973
Other cash inflows	605.197	744.605	605.197	744.605
Total Cash Inflows	9.628.482	2.286.086	5.844.598	1.816.578
			Total Adjusted Value	
Total HQLA Stock			45.308.278	29.686.334
Total Net Cash Outflows			50.166.983	22.411.293
Liquidity Coverage Ratio (%)			90,31	132,46

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

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

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

3) Minimum statements concerning liquidity coverage ratio by Banks

a) 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 have a remarkable extent in proportion to financial statement, they have an influence on the calculation of liquidity coverage ratio. Comparing to previous periods, non-cash loans are tend to increase.

As a guarantee for the repo transactions a portfolio of securities which includes T-Bills and government bonds is being used. The securities which have been used for the repo transactions lose their flexibility. Hence as a result of the usage method of the securities as a guarantee the liquidity coverage ratio is effected.

b) 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).

c) 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.

d) 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.

e) The concentration limits regarding collateral and counterparty and product based fund resources:

For the counterparty and product based concentration limits are determined under “Regulations of 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.

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

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

3) Minimum statements concerning liquidity coverage ratio by Banks (Continued)

f) 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 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 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.

g) 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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(Continued)**

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

3) Minimum statements concerning liquidity coverage ratio by Banks (Continued)

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 the Republic of Turkey	39.224.549	-	-	-	-	-	-	39.224.549
Banks	1.183.335	1.071.771	799.683	531.984	-	-	-	3.586.773
Financial Assets at Fair Value Through Profit and Loss	-	56.688	20.769	183.255	723.001	141.663	-	1.125.376
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	337.175	750.495	7.560.412	23.173.712	24.428.957	562.122	56.812.873
Loans Given	-	8.627.100	15.910.979	83.809.041	79.960.372	21.390.666	267.386	209.965.544
Investments Held-to-Maturity	-	100.087	48.722	1.711.090	4.634.095	1.432.360	-	7.926.354
Other Assets	2.616.382	-	-	1.121	21.188	-	8.468.902	11.107.593
Total Assets	43.024.266	10.192.821	17.530.648	93.796.903	108.512.368	47.393.646	9.298.410	329.749.062
Liabilities								
Interbank Deposits	599.493	6.670.145	680.795	1.833.685	-	-	-	9.784.118
Other Deposits	47.706.126	105.335.687	23.394.336	17.659.701	630.198	6.323	-	194.732.371
Funds Provided from Other Financial Institutions	-	1.668.989	1.710.094	11.130.071	3.576.305	2.546.937	-	20.632.396
Money Market Borrowings	-	40.292.690	171.764	1.005.254	478.004	-	-	41.947.712
Issued Marketable Securities	-	131.393	1.468.504	775.415	3.846.428	-	-	6.221.740
Sundry Creditors	1.375.881	574.581	-	-	-	-	-	1.950.462
Other Liabilities ⁽³⁾	4.048.730	579.681	409.402	36.014	6.300.572	1.048.611	42.057.253	54.480.263
Total Liabilities	53.730.230	155.253.166	27.834.895	32.440.140	14.831.507	3.601.871	42.057.253	329.749.062
Liquidity Gap	(10.705.964)	(145.060.345)	(10.304.247)	61.356.763	93.680.861	43.791.775	(32.758.843)	-
Net Off-Balance Sheet Position	-	13.858	29.527	120.206	468.480	-	-	632.071
Financial Derivative Assets	-	20.463.031	3.649.846	841.825	2.953.524	-	-	27.908.226
Financial Derivative Liabilities	-	20.449.173	3.620.319	721.619	2.485.044	-	-	27.276.155
Non-cash Loans	33.228.667	880.356	3.371.266	18.068.800	11.181.475	2.962.904	-	69.693.468
Prior Period								
Total Assets	40.433.482	10.400.564	14.888.786	78.261.355	107.451.111	41.553.200	9.859.828	302.848.326
Total Liabilities	44.457.930	142.427.967	34.581.557	29.860.821	12.631.801	3.044.567	35.843.683	302.848.326
Liquidity Gap	(4.024.448)	(132.027.403)	(19.692.771)	48.400.534	94.819.310	38.508.633	(25.983.855)	-
Net Off-Balance Sheet Position	-	42.330	(1.708)	33.271	513.972	-	-	587.865
Financial Derivative Assets	-	21.189.422	719.944	1.615.895	2.425.788	-	-	25.951.049
Financial Derivative Liabilities	-	21.147.092	721.652	1.582.624	1.911.816	-	-	25.363.184
Non-cash Loans	32.422.339	487.504	2.652.182	13.060.132	9.581.201	2.082.817	-	60.286.175

(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 6.011.842 of the funds balance, whose risk is not born by the Bank, is included in other liabilities and shown under the "1-5 years" column, fund balance amounted to TL 91.423 is not granted as loan and is included under "Up to One Month" column.

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VI. EXPLANATIONS ON LEVERAGE

Explanations on the subjects caused a gap between prior and current period leverage: The Bank’s leverage calculated by force of the regulation “Regulation on Measurement and Assessment of Leverage Ratios of Banks” is 8,57% (31 December 2015: 8,47%). The change on leverage results heavily from the increase on risk amounts of balance sheet assets. 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)	327.047.959	298.737.007
(Assets deducted in determining Tier 1 capital)	(908.077)	(1.483.856)
Total on-balance sheet risks (sum of lines 1 and 2)	326.139.882	297.253.151
Derivative financial instruments and credit derivatives		
Replacement cost associated with all derivative financial instruments and credit Derivatives	1.178.782	904.739
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	315.597	288.044
Total risks of derivative financial instruments and credit derivatives	1.494.380	1.192.783
Securities or commodity financing transactions (SCFT)		
Risks from SCFT assets	4.881.482	4.564.184
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	4.881.482	4.564.184
Other off-balance sheet transactions		
Gross notional amounts of off-balance sheet transactions	91.101.644	78.078.887
(Adjustments for conversion to credit equivalent amounts)	(9.212)	(5.478)
Total risks of off-balance sheet items	91.092.432	78.073.409
Capital and total risks		
Tier 1 capital	36.307.415	32.261.636
Total risks	423.608.175	381.083.527
Leverage ratio		
Leverage ratio %	8,57	8,47

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

VII. EXPLANATIONS ON 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 2016, the following notes to be presented on a quarterly and semi-annually basis according to Communiqué have not been presented due to usage of standard approach for the calculation of capital adequacy by the Bank.

RWA (Risk Weighted Amounts) flow statements of credit risk exposures under IRB
RWA flow statements of Counterparty Credit Risk (CCR) exposures under the Internal Model Method (IMM)
RWA flow statements of market risk exposures under an Internal Model Approach (IMA)

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(Continued)**

VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

1. Explanations on Risk Management and Risk Weighted Amount

Overview of RWA

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	226.717.377	196.343.973	18.137.390
2	Standardised approach	226.717.377	196.343.973	18.137.390
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3.170.643	2.113.638	253.651
5	Standardised approach for counterparty credit risk	3.170.643	2.113.638	253.651
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	238.137	102.098	19.051
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	11.641.038	16.653.125	931.283
17	Standardised Approach	11.641.038	16.653.125	931.283
18	Internal model approaches	-	-	-
19	Operational risk	18.989.056	16.271.329	1.519.124
20	Basic Indicator Approach	18.989.056	16.271.329	1.519.124
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity(subject to a 250% risk weight)	-	654.851	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	260.756.251	232.139.014	20.860.499

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VIII. EXPLANATIONS ON OPERATING SEGMENTS

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

The Bank is operating in consumer banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

Known as having the most extensive branch network in retail (consumer) banking sector, the 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 Bank. By “Finart” system, which is working in a centralized manner, the Bank has the technical infrastructure required by modern banking sector to meet its clients’ needs.

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

Treasury transactions and international banking activities; national and international organisation, over-the-counter money, spot and forward Turkish Lira, foreign currency, precious metal, securities, trading of derivative instruments are executed by Treasury Management and International Banking Assistant General Management. Furthermore, bank’s liquidity, securities, deposits and non-deposit equity management activities are carried out. Besides, studies are being conducted to present and market treasury products to our customers in our branches and distribution channels and finance of companies’ foreign trade transactions. By the authority of the Service Unit, for the trade of the securities, the mercantile agent of Ziraat Yatırım Menkul Değerler A.Ş. undertaken an intermediary role for the public offering of securities and also an intermediary role for the trade of the investment funds managed by Ziraat Portföy Yönetimi A.Ş. and the other asset management firms. The recognition, storage of the mentioned financial derivatives and individual portfolio management services are provided by the discussed subdivision of the Bank. On the other hand, to provide long term financing for the banks and the international finance organizations and diversify the methods of financing on this direction to issue domestic and foreign T-bills and government bonds and as well as to sustain corresponding bank relations and the relation of our Bank with the international investors is on the objectives of the Service Unit.

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

As of 30 September 2016 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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VIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

Table for Segment Reporting:

Current Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE						
Interest Income	4.942.177	6.906.578	3.388.849	4.676.847	15.499	19.929.950
Interest Income from Loans	4.942.177	6.906.578	3.388.849	342.558	-	15.580.162
Interest Income from Banks	-	-	-	60.187	-	60.187
Interest Income from Securities	-	-	-	4.140.922	-	4.140.922
Other Interest Income	-	-	-	133.180	15.499	148.679
Interest Expense	4.829.176	2.141.980	-	2.831.434	42.460	9.845.050
Interest Expense on Deposits	4.829.176	2.141.980	-	310.100	-	7.281.256
Interest Expense on Funds Borrowed	-	-	-	326.100	-	326.100
Interest Expense on Money Market Transactions	-	-	-	1.921.685	-	1.921.685
Interest Expense on Securities Issued	-	-	-	273.549	-	273.549
Other Interest Expense	-	-	-	-	42.460	42.460
Net Interest Income/Expense	113.001	4.764.598	3.388.849	1.845.413	(26.961)	10.084.900
Net Fees and Commission Income/Expense						
Net Fees and Commission Income/Expense	735.226	532.733	74.696	(183.012)	(12.665)	1.146.978
Fees and Commissions Received	735.226	532.733	74.696	3.074	80.851	1.426.580
Fees and Commissions Paid	-	-	-	186.086	93.516	279.602
Dividend Income	-	-	-	255.651	-	255.651
Trading Income/Loss (Net)	-	-	-	(96.364)	-	(96.364)
Other Operating Income	23.689	195.065	23.779	2.727	1.027.997	1.273.257
Provision for Loans or Other Receivables Losses	685.405	1.238.855	535.590	120	16.336	2.476.306
Other Operating Expense	41.903	183.668	34.439	-	3.604.266	3.864.276
Income Before Tax	144.608	4.069.873	2.917.295	1.824.295	(2.632.231)	6.323.840
Tax Provision	-	-	-	-	(1.315.202)	(1.315.202)
Net Profit/Loss	144.608	4.069.873	2.917.295	1.824.295	(3.947.433)	5.008.638
SEGMENT ASSETS						
Financial Assets at FV Through P/L	-	-	-	1.125.376	-	1.125.376
Banks and Other Financial Institutions	-	-	-	3.586.773	-	3.586.773
Financial Assets Available for Sale (Net)	-	-	-	56.812.873	-	56.812.873
Loans	56.368.410	101.884.646	44.047.428	7.665.060	-	209.965.544
Held to Maturity Investments (Net)	-	-	-	7.926.354	-	7.926.354
Associates, Subsidiaries and Joint Ventures	-	-	-	2.733.087	-	2.733.087
Other Assets	-	-	-	-	47.599.055	47.599.055
Total Segment Assets	56.368.410	101.884.646	44.047.428	79.849.523	47.599.055	329.749.062
SEGMENT LIABILITIES						
Deposits	145.935.607	47.480.412	-	9.784.118	1.316.352	204.516.489
Derivative Financial Liabilities Held for Trading	-	-	-	552.393	-	552.393
Funds Borrowed	-	-	-	20.632.396	-	20.632.396
Money Market Funds	-	-	-	41.947.712	-	41.947.712
Securities Issued (Net)	-	-	-	6.221.740	-	6.221.740
Provisions	-	-	-	-	5.703.363	5.703.363
Other Liabilities	-	-	-	-	12.909.455	12.909.455
Shareholders' Equity	-	-	-	-	37.265.514	37.265.514
Total Segment Liabilities	145.935.607	47.480.412	-	79.138.359	57.194.684	329.749.062
OTHER SEGMENT ITEMS						
Capital Investment	-	-	-	-	-	-
Amortization Expense	-	-	-	-	230.759	230.759
Restructuring Costs	-	-	-	-	-	-

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VIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

Table for Segment Reporting: (Continued)

Prior Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Other /Undistributed	Total
OPERATING INCOME/EXPENSE						
30 September 2015						
Interest Income	4.261.869	4.903.326	2.508.516	4.280.042	45.893	15.999.646
Interest Income from Loans	4.261.869	4.903.326	2.508.516	405.327	-	12.079.038
Interest Income from Banks	-	-	-	48.849	-	48.849
Interest Income from Securities	-	-	-	3.793.148	-	3.793.148
Other Interest Income	-	-	-	32.718	45.893	78.611
Interest Expense	4.158.255	1.851.021	-	2.374.170	41.694	8.425.140
Interest Expense on Deposits	4.158.255	1.851.021	-	340.306	-	6.349.582
Interest Expense on Funds Borrowed	-	-	-	302.434	-	302.434
Interest Expense on Money Market Transactions	-	-	-	1.533.920	-	1.533.920
Interest Expense on Securities Issued	-	-	-	197.510	-	197.510
Other Interest Expense	-	-	-	-	41.694	41.694
Net Interest Income/Expense	103.614	3.052.305	2.508.516	1.905.872	4.199	7.574.506
Net Fees and Commission Income/Expense	598.234	388.826	49.821	(150.982)	40.420	926.319
Fees and Commissions Received	598.234	388.826	49.821	4.633	138.395	1.179.909
Fees and Commissions Paid	-	-	-	155.615	97.975	253.590
Dividend Income	-	-	-	195.655	-	195.655
Trading Income/Loss (Net)	-	-	-	(223.477)	-	(223.477)
Other Operating Income	18.204	133.212	36.713	2.668	807.990	998.787
Provision for Loans or Other Receivables Losses	317.389	564.831	222.734	1.862	2.149	1.108.965
Other Operating Expense	35.143	142.625	23.090	-	3.580.913	3.781.771
Income Before Tax	367.520	2.866.887	2.349.226	1.727.874	(2.730.453)	4.581.054
Tax Provision	-	-	-	-	(999.414)	(999.414)
Net Profit/Loss	-	-	-	-	3.581.640	3.581.640
SEGMENT ASSETS						
31 December 2015						
Financial Assets at FV Through P/L	-	-	-	944.899	-	944.899
Banks and Other Financial Institutions	-	-	-	4.446.792	-	4.446.792
Financial Assets Available for Sale (Net)	-	-	-	53.782.308	-	53.782.308
Loans	51.034.781	90.694.305	37.676.823	7.406.942	-	186.812.851
Held to Maturity Investments (Net)	-	-	-	10.144.142	-	10.144.142
Associates, Subsidiaries and Joint Ventures	-	-	-	2.655.366	-	2.655.366
Other Assets	-	-	-	-	44.061.968	44,061,968
Total Segment Assets	51.034.781	90.694.305	37.676.823	79.380.449	44.061.968	302.848.326
SEGMENT LIABILITIES						
31 December 2015						
Deposits	135.886.429	39.624.867	-	9.734.353	1.223.786	186,469,435
Derivative Financial Liabilities Held for Trading	-	-	-	292.271	-	292,271
Funds Borrowed	-	-	-	19,542,648	-	19,542,648
Money Market Funds	-	-	-	43,085,776	-	43,085,776
Securities Issued (Net)	-	-	-	5,287,606	-	5,287,606
Provisions	-	-	-	-	5,160,896	5,160,896
Other Liabilities	-	-	-	-	11,463,425	11,463,425
Shareholders' Equity	-	-	-	-	31,546,269	31,546,269
Total Segment Liabilities	135.886.429	39.624.867	-	77.942.654	49.394.376	302.848.326
OTHER SEGMENT ITEMS						
Capital Investment	-	-	-	-	-	-
Amortization Expense	-	-	-	-	228.817	228,817
Restructuring Costs	-	-	-	-	-	-

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO ASSETS

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1.696.053	870.103	1.718.357	705.176
Central Bank of the Republic of Turkey	4.321.642	32.305.704	2.354.591	31.753.858
Other	700	30.347	-	3.981
Total	6.018.395	33.206.154	4.072.948	32.463.015

1.a.1) 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 maturity 13%; for FC deposit accounts with 1-year and longer maturity 9%, for FC liabilities other than deposits up to 1-year maturity 25%; for FC liabilities other than deposits up to 2-years maturity 20%; for FC liabilities other than deposits up to 3-years maturity 15%; for FC liabilities other than deposits up to 5-years maturity 7%; and for FC liabilities other than deposits more than 5-years maturity 5%.

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

b) Information on the account of the Central Bank of the Republic of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	4.230.207	770.439	2.286.466	236.672
Unrestricted Time Deposit	-	2.093.250	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves ⁽¹⁾⁽²⁾	91.435	29.442.015	68.125	31.517.186
Total	4.321.642	32.305.704	2.354.591	31.753.858

⁽¹⁾ Required reserve of branches abroad amounting to TL 79.332 is presented in this line (31 December 2015: TL 78.150).

⁽²⁾ TL 15.841.918 of the current period’s FC required reserve is the part of the TL required reserves that are held in FC (31 December 2015: TL 19.082.468).

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

None.

b) 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	26.617	39.339	25.242	46.642
Swap Transactions	697.455	333.605	624.709	231.637
Futures Transactions	-	-	-	-
Options	-	-	9	45
Other	-	-	-	-
Total	724.072	372.944	649.960	278.324

3. a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	456.528	336.344	708.886	358.580
Foreign Banks	77.486	2.716.415	27.113	3.352.213
Foreign Head Office and Branches	-	-	-	-
Total	534.014	3.052.759	735.999	3.710.793

4. a) 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	39.408.476	40.599.081
Assets Blocked/Given as Collateral	4.236.114	5.251.648
Total	43.644.590	45.850.729

b) Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	56.800.318	54.495.737
Quoted in Stock Exchange	56.732.300	54.444.675
Not Quoted in Stock Exchange	68.018	51.062
Share Certificates	589.185	630.832
Quoted in Stock Exchange	441.374	483.687
Not Quoted in Stock Exchange	147.811	147.145
Provision for Impairment (-)	576.630	1.344.261
Total	56.812.873	53.782.308

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees ^{(1) (2)}	281.989	-	253.756	-
Total	281.989	-	253.756	-

(1) Interest rediscount and interest accrual amounting TL 2.474, are not included in the table above.

(2) Since the balance of overdraft accounts related to employees amounting TL 14.354, is showed under Table 5-c as overdraft accounts (real person), it is not included to the table above.

b) 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	Other
Non-Specialized Loans	157.628.845	1.913.313	-	2.603.146	1.684.287	-
Commercial Loans	95.009.228	1.229.533	-	1.277.036	1.480.839	-
Export Loans	3.113.391	-	-	4.653	-	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	4.547.016	-	-	-	-	-
Consumer Loans	50.981.564	683.639	-	1.242.252	201.087	-
Credit Cards	3.240.972	141	-	65.600	2.361	-
Other ⁽²⁾	736.674	-	-	13.605	-	-
Specialized Lending ^{(3) (4)}	37.546.998	2.605.693	-	931.524	304.442	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals	4.479.910	-	-	-	-	-
Total	199.655.753	4.519.006	-	3.534.670	1.988.729	-

(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.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended (*)	4.516.721	1.983.641
3 - 4 or 5 Times Extended	2.285	4.975
Over 5 Times Extended	-	113

(*) 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	1.475.401	933.472
6 - 12 Months	1.040.681	159.967
1 - 2 Years	1.469.876	450.123
2 - 5 Years	480.215	422.198
5 Years and Over	52.833	22.969
Total	4.519.006	1.988.729

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	402.638	51.592.668	51.995.306
Real Estate Loans ⁽²⁾	12.281	27.508.178	27.520.459
Vehicle Loans	2.151	189.691	191.842
Consumer Loans ⁽²⁾	383.867	23.589.361	23.973.228
Abroad	4.339	305.438	309.777
Other	-	-	-
Consumer Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	1.334	28.588	29.922
Real Estate Loans	-	256	256
Vehicle Loans	-	-	-
Consumer Loans	101	2.091	2.192
Abroad	1.233	26.241	27.474
Other	-	-	-
Individual Credit Cards-TL	2.803.560	3.039	2.806.599
With Installment	947.434	125	947.559
Without Installment	1.856.126	2.914	1.859.040
Individual Credit Cards-FC	337	-	337
With Installment	-	-	-
Without Installment	337	-	337
Personnel Loans-TL	9.054	188.788	197.842
Real Estate Loans	-	210	210
Vehicle Loans	-	-	-
Consumer Loans	8.927	186.911	195.838
Abroad	127	1.667	1.794
Other	-	-	-
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	83.979	156	84.135
With Installment	36.125	87	36.212
Without Installment	47.854	69	47.923
Personnel Credit Cards-FC	12	-	12
With Installment	-	-	-
Without Installment	12	-	12
Overdraft Accounts-TL (Real Person)	885.472	-	885.472
Overdraft Accounts-FC (Real Person)	-	-	-
Total ⁽¹⁾	4.186.386	51.813.239	55.999.625

⁽¹⁾ TL 362.358 of interest income accrual and rediscount are not included in the table above.

⁽²⁾ Consumer loans originated from funds amounting to TL 3.642.369 of are included in the table above.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	782.590	13.042.490	13.825.080
Business Loans	439	472.655	473.094
Vehicle Loans	40.310	859.684	899.994
Consumer Loans	741.841	11.710.151	12.451.992
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	6.476	15.109.105	15.115.581
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	6.476	15.109.105	15.115.581
Other	-	-	-
Corporate Credit Cards-TL	417.747	214	417.961
With Installment	123.880	183	124.063
Without Installment	293.867	31	293.898
Corporate Credit Cards-FC	30	-	30
With Installment	-	-	-
Without Installment	30	-	30
Overdraft Account-TL (Legal Entity)	142.529	-	142.529
Overdraft Account-FC (Legal Entity)	-	-	-
Total ⁽¹⁾	1.349.372	28.151.809	29.501.181

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

e) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	200.390.837	177.799.281
Foreign Loans	4.827.411	4.831.632
Interest Income Accruals of Loans	4.479.910	3.311.946
Total	209.698.158	185.942.859

f) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	1.095.891	831.174
Indirect loans granted to subsidiaries and associates	-	-
Total	1.095.891	831.174

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

g) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	346.949	143.144
Loans and other receivables with doubtful collectability	753.414	478.653
Uncollectible loans and other receivables	2.504.531	1.648.735
Total	3.604.894	2.270.532

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

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
Current period	16.563	43.151	102.073
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	16.563	43.151	102.073
Rescheduled loans and other receivables	-	-	-
Prior period	11.844	51.598	92.945
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	11.844	51.598	92.945
Rescheduled loans and other receivables	-	-	-

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

h) Information on non-performing loans (net): (Continued)

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	289.920	486.739	2.363.865
Additions (+)	1.266.646	63.887	123.612
Transfers from Other Categories of Loans under Follow-Up (+)	-	1.096.297	587.870
Transfers to Other Categories of Loans under Follow-Up (-)	1.096.297	587.870	-
Collections (-) ⁽¹⁾	112.974	295.562	313.853
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance ⁽²⁾	347.295	763.491	2.761.494
Specific Provision (-) ⁽³⁾	346.949	753.414	2.504.531
Net Balance on Balance Sheet ⁽²⁾	346	10.077	256.963

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

⁽²⁾ Includes the loans originated from funds amounting to TL 267.386 whose risk does not belong to the Bank.

⁽³⁾ As of 31 December 2015 the Bank made 100% provision for the portion of TL 627.566 of the loans under Group V: The Impairment Loss related Credits and Other Receivables which is TL 156.894 after taking guarantees into consideration. Since date of 30 June 2016, the Bank made 100% specific provision for the whole credit risk by giving up to take guarantees into consideration for that loan.

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	531	1.426	13.743
Specific Provision (-)	531	1.426	13.743
Net Balance on Balance Sheet	-	-	-
Prior Period:			
Period Ending Balance	1.062	4.690	5.691
Specific Provision (-)	531	4.690	5.691
Net Balance on Balance Sheet	531	-	-

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

h) Information on non-performing loans (net): (Continued)

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)	346	10.077	256.963
Loans to Real Persons and Legal Entities (Gross)	347.295	688.675	2.761.494
Specific Provisions (-)	346.949	678.598	2.504.531
Loans to Real Persons and Legal Entities (Net)	346	10.077	256.963
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	74.816	-
Specific Provisions (-)	-	74.816	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	146.776	8.086	715.130
Loans to Real Persons and Legal Entities (Gross)	289.920	410.130	2.363.865
Specific Provisions (-)	143.144	402.044	1.648.735
Loans to Real Persons and Legal Entities (Net)	146.776	8.086	715.130
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	76.609	-
Specific Provisions (-)	-	76.609	-
Other Loans and Receivables (Net)	-	-	-

6. Information on held-to-maturity investments:

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

a.1) Held-to-maturity investments subject to repo transactions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	1.093.464	2.468.592	1.114.647	3.567.579
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	1.093.464	2.468.592	1.114.647	3.567.579

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

6. Information on held-to-maturity investments: (Continued)

a) Information on comparative net values of held-to-maturity investments subject to repo transactions and given as a collateral/blocked: (Continued)

a.2) Held-to-maturity investments given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	1.934.984	1.930.400	3.009.483	1.987.576
Other	-	-	-	-
Total	1.934.984	1.930.400	3.009.483	1.987.576

b) Information on held-to-maturity government bonds and treasury bills:

	Current Period	Prior Period
Government Bonds	7.824.673	10.098.944
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Total	7.824.673	10.098.944

c) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt securities	7.926.354	10.144.142
Quoted in a Stock Exchange	7.824.673	10.098.944
Not Quoted in a Stock Exchange	101.681	45.198
Provision for Impairment (-)	-	-
Total	7.926.354	10.144.142

d) Movements of held-to-maturity investments:

	Current Period	Prior Period
Beginning Balance	10.144.142	10.021.056
Foreign Currency Differences on Monetary Assets	225.597	1.059.935
Purchases During the Year	101.254	148.236
Disposals through Sales and Redemptions	(2.544.639)	(1.085.085)
Provision for Impairment (-)	-	-
Period End Balance	7.926.354	10.144.142

Within the year 2008, the 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 the Public Oversight Accounting and Auditing Standards Authority (“POA”).

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

6. Information on held-to-maturity investments: (Continued)

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 which are accounted under shareholders’ equity are amounted as USD 10.970 thousand and EUR 1.287 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 24.001 thousand and USD 67.647 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 10.286 would have been recorded. As of 30 September 2016, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL 26.582 (expense).

7. Information about associates (net):

a) 1) Information about unconsolidated associates:

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

	Total Assets ⁽²⁾	Shareholders’ Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾⁽³⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽²⁾	Prior Period Profit / Loss ⁽²⁾	Fair Value ⁽¹⁾
1	77.990	46.406	49.939	687	-	16.746	9.605	-
2	197.726	114.406	119.883	2.906	-	14.496	26.782	-

⁽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 2016. Prior period profit/loss information of associates has been provided from reviewed financial statements as of 30 September 2015.

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

b) 1) Explanation regarding consolidated associates:

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

	Total Assets ⁽²⁾	Shareholders’ Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽²⁾	Prior Period Profit / Loss ⁽²⁾	Fair Value ⁽¹⁾
1	4.448.676	627.107	20.740	96.754	43.496	47.919	41.824	-

⁽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 2016. Prior period profit/loss information of ArapTürk Bankası A.Ş. has been provided from reviewed financial statements as of 30 September 2015.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

7. Information about associates (net): (Continued)

2) Information about consolidated associates:

	Current Period	Prior Period
Beginning Balance	88.846	88.846
Movement During the Period	-	-
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer	-	-
Sales	-	-
Revaluation	-	-
Impairment Provision	-	-
Ending Balance	88.846	88.846
Capital Commitments		
Period Ending Share of Capital Participation (%)	15,43	15,43

3) Sector information about consolidated associates:

	Current Period	Prior Period
Banks	88.846	88.846
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

4) Consolidated associates quoted to a stock exchange:

None (31 December 2015: None).

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

8. Information on subsidiaries (net):

a) 1) Information about unconsolidated subsidiaries:

	Description	Address (City/ Country)	The Bank's Share Percentage-if different Voting Percentage (%)	The Bank's Risk Group Share Percentage (%)
1	Ziraat Teknoloji A.Ş.	Istanbul / TÜRKİYE	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	44.286	9.744	11.930	737	67	(564)	291	-

⁽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 2016. Prior period profit/loss information has been provided from reviewed financial statements as of 30 September 2015.

b) 1) Information about consolidated subsidiaries:

Investments related to subsidiaries and joint ventures operating abroad in foreign currency are followed by their fair values. For these subsidiaries, fair value is determined by valuation reports, TL equivalents of investments related to subsidiaries are fixed as of revaluation date and revaluation differences added to subsidiaries' values are recognized in "Marketable Securities Value Increase Fund" under shareholders' equity.

	Description	Address (City/ Country)	The Bank's Share Percentage-if different Voting Percentage (%)	The Bank's Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	Istanbul / TURKEY	100,00	100,00
2	Ziraat Sigorta A.Ş.	Istanbul / TURKEY	100,00	100,00
3	Ziraat Finansal Kiralama A.Ş.	Istanbul / TURKEY	100,00	100,00
4	Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul / TURKEY	100,00	99,60
5	Ziraat Portföy Yönetimi A.Ş.	Istanbul / TURKEY	100,00	99,70
6	Ziraat Katılım Bankası A.Ş.	Istanbul / TURKEY	100,00	100,00
7	Ziraat Bank International A.G.	Frankfurt / GERMANY	100,00	100,00
8	Ziraat Bank BH d.d.	Sarajevo / BOSNIA HERZEGOVINA	100,00	100,00
9	Ziraat Bank (Moscow) JSC	Moscow / RUSSIA	100,00	100,00
10	Kazakhstan Ziraat Int. Bank	Almaty / KAZAKHSTAN	100,00	99,58
11	Ziraat Bank Azerbaycan ASC	Baku/ AZERBAIJAN	100,00	100,00
12	Ziraat Bank Montenegro AD	Podgorica / MONTENEGRO	100,00	100,00

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

8. Information on subsidiaries (net): (Continued)

b) 1) Information about consolidated subsidiaries: (Continued)

	Total Assets ⁽³⁾	Shareholders' Equity ⁽³⁾	Total Non-Current Assets ⁽³⁾	Interest Income ⁽³⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽³⁾	Prior Period Profit / Loss ⁽³⁾	Fair Value ⁽¹⁾	Shareholders equity amount needed
1	3.373.519	303.347	1.515	101.499	-	140.308	125.104	-	-
2	817.138	230.505	2.642	40.957	-	94.412	65.852	-	-
3	2.303.789	263.650	1.434	1.923	-	28.966	27.838	-	-
4	476.796	92.974	517	24.931	935.298	19.540	13.346	-	-
5	27.689	24.617	872	1.873	13.618	6.665	4.454	-	-
6	6.081.342	751.853	64.307	228.769	15.318	12.437	245	-	-
7	4.613.962	614.511	1.302	99.970	1.980	31.416	24.279	665.528	-
8	1.319.411	221.108	62.886	42.767	549	10.294	8.995	173.616	-
9	281.205	107.880	7.690	12.343	162	4.909	3.487	89.412	-
10	454.515	202.579	12.311	20.129	5.209	16.064	10.536	226.569	-
11	213.012	120.927	19.197	11.256	-	7.945	3.038	107.931	-
12	120.565	20.750	3.986	1.734	115	(3.079)	(1.660)	28.647	-

- (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 2016, the prior period profit/loss balances have been provided from reviewed financial statements as of 30 September 2015.
- (4) The amounts shown in Interest Income column belong to Ziraat Katılım Bank A.Ş. and contain dividend income.

2) Information about consolidated subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	2.442.943	1.453.735
Movements During the Period	72.000	989.208
Additions to Scope of Consolidation	-	-
Purchases	72.000	997.857
Bonus Shares Obtained	-	16.921
Dividends from current year income	-	-
Transfers to available for sale assets	-	-
Sales	-	-
Revaluation Increase	-	227.760
Impairment Provision (-)	-	253.330
Balance at the End of the Period	2.514.943	2.442.943
Capital Commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

8. Information on subsidiaries (net): (Continued)

3) Sectoral information on subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	2.038.702	1.966.702
Insurance Companies	129.972	129.972
Factoring Companies	-	-
Leasing Companies	282.839	282.839
Financing Companies	-	-
Other Financial Subsidiaries	63.430	63.430

c) Subsidiaries which are quoted on a stock exchange:

None (31 December 2015: None).

9. a) 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	39.635	39.635	741.493	11.299	16.053	25.829	17.700
UTBANK JSC	46.221	46.240	307.211	3.271	4.913	22.556	15.941
Total	85.856	85.875	1.048.704	14.570	20.966	48.385	33.641

(1) Information on entities under joint control is provided from the unreviewed financial statements as of 30 September 2016.

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

Entities under common control domiciled and operating abroad are followed by their fair values. 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.

10. Information on finance lease receivables (net):

The Bank has no finance lease receivables (31 December 2015: None).

11. Information on derivative financial assets for hedging purposes:

The Bank has no derivative financial assets for hedging purposes (31 December 2015: None).

12. Information on investment property:

None (31 December 2015: None).

13. Information on assets held for sale and tangibles corresponding discontinuing operations:

Bank 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 Bank. Those immovables considered for sales are announced at the web site of the Bank.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

13. Information on assets held for sale and tangibles corresponding discontinuing operations: (Continued)

The Bank’s immovables acquired amount to TL 295.877 consisting of TL 14.523 due to consumer loans, TL 222.014 on its commercial loans and TL 59.340 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1.803. Total depreciation expense is TL 4.264 for these held for sale assets. (31 December 2015: The Bank’s immovables acquired amount to TL 243.415 consisting of TL 13.494 due to consumer loans, TL 184.069 on its commercial loans and TL 45.852 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1.849. Total depreciation expense is TL 4.658 for these held for sale assets.

14. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs ⁽¹⁾	Other Tangibles	Total
Prior Period End:						
Cost	5.257.865	9.759	44.735	196.387	721.746	6.230.492
Accumulated Depreciation (-)	902.143	2.090	22.547	110.332	351.742	1.388.854
Net Book Value	4.355.722	7.669	22.188	86.055	370.004	4.841.638
Current Period End:						
Net Book Value at the Beginning of the Period	4.355.722	7.669	22.188	86.055	370.004	4.841.638
Change During the Period (Net)	103.312	901	(5.429)	(2.916)	(13.172)	82.696
Cost	211.771	1.762	(1.530)	21.536	48.944	282.483
Depreciation – net (-)	108.459	861	3.899	24.452	62.116	199.787
Impairment (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	5.469.636	11.521	43.205	217.923	770.690	6.512.975
Accumulated Depreciation at Period End (-)	1.010.602	2.951	26.446	134.784	413.858	1.588.641
Closing Net Book Value	4.459.034	8.570	16.759	83.139	356.832	4.924.334

- a) 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.
- b) 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.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

1. a) Information on maturity structure of deposits collected:

1) For deposit banks:

Current Period	Demand	7 Days 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	20.482.882	-	2.916.117	57.675.488	4.353.511	943.508	793.586	20.256	87.185.348
Foreign Currency Deposits	13.447.986	-	5.651.544	18.238.107	4.619.563	3.459.551	13.332.903	605	58.750.259
Residents in Turkey	11.890.599	-	5.425.405	15.666.220	4.001.222	2.738.742	9.946.296	605	49.669.089
Residents Abroad	1.557.387	-	226.139	2.571.887	618.341	720.809	3.386.607	-	9.081.170
Public Sector Deposits	6.461.089	-	3.927.884	4.407.065	684.118	4.071.013	13.560	-	19.564.729
Commercial Inst. Deposits	4.432.746	-	6.149.541	6.621.116	968.520	85.340	67.031	-	18.324.294
Other Inst. Deposits	1.769.261	-	2.071.031	4.101.448	757.109	605.885	286.655	-	9.591.389
Precious Metals	1.112.162	-	24.487	138.774	19.699	9.880	11.350	-	1.316.352
Interbank Deposits	599.493	-	5.592.106	443.856	777.510	1.861.756	509.397	-	9.784.118
CBRT	1.371	-	-	-	-	-	-	-	1.371
Domestic Banks	64.760	-	4.176.260	111.099	348.637	-	4.215	-	4.704.971
Foreign Banks	83.728	-	1.415.846	332.757	428.873	1.861.756	505.182	-	4.628.142
Participation Banks	449.634	-	-	-	-	-	-	-	449.634
Other	-	-	-	-	-	-	-	-	-
Total	48.305.619	-	26.332.710	91.625.854	12.180.030	11.036.933	15.014.482	20.861	204.516.489

Prior Period	Demand	7 Days 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	15.816.483	-	2.735.768	53.726.579	4.216.969	983.553	725.483	5.538	78.210.373
Foreign Currency Deposits	11.985.041	-	8.833.462	16.142.462	4.764.012	3.584.819	12.365.829	431	57.676.056
Residents in Turkey	10.818.260	-	8.648.524	14.110.439	4.266.621	2.916.587	9.711.963	431	50.472.825
Residents Abroad	1.166.781	-	184.938	2.032.023	497.391	668.232	2.653.866	-	7.203.231
Public Sector Deposits	5.760.534	-	3.350.698	4.464.880	1.246.059	2.865.402	12.219	-	17.699.792
Commercial Inst. Deposits	4.162.028	-	3.961.935	4.971.688	1.051.130	49.035	56.548	-	14.252.364
Other Inst. Deposits	1.529.794	-	1.855.891	3.036.021	258.961	737.257	261.839	-	7.679.763
Precious Metals	1.038.839	-	25.203	123.100	18.600	9.382	8.662	-	1.223.786
Interbank Deposits	336.455	-	6.095.526	989.548	1.078.159	1.116.474	111.139	-	9.727.301
CBRT	875	-	-	-	-	-	-	-	875
Domestic Banks	32.900	-	5.046.468	51.023	93.274	36.885	-	-	5.260.550
Foreign Banks	89.063	-	1.049.058	938.525	984.885	1.079.589	111.139	-	4.252.259
Participation Banks	213.617	-	-	-	-	-	-	-	213.617
Other	-	-	-	-	-	-	-	-	-
Total	40.629.174	-	26.858.483	83.454.278	12.633.890	9.345.922	13.541.719	5.969	186.469.435

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

b) Information on saving deposits:

1) Amounts exceeding the deposit insurance limit:

a) Saving deposits under the guarantee of deposit insurance and exceeding the deposit insurance limit:

Saving Deposits	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits ⁽²⁾	58.382.239	52.356.589	28.605.411	25.598.381
Foreign Currency Saving Deposits ⁽²⁾	20.392.272	19.394.479	25.257.967	23.644.817
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance ⁽¹⁾	585.104	549.775	56.510	57.489
Deposits at Off-Shore Banking Regions’ and under Foreign Authorities’ Insurance	-	-	-	-

⁽¹⁾ 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 49.604 and TL 7.538 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2015: Bulgaria and Greece, TL 57.299 and TL 7.465, respectively).

⁽²⁾ Related deposit balances do not include foreign branches.

Based on the Council of Minister’s decree dated 29 December 2003 and numbered 2003/6668, TL 971 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş.

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of the Banks. As total of capital amount and interest expense accruals of saving deposits up to TL 100 attributable to a real person is covered by the insurance, TL 499.173 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.

2) Information on saving deposits/real persons’ private current and accession accounts not related to commercial transactions in a Turkish branch of the Bank whose head office is abroad, and reasons if it is covered in where the head office is located:

The Bank’s head office is located in Turkey.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

1. b) Information on saving deposits: (Continued)

3) Amounts which are not covered by deposit insurance:

a) Saving deposits of real persons not covered by the deposit insurance fund:

	Current Period	Prior Period
Deposits and other Accounts in Branches Abroad	65.050	52.302
Deposits of Ultimate Shareholders and Their Close Family Members	-	-
Deposits of Chairman and Members of the Board of Directors, CEO, Executive Vice Presidents and Their Close Family Members	6.238	3.923
Deposits Obtained through Illegal Acts Defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

2. Information on derivative financial liabilities held for trading:

a) Negative differences related to the derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	23.954	36.898	26.696	43.551
Swap Transactions	67.278	424.263	3.956	218.044
Futures Transactions	-	-	-	-
Options	-	-	3	21
Other	-	-	-	-
Total	91.232	461.161	30.655	261.616

3. a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	672.842	667.790	448.444	363.932
Foreign Banks, Institutions and Funds	938.981	18.352.783	944.015	17.786.257
Total	1.611.823	19.020.573	1.392.459	18.150.189

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	658.972	5.946.211	434.340	6.076.594
Medium and Long-Term	952.851	13.074.362	958.119	12.073.595
Total	1.611.823	19.020.573	1.392.459	18.150.189

c) Further information is disclosed for the areas of liability concentrations. Main liability concentration areas are fund suppliers, sector groups or other risk concentration criteria:

62,02% of the Bank's liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Bank's liabilities are not subject to a significant concentration risk.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

3. d) Information on funds supplied from repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	25.412.343	-	27.240.963	-
Financial Institutions and Organizations	25.148.076	-	27.020.179	-
Other Institutions and Organizations	257.885	-	212.000	-
Real Person	6.382	-	8.784	-
From Overseas Operations	-	14.465.369	-	14.744.813
Financial Institutions and Organizations	-	14.465.369	-	14.744.813
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
Total	25.412.343	14.465.369	27.240.963	14.744.813

e) Information on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.144.770	100.811	2.199.333	756.233
Asset-Backed Securities	-	-	-	-
Treasury Bills	-	3.976.159	-	2.332.040
Total	2.144.770	4.076.970	2.199.333	3.088.273

4. 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.

5. Information on finance lease payables (net):

In the financial lease agreements, lease payments are determined according to the price of leasehold, the Bank'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 Bank.

Information on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	321	317	699	686
Between 1-4 Years	-	-	-	-
More than 4 Years	-	-	-	-
Total	321	317	699	686

6. Information on derivative financial liabilities for hedging purposes:

There are no derivative financial liabilities for hedging purposes (31 December 2015: None).

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

7. Explanations on provisions:

a) Information on general provisions:

	Current Period	Prior Period
General Provisions	3.527.792	2.844.184
Allocated for Group-I Loans and Receivables	2.846.160	2.459.607
Additional Provision for Loans and Receivables with Extended Maturities	179.965	121.600
Allocated for Group-II Loans and Receivables	214.313	151.763
Additional Provision for Loans and Receivables with Extended Maturities	63.673	28.425
Allocated for Non-cash Loans	401.171	163.020
Other	66.148	69.794

b) 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 975 (31 December 2015: TL 5.561).

c) Information on specific provisions for unindemnified non-cash loans:

Specific provisions for unindemnified non-cash loans amount to TL 126.017 (31 December 2015: TL 55.629).

d) Information on other provisions:

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 945.000 (TL 295.400 of this provision amount was reversed from the income statement in the current year), 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 16.700 and other provision of TL 244 exist for cash transfers made by Bank officials.

	Current Period	Prior Period
Provisions for possible risks	961.944	1.257.419

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 Bank over TL 100 amounts to TL 59.126. Full provision has been provided in these financial statements for law suits ended against the Bank but not finalized yet, amounting to TL 34.759.

Based on the decision of the Bank management, provision amounting to TL 73.650 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 “Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”, published in Official Gazette numbered 26333, dated 1 November 2006 and considering the conservatism principle without taking into consideration the guarantees of these loans.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

7. Explanations on provisions: (Continued)

The Bank also provided provisions amounting to TL 126.017 (31 December 2015: TL 55.629) for unindemnified non-cash loans, and TL 29.876 (31 December 2015: TL 28.436) for other provisions. As a result of the provisions mentioned above, the other provision balance on the Bank’s balance sheet amounts to TL 1.226.246 (31 December 2015: TL 1.464.843).

e) Liabilities on reserve for employee termination benefits

1) Employment termination benefits and unused vacation rights

The Bank 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 2016, unpaid vacation liability amounted to TL 184.450 (31 December 2015: TL 168.600) and employment termination amounted to TL 764.875 (31 December 2015: TL 683.269) are presented under the “Employee Benefits Provision” in the financial statements.

8. Information on tax liability:

a) Information on current tax liability:

1) Information on tax provisions:

As of 30 September 2016, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 367.004 (31 December 2015: TL 402.339).

2) Information on current taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	367.004	402.339
Taxation on Income From Securities	220.207	201.694
Property Tax	2.167	2.186
Banking Insurance Transactions Tax (BITT)	119.962	113.890
Foreign Exchange Transactions Tax	38	28
Value Added Tax Payable	4.336	4.307
Other	52.790	50.243
Total	766.504	774.687

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

8. Information on tax liability: (Continued)

a) Information on current tax liability: (Continued)

3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	33	30
Social Security Premiums - Employer	47	42
Bank Social Aid Pension Fund Premium - Employee	163	330
Bank Social Aid Pension Fund Premium - Employer	308	528
Pension Fund Membership Fees and Provisions - Employee	12	10
Pension Fund Membership Fees and Provisions - Employer	58	45
Unemployment Insurance - Employee	618	544
Unemployment Insurance - Employer	1.237	1.089
Other	-	-
Total	2.476	2.618

b) Information on deferred tax liabilities, if any:

The Bank’s deferred tax asset amounts to TL 307.930 (31 December 2015: TL 538.021). However, this amount is netted off against the deferred tax liability and accordingly deferred tax liability amounting to TL 50.092 (31 December 2015: TL 261.730) is presented in the financial statements.

9. Information on payables for assets held for sale and discontinued operations:

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

10. Explanations on subordinated debts:

The Bank does not have any subordinated debts.

11. Information on shareholders’ equity:

a) Presentation on paid-in capital:

	Current Period	Prior Period
Common stock	5.100.000	5.000.000
Preferred stock	-	-

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

The Bank does not have a registered capital system.

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

In accordance with the decision taken at the Ordinary General Assembly, carried out on 30 March 2016, the paid-in capital of the bank which was TL 5.000.000 has been increased by TL 28.000 from internal sources, and TL 72.000 cash to TL 5.100.000 and the capital increase has been registered to Trade Registry Gazette No. 9071 dated 9 May 2016.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

11. Information on shareholders’ equity: (Continued)

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

There is no share capital amount included in capital.

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

The Bank has no capital commitments.

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

In the current period, the Bank follows its operations in line with the previous periods. The 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 Bank’s performance and contributes to the profitability structure to be sustainable.

g) Information on preferred shares representing the capital:

The Bank has no preferred shares.

h) Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	342.182	61.381	342.182	61.381
Revaluation Difference	-	61.381	-	61.381
Foreign Exchange Difference	342.182	-	342.182	-
From Available for Sale Marketable Securities	(351.705)	772.062	(1.344.071)	619.468
Revaluation Difference	(244.342)	772.062	(1.619.618)	619.468
Deferred Tax Effect	(107.363)	-	275.547	-
Foreign Exchange Difference	-	-	-	-
Total	(9.523)	833.443	(1.001.889)	680.849

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III. EXPLANATIONS AND NOTES TO OFF-BALANCE SHEET ACCOUNTS

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	6.986.160	7.130.144
Other Irrevocable Commitments	5.622.250	4.712.618
Payment Commitments for Cheques	3.075.390	3.076.439
Loan Granting Commitments	3.073.718	2.805.813
Asset Purchase and Sale Commitments	2.316.908	1.848.592
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	24.860	20.185
Subsidiaries and Associates Capital Contribution Commitments	-	-
Total	21.099.286	19.593.791

b) Nature and amount of possible losses and commitments arising from the off-balance sheet items including the below mentioned:

Bank has no possible losses arising from the off-balance sheet items.

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

	Current Period	Prior Period
Guarantee Letters	58.699.013	49.241.937
Letter of Credits	7.429.699	6.852.933
Bank Acceptances	3.564.756	4.191.305
Total	69.693.468	60.286.175

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

	Current Period	Prior Period
Letters of Certain Guarantees	37.813.879	31.838.860
Letters of Advance Guarantees	15.331.537	12.911.588
Letters of Temporary Guarantees	3.100.947	2.734.608
Letters of Guarantees given to Customs Offices	721.203	655.083
Other Letters of Guarantees	1.731.447	1.101.798
Total	58.699.013	49.241.937

c) 1) Total non-cash loans:

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	779.267	786.280
With Original Maturity of One Year or Less	301	284
With Original Maturity of More than One Year	778.966	785.996
Other Non-Cash Loans	68.914.201	59.499.895
Total	69.693.468	60.286.175

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

1. a) Information on interest income from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans ⁽¹⁾	13.680.803	1.899.359	10.583.103	1.495.935
Short Term Loans	3.314.564	56.701	2.847.635	61.813
Medium and Long Term Loans	10.279.013	1.842.632	7.614.893	1.434.102
Interest on Non-Performing Loans	87.226	26	120.575	20
Premiums from Resource Utilization Support Fund	-	-	-	-

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

b) Information on interest received from the banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	3.279	-	608	-
Domestic Banks	30.239	1.693	25.273	236
Foreign Banks	1.394	23.582	1.065	21.667
Head Office and Branches	-	-	-	-
Total	34.912	25.275	26.946	21.903

c) Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	722	226	749	199
Financial Assets at Fair Value through Profit and Loss	-	-	-	-
Financial Assets Available-for-Sale	3.067.799	463.486	2.862.010	365.142
Investments Held-to-Maturity	342.155	266.534	285.143	279.905
Total	3.410.676	730.246	3.147.902	645.246

d) Information on interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	14.911	11.402

2. a) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks ⁽¹⁾	85.119	240.981	76.220	226.214
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	19.920	4.134	13.346	2.831
Foreign Banks	65.199	236.847	62.874	223.383
Head Office and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	85.119	240.981	76.220	226.214

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

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

b) Information on interest expenses given to subsidiaries and associates:

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	34.138	18.098

c) Information on interest given on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	168.049	105.500	116.864	80.646

d) 1) 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	-	273.583	-	-	-	-	-	273.583
Saving Deposit	1	159.899	3.829.535	274.613	57.512	42.043	1.471	4.365.074
Public Sector Deposit	104	249.781	320.802	85.214	210.793	555	-	867.249
Commercial Deposit	129	351.271	405.402	33.448	22.095	4.920	-	817.265
Other Deposit	77	94.794	260.789	26.579	54.471	20.755	-	457.465
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Total	311	1.129.328	4.816.528	419.854	344.871	68.273	1.471	6.780.636
FC								
Foreign Currency Deposit	349	57.896	176.161	41.888	35.295	151.522	9	463.120
Bank Deposit	37	36.479	-	-	-	-	-	36.516
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	86	678	105	54	61	-	984
Total	386	94.461	176.839	41.993	35.349	151.583	9	500.620
Grand Total	697	1.223.789	4.993.367	461.847	380.220	219.856	1.480	7.281.256

3. Information on trading profit/loss (net):

	Current Period	Prior Period
Profit	23.488.432	28.107.355
Foreign Exchange Gains	20.542.710	25.244.611
Profit on Derivative Financial Instruments	2.915.843	2.792.346
Profit from the Capital Market Transactions	29.879	70.398
Loss (-)	23.584.796	28.330.832
Foreign Exchange Loss	20.765.297	24.626.163
Loss on Derivative Financial Instruments	2.816.229	3.703.174
Loss from the Capital Market Transactions	3.270	1.495

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	5.006.641	571.394
Effect of the change in interest rates on profit/loss	(4.907.027)	(1.482.222)
Total	99.614	(910.828)

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

5. Information on other operating income:

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

There are no significant matters covering the recent developments which have significant effect on the Bank’s income. Main component of the Bank’s other operating income consists of reversals from prior period provisions amounting to TL 662.615 (30 September 2015: TL 620.468) and income from sales of assets amounting to TL 164.991 (30 September 2015: TL 73.101).

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

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables ⁽¹⁾	1.777.338	642.701
Group III Loans and Receivables	379.026	97.688
Group IV Loans and Receivables	716.232	383.597
Group V Loans and Receivables	682.080	161.416
General Provision Expenses ⁽²⁾	684.036	462.252
Provision Expenses for the Possible Losses	960	1.500
Marketable Securities Impairment Expense	120	1.861
Financial Assets at Fair Value through Profit and Loss	-	33
Financial Assets Available for Sale	120	1.828
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	13.852	651
Total	2.476.306	1.108.965

⁽¹⁾ The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL 372.588 are presented in other operating income (30 September 2015: TL 408.008).

⁽²⁾ The relevant balances include the expenses related to the current period. The provision reversals within the period amounting to TL 428 are presented in other operating income.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. a) Information on other operating expenses:

	Current Period	Prior Period
Personnel Expenses	1.713.642	1.554.643
Reserve for Employee Termination Benefits	29.865	22.077
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	199.787	191.813
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	30.972	37.004
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	894.746	836.252
Operational Leasing Expenses	154.132	133.728
Maintenance Expenses	53.096	59.669
Advertisement Expenses	41.546	35.528
Other Expenses	645.972	607.327
Loss on Sales of Assets	733	197
Other ⁽¹⁾	994.531	1.139.785
Total	3.864.276	3.781.771

⁽¹⁾ TL 348.853 of other item consists of Saving Deposit Insurance Fund accrual expense (30 September 2015: TL 298.555) while TL 331.091 consists of taxes, duties and charges expense (30 September 2015: TL 291.201).

8. Information on profit/loss before tax from continuing and discontinuing operations:

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

	Current Period	Prior Period
Net Interest Income	10.084.900	7.574.506
Net Fees and Commissions Income	1.146.978	926.319
Dividend Income	255.651	195.655
Trading Income/Expense (Net)	(96.364)	(223.477)
Other Operating Income	1.273.257	998.787
Provision for Loan or Other Receivables Losses (-)	2.476.306	1.108.965
Other Operating Expenses (-)	3.864.276	3.781.771
Profit / (Loss) From Continuing Operations	6.323.840	4.581.054

9. Information on tax provision for continuing and discontinuing operations

As of 30 September 2016, TL 1.315.202 (30 September 2015: TL 999.414) of the Bank's total tax provision expense amounting to TL 1.488.632 (30 September 2015: 420.897), consists of current tax expense while remaining balances amounting to TL 173.430 (30 September 2015: TL 578.517 deferred tax expense) consists of deferred tax income.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

10. Explanation on net income/loss for the period for continued and discontinued operations:

The Bank’s net operating income after tax amounts to TL 5.008.638 (30 September 2015: TL 3.581.640).

11. Information on net profit/loss:

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

The Bank, mainly utilizes its resources from domestic deposits on loans, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations and insurance agencies.

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

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period (30 September 2015: None).

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

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.

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

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

a) Current Period:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash ⁽²⁾	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables ⁽¹⁾						
Opening Balance	4.693.525	1.919.303	-	-	-	-
Closing Balance	5.068.152	2.476.314	-	-	-	-
Interest and Commissions Income	14.749	162	-	-	-	-

⁽¹⁾ The cash loans balance includes the investments to associates, subsidiaries and entities under common control.

⁽²⁾ Placements to foreign banks in the risk group amounting to TL 1.221.245 are included in the cash loans.

b) Prior Period:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash ⁽²⁾	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables ⁽¹⁾						
Opening Balance	3.320.000	1.612.751	-	-	-	-
Closing Balance	4.693.525	1.919.303	-	-	-	-
Interest and Commissions Income	11.228	174	-	-	-	-

⁽¹⁾ The cash loans balance includes the investments to associates, subsidiaries and entities under common control.

⁽²⁾ Placements to foreign banks in the risk group amounting to TL 1.177.445 are included in the cash loans.

⁽³⁾ Interest and commissions income balance is the balance as of 30 September 2015.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. EXPLANATIONS AND NOTES TO THE RISK GROUP OF THE BANK (Continued)

c) 1) Deposits held by the Bank’s risk group:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Opening Balance	553.962	411.176	-	-	-	-
Closing Balance	855.161	553.962	-	-	-	-
Interest Expense on Deposits	34.138	18.098	-	-	-	-

⁽¹⁾ The prior period balance of the accrued interest expense of the deposit is the balance as of 30 September 2015.

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss						
Opening Balance	66.595	-	-	-	-	-
Closing Balance	99.816	66.595	-	-	-	-
Total Profit/Loss	(2.541)	3.243	-	-	-	-
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

⁽²⁾ The prior period balance of the total Profit/Loss is the balance as of 30 September 2015.

3) Information about fees paid to the Bank’s key management:

Fees paid to the Bank’s key management amount to TL 22.836 (30 September 2015: TL 20.913).

VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

Within the context of the Bank’s subsidiary, Ziraat Gayrimenkul Yatırım Ortaklığı Anonim Şirketi has been completed with the registration of the firm to the Istanbul Registry of Commerce on 1 November 2016 and announcement of the firms formation on Turkey Registry of Commerce official journal on 4 November 2016.

SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE BANK’S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON REVIEW REPORT

I. EXPLANATIONS ON REVIEW REPORT

As of 30 September 2016, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Review Report dated 9 November 2016 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

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SECTION EIGHT (*)

EXPLANATIONS ON INTERIM REPORT

I. Chairman of the Board’s Message

Third quarter of 2016 was a period in which monetary policies implemented by central banks of developed countries, primarily the Federal Reserve System (Fed), were followed closely with ongoing global risk appetite.

In the beginning of Q3, data associated with US economy exceeded general expectations, demonstrating that recovery in this country still continues. While strong data obtained within the period increases the possibility of the Fed to hike interest rates twice in September and December 2016, low data of September caused the expectations to be focused on a single interest rate hike in December. The Fed made no interest rate hike in the September meeting and revised down its interest expectations for the upcoming years, which became significant supporting facts for global markets. In Q3, the Bank of Japan (BOJ) became another prominent bank in addition to the FED. The BOJ entered a new period where its monetary policy will target bond yield curve instead of monetary base.

Possible implications of the United Kingdom's withdrawal from the European Union (Brexit) on the UK's economy and European economies was an hot topic in Europe in Q3. The withdrawal process, which is expected to start by March 2017 and last about two years, is anticipated to have a large range of negative implications on both economies with regards to employment and foreign trade in particular. Expectations from central banks of developed countries such as the UK and Japan as to keeping the interest rates at low levels for a long time facilitated ongoing capital flows to developing countries. In the previous period, developments regarding oil occupied the agenda for so long. The Organization of the Petroleum Exporting Countries' (OPEC) decision to limit production levels supported the oil prices.

As with the previous year, the Fed is expected to implement a rate hiker in December and follow a cautious path for interest hikes in the upcoming years. It is expected that potential implications of the United Kingdom's withdrawal from the European Union will arise more clearly in the upcoming period. Much-debated European banking system, with regards to its high non-performing loan levels at the Italian banks in the previous periods, has been recently brought up to the agenda once again with the investigation against the Deutsche Bank. While European banking system is expected to occupy the agenda for the upcoming months, developments regarding the Deutsche Bank in particular will be followed closely.

Turkish economy closed the third quarter with a low performance in terms of macroeconomic indicators. While Q2 remained below growth expectations, indicative data for growth in Q3 demonstrated that low performance would also continue in this quarter. As the most important contributor to the growth in Q2, industry sector still indicated a low performance, which was started with Q2. Slowdown in industry sector and shrinkage in tourism sector affected its growth performance in Q3 negatively. Despite these challenges, Turkey records a high growth rate on global scale. Furthermore, home demand is expected to recover quickly and contribute to growth significantly in the following period through the support of the Central Bank of Turkey's (CBRT) successive interest rate cuts and macroprudential measures taken. With the recovery of European economy and restoration of exports to Russia, contribution of foreign demand to growth is expected to be positive.

As a result of improvement in foreign trade deficit in Q3, current account balance continued to improve. It is anticipated that oil prices gaining stability at higher levels than last year would limit improvement in current account balance in the upcoming period. Accordingly, estimation of current accounts deficit for 2016 year-end was increased temperately in 2017-2019 Medium Term Program (MTP).

While inflation started Q3 with an upward movement after tax hike in alcoholic beverages and tobacco products, it started to decline in the following months as a result of fall in food inflation. While it is observed that improvement in headline inflation reflected on core inflation, inflation is anticipated to be around the CBRT forecast at the year-end.

With a lower need for a wide interest rate corridor, the CBRT continued simplification steps initiated in March and cut 250 basis points in total. Considering that the CBRT's ultimate purpose is a symmetric interest rate corridor, interest rate cuts are expected to continue in the upcoming period, though to a limited extent.

Growth in banking industry continues more slowly than last year in line with a slower growth rate in the economy as a result of domestic and global developments. Rate of increase in credits and deposits has also slowed down.

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EXPLANATIONS ON INTERIM REPORT (Continued)

I. Chairman of the Board’s Message (Continued)

However, the industry continues to allocate the domestic and foreign funds to credits predominantly and keeps contributing to non-financial sector. Consumer loans have also gained momentum as a result of recent regulations and declining interest rates.

In line with the industry, Ziraat Bank keeps growing above the industry by focusing on credits, though more slowly than previous years. It continues to offer its resources to the economy by concentrating on non-financial sector.

Ziraat Bank improves its contributions to our country with a business model which is continuously renewed, improved and reinvigorated to meet the requirements of all sectors and consumers in the best way.

II. CEO’s Message

We have completed the third quarter, which saw fluctuations due to domestic and foreign developments, without a significant negativity thanks to our strong financial dynamics and robust structure of banking industry. Data obtained indicates a slow but ongoing credit growth.

We are maintaining our credit-focused growth by outperforming the sector's growth. With a 9% increase in the first nine months, total assets reached TRY 330 billion as of late Q3 with credits accounting for 64%. In line with our goal to have customer-weighted balance sheet, share of credits has increased and balance sheet share of securities has regressed to 20%. Total volume of credits has reached up to TRY 280 billion including non-cash credits with cash credits amounting to TRY 210 billion. We maintain our leading position in the sector in terms of cash, non-cash and total credits.

Although consumer loans, particularly mortgages, gained a momentum due to the latest regulations and declines in interest rates, the corporate loans are the main contributor to our credit growth. Accordingly, consumer loans have increased to TRY 5 billion since year-end with corporate loans increasing to TRY 18 billion in the same period.

We place special emphasis on agriculture and continue working to meet financial requirements of all sectors in the optimum way. Sectors contributing to production, employment and current account balance are among strategic industries for us.

While we engage in the financing of major projects in our country, we are positioned among the leading banks to meet financial needs of all companies, businesses, farmers, pensioners, students and employees in the optimum way.

As a bank with the highest credit portfolio in the industry, Ziraat Bank's NPL ratio of 1.8%, which is equal to almost half of the industry average, demonstrates the importance we attach to credit quality and credit processes. It must be emphasized that we made provision for all NPLs cautiously and have not sold off even a single NPL.

As the industry's leading bank in loan size, we not only increase our contribution to our economy but also support the country's overall level of saving by obtaining relevant funds in Turkey and abroad. We consider deposit as the main source of funding and endeavor to improve deposits with new deposit products. We perform diversification into non-deposit resources and contribute to balance of saving-investment.

We secure non-deposit resources such as syndicated loans, Eurobond issues, bank bill issues, post-financing, repo, credits assured by international financial institutions with suitable terms and costs and offer the same to non-financial sector.

We have the most extensive network of branches (1,785) and ATMs (6,796), and also improve their qualities. We offer services at 98 locations in 18 countries. Through the real estate investment trust, which is currently in last stage of set-up, we keep improving our financial service diversification and meeting all kinds of financial requirements within the Ziraat Finance Group efficiently.

We improve digital banking further, thus, our quality and efficiency. We concentrate on more effective management of our costs as well as branch and employee efficiencies. Accordingly, Ziraat Bank's revenue to cost ratio differentiates from the industry positively and remains far below the sector's average. Maintaining its positive course

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EXPLANATIONS ON INTERIM REPORT (Continued)

II. CEO's Message (Continued)

for the efficiency ratios and supporting its shareholders' equity accordingly, Ziraat Bank will pursue its strategy to improve credit-weighted balance sheet structure through a robust financial structure, while maintaining its lending capability at high levels with its strong shareholders' equity structure.

With its wide range of financial services, extensive domestic and foreign service network, developing non-branch channels, Ziraat Bank is the leading bank in many industries and only bank at over 400 locations. It continues to offer its services and increase its contribution as "more than just a bank".

III. Shareholding Structure

The paid in capital of T.C. Ziraat Bankası is TL 5.100.000.000, and the sole shareholder is the Republic of Turkey Prime Ministry Undersecretariat of the Treasury (the "Treasury"). The chairman, Members of the Board of Directors, Members of the Supervisory Board, and General Manager and Vice General Managers are not shareholders in the Bank.

IV. Main Financial Indicators

In the third quarter of 2016, total assets of the Bank has risen to TL 329.749 million by increasing 8,9% compared to December 2015. In Bank's assets, loans with TL 209.966 million volume share 63,7%, securities portfolios with TL 65.865 million volume share 20,0%, liquid assets and banks with the amount of TL 42.811 million and share of 13,0%, and other assets with amounting to TL 11.108 million and share of 3,4%. In the third quarter of 2016, loans of the Bank has risen to TL 209.966 million by increasing 12,4% compared to December 2015. TL loans have reached to TL 156.158 million, FC loans have reached to TL 53.807 million.

In Bank's liabilities, deposits with TL 204.516 million volume and share of 62,0%, non-deposits resources with TL 68.802 million volume and share of 20,9%, equities with TL 37.266 million volume and share of 11,3%, and other liabilities amounting to TL 19.165 million, share of 5,8%. Bank's total deposit in third period of 2016 recognised at a level of TL 204.516 million by increasing 9,7% compared to December 2015. Turkish Lira denominated deposit volume is TL 137.699 million and foreign currency denominated deposit volume is TL 66.817 million. In the third quarter of 2016, of the Bank's total deposit 42,6% is saving deposit, 28,7% is foreign currency deposit, 9,6% is public sector deposit, 9,0% is commercial deposit, 4,8% is bank deposit, 4,7% is other institutions deposit, 0,6% is precious metal deposit accounts.

Total equity increased 18,1% compared to December 2015 and reached to TL 37.266 million. By the end of the third quarter of 2016 Bank's net profit recognized at TL 5.009 million level by increasing 39,8% compared to the same period of last year.

By the end of third quarter of 2016, Bank's capital adequacy ratio recognised at a level of 15,24%.

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EXPLANATIONS ON INTERIM REPORT (Continued)

IV. Main Financial Indicators (Continued)

ASSETS (TL Million)	30 September 2016	31 December 2015	Change (%)
Liquid Assets and Banks	42.811	40.983	4,5
Securities Portfolio	65.865	64.871	1,5
Loans	209.966	186.813	12,4
Other Assets	11.108	10.181	9,1
Total Assets	329.749	302.848	8,9
LIABILITIES (TL Million)	30 September 2016	31 December 2015	Change (%)
Deposits	204.516	186.469	9,7
Non-deposits Resources	68.802	67.916	1,3
Other Liabilities	19.165	16.917	13,3
Shareholders' Equity	37.266	31.546	18,1
Total Liabilities	329.749	302.848	8,9
CHOSEN INCOME-EXPENSES (TL Million)	30 September 2016	30 September 2015	Change (%)
Interest Income	19.930	16.000	24,6
Interest Expense	9.845	8.425	16,9
Net Interest Income	10.085	7.575	33,1
Net Fees and Commission Income	1.147	926	23,9
Other Operations Income	1.273	999	27,4
Other Operations Expense	3.864	3.782	2,2
Provision for Losses on Loans Or Other Receivables	2.476	1.109	123,3
Income Before Taxes From Continuing Operations	6.324	4.581	38,0
Provision For Taxes On Income From Continuing Operations	1.315	999	31,6
Net Profit/Losses	5.009	3.582	39,8
RATIOS (%)	30 September 2016	31 December 2015	
Capital Adequacy Ratio	15,24	15,08	
Equity / Total Assets	11,3	10,4	
Total Loans / Total Assets	63,7	61,7	
Loans under follow-up (Gross) / Total Loans	1,8	1,7	
Saving Deposits/ Total Deposits	23,6	21,8	
FC Assets / FC Liabilities	103,1	97,6	
Liquid Assets / Total Assets	13,0	13,5	
	30 September 2016	30 September 2015	
Net Profit (Loss) / Average Total Assets (ROA)	2,1	1,7	
Net Profit (Loss) / Average Equities (ROE)	19,4	16,3	
Interest Incomes / Interest Expenses	202,4	189,9	

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EXPLANATIONS ON INTERIM REPORT (Continued)

V. 2016 III. Interim Activities

As a part of the studies for diversification of the Bank’s funds and supply of long term funds with a favorable cost for borrowing purposes on international capital markets, within GMTN Program (Global Medium Term Notes), it was practiced as a “private placement” continued to raise funds in international markets.

VI. Risk Management

Bank’s risk management operations, within the frame of BRSA legislations and Basel regulations, are targeted for the best risk management function by applying risk culture alongside the Bank and maintaining the improvement of employee quality and information technologies.

Risk management policy is identified as loan risks, market risks, operational risks, balance sheet risks on the volume of Bank’s transactions, measurement and monitoring of quality and complication, stress test, scenario analysis and reporting the outcomes from these studies. Policies and application methods of risk management are carried out in accordance with the decisions by the Board of Directors.

VII. Other Important Activities

- On the third quarter of 2016 the bank has made a total worth of 9,7 Billion TL, 412.822 consumer loans.
- Regardless of the seasonal stationarity of the Capital Markets, on the third quarter of 2016 the Corporate Loans Segment of the Bank reached the level of 76,2 billion TL and non-cash loans reached a level of 61,1 billion TL. Thus the total worth of Corporate Loans Segment reached to 137,3 billion TL.
- On the third quarter of 2016, the Bank increased its portfolio to the level of 23,9 billion TL by the usage of 3,5 billion TL mortgage loans, in terms of consumer loans the Bank reached a level of 24,1 billion TL by the usage of 5,3 billion TL. Thus the Bank continues its leadership on the sector in the segment of consumer installment loans.
- As of third quarter of 2016, The loans for financing of the agricultural sector reached a level of 41,4 billion TL and the amount of customers which held loans reached 655.004.
- On the third quarter of 2016, the customers, which use internet banking, have increased to 8.608.118 and the customers, which use mobile banking, have increased to 1.645.468.
- As of 19 September 2016 the subsidiary located in Bosnia Herzegovina, Ziraat Bank BH dd, Sanski Most branch started to its operations.
- As of 18 July 2016 Marneuli-Georgia sub branch started to its operations.
- The considerable aid on the economy of Ziraat Bank in terms of financing the foreign trade still continues. On the third quarter of 2016, approximately 9 billion USD worth of foreign trade volume is attained and 81% of this volume belongs to the Corporate Segment Customers.
- On the first three quarters of 2016, 9,09 billion TL worth of subsidy has been mediated by the Bank for 4.795.046 producers across Turkey.
- As of third quarter, The Bank’s market share of credit card number is 6,24%, 3,6 million and market share of monthly turnover is 3,28%.
- The Bank sustained its leadership on its sector by the actualization on the amount of bank cards by 25,1 million with a revenue market share of 19,21%.
- In total of 37.593.011 transactions have been made from the headquarters and the centralization ratio increased by 99%.
- Within the scope of channel optimization operations, in order to reduce operational costs an operational branch segmentation project was carried out.
- Throughout the year 2016, 24.545 personnel has been trained and on average 10,93 hours of education has been realized per personnel.

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EXPLANATIONS ON INTERIM REPORT (Continued)

VIII. Expectations Regarding After III. Interim Period of 2016

Third quarter of 2016 saw an increased risk appetite with expectations for additional measures to be taken by central banks of developed countries, when necessary, to support markets after the United Kingdom's withdrawal from the European Union (Brexit). Positive implications of recovery in oil prices on petroleum exporting developing countries in particular have shaped global risk environment.

In the beginning of Q3, expectations that the US Federal Reserve System (Fed) may delay a new interest rate hike became the main factor driving the markets and with year-end coming closer, it is estimated that interest rate hike may be a topic of agenda in the meeting in December.

Completing a quarter where risks emerged for the banking industry, the Eurozone economy saw developments particularly in Italian banks and Deutsche Bank in its agenda. Following the Brexit decision in June, the Bank of England (BoE) took action by declining its policy interest to a record low of 0.25% in August since 2009.

In Q3, the Bank of Japan (BOJ) implemented a radical monetary policy revamp by targeting long-term interest rates and announced to buy long-term government bond by keeping 10-year bond interest rates at zero.

Due to seasonality and positive outlook in both housing and employment markets, the US economy showed positive signs in Q3. In an environment where near-term risks appear balanced, December rate hike by the Fed seems likely while some Fed officials announced several times that an interest rate hike is possible in this year by getting closer to achieve the targets. While the Fed left interest rates unchanged in September meeting, it lowered the number of rate hikes and growth outlook for the following year. Downward revisions indicated that the Fed may follow an incremental and non-aggressive path for the upcoming period, resulting in a positive effect on risk appetite in the market. While the Fed members estimated two rate hikes in 2017, they anticipated four hikes for 2016 in their 2015 year-end estimations. For the upcoming period, it is expected that the Fed will follow a gradual and slow normalization of its monetary policy. Another agenda item for the US was the presidential election. Before the elections on November 8, election polls were of particular concern for markets.

The Eurozone suffered a slowdown in growth in Q2 with the lowest growth rate since June 2014 as a result of developments prior to Brexit. While there was no significant improvement in inflation, rising commodity prices, particularly oil, caused inflation to recover from the negative zone. Improvement observed in employment market in Q1 was steady with unemployment rates remaining unchanged at 10.1% since April. Issues in European banking sector left their mark in Q3. Developments regarding Italian banks and Deutsche Bank in particular caused fluctuations in global markets. While Italian banks became a hot topic with NPLs, the penalty imposed by the US Department of Justice on Deutsche Bank for mis-selling mortgage-backed securities caused significant sales of its shares.

The European Central Bank (ECB) announced that it will continue to purchase assets worth €80 billion a month since March by keeping interest rates at record low on September. The ECB's revision after Brexit remained very limited despite the uncertainty. While ECB's gradual termination of asset purchase program enjoyed ongoing media coverage recently, the ECB President Mario Draghi stated that extension of asset purchase program was not discussed at the Bank's meeting in October, pointing all eyes to the ECB meeting that will take place on December 8.

Although it was confirmed with improvement in confidence indices that the implication of Brexit on Eurozone economy was normalized in short term, downward risks over medium- and long-term growth were not disregarded. Withdrawal process, which is expected to start by March 2017 and last about two years, is anticipated to increase fragility in economies. As a matter of fact, the IMF announced that the UK's possible withdrawal from the European Union posed a significant downward risk and revised down its growth expectations. The organization estimated a global growth rate of 3.4% in 2017 and 3.1% in 2016. After Brexit decision, the BoE declined policy interest by 25 basis points and extended its asset purchase program with a boost of £60 billion in August. The Bank believes that there is considerable uncertainty around investments and consumption expenditures and Sterling's loss of value will increase exports and reduce imports.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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TURKISH, SEE NOTE I. OF SECTION THREE
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

EXPLANATIONS ON INTERIM REPORT (Continued)

VIII. Expectations Regarding After III. Interim Period of 2016 (Continued)

In the developing countries, Q3 saw increased capital inflow, hitting the highest level since Q3 2014, based on expectations of a possible delay to rate hike by the Fed and incentives from BOJ, BoE and ECB. While the concerns for slowdown of Chinese economy were not as prominent as the past, modest course of China's economic data reduces market sensitivity to data. In this quarter, as one of the determinants for risk appetite in developing countries, oil prices recovered significantly after the meeting held by OPEC and non-OPEC countries at the end of September, reaching an agreement to limit the production for the first time since 2008. Rising oil prices had positive implications on assets of developing countries, particularly petroleum exporting countries.

Turkish economy completed a quarter that saw fluctuations due to developments in Turkey and abroad. While the economy maintained its moderate growth despite downward risks, inflation improved relatively. The Central Bank continued interest reductions through simplification steps and narrowed its interest corridor to a record level in its history. Maintaining financial discipline in the relevant period improved flexibility of the economy. Supporting growth in the Medium Term Program (MTP) had positive implications on markets.

Turkey recorded a growth by 3.1% in Q2 and maintained its moderate position in this environment where global growth expectations have been revised down continuously. Public and private consumption expenditures provided the highest contribution to the growth with 5.2 points. Due to slowdown in global economic activities, exports' net contribution to growth was -2.1 points. Due to temporary shrinkage in tourism in Q3, a growth slowdown is expected and it is estimated that growth will recover in Q4, closing the year with a growth above 3%. Restoration of relations with Russia is a factor driving foreign demand gradually. It is expected that regulations on consumer loans and credit cards introduced by authorities, campaigns in housing industry and improvement of mortgage interest rates will contribute to growth significantly in the upcoming period. It is estimated that structural reforms may improve growth potential in the medium term and have positive implications for risks against the Turkish economy.

Although current account balance recovery slowed down, it maintains its positive outlook through positive implication of increased demand from the EU states for exports and moderate course of consumer loans. With expected short-term effect of developments in tourism sector on current account balance, it is estimated that its positive impact on current account balance to date will reduce gradually along with a rise in commodity prices.

While inflation started to decline in Q3 with the recovery of unprocessed food prices in general, tax adjustments on fuel and tobacco products limited recovery of inflation. Slowdown in total demand resulted in gradual decline of core inflation and measures taken by the Food Committee account for the slowdown in food prices. Inflation was consistent with the forecast of the Central Bank throughout 2016 and the Bank's inflation forecast for 2016 year-end, i.e. 7.5%, remained unchanged in this year. In the MTP announced in early October, inflation for 2016 year-end was forecasted as 7.5% in line with the forecast of the CBRT.

The Central Bank continues to assume simplification steps, which were initiated in March, in third quarter thanks to favorable global conditions and macroeconomic indicators remaining positive. Declining inflation gives the Central Bank room for maneuver with interest corridor narrowed to a record level as a result of decreasing need for a wider interest corridor. The Central Bank is expected to continue interest reductions and support the growth through this channel, depending on the course of inflation in the upcoming period. Funding with a single interest rate is foreseen in the upcoming period, along with a narrow and symmetric corridor at the end of the simplification process. Furthermore, the Central Bank supports the monetary policy in line with the liquidity policy by revising required reserves and reserve option coefficients.

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