

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

# **Türkiye Cumhuriyeti Ziraat Bankası**

## **Anonim Şirketi**

**Consolidated Financial Statements**  
**As of and For the Six Month Period Ended 30 June 2019**  
**With Independent Auditors' Review Report Thereon**  
*(Convenience Translation of consolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

8 August 2019

*This report contains "Independent Auditors' Review Report"  
comprising 2 pages and; "Consolidated Financial Statements and  
Related Disclosures and Footnotes" comprising 99 pages.*

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

## **REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION**

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

### *Introduction*

We have reviewed the consolidated balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ("the Bank") as at 30 June 2019 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the six month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Bank management is responsible for the preparation and fair presentation of these consolidated interim financial information in accordance with the Banking Regulation and Supervision Agency Accounting and Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Agency ("BRSA") and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 "Interim Financial Reporting" for the matters not regulated by the aforementioned regulations (together referred as "BRSA Accounting and Financial Reporting Legislation"). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

### *Scope of review*

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

#### *Basis for the Qualified Conclusion*

As mentioned in Section Five II. Note 9.3 of Explanations and Notes to the consolidated Financial Statements, the accompanying consolidated interim financial information as of 30 June 2019 includes general provision of total TL 982.000 thousands, which is not in line with the requirements of BRSA Accounting and Reporting Legislation and had been fully recognized as expense in prior periods. Mentioned general provision is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

#### *Qualified Conclusion*

Based on our review, except for the effect of the matter described in the basis for the qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information do not presented fairly in all material respects, the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and its consolidated financial affiliates at 30 June 2019, and its consolidated financial performance and its cash flows for the six-month period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

#### *Report on other regulatory requirements arising from legislation*

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

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

Erdal Tıkmak, SMMM  
Partner

8 August 2019  
İstanbul, Turkey

#### **Additional paragraph for convenience translation to English:**

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

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

**THE CONSOLIDATED FINANCIAL REVIEW REPORT OF  
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 30 JUNE 2019**

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

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

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

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

**DOMESTIC SUBSIDIARIES**

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

**FOREIGN SUBSIDIARIES**

Ziraat Bank International AG.  
Ziraat Bank BH d.d.  
Ziraat Bank (Moscow) JSC  
Kazakhstan Ziraat International Bank  
Ziraat Bank Azerbaycan ASC  
Ziraat Bank Montenegro AD  
JSC Ziraat Bank Georgia  
Ziraat Bank Uzbekistan JSC

**ASSOCIATES**

Arap Türk Bankası A.Ş.

**JOINT VENTURES**

Turkmen Turkish Joint Stock Commercial Bank

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

Dr. Ahmet GENÇ  
Chairman of the Board

Hüseyin AYDIN  
Member of the Board,  
CEO

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

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

Bilgehan KURU  
Executive Vice President of  
Treasury and International Banking

Neslihan ARAS  
Senior Vice President of Financial  
Management

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019

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

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

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

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

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

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION ABOUT THE PARENT BANK (Continued)**

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

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

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

**V. SUMMARY INFORMATION ON THE PARENT BANK'S ACTIVITIES AND SERVICES**

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

As of 30 June 2019, Parent Bank carries its activities with a grand total of 1.764 branches; 1.741 domestic branches including 19 corporate branches, 72 entrepreneurial branches, 1.645 branches and 5 mobile branches (31 December 2018: 1.750 domestic branches including 20 corporate branches, 87 entrepreneurial branches, 1.638 branches and 5 mobile branches) and 23 branches abroad London branch in England, Baghdad and Arbil branches in Iraq, Athens, Komotini, and Xanthi branches in Greece, Sofia, Plovdiv, Kardzhali and Varna branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina, Prizren and Peja branches in Kosovo, Bahrain branch in Bahrain, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Taşkinköy, Karaoğlanoğlu and İskele branches in Turkish Republic of Northern Cyprus. The Bank also has 1 representative office in Tehran, Iran.

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

As of 30 June 2019, the Group has 27.004 employees (31 December 2018: 27.276).

**VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE ENTITIES SUBJECT TO FULL CONSOLIDATION OR PROPORTIONAL CONSOLIDATION AND ENTITIES WHICH ARE DEDUCTED FROM EQUITY OR ENTITIES WHICH ARE NOT INCLUDED IN THESE THREE METHODS**

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

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

All other subsidiaries are fully consolidated.

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

None.

## **SECTION TWO**

### **Consolidated Financial Statements**

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



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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 JUNE 2019

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

I- BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	Current Period 30 June 2019			Prior Period 31 December 2018		
		TL	FC	Total	TL	FC	Total
<b>ASSETS</b>							
<b>I- FINANCIAL ASSETS (NET)</b>		<b>73.979.786</b>	<b>93.013.804</b>	<b>166.993.590</b>	<b>66.510.082</b>	<b>74.379.646</b>	<b>140.889.728</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>8.218.793</b>	<b>55.655.840</b>	<b>63.874.633</b>	<b>7.814.343</b>	<b>44.400.782</b>	<b>52.215.125</b>
1.1.1. Cash and Balances with Central Bank	(1)	6.166.415	50.570.365	56.736.780	5.159.473	37.723.020	42.882.493
1.1.2 Banks	(4)	1.914.652	5.092.365	7.007.017	2.594.530	6.502.590	9.097.120
1.1.3 Receivables from Money Markets		140.749	-	140.749	61.405	188.682	250.087
1.1.4 Allowance for Expected Credit Losses (-)		3.023	6.890	9.913	1.065	13.510	14.575
<b>1.2 Financial Assets Measured at Fair Value Through Profit or Loss</b>	(2)	<b>581.626</b>	<b>6.886.049</b>	<b>7.467.675</b>	<b>536.584</b>	<b>6.246.194</b>	<b>6.782.778</b>
1.2.1 Government Securities		501.686	6.420.146	6.921.832	505.480	5.895.402	6.400.882
1.2.2 Equity Securities		15	-	15	8	-	8
1.2.3 Other Financial Assets		79.925	465.903	545.828	31.096	350.792	381.888
<b>1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income</b>	(5),(6)	<b>64.071.523</b>	<b>29.083.784</b>	<b>93.155.307</b>	<b>56.610.615</b>	<b>23.222.432</b>	<b>79.833.047</b>
1.3.1 Government Securities		62.095.602	28.179.408	90.275.010	55.241.367	22.647.572	77.888.939
1.3.2 Equity Securities		131.345	361.768	493.113	125.580	252.138	377.718
1.3.3 Other Financial Assets		1.844.576	542.608	2.387.184	1.243.668	322.722	1.566.390
<b>1.4 Derivative Financial Assets</b>	(3)	<b>1.107.844</b>	<b>1.388.131</b>	<b>2.495.975</b>	<b>1.548.540</b>	<b>510.238</b>	<b>2.058.778</b>
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit or Loss		1.107.844	1.388.131	2.495.975	1.548.540	510.238	2.058.778
1.4.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)</b>		<b>299.945.863</b>	<b>160.681.209</b>	<b>460.627.072</b>	<b>268.866.687</b>	<b>140.472.202</b>	<b>409.338.889</b>
2.1 Loans	(7)	302.881.124	145.796.093	448.677.217	270.654.402	133.874.529	404.528.931
2.2 Receivables from Leasing Transactions	(12)	1.447.728	2.231.464	3.679.192	1.449.276	2.529.404	3.978.680
2.3 Factoring Receivables		-	-	-	-	2.147	2.147
2.4 Other Financial Assets Measured at Amortized Cost	(8)	5.584.242	13.197.875	18.782.117	5.404.610	4.877.935	10.282.545
2.4.1 Government Securities		5.425.702	13.183.468	18.609.170	5.207.791	4.876.659	10.084.450
2.4.2 Other Financial Assets		158.540	14.407	172.947	196.819	1.276	198.095
2.5 Allowance for Expected Credit Losses (-)		9.967.231	544.223	10.511.454	8.641.601	811.813	9.453.414
<b>III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS (Net)</b>	(15)	<b>2.243.293</b>	<b>-</b>	<b>2.243.293</b>	<b>1.230.611</b>	<b>68</b>	<b>1.230.679</b>
3.1 Held for Sale		2.243.293	-	2.243.293	1.230.611	68	1.230.679
3.2. Held from Discontinued Operations		-	-	-	-	-	-
<b>IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>167.609</b>	<b>101.464</b>	<b>269.073</b>	<b>147.786</b>	<b>89.787</b>	<b>237.573</b>
<b>4.1 Investments in Associates (Net)</b>	(9)	<b>159.634</b>	<b>2.538</b>	<b>162.172</b>	<b>139.811</b>	<b>2.337</b>	<b>142.148</b>
4.1.1. Associates Accounted by Using Equity Method		150.691	-	150.691	133.745	-	133.745
4.1.2 Unconsolidated Associates		8.943	2.538	11.481	6.066	2.337	8.403
<b>4.2 Subsidiaries (Net)</b>	(10)	<b>7.975</b>	<b>-</b>	<b>7.975</b>	<b>7.975</b>	<b>-</b>	<b>7.975</b>
4.2.1 Unconsolidated Financial Subsidiaries		1.738	-	1.738	1.738	-	1.738
4.2.2 Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237	6.237	-	6.237
<b>4.3 Joint Ventures (Net)</b>	(11)	<b>-</b>	<b>98.926</b>	<b>98.926</b>	<b>-</b>	<b>87.450</b>	<b>87.450</b>
4.3.1. Jointly Controlled Partnerships Accounted by Using Equity Method		-	98.926	98.926	-	87.450	87.450
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>	(16)	<b>7.456.760</b>	<b>272.494</b>	<b>7.729.254</b>	<b>6.600.795</b>	<b>202.960</b>	<b>6.803.755</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>		<b>801.312</b>	<b>46.455</b>	<b>847.767</b>	<b>683.280</b>	<b>48.426</b>	<b>731.706</b>
6.1 Goodwill		30.723	-	30.723	-	-	-
6.2 Other		770.589	46.455	817.044	683.280	48.426	731.706
<b>VII. INVESTMENT PROPERTY (Net)</b>	(14)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>11.450</b>	<b>6.073</b>	<b>17.523</b>	<b>53.287</b>	<b>7.336</b>	<b>60.623</b>
<b>IX. DEFERRED TAX ASSET</b>		<b>1.813.296</b>	<b>195</b>	<b>1.813.491</b>	<b>1.639.462</b>	<b>96</b>	<b>1.639.558</b>
<b>X. OTHER ASSETS (Net)</b>	(20)	<b>3.380.175</b>	<b>2.131.235</b>	<b>5.511.410</b>	<b>4.234.374</b>	<b>3.220.111</b>	<b>7.454.485</b>
<b>TOTAL ASSETS</b>		<b>389.799.544</b>	<b>256.252.929</b>	<b>646.052.473</b>	<b>349.966.364</b>	<b>218.420.632</b>	<b>568.386.996</b>

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**

**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 JUNE 2019**

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

I- BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	Current Period 30 June 2019			Prior Period 31 December 2018		
		TL	FC	Total	TL	FC	Total
<b>LIABILITIES</b>							
<b>I. DEPOSITS</b>	(1)	204.153.725	214.755.931	418.909.656	184.601.759	169.773.489	354.375.248
<b>II. FUNDS BORROWED</b>	(3)	747.949	37.117.861	37.865.810	1.196.347	33.652.422	34.848.769
<b>III. MONEY MARKET FUNDS</b>	(4)	45.420.983	19.786.504	65.207.487	56.213.158	12.390.480	68.603.638
<b>IV. SECURITIES ISSUED (Net)</b>	(5)	4.137.485	13.860.434	17.997.919	4.326.776	12.617.088	16.943.864
4.1 Bills		1.220.151	201.776	1.421.927	1.761.094	106.896	1.867.990
4.2 Asset Backed Securities		1.906.644	-	1.906.644	1.375.097	-	1.375.097
4.3 Bonds		1.010.690	13.658.658	14.669.348	1.190.585	12.510.192	13.700.777
<b>V. FUNDS</b>		6.095.166	-	6.095.166	6.073.748	-	6.073.748
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		6.095.166	-	6.095.166	6.073.748	-	6.073.748
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	(2)	1.402.883	992.260	2.395.143	1.156.322	511.847	1.668.169
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		1.402.883	992.260	2.395.143	1.156.322	511.847	1.668.169
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VIII. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IX. LEASE PAYABLES (Net)</b>	(7)	620.691	124.788	745.479	-	-	-
<b>X. PROVISIONS</b>	(9)	5.141.635	148.684	5.290.319	4.637.486	113.586	4.751.072
10.1 General Loan Loss Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1.394.689	4.839	1.399.528	1.342.697	4.324	1.347.021
10.3 Insurance Technical Provisions (Net)		2.155.269	-	2.155.269	1.739.355	-	1.739.355
10.4 Other Provisions		1.591.677	143.845	1.735.522	1.555.434	109.262	1.664.696
<b>XI. CURRENT TAX LIABILITY</b>	(10)	1.103.709	4.872	1.108.581	1.607.656	19.295	1.626.951
<b>XII. DEFERRED TAX LIABILITY</b>	(10)	-	5.539	5.539	-	8.669	8.669
<b>XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)</b>	(11)	-	-	-	-	-	-
13.1 Held for Sale		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT</b>	(12)	-	9.712.942	9.712.942	-	-	-
14. Loans		-	517.326	517.326	-	-	-
14.2 Other Debt Instruments		-	9.195.616	9.195.616	-	-	-
<b>XV. OTHER LIABILITIES</b>	(6)	6.917.874	10.615.178	17.533.052	8.547.463	10.810.430	19.357.893
<b>XVI. SHAREHOLDERS' EQUITY</b>	(13)	65.580.642	(2.395.262)	63.185.380	62.844.885	(2.715.910)	60.128.975
16.1 Paid-in capital		6.100.000	-	6.100.000	6.100.000	-	6.100.000
16.2 Capital Reserves		(541)	-	(541)	(483)	-	(483)
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		(541)	-	(541)	(483)	-	(483)
16.3 Other Accumulated Comprehensive Income that Will not be Reclassified in Profit or Loss		4.120.984	299.306	4.420.290	4.110.411	67.143	4.177.554
16.4 Other Accumulated Comprehensive Income that Will be Reclassified in Profit or Loss		(1.041.734)	(2.694.568)	(3.736.302)	(780.255)	(2.783.053)	(3.563.308)
16.5 Profit Reserves		52.110.376	-	52.110.376	37.320.380	-	37.320.380
16.5.1 Legal Reserves		4.750.183	-	4.750.183	4.026.361	-	4.026.361
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		47.360.193	-	47.360.193	31.732.384	-	31.732.384
16.5.4 Other Profit Reserves		-	-	-	1.561.635	-	1.561.635
16.6 Profit or (Loss)		4.288.992	-	4.288.992	16.092.374	-	16.092.374
16.6.1 Prior Periods' Profit or (Loss)		1.444.518	-	1.444.518	6.748.737	-	6.748.737
16.6.2 Current Period Profit or (Loss)		2.844.474	-	2.844.474	9.343.637	-	9.343.637
16.7 Minority Shares		2.565	-	2.565	2.458	-	2.458
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>341.322.742</b>	<b>304.729.731</b>	<b>646.052.473</b>	<b>331.205.600</b>	<b>237.181.396</b>	<b>568.386.996</b>

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



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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019**

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

<b>IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five IV)</b>	<b>Current Period 1 January-30 June 2019</b>	<b>Prior Period 1 January-30 June 2018</b>	<b>Current Period 1 April-30 June 2019</b>	<b>Prior Period 1 April-30 June 2018</b>
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>34.905.629</b>	<b>22.635.671</b>	<b>18.260.583</b>	<b>12.006.951</b>
1.1 Interest on Loans		27.231.639	18.582.305	14.257.145	9.881.970
1.2 Interest Received from Reserve Deposits		314.775	270.542	156.961	148.847
1.3 Interest Received from Banks		394.989	189.879	184.689	105.857
1.4 Interest Received from Money Market Transactions		8.207	27.297	7.634	14.559
1.5 Interest Received from Marketable Securities Portfolio		6.654.597	3.385.177	3.512.568	1.761.201
1.5.1 Financial Assets at Fair Value Through Profit or Loss		9.740	1.969	6.559	1.046
1.5.2 Financial Assets at Fair Value through Other Comprehensive Income		5.923.785	3.106.834	3.119.772	1.627.603
1.5.3 Financial Assets Measured at Amortized Cost		721.072	276.374	386.237	132.552
1.6 Financial Lease Interest Income		182.731	119.772	95.541	66.809
1.7 Other Interest Income		118.691	60.699	46.045	27.708
<b>II. INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>22.557.804</b>	<b>12.068.598</b>	<b>11.472.546</b>	<b>6.455.219</b>
2.1 Interest on Deposits		15.389.354	7.872.437	7.911.154	4.207.090
2.2 Interest on Funds Borrowed		877.581	595.003	381.110	313.605
2.3 Interest on Money Market Transactions		5.234.392	2.932.166	2.528.438	1.554.343
2.4 Interest on Securities Issued		849.199	559.606	562.107	323.569
2.5 Financial Lease Interest Expenses		54.884	9	30.146	5
2.6 Other Interest Expenses		152.394	109.377	59.591	56.607
<b>III. NET INTEREST INCOME (I - II)</b>		<b>12.347.825</b>	<b>10.567.073</b>	<b>6.788.037</b>	<b>5.551.732</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>1.624.477</b>	<b>1.288.865</b>	<b>802.796</b>	<b>671.918</b>
4.1 Fees and Commissions Received		2.797.263	1.736.434	1.398.968	1.037.684
4.1.1 Non-cash Loans		503.297	313.929	260.437	164.176
4.1.2 Other		2.293.966	1.422.505	1.138.531	873.508
4.2 Fees and Commissions Paid		1.172.786	447.569	596.172	365.766
4.2.1 Non-cash Loans		989	273	605	115
4.2.2 Other		1.171.797	447.296	595.567	365.651
<b>V. DIVIDEND INCOME</b>		<b>10.114</b>	<b>4.585</b>	<b>42</b>	<b>2.547</b>
<b>VI. TRADING INCOME /(LOSS) (Net)</b>	<b>(3)</b>	<b>(4.468.151)</b>	<b>(1.600.924)</b>	<b>(3.058.082)</b>	<b>(1.036.511)</b>
6.1 Profit/Losses from Capital Market Transactions		31.297	5.001	29.622	2.891
6.2 Profit/Losses from Derivative Financial Transactions		(4.660.854)	(1.182.471)	(3.001.420)	(735.623)
6.3 Foreign Exchange Profit/Losses		161.406	(423.454)	(86.284)	(303.779)
<b>VII. OTHER OPERATING INCOME</b>	<b>(4)</b>	<b>2.246.222</b>	<b>1.498.243</b>	<b>985.564</b>	<b>340.840</b>
<b>VIII. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)</b>		<b>11.760.487</b>	<b>11.757.842</b>	<b>5.518.357</b>	<b>5.530.526</b>
<b>IX. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)</b>	<b>(5)</b>	<b>2.326.843</b>	<b>1.392.829</b>	<b>1.106.118</b>	<b>314.700</b>
<b>X. OTHER PROVISION EXPENSES (-)</b>		<b>23.581</b>	<b>49.412</b>	<b>21.441</b>	<b>35.993</b>
<b>XI. PERSONNEL EXPENSE (-)</b>		<b>1.941.856</b>	<b>1.598.804</b>	<b>1.008.189</b>	<b>834.324</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>(6)</b>	<b>3.818.083</b>	<b>2.900.857</b>	<b>1.796.614</b>	<b>1.354.687</b>
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>3.650.124</b>	<b>5.815.940</b>	<b>1.585.995</b>	<b>2.990.822</b>
<b>XIV. SURPLUS WRITTEN AS GAIN AFTER MERGER</b>		-	-	-	-
<b>XV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		<b>19.982</b>	<b>11.511</b>	<b>6.802</b>	<b>4.723</b>
<b>XVI. INCOME/(LOSS) ON NET MONETARY POSITION</b>		-	-	-	-
<b>XVI PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS I. (XII+...+XV)</b>	<b>(7)</b>	<b>3.670.106</b>	<b>5.827.451</b>	<b>1.592.797</b>	<b>2.995.545</b>
<b>XVII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(8)</b>	<b>(825.363)</b>	<b>(1.271.214)</b>	<b>(374.247)</b>	<b>(650.584)</b>
18.1 Current Tax Provision		(940.960)	(1.215.696)	(318.919)	(419.721)
18.2 Expense Effect of Deferred Tax (+)		(2.355.744)	(851.003)	(1.050.914)	(521.630)
18.3 Income Effect of Deferred Tax (-)		2.471.341	795.485	995.586	290.767
<b>XIX. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)</b>	<b>(9)</b>	<b>2.844.743</b>	<b>4.556.237</b>	<b>1.218.550</b>	<b>2.344.961</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
20.1 Income from Assets Held for Sale		-	-	-	-
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-	-
20.3 Income from Other Discontinued Operations		-	-	-	-
<b>XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
21.1 Expenses on Assets Held for Sale		-	-	-	-
21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-	-
21.3 Other Expenses from Discontinued Operations		-	-	-	-
<b>XXI PROFIT/LOSS BEFORE TAX FROM DISCONTINUED I. OPERATIONS (XIX-XX)</b>		-	-	-	-
<b>XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-	-	-
23.1 Current Tax Provision		-	-	-	-
23.2 Expense Effect of Deferred Tax (+)		-	-	-	-
23.3 Income Effect of Deferred Tax (-)		-	-	-	-
<b>XXI NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS V. (XXII±XXIII)</b>		-	-	-	-
<b>XXV.NET PROFIT/(LOSS) (XVIII+XXIII)</b>	<b>(10)</b>	<b>2.844.743</b>	<b>4.556.237</b>	<b>1.218.550</b>	<b>2.344.961</b>
25.1 Profit/(Loss) from the Group		2.844.474	4.555.994	1.218.413	2.344.835
25.2 Profit/(Loss) from Minority Interest		269	243	137	126
Earnings/(Loss) per share (in TL full)		0,466	0,814	0,200	0,419

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE  
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE  
SIX MONTH ENDED 30 JUNE 2019**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

<b>V. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		<b>Current Period</b>	<b>Prior Period</b>
		<b>1 January-30 June 2019</b>	<b>1 January-30 June 2018</b>
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>2.844.743</b>	<b>4.556.237</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>(119.674)</b>	<b>(3.372.765)</b>
2.1	Other Comprehensive Income That Will Not be Reclassified to Profit or Loss	53.606	(94.424)
2.1.1	Property and Equipment Revaluation Increase/Decrease	(55.992)	(75.666)
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	-	(30.764)
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	127.499	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(17.901)	12.006
2.2	Other Comprehensive Income That Will be Reclassified to Profit or Loss	(173.280)	(3.278.341)
2.2.1	Foreign Currency Translation Differences	444.108	349.270
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(753.284)	(4.426.279)
2.2.3	Cash Flow Hedge Income/Loss	-	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	135.896	798.668
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>2.725.069</b>	<b>1.183.472</b>

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE  
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018

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

VI. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Paid-in Capital	Share Premium	Share certificate Cancel profits	Other capital reserves	Other Accumulated Comprehensive Income That Will Not Be Reclassified to Profit or Loss			Other Accumulated Comprehensive Income That Will Be Reclassified to Profit or Loss			Profit Reserves	Prior period net profit/(loss)	Current period net profit/(loss)	Total Equity Except from Minority Shares	Minority Shares	Total Equity	
					1	2	3	4	5	6							
					<b>Current Period</b>												
<b>30 June 2019</b>																	
<b>I. Balance at the beginning of the period</b>	6.100.000	-	-	(483)	3.966.201	(32.536)	243.889	2.643.725	(6.207.033)	-	37.320.380	16.092.374	-	60.126.517	2.458	60.128.975	
<b>II. Adjustment in accordance with TAS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>III. New balance (I+II)</b>	6.100.000	-	-	(483)	3.966.201	(32.536)	243.889	2.643.725	(6.207.033)	-	37.320.380	16.092.374	-	60.126.517	2.458	60.128.975	
<b>IV. Total comprehensive income (loss)</b>	-	-	-	-	(50.902)	-	104.507	444.108	(617.225)	-	-	-	2.844.474	2.724.962	107	2.725.069	
<b>V. Capital increase in cash</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VI. Capital increase through internal reserves</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Issued capital inflation adjustment difference</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VII. Convertible bonds</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>IX. Subordinated debt</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>X. Increase (decrease) through other changes, equity</b>	-	-	-	(58)	188.956	191	(16)	-	123	-	143.700	(1.560)	-	331.336	-	331.336	
<b>XI. Profit distribution</b>	-	-	-	-	-	-	-	-	-	-	14.646.296	(14.646.296)	-	-	-	-	
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	14.574.793	(14.574.793)	-	-	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	71.503	(71.503)	-	-	-	-	
<b>Balance at the End of the Period (III+IV+.....+X+XI)</b>	6.100.000	-	-	(541)	4.104.255	(32.345)	348.380	3.087.833	(6.824.135)	-	52.110.376	1.444.518	2.844.474	63.182.815	2.565	63.185.380	

1. Tangible and Intangible Assets Revaluation Reserve

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

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

4. Exchange Differences on Translation

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

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

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE  
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Paid-in Capital	Share Premium	Share certificate Cancel profits	Other capital reserves	Other Accumulated Comprehensive Income That Will Not Be Reclassified to Profit or Loss			Other Accumulated Comprehensive Income That Will Be Reclassified to Profit or Loss			Profit Reserves	Prior period net profit/(loss)	Current period net profit/(loss)	Total Equity Except from Minority Shares	Minority Shares	Total Equity
					1	2	3	4	5	6						
					<b>Prior Period</b>											
<b>30 June 2018</b>																
<b>I. Balance at the beginning of the period</b>	5.600.000	-	-	(252)	4.064.351	(95.521)	-	2.120.621	(953.956)	17.388	29.660.259	8.068.601	-	48.481.491	1.665	48.483.156
<b>II. Adjustment in accordance with TAS 8</b>	-	-	-	-	-	-	-	-	2.402	-	-	5.401.136	-	5.403.538	-	5.403.538
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	2.402	-	-	5.401.136	-	5.403.538	-	5.403.538
<b>III. New balance (I+II)</b>	5.600.000	-	-	(252)	4.064.351	(95.521)	-	2.120.621	(951.554)	17.388	29.660.259	13.469.737	-	53.885.029	1.665	53.886.694
<b>IV. Total comprehensive income (loss)</b>	-	-	-	-	(68.787)	(25.637)	-	349.270	(3.627.898)	-	-	4.555.994	1.182.942	530	1.183.472	
<b>V. Capital increase in cash</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital increase through internal reserves</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Issued capital inflation adjustment difference</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Convertible bonds</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated debt</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase (decrease) through other changes, equity</b>	-	-	-	(168)	-	-	-	-	-	-	-	54.774	-	54.606	-	54.606
<b>XI. Profit distribution</b>	-	-	-	-	-	-	-	-	-	-	77.722	(77.722)	-	-	-	-
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	77.722	(77.722)	-	-	-	-
<b>Balance at the End of the Period (III+IV+.....+X+XI)</b>	5.600.000	-	-	(420)	3.995.564	(121.158)	-	2.469.891	(4.579.452)	17.388	29.737.981	13.446.789	4.555.994	55.122.577	2.195	55.124.772

1. Tangible and Intangible Assets Revaluation Reserve

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

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

4. Exchange Differences on Translation

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

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

<b>VII. CONSOLIDATED STATEMENT OF CASH FLOWS</b>			
	<b>Note (Section Five VI)</b>	<b>Current Period 1 January-30 June 2019</b>	<b>Prior Period 1 January-30 June 2018</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		(3.792.057)	1.977.436
1.1.1 Interest Received		31.889.878	20.347.166
1.1.2 Interest Paid		(20.926.065)	(11.088.568)
1.1.3 Dividend Received		2.814	4.585
1.1.4 Fees and Commissions Received		2.791.371	1.696.925
1.1.5 Other Income		2.144.568	998.709
1.1.6 Collections from Previously Written-off Loans and Other Receivables		1.409.788	546.726
1.1.7 Cash Payments to Personnel and Service Suppliers		(2.188.522)	(2.323.067)
1.1.8 Taxes Paid		(1.856.186)	(1.473.972)
1.1.9 Other		(17.059.703)	(6.731.068)
1.2 Changes in Operating Assets and Liabilities		11.394.891	16.693.240
1.2.1 Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		(654.212)	70.106
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		(12.568.236)	(781.091)
1.2.3 Net (increase) / decrease in loans		(37.128.945)	(47.292.897)
1.2.4 Net (increase) / decrease in other assets		1.278.181	(3.425.586)
1.2.5 Net increase / (decrease) in bank deposits		3.229.676	14.631.506
1.2.6 Net increase / (decrease) in other deposits		57.163.037	41.957.705
1.2.7 Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss		721.880	768.439
1.2.8 Net increase / (decrease) in funds borrowed		3.038.608	7.610.535
1.2.9 Net increase / (decrease) in payables		-	-
1.2.10 Net increase / (decrease) in other liabilities		(3.685.098)	3.154.523
<b>I. Net Cash Provided from Banking Operations</b>		<b>7.602.834</b>	<b>18.670.676</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>		<b>(17.177.748)</b>	<b>(8.168.675)</b>
2.1 Cash paid for acquisition of investments, associates and subsidiaries		-	-
2.2 Cash obtained from disposal of investments, associates and subsidiaries		-	-
2.3 Purchases of tangible assets		(732.860)	(35.928)
2.4 Disposals of tangible assets		216.232	197.628
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(22.257.522)	(13.793.634)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		10.712.126	5.320.544
2.7 Purchase of Financial Assets Measured at Amortized Cost		(9.999.774)	(79.930)
2.8 Sale of Financial Assets Measured at Amortized Cost		1.794.546	2.452.639
2.9 Other		3.089.504	(2.229.994)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>		<b>9.050.710</b>	<b>311.160</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued		15.728.420	9.345.349
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(6.553.170)	(9.029.237)
3.3 Issued Equity Instruments		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Lease Liabilities		(124.540)	(4.952)
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>1.188.228</b>	<b>1.272.872</b>
<b>V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>664.024</b>	<b>12.086.033</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>		<b>28.295.446</b>	<b>13.839.511</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>		<b>28.959.470</b>	<b>25.925.544</b>

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



### **SECTION THREE**

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

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

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

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

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

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

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

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

In accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in the Official Gazette No. 30673, dated 01 February 2019, prior period financial statements are alligned with latest financial statement format.

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

The Group has put TFRS 16 Leases standard into use starting from January 2019 for operational leasing transactions that the Group is a counterparty. For the transactions the Bank is lessee, the Bank used the model the standard projects except for the low value assets and short term leasings (1 year or less).

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the present accounting of finance leases which is balance sheet based, singular accounting model. Standard brought a single model for lease accounting to lessees. The bank as a lessee, has shown right of use assets representing right of use of underlying assets and lease payment which the Bank is liable, in its financial tables. For lessors, the accounting stays almost the same.

This standard is applied with modified retrospective approach recognizing the cumulative effect of initially applying the standard at the date of initial application. In this context, the Group did not restated comparative information.

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**I. BASIS OF PRESENTATION(Continued)**

**Changes in Accounting Policies (Continued)**

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

**TFRS 16 Leases Standard Transition Effect**

	<b>31 December 2018</b>	<b>TFRS 16 Reclassification Effect</b>	<b>TFRS 16 Transition Effect</b>	<b>1 January 2019</b>
Tangibles (Net)	6.252.971	16.313	620.838	6.890.122
Intangibles (Net)	488.666	-	92.651	581.317
Other Assets (Net)	7.508.585	(16.313)	-	7.492.272
Lease Payables (Net)	-	-	713.489	713.489

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

Main activity of the Parent Bank comprises of banking services, such as; launching all kinds of cash and non-cash loans in terms of Turkish Lira and foreign currencies, performing transactions in local, international money and capital markets, supporting agricultural sector financially and collecting deposits in Turkish Lira and foreign currencies. The Parent Bank’s main funding sources are Turkish Lira deposits, repurchase agreements, issued securities, shareholders’ equity and government funds transferred from the budget, ministerial offices and other public resources to the Bank by means of legislative and administrative decisions. The Parent Bank directs these funds to assets with high return and low risk. These assets include predominantly domestic government bonds and loans. The Parent Bank’s liquidity structure covers the financing of all liabilities at due date. Although most of the sources in the 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 higher return principle for its long-term placements.

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

Since the Parent Bank’s total debt to the market is low among its total liabilities, the Parent Bank can borrow easily from short-term markets, such as; Borsa Istanbul (“BIST”), Central Bank of the Republic of Turkey, Money Market or Interbank Money Market in case of need. In case of a liquidity crisis, the deposit base of the Parent Bank is not presumed to be significantly affected from liquidity risk since the 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 the Parent Bank’s prevailing counter currency buying rate. At period ends, foreign currency asset and liability balances are valued at the Parent Bank’s period end counter currency buying rates and converted to Turkish currency and the resulting exchange differences are recognized as a “foreign exchange profit or loss”.

Capital payments in US Dollar amounts transferred to the subsidiaries operating abroad and evaluation differences, are converted to Turkish Liras by effective exchange rate on valuation date and presented on the financial statements. For currency risk arising from foreign currency conversion of subsidiaries’ capital that is paid in Euro amounts, Euro deposits are used for hedging purposes.

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

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**III. INFORMATION ON CONSOLIDATED SUBSIDIARIES**

**1. Consolidation Principles Applied**

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

**1.1. Consolidation Principles for Subsidiaries**

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

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

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**III. INFORMATION ON CONSOLIDATED SUBSIDIARIES**

**1. Consolidation Principles Applied (Continued)**

**1.1. Consolidation Principles for Subsidiaries (Continued)**

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

Title	Address (City/Country)	Main Activities	30 June 2019		31 December 2018	
			Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)	Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)
Ziraat Hayat ve Emeklilik A.Ş.	İstanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Sigorta A.Ş.	İstanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Finansal Kiralama A.Ş.	İstanbul/Turkey	Leasing	-	-	100,00	100,00
Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	Brokerage Houses	99,60	99,60	99,60	99,60
Ziraat Portföy Yönetimi A.Ş. <sup>(*)</sup>	İstanbul/Turkey	Portfolio Management	99,70	99,80	99,70	99,80
Ziraat Katılım Bankası A.Ş. <sup>(*)</sup>	İstanbul/Turkey	Banking	100,00	100,00	100,00	100,00
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	Real Estate	100,00	100,00	100,00	100,00
Ziraat Girişim Sermayesi Ortaklığı A.Ş.	İstanbul/Turkey	Venture Capital	100,00	100,00	100,00	100,00
Ziraat Bank International AG	Frankfurt/Germany	Banking	100,00	100,00	100,00	100,00
Ziraat Bank BH d.d.	Sarajevo/Bosnia and Herzegovina	Banking	100,00	100,00	100,00	100,00
Ziraat Bank (Moscow) JSC	Moscow/Russia	Banking	100,00	100,00	100,00	100,00
Kazakhstan Ziraat Int. Bank	Almaty/Kazakhstan	Banking	99,58	99,58	99,58	99,58
Ziraat Bank Azerbaycan ASC	Baku/Azerbaijan	Banking	100,00	100,00	100,00	100,00
Ziraat Bank Montenegro AD	Podgorica/Montenegro	Banking	100,00	100,00	100,00	100,00
JSC Ziraat Bank Georgia	Tbilisi/Georgia	Banking	100,00	100,00	100,00	100,00
Ziraat Bank Uzbekistan JSC	Tashkent/ Uzbekistan	Insurance	100,00	100,00	100,00	100,00

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

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

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

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

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

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

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

Title	Address (City/Country)	Main Activities	30 June 2019		31 December 2018	
			Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)	Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)
Turkmen Turkish Joint Stock Commercial Bank	Ashkhabad/Turkmenistan	Banking	50,00	50,00	50,00	50,00
Arap Türk Bankası A.Ş.	İstanbul/Turkey	Banking	15,43	15,43	15,43	15,43

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**III. INFORMATION ON CONSOLIDATED SUBSIDIARIES (Continued)**

**1. Consolidation Principles Applied (Continued)**

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

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

**1.4. Transactions with Minority Shareholders**

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

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

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

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

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

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

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

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

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

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

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

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

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

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE(Continued)**

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

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

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

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

Prepaid expense amounts are recognized as expense on an accrual basis during the service period. Commission income from consumer, corporate and entrepreneurial loans are transferred to income accounts according to periodicity principle using effective interest rate method on an accrual basis.

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

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

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

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

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)**

**Classification and Measurement within the Scope of TFRS 9**

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

-The business model used by the entity for the management of financial assets,

-Properties of contractual cash flows of a financial asset.

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

**Financial Assets at Fair Value Through Profit or Loss**

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

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

Government bonds and treasury bills included in held for trading and financial assets at fair value through other comprehensive income traded in BİST are carried at weighted average exchange prices of BİST as of the balance sheet date and those securities that are not traded in BİST are carried at prices of the Central Bank of the Republic of Turkey. Eurobonds are carried at prices in the over the counter markets. All gains and losses arising from these valuations are reflected in the profit or loss account.

**Financial Assets at Fair Value Through Other Comprehensive Income**

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

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. “Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity. When these securities are collected or disposed of, the accumulated fair value differences reflected in the equity are reflected to the income statement.

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)**

**Financial Assets at Fair Value Through Other Comprehensive Income**

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

**Financial Assets Measured at Amortized Cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

Fair value through other comprehensive income” and “measured at amortized cost” securities portfolio of the Group include Consumer Price Indexed (CPI) Bonds. CPI’s are valued and accounted according to the effective interest rate method which is calculated according to the real coupon rate and the reference inflation index on the issue date. As it is mentioned in the Undersecretariat of Treasury’s Investor Guide of CPI, the reference index used during the calculation of the actual coupon payment amount is the previous two months CPI’s. The Bank determines its expected inflation rates in compliance with this guide.

Estimated inflation rate used during the year can be updated if necessary.

**Loans**

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

Cash loans are accounted according to their original balances in the accounts specified in Uniform Chart of Accounts and Prospectus according to their type, maturity and collateral structures. FC loans are recognized with fixed price and revalued by the counter foreign exchange buying rate of the Bank. Foreign exchange indexed loans are used as TL by the valid counter foreign exchange buying rate of the Bank at usage date. Repayments of these loans are collected as calculated TL value by the valid counter foreign exchange selling rate of Bank at installment date.

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS**

**Explanations on Expected Loss Provisions**

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

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



**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT FINANCIAL ASSETS (Continued)**

**Impairment**

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

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

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

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

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

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

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

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

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

Financial assets are transferred to stage 2 if there is a significant increase in credit risk. The expected loss provision is calculated by calculating the 1-year maturity for loans under stage 1, and the expected loss provision for loans under stage 2 is calculated by taking into consideration the remaining maturity.

The main criteria taken into consideration in determining the credit risk of the financial asset to be significantly increased and transferred to the stage 2 are , the number of delinquency being 30 days and above, and the Bank's internal early warning system note.

***Credit-Impaired Losses (Stage 3 / Specific Provision)***

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

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

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

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT FINANCIAL ASSETS (Continued)**

**Impairment (Continued)**

***Credit-Impaired Losses (Stage 3 / Specific Provision) (Continued)***

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

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

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

In the calculation of the expected credit loss, the basic parameters which are expressed as probability of default, loss in default and default amount are used.

**Probability of Default**

Probability of default refers to the likelihood that a loan will default at a certain time.

In default probability models, sectoral information for the corporate portfolio and product information for the individual portfolio are taken as the basis

**Default Amount**

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

**Loss Given Default**

Loss given default refers to the ratio of the economic net loss resulting from the default of a loan to the default amount. In other words, it refers to the ratio of net loss due to a defaulted loan to the balance at the time of default.

**Future Expectations**

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

**The Methodology of Behavioral Maturity Calculation**

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

**IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS**

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

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

Funds given against securities purchased under agreements (“Reverse Repo”) to resell are accounted under “Receivables from 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, securities borrowed by the Group are monitored in Financial assets at fair value through profit/loss portfolio at market value as of the date of borrowing. There is no valuation for securities nevertheless commission/interest payables are valued.

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

The Group’s assets that were acquired due to receivables, are accounted in the financial statements in accordance with the regulations of “Turkish Financial Reporting Standard for Assets Held for Sale and Discontinued Operations (TFRS 5)”.

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

The properties obtained from the Group’s receivables are shown at the fixed assets held for sale line according to the execution of the forward sales agreement.

A discontinued operation is a part of an entity which is classified as to be disposed or held for sale. The results related to discontinuing operations are presented separately in the income statement. The Bank does not have any discontinued operations.

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

Goodwill; the difference between the purchase cost and the fair value of the identifiable assets, liabilities and contingent liabilities and it represents the payment made by the purchaser for the benefit of future benefit from identifiable and individually identifiable assets. Not included in the financial statements of the entity purchased in the business combination; however, assets, intangible assets and / or, contingent liabilities that are capable of being separated from the goodwill are recognized in the financial statements at their fair values. As of the balance sheet date, the Group has goodwill amounting to TL 30.723 thousand in the financial statements.

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

Other intangible assets are amortized by using the straight line method based on their useful lives. Useful lives of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected economic benefit from assets and technical, technological or any other type of obsolescence. Amortization method used in the current period is not subject to any change. Depreciation period is 5 years (20% annual depreciation rate) for establishment/formation expenses for other intangible assets with uncertain leasing period or leasing period over five years and depreciation rate is proportional with period for those with certain leasing period.

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

**XIII. EXPLANATIONS ON TANGIBLE ASSETS**

Tangible assets are measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. As of 31 January 2014 the Parent Bank has changed its accounting policies and has decided to pursue the real estates registered in its portfolio at fair values. In this context, for real estates registered in the Parent Bank’s inventory, appraisal study was carried by independent expertise companies, and from 31 December 2016 valuation results are reflected in the accounting records. As a result of the fair valuation of the real estates of the Group, TL 4.104.255 net is followed under shareholders’ equity as of 30 June 2019. As of 30 January 2014, the net book amount of real estates of the tangible assets before valuation was TL 816.950.

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

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIII. EXPLANATIONS ON TANGIBLE ASSETS(Continued)**

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

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

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

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

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

**XIV. EXPLANATIONS ON INVESTMENT PROPERTY**

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

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XV. EXPLANATIONS ON LEASING TRANSACTIONS**

**Operational Leases in Accordance with TFRS 16**

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

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

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

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

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

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

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

**Financial Leasing Transactions**

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

**XVI. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES**

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

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

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

**XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS**

**Employment Termination and Vacation Benefits**

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Discount Rate	16,30%	16,30%
Inflation	12,00%	12,00%

The Parent Bank uses independent actuaries in determining liability, and also makes assumptions about issues such as discount rate and inflation. As of 30 June 2019, retirement benefit obligation is TL 926.105 (31 December 2018: TL 836.363).

Communiqué on “Turkish Accounting Standard (TAS19) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. The Group classified actuarial loss amounting to TL 32.345 under shareholders’ equity in the financials.

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days.

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

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

Some of the Parent Bank and Ziraat Katılım Bankası A.Ş. personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees' Pension Fund (“Fund”) which was established by 20<sup>th</sup> provisional article of Social Security Law Act numbered 506. In accordance with 23rd provisional clause of the Parent 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 20<sup>th</sup> provisional article of law numbered 506, the deadline for transferring banks, insurance and reinsurance companies, chambers of commerce, chambers of industry, exchange markets and the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for two years.

Besides, the phrase of “two years” in Clause (2), Article 1 of the temporary 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.



**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

The technical balance sheet report as of 31 December 2018 which is prepared in accordance with the new law and the rate determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Parent Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

**XVIII. EXPLANATIONS ON TAXATION**

**Current Tax**

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

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

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

According to 5.1.e. article of Corporation Tax Law which is important tax exemption that is applied by banks, corporations’ 50% of revenues that occur from selling of their real estates, are in assets, that belong to the corporations at least two years (730 days), 75% of revenues that occur from selling their founding bonds that are belong to the corporations as long as time of participation stocks, redeemed shares and option to call are exempted from corporation tax. (It was changed with 89th article of code 7061 that entries into force in 5 December 2017).

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

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

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVIII. EXPLANATIONS ON TAXATION (Continued)**

**Current Tax (Continued)**

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warrantors’ real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors’ revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from corporation tax. (It was changed with 89th article of code 7061 that entries into force in 5 December 2017).

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

Tax rates used in tax calculation considering the related countries’ tax legislation as of 30 June 2019 are presented below:

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

**Deferred Tax**

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

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

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

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

Deferred tax asset and deferred tax liability are presented as net in these financial statements through offsetting them on individual financial statements of consolidated subsidiaries.

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

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIX. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES**

**Technical Reserves**

**Reserve for Unearned Premiums**

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

**Unexpired Risk Provision**

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

**Reserve for Outstanding Claims**

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

**Mathematical Provisions**

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

**XX. EXPLANATIONS ON BORROWINGS**

The Group accounts its debt instruments in accordance with TFRS 9 “Financial Instruments” In the following periods, all financial liabilities are carried at amortized cost by using effective interest rate 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 Group borrows from domestic and foreign real people and entities with debt instruments such as bill/bond issuance. These transactions are recognized at fair value including acquisition costs at the transaction date while accounted with effective interest rate method over their discounted costs in the following periods.

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

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXI. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES**

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

**XXII. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES**

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

**XXIII. EXPLANATIONS ON GOVERNMENT GRANTS**

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

**XXIV. CASH AND CASH EQUIVALENTS**

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

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

**XXV. EXPLANATIONS ON SEGMENT REPORTING**

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

**XXVI. EXPLANATIONS ON OTHER MATTERS**

None.

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**SECTION FOUR**

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

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

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

As of 30 June 2019 the Group’s total capital has been calculated as TL 76.852.852 (31 December 2018: TL 63.884.017), capital adequacy ratio is 15,41% (31 December 2018: 14,23%). This Group’s ratio is well above the minimum ratio required by the legislation.

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

	<b>Current Period 30.06.2019</b>	<b>Amount as per the regulation before 1/1/2014*</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	6.100.000	-
Share issue premiums	-	-
Reserves	52.110.376	-
Gains recognized in equity as per TAS	7.330.950	-
Profit	4.288.992	-
Current Period Profit	2.844.474	-
Prior Period Profit	1.444.518	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17.388	-
Minority Shares	378	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>69.848.084</b>	<b>-</b>
<b>Deductions from Common Equity Tier 1 Capital</b>		
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	6.664.891	-
Improvement costs for operating leasing	52.465	-
Goodwill (net of related tax liability)	30.723	30.723
Other intangibles other than mortgage-servicing rights (net of related tax liability)	817.044	817.044
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-

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**SECTION FOUR (Continued)**

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

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

**1. Information Related To The Components Of Shareholders' Equity (Continued)**

	Current Period 30 June 2019	Amount as per the regulation before 1/1/2014*
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>7.565.123</b>	-
<b>Total Common Equity Tier I Capital</b>	<b>62.282.961</b>	-
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	9.629.926	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Third parties’ share in the Additional Tier I capital	-	-
Third parties’ share in the Additional Tier I capital (Covered by Temporary Article 3)	-	-
<b>Additional Tier I Capital before Deductions</b>	<b>9.629.926</b>	-
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of 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 (-)	-	-
<b>Transition from the Core Capital to Continue to deduct Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	<b>9.629.926</b>	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>71.912.887</b>	-
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Third parties’ share in the secondary capital	-	-
Third parties’ share in the secondary capital (Covered by Temporary Article 3)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	5.080.397	-
<b>Tier II Capital Before Deductions</b>	<b>5.080.397</b>	-
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>5.080.397</b>	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>76.993.284</b>	-

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**SECTION FOUR (Continued)**

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

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

**1. Information Related To The Components Of Shareholders' Equity (Continued)**

	Current Period 30 June 2019	Amount as per the regulation before 1/1/2014*
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>	<b>76.993.284</b>	-
Loans Granted against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	140.432	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	76.852.852	-
Total Risk Weighted Assets	498.803.709	-
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated CET 1 Capital Ratio (%)	12,49	-
Consolidated Tier I Capital Ratio (%)	14,42	-
Consolidated Capital Adequacy Ratio (%)	15,41	-
<b>BUFFERS</b>		
Total additional core capital requirement ratio (a+b+c)	4,54	-
a) Capital conservation buffer requirement (%)	2,50	-
b) Bank specific countercyclical buffer requirement (%)	0,04	-
c) Higher bank buffer requirement ratio (%) (**)	2,00	-
Additional CET 1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	7,99	-
<b>Amounts Lower than Excesses as per Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	178.993	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	87.336	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1.813.491	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand)	5.080.397	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	5.080.397	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(\*) Amounts considered within transition provisions

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

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

**1. Information Related To The Components Of Shareholders' Equity (Continued)**

	Prior Period 31 December 2018	Amount as per the regulation before 1/1/2014*
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	6.100.000	-
Share issue premiums	-	-
Reserves	35.758.745	-
Gains recognized in equity as per TAS	8.398.062	-
Profit	16.092.374	-
Current Period Profit	9.343.637	-
Prior Period Profit	6.748.737	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17.388	-
Minority Shares	289	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>66.366.858</b>	<b>-</b>
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 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	6.240.052	-
Improvement costs for operating leasing	62.118	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	731.706	731.706
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>7.033.876</b>	<b>-</b>
<b>Total Common Equity Tier I Capital</b>	<b>59.332.982</b>	<b>-</b>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Third parties’ share in the Additional Tier I capital	-	-
Third parties’ share in the Additional Tier I capital (Covered by Temporary Article 3)	-	-
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	<b>-</b>



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

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

**1. Information Related To The Components Of Shareholders' Equity (Continued)**

	Prior Period 31 December 2018	Amount as per the regulation before 1/1/2014*
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of 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 (-)	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>59.332.982</b>	-
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Third parties' share in the secondary capital	-	-
Third parties' share in the secondary capital (Covered by Temporary Article 3)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	4.552.906	-
<b>Tier II Capital Before Deductions</b>	<b>4.552.906</b>	-
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>4.552.906</b>	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>63.885.888</b>	-
<b>Deductions from Total Capital</b>	<b>63.885.888</b>	-
Loans Granted against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	1.871	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier1 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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**SECTION FOUR (Continued)**

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

**I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY (Continued)**  
**1. Information Related To The Components Of Shareholders' Equity (Continued)**

	Prior Period 31 December 2018	Amount as per the regulation before 1/1/2014*
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	63.884.017	-
Total Risk Weighted Assets	448.874.719	-
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated CET 1 Capital Ratio (%)	13,22	-
Consolidated Tier I Capital Ratio (%)	13,22	-
Consolidated Capital Adequacy Ratio (%)	14,23	-
<b>BUFFERS</b>		
Total additional core capital requirement ratio (a+b+c)	3,41	-
a) Capital conservation buffer requirement (%)	1,88	-
b) Bank specific countercyclical buffer requirement (%)	0,032	-
c) Higher bank buffer requirement ratio (%)	1,5	-
Additional CET 1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,22	-
<b>Amounts Lower than Excesses as per Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	174.201	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	65.943	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1.639.558	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand)	4.552.906	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4.552.906	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(\*) Amounts considered within transition provisions

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**SECTION FOUR (Continued)**

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

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

**2. Items Included in Consolidated Capital Calculation**

<b>Information about instruments included in total capital calculation-Current Period</b>		
	<b>T.C. Ziraat Bankası A.Ş.</b>	<b>Ziraat Katılım Bankası A.Ş.</b>
Issuer	T.C Ziraat Bankası A.Ş.	Ziraat Katılım Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	XS1984644739	-
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital and Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity of the BRSA.	Regulation on Bank Capital published in the Official Gazette on 5 September 2013
<b>Regulatory treatment</b>		
Subject to 10% deduction as of 1/1/2015	None	None
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated	Eligible on unconsolidated and consolidated
Instrument type	Additional Capital Bond Issuance (Tier 1 Capital)	Additional Capital Credit (Tier 1 Capital)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	9.113	517
Nominal value of instrument (TL million)	9.113	517
Accounting classification of the instrument	347001-Subordinated Debts	347000- Subordinated Loans
Original date of issuance	24.04.2019	24.04.2019
Maturity structure of the instrument (perpetual/dated)	Perpetual	Perpetual
Issue date of the instrument	24.04.2019	24.04.2019
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Call option dates, conditioned call dates and call amount	Subject to the approval of the BRSA, a repayment option is available at the end of each 5-year period from the date of issue.	Option date is 5 years, (subject to BRSA permission)
Subsequent call dates, if applicable	24.04.2024	
<b>Interest/dividend payment</b>		
Fixed or floating coupon/dividend payments	Fixed	None
Coupon rate and any related index	First 5 years fixed 5.076%, next 5 years MS + 5.031% fixed	None
Existence of any dividend payment restriction	None	None
Fully discretionary, partially discretionary or mandatory	Fully discretionary	None
Existence of step up or other incentive to redeem	None	None
Noncumulative or cumulative	Noncumulative	None

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**SECTION FOUR (Continued)**

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

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

**2. Items Included in Consolidated Capital Calculation**

<i>Convertible into equity shares</i>		
If convertible, conversion trigger (s)	None	None
If convertible, fully or partially	None	None
If convertible, conversion rate	None	None
If convertible, mandatory or optional conversion	None	None
If convertible, type of instrument convertible into	None	None
If convertible, issuer of instrument to be converted into	None	None
<i>Write-down feature</i>		
If bonds can be written-down, write-down trigger(s)	Yes. Article 7 of the Regulation on Bank Capital	In case the Core Capital adequacy ratio or consolidated Core Capital adequacy ratio falls below 5,125 percent
If bond can be written-down, full or partial	Has full or partial write down feature	Has full or partial write down feature
If bond can be written-down, permanent or temporary	Has permanent or temporary write down feature	Has temporary write down feature.
If temporary write-down, description of write-up mechanism.	Has-write up mechanism	It is possible to write up after temporary write down.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors	i. After payments within the scope of Priority Liabilities, ii. Equal (pari passu) among themselves and with all other Co-Liabilities without order of preference, and iii. Prior to all payments under Low-Degree Liabilities
In compliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 7 of the Regulation on Bank Capital.	Instrument is in compliant with Article 7 of the Regulation on Bank Capital.
Details of incompliances with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 7 of the Regulation on Bank Capital.	Instrument is in compliant with Article 7 of the Regulation on Bank Capital.

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**SECTION FOUR (Continued)**

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance Sheet - Equity</b>	<b>63.185.380</b>	<b>60.128.975</b>
Operational Leasing Development Costs	(52.465)	(62.118)
Goodwill and Other Intangible Assets and Related Deferred Taxes Liabilities	(847.767)	(731.706)
TIER 2 Capital (Provisions)	5.080.397	4.552.906
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	9.629.926	-
Other deductions from common equity	(140.432)	(1.871)
Minority shares	(2.187)	(2.169)
Amount recognized in regulatory capital	<b>76.852.852</b>	<b>63.884.017</b>

**II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK**

**1. 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 under the authorization of the Board of Directors.

**2. Hedge Against Foreign Exchange Debt Instruments and Net Foreign Exchange Investments by Hedging Derivative Instruments, if Material**

None.

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

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

**4. Current Foreign Exchange Bid Rates of the Bank for the Last 5 Business Days Prior to the Financial Statement Date**

	<b>USD</b>	<b>EUR</b>	<b>AUD</b>	<b>DKK</b>	<b>SEK</b>	<b>CHF</b>	<b>CAD</b>	<b>NOK</b>	<b>GBP</b>	<b>SAR</b>	<b>100 JPY</b>
24.06.2019	5,7422	6,5404	3,9937	0,8762	0,6175	5,9089	4,3485	0,6765	7,3076	1,5311	5,3486
25.06.2019	5,7078	6,4950	3,9772	0,8702	0,6160	5,8674	4,3320	0,6700	7,2592	1,5220	5,3374
26.06.2019	5,7254	6,5081	3,9958	0,8719	0,6180	5,8632	4,3586	0,6741	7,2587	1,5267	5,3195
27.06.2019	5,7111	6,4935	3,9995	0,8702	0,6162	5,8413	4,3553	0,6710	7,2416	1,5230	5,3003
28.06.2019	5,7197	6,5090	4,0107	0,8724	0,6167	5,8652	4,3752	0,6702	7,2766	1,5253	5,3133
30.06.2019	5,7197	6,5090	4,0107	0,8724	0,6167	5,8652	4,3752	0,6702	7,2766	1,5253	5,3133

**5. Simple Arithmetic Average of the Bank’s Current Foreign Exchange Bid Rates for the Last 30 Days Prior to the Balance Sheet Date**

<b>USD</b>	<b>EUR</b>	<b>AUD</b>	<b>DKK</b>	<b>SEK</b>	<b>CHF</b>	<b>CAD</b>	<b>NOK</b>	<b>GBP</b>	<b>SAR</b>	<b>100 JPY</b>
5,7630	6,5009	4,0012	0,8709	0,6122	5,8260	4,3334	0,6674	7,3020	1,5368	5,3316

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**SECTION FOUR (Continued)**

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

**II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (Continued)**

**6. Information on the Foreign Currency Risk of the Group**

	EUR	USD	Other FC <sup>(1)</sup>	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	22.845.902	19.285.782	8.437.986	50.569.670
Banks	2.056.161	1.960.076	1.069.933	5.086.170
Financial Assets at Fair Value Through Profit and Loss	2.271.157	4.539.179	75.713	6.886.049
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	6.438.704	22.505.578	139.502	29.083.784
Loans <sup>(2)</sup>	61.607.202	83.608.898	3.474.020	148.690.120
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(4)</sup>	-	98.925	2.539	101.464
Financial Assets Measured at Amortised Cost	9.738.497	3.436.816	22.418	13.197.731
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	34.594	559	237.341	272.494
Intangible Assets	20.419	-	26.036	46.455
Other Assets <sup>(6)</sup>	1.176.715	744.068	174.828	2.095.611
<b>Total Assets<sup>(5)(7)</sup></b>	<b>106.189.351</b>	<b>136.179.881</b>	<b>13.660.316</b>	<b>256.029.548</b>
<b>Liabilities</b>				
Interbank Deposits	11.895.817	5.363.092	552.531	17.811.440
Foreign Currency Deposits	108.031.842	73.035.682	15.876.967	196.944.491
Money Market Borrowings	-	19.786.504	-	19.786.504
Funds Provided from Other Financial Institutions	12.806.042	24.311.185	634	37.117.861
Issued Marketable Securities	9.195.616	13.758.013	102.421	23.056.050
Miscellaneous payables	2.073.580	113.448	649.354	2.836.382
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities <sup>(8)</sup>	3.324.481	5.079.756	175.768	8.580.005
<b>Total Liabilities</b>	<b>147.327.378</b>	<b>141.447.680</b>	<b>17.357.675</b>	<b>306.132.733</b>
<b>Net Balance Sheet Position</b>	<b>(41.138.027)</b>	<b>(5.267.799)</b>	<b>(3.697.359)</b>	<b>(50.103.185)</b>
<b>Net Off-Balance Sheet Position<sup>(3)</sup></b>	<b>40.761.911</b>	<b>1.822.531</b>	<b>6.086.614</b>	<b>48.671.056</b>
Financial Derivative Assets	45.939.380	60.045.822	7.539.446	113.524.648
Financial Derivative Liabilities	5.177.469	58.223.291	1.452.832	64.853.592
<b>Non-Cash Loans</b>	<b>37.508.478</b>	<b>47.217.595</b>	<b>7.261.802</b>	<b>91.987.875</b>
<b>Prior Period</b>				
Total Assets	85.603.723	118.676.944	15.448.382	219.729.049
Total Liabilities	113.929.235	110.510.911	14.945.313	239.385.459
<b>Net Balance Sheet Position</b>	<b>(28.325.512)</b>	<b>8.166.033</b>	<b>503.069</b>	<b>(19.656.410)</b>
<b>Net Off-Balance Sheet Position<sup>(3)</sup></b>	<b>27.761.346</b>	<b>(11.215.345)</b>	<b>1.959.819</b>	<b>18.505.820</b>
Financial Derivative Assets	32.585.452	31.666.487	3.666.863	67.918.802
Financial Derivative Liabilities	4.824.106	42.881.832	1.707.044	49.412.982
<b>Non-Cash Loans</b>	<b>36.646.822</b>	<b>45.965.469</b>	<b>6.676.566</b>	<b>89.288.857</b>

<sup>(1)</sup> TL 429.445 equivalent of USD, TL 777.197 equivalent of EUR loans are originated as foreign currency indexed loans (31 December 2018: TL 768.374 equivalent of USD, TL 1.086.966 equivalent of EUR.)

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

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

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

<sup>(5)</sup> Prepaid expenses in other assets amounting to TL 41.892 are not included in the table.

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

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

<sup>(8)</sup> Includes subordinated loans.

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**SECTION FOUR (Continued)**

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

**III. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK**

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

(Based on days to repricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	34.518.167	-	-	-	-	22.217.170	56.735.337
Banks	1.718.571	549.827	392.298	-	-	4.337.863	6.998.559
Financial Assets at Fair Value Through Profit and Loss	71.819	5.728	13.848	383.962	107.402	6.884.916	7.467.675
Money Market Placements	140.737	-	-	-	-	-	140.737
Financial Assets at Fair Value Through Other Comprehensive Income	13.502.904	7.634.071	23.360.234	21.905.588	25.923.404	829.106	93.155.307
Loans Given <sup>(3)</sup>	150.741.138	30.281.338	82.230.879	119.468.288	56.536.883	2.589.030	441.847.556
Financial Assets Measured at Amortised Cost	2.525.710	84.295	1.737.003	10.754.123	3.656.804	21.581	18.779.516
Other Assets <sup>(2)</sup>	818.565	889.879	1.260.848	119.559	9.688	17.829.247	20.927.786
<b>Total Assets <sup>(1)(5)</sup></b>	<b>204.037.611</b>	<b>39.445.138</b>	<b>108.995.110</b>	<b>152.631.520</b>	<b>86.234.181</b>	<b>54.708.913</b>	<b>646.052.473</b>
<b>Liabilities</b>							
Interbank Deposits	21.655.068	6.895.363	673.983	14.686	-	2.652.223	31.891.323
Other Deposits	161.437.932	76.498.071	37.577.723	5.478.530	418.582	105.607.495	387.018.333
Money Market Borrowings	55.885.658	3.155.535	5.500.795	665.499	-	-	65.207.487
Sundry Creditors	32.324	-	-	-	-	6.706.486	6.738.810
Issued Marketable Securities <sup>(6)</sup>	5.820.680	1.936.637	185.820	19.250.398	-	-	27.193.535
Funds Provided from Other Financial Institutions	3.995.044	7.542.880	18.852.064	6.202.709	959.235	313.878	37.865.810
Other Liabilities <sup>(4)(7)</sup>	3.940.127	382.867	2.285.793	2.257.757	5.572.032	75.698.599	90.137.175
<b>Total Liabilities <sup>(1)</sup></b>	<b>252.766.833</b>	<b>96.411.353</b>	<b>65.076.178</b>	<b>33.869.579</b>	<b>6.949.849</b>	<b>190.978.681</b>	<b>646.052.473</b>
<b>Balance Sheet Long Position</b>	-	-	<b>43.918.932</b>	<b>118.761.941</b>	<b>79.284.332</b>	-	<b>241.965.205</b>
<b>Balance Sheet Short Position</b>	<b>(48.729.222)</b>	<b>(56.966.215)</b>	-	-	-	<b>(136.269.768)</b>	<b>(241.965.205)</b>
Off-Balance Sheet Long Position	654.948	1.840.559	128.177	-	-	-	2.623.684
Off-Balance Sheet Short Position	(130.601)	656.830	4.231	(653.677)	422.042	-	298.825
<b>Total Position</b>	<b>(48.204.875)</b>	<b>(54.468.826)</b>	<b>44.051.340</b>	<b>118.108.264</b>	<b>79.706.374</b>	<b>(136.269.768)</b>	<b>2.922.509</b>

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

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

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

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

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

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

<sup>(7)</sup> Includes subordinated loans.

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**SECTION FOUR (Continued)**

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

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

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

(Based on days to repricing dates)

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

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

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

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

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

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



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**SECTION FOUR (Continued)**

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

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

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

	EUR	USD	JPY	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	2,00	-	13,00
Banks	1,13	1,90	-	22,73
Financial Assets Measured at Fair Value Through Profit or Loss	2,30	5,21	-	14,83
Money Market Placements	-	-	-	22,50
Financial Assets Measured at Fair Value Through Other Comprehensive Income	4,67	5,87	-	13,99
Loans Given <sup>(2)</sup>	5,22	7,37	5,24	16,24
Financial Assets Measured at Amortised Cost	-	7,39	-	17,73
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0,58	2,71	-	22,70
Other Deposits <sup>(4)</sup>	1,01	1,96	-	14,32
Money Market Borrowings	-	3,59	-	23,99
Sundry Creditors	-	-	-	-
Issued Marketable Securities	5,08	4,76	1,50	19,69
Funds Provided from Other Financial Institutions	1,88	4,34	-	21,75

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

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

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

<sup>(4)</sup> Rates include also demand deposit data.

<sup>(5)</sup> Includes subordinated other debt instruments.

	EUR	USD	JPY	TL
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	2,00	-	13,00
Banks	0,71	4,33	-	23,35
Financial Assets Measured at Fair Value Through Profit or Loss	2,34	5,18	-	8,78
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	4,68	5,70	-	12,59
Loans Given <sup>(2)</sup>	4,95	7,28	4,85	15,54
Financial Assets Measured at Amortised Cost	6,63	7,32	-	17,06
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0,52	2,32	-	23,33
Other Deposits <sup>(4)</sup>	1,32	2,26	-	14,19
Money Market Borrowings	-	3,76	-	24,33
Sundry Creditors	-	-	-	-
Issued Marketable Securities	0,60	4,77	1,50	21,40
Funds Provided from Other Financial Institutions	1,22	3,94	-	21,13

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

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

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

<sup>(4)</sup> Rates include also demand deposit data.

**SECTION FOUR (Continued)**

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

**IV. EXPLANATIONS ON THE POSITION RISK OF CONSOLIDATED EQUITY SECURITIES**

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

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

Investments in Equity Instruments - Current Period	Comparison		
	Balance Sheet Value	Fair Value	Market Value
1. Investment in Equity Instruments Group A	-	-	-
Traded on Stock Exchange	-	-	-
2. Investment in Equity Instruments Group B	-	-	-
Traded on Stock Exchange	-	-	-
3. Investment in Equity Instruments Group C	-	-	-
Traded on Stock Exchange	-	-	-
4. Investment in Equity Instruments Group Other	-	-	-
Other <sup>(*)</sup>	158.129	158.129	-

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

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

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

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

The investments in equity instruments, partaking in banking accounts according to the credit risk standard method, are amounted TL 158.129 and 100% of them are risk weighted (31 December 2018: are amounted TL 148.434 and 100% of them are risk weighted).

**V. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO**

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

The Parent Bank performs remaining maturity analysis for the observation of the maturity structure of the balance sheet, liquidity gap and structural liquidity gap analysis” for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Parent Bank’s liquidity and in the worst case scenario and the loss associated with it. The renewal of deposits which constitutes the Parent Bank’s most crucial funding resource is monitored on a daily basis. Besides, in order to compare the Parent Bank’s level of liquidity risk with the sector, average remaining maturity balances of Bank-sector maturity structure and legal liquidity rates are monitored.

**SECTION FOUR (Continued)**

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

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

**1. Liquidity Risk**

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

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

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

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

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

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

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

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

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

The Parent Bank’s source of funds is mainly formed of deposits. The Parent Bank’s deposits do not fluctuate considerably in line with the broadly dispersed customer network. Besides, in order to increase the fund range and decrease the maturity gap between assets and liabilities, giving weight to liabilities other than deposits such as bond/bill issuance, repo and funds borrowed.

As for the asset side of the Parent Bank, within the scope of reformatting short-term cash cycle, dissonance reducing the maturity of asset and liability, the policy for shortening the average maturity on loans being pursued.

*Explanation regarding the usage of the stress test*

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

*General information on liquidity urgent and unexpected situation plan*

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

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**SECTION FOUR (Continued)**

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

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

**2. Liquidity Coverage Ratio (Continued)**

Within the framework of "Regulation on Calculation of Liquidity Covered Rate of Banks" published in the Official Gazette dated 21 March 2014 and numbered 28948 by the BRSA, the Bank calculates the Liquidity Cover Rate and transmits consolidated on weekly and consolidated on montly basis to the BRSA. In the last three months (April-May-June), the consolidated rates are as follows: April FC, 369,94%, TL+FC 106,01%; May FC, 405,82%, TL + FC 126,99%; The June FC was 404,71%, and the TL+FC was 119,38% (31 December 2018: Consolidated rates in the last three months were October FC, 108,75%, TL+FC 75,16%, November FC 123,26%, TL+FC 80,91%, December FC 131,90%, TL+FC 86,71% repectively)

Current Period	Total Unweighted Value (Average) <sup>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
High Quality Liquid Assets			90.368.049	58.209.980
<b>CASH OUTFLOWS</b>				
Retail and Small Business Customers, of which;	271.975.285	138.692.195	23.524.653	13.869.158
Stable deposits	73.457.513	1.233	3.672.876	62
Less stable deposits	198.517.772	138.690.962	19.851.777	13.869.096
Unsecured wholesale funding, of which;	135.883.686	67.781.437	73.404.695	39.158.601
Operational deposit	8.942.772	997.804	2.222.854	236.612
Non-operational deposits	102.602.996	53.510.053	49.393.816	25.722.660
Other unsecured funding	24.337.918	13.273.580	21.788.025	13.199.329
Secured funding				
Other cash outflows, of which;	65.069.292	8.708.284	7.975.497	3.007.188
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2.313.755	629.889	2.313.755	629.889
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	62.755.537	8.078.395	5.661.742	2.377.299
Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	100.897.172	35.516.567	5.405.330	1.775.901
<b>TOTAL CASH OUTFLOWS</b>			<b>110.310.175</b>	<b>57.810.848</b>
<b>CASH INFLOWS</b>				
Secured lending				
Unsecured lending	45.184.789	21.027.553	30.952.957	15.532.850
Other cash inflows	2.221.620	40.964.654	2.216.984	40.960.018
<b>Total Cash Inflows</b>	<b>47.406.409</b>	<b>61.992.207</b>	<b>33.169.941</b>	<b>56.492.868</b>
			<b>Upper Limit Applied Amounts</b>	
<b>TOTAL HQLA STOCK</b>			<b>90.368.049</b>	<b>58.209.980</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>77.140.234</b>	<b>14.452.712</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>117,15</b>	<b>402,76</b>

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

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**SECTION FOUR (Continued)**

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

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

**2. Liquidity Coverage Ratio (Continued)**

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

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

**SECTION FOUR (Continued)**

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

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

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

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

The Parent 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. While considering the previous periods, the percentage of the total deposit in financial statement does not change and has an increasing sail.

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

Bonds and bills in the securities portfolio are used as collateral for repo transactions. Since the securities used in repo transactions lose the characteristic of being free, liquidity coverage ratio is affected due to the ability of securities to be used as collateral.

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

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

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

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

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

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

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

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

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

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

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**SECTION FOUR (Continued)**

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

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

**3. Minimum Statements Concerning Liquidity Coverage Ratio by Banks (Continued)**

*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.

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (1) (2) (3)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	22.137.874	34.518.167	-	-	-	-	79.296	56.735.337
Banks	4.337.863	1.718.568	549.830	392.298	-	-	-	6.998.559
Financial Assets at Fair Value Through Profit and Loss	-	52.590	5.728	13.846	403.191	107.404	6.884.916	7.467.675
Money Market Placements	-	140.737	-	-	-	-	-	140.737
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	2.419.191	1.140.376	13.412.457	37.516.651	38.173.519	493.113	93.155.307
Loans Given	67	22.530.789	28.998.648	173.659.713	150.441.582	62.291.917	3.924.840	441.847.556
Financial Assets Measured at Amortised Cost	21.580	327.373	84.295	1.737.008	12.952.457	3.656.803	-	18.779.516
Other Assets	5.398.011	696.176	889.881	1.261.834	118.385	10.862	12.552.637	20.927.786
<b>Total Assets</b>	<b>31.895.395</b>	<b>62.403.591</b>	<b>31.668.758</b>	<b>190.477.156</b>	<b>201.432.266</b>	<b>104.240.505</b>	<b>23.934.802</b>	<b>646.052.473</b>
<b>Liabilities</b>								
Interbank Deposits	2.652.223	21.655.068	6.895.363	673.983	14.686	-	-	31.891.323
Other Deposits	105.607.495	161.769.592	78.111.822	39.368.428	2.158.516	2.480	-	387.018.333
Funds Provided from Other Financial Institutions	-	2.162.974	2.845.992	17.400.124	11.743.347	3.713.373	-	37.865.810
Money Market Borrowings	-	55.885.658	3.155.535	5.500.795	665.499	-	-	65.207.487
Issued Marketable Securities <sup>(5)</sup>	-	5.820.680	1.936.637	185.820	19.250.398	-	-	27.193.535
Sundry Creditors	3.586.310	3.077.286	-	-	-	-	75.214	6.738.810
Other Liabilities <sup>(6)</sup>	11.684.940	3.079.525	554.721	2.285.793	2.257.756	6.936.287	63.338.153	90.137.175
<b>Total Liabilities</b>	<b>123.530.968</b>	<b>253.450.783</b>	<b>93.500.070</b>	<b>65.414.943</b>	<b>36.090.202</b>	<b>10.652.140</b>	<b>63.413.367</b>	<b>646.052.473</b>
<b>Liquidity Gap</b>	<b>(91.635.573)</b>	<b>(191.047.192)</b>	<b>(61.831.312)</b>	<b>125.062.213</b>	<b>165.342.064</b>	<b>93.588.365</b>	<b>(39.478.565)</b>	<b>-</b>
Net Off-Balance Sheet Position	-	(1.072.088)	(131.927)	193.801	633.257	-	-	(376.957)
Financial Derivative Assets	-	81.765.775	13.915.418	3.402.147	1.590.576	-	-	100.673.916
Financial Derivative Liabilities	-	82.837.863	14.047.345	3.208.346	957.319	-	-	101.050.873
Non-cash Loans	46.558.232	5.384.094	9.590.186	41.909.412	25.401.650	6.013.129	300.955	135.157.658
<b>Prior Period</b>								
Total Assets	31.142.785	49.280.824	31.263.258	168.369.498	197.658.653	71.226.370	19.445.608	568.386.996
Total Liabilities	114.627.753	236.995.776	62.998.947	61.748.955	26.809.968	9.908.287	55.297.310	568.386.996
<b>Liquidity Gap</b>	<b>(83.484.968)</b>	<b>(187.714.952)</b>	<b>(31.735.689)</b>	<b>106.620.543</b>	<b>170.848.685</b>	<b>61.318.083</b>	<b>(35.851.702)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>								
Financial Derivative Assets	-	(291.050)	(967.025)	122.547	672.964	-	(44)	(462.608)
Financial Derivative Liabilities	-	35.660.859	14.439.645	3.000.559	1.793.273	-	19.360	54.913.696
Non-cash Loans	-	35.951.909	15.406.670	2.878.012	1.120.309	-	19.404	55.376.304
	45.706.867	4.670.432	10.165.962	38.893.051	27.158.917	4.856.928	195.551	131.647.708

(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) Non-performing loans net-off related provision for expected loss of stage 3 are presented in “undistributed” column.

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

(5) Includes subordinated other debt instruments.

(6) Includes subordinated loans.

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**SECTION FOUR (Continued)**

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

**VI. EXPLANATIONS ON CONSOLIDATED LEVERAGE**

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

The Parent Bank’s consolidated leverage calculated by force of the regulation “Regulation on Measurement and Assessment of Leverage Ratios of Banks” is 8,21% (31 December 2018: 7,66%). The increase on leverage results occur from the increase in Tier 1 capital amount. The regulation sentenced the minimum leverage as 3%.

<b>Balance sheet assets</b>	<b>Current Period <sup>(*)</sup></b>	<b>Prior Period <sup>(*)</sup></b>
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	641.354.673	570.386.642
(Assets deducted in determining Tier 1 capital)	(9.613.346)	(7.798.391)
Total on-balance sheet risks (sum of lines 1 and 2)	631.741.327	562.588.251
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost associated with all derivative financial instruments and credit Derivatives	2.946.183	2.253.807
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	1.235.117	631.144
Total risks of derivative financial instruments and credit derivatives	4.181.300	2.884.951
<b>Securities or commodity financing transactions (SCFT)</b>		
Risks from SCFT assets	7.953.062	5.082.975
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	7.953.062	5.082.975
<b>Other off-balance sheet transactions</b>		
Gross notional amounts of off-balance sheet transactions	200.448.890	183.788.436
(Adjustments for conversion to credit equivalent amounts)	-	(3.650.093)
Total risks of off-balance sheet items	200.448.890	180.138.343
<b>Capital and total risks</b>		
Tier 1 capital	69.347.994	57.496.516
Total risks	844.324.579	750.694.520
<b>Leverage ratio</b>		
Leverage ratio %	8,21	7,66

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

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

	<b>Current Period <sup>(*)</sup> 30 June 2019</b>	<b>Prior Period <sup>(*)</sup> 31 December 2018</b>
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards <sup>(**)</sup>	646.113.372	568.436.479
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	60.899	49.483
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	237.205.904	142.583.287
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	34.742.520	21.524.007
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	727.910	3.650.093
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	(39.749.399)	(28.788.983)
<b>Total Risk Amount</b>	<b>844.324.579</b>	<b>750.694.520</b>

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

<sup>(\*\*)</sup> The current year balance of the Consolidated Financial Statements prepared in accordance with paragraph 6 of Article 5 of the Communiqué on Preparation of Consolidated Financial Statements of Banks has been prepared by using the temporary financial statements dated 30 June 2019 of the nonfinancial subsidiaries.



**SECTION FOUR (Continued)**

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

**VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT**

This section contains notes and explanations regarding the "Communiqué on Disclosures about Risk Management to be announced to Public by Banks" released by the Banking Regulation and Supervision Agency (BRSA), published in the Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. As of 30 June 2019, the following notes to be presented on a quarterly and semi-annually basis according to Communiqué have not been presented due to usage of standard approach for the calculation of capital adequacy by the Bank.

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

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

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

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

*Overview of Risk Weighted Amounts*

		Risk Weighted Amount		Minimum capital Requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	437.236.238	396.750.839	34.978.899
2	Standardised approach	437.236.238	396.750.839	34.978.899
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	5.589.751	3.747.369	447.180
5	Standardised approach for counterparty credit risk	5.589.751	3.747.369	447.180
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies-look through approach	-	-	-
9	Investments made in collective investment companies-mandate-based approach	2.451.117	1.022.273	196.090
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	14.881.328	15.630.514	1.190.506
17	Standardised approach	14.881.328	15.630.514	1.190.506
18	Internal model approaches	-	-	-
19	Operational risk	38.645.275	31.723.724	3.091.622
20	Basic Indicator approach	38.645.275	31.723.724	3.091.622
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity(subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>498.803.709</b>	<b>448.874.719</b>	<b>39.904.297</b>

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**SECTION FOUR (Continued)**

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

**VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT(Continued)**

**1. Explanations of credit risk**

*Credit Quality of Assets*

Current Period	Estimated gross amount in accordance with TAS in the Consolidated financial statements prepared according to legal consolidation		Provisions / Depreciation and impairment	Net Value
	Defaulted	Non-defaulted		
Credits	9.816.478	442.539.931	10.508.853	441.847.556
Debt instruments	-	128.073.022	6.171.948	121.901.074
Off-balance sheet receivables	326.032	192.064.145	551.742	191.838.435
<b>Total</b>	<b>10.142.510</b>	<b>762.677.098</b>	<b>17.232.543</b>	<b>755.587.065</b>

Prior Period	Estimated gross amount in accordance with TAS in the Consolidated financial statements prepared according to legal consolidation		Provisions / Depreciation and impairment	Net Value
	Defaulted	Non-defaulted		
Credits	8.755.997	399.753.761	9.451.879	399.057.879
Debt instruments	-	105.216.973	6.259.825	98.957.148
Off-balance sheet receivables	279.906	177.707.537	466.897	177.520.546
<b>Total</b>	<b>9.035.903</b>	<b>682.678.271</b>	<b>16.178.601</b>	<b>675.535.573</b>

*Changes in default receivables and debt instruments inventory.*

		Current Period
1	The amount of defaulted loans and borrowing instruments at the end of the previous reporting period	8.755.997
2	Credits and borrowing instruments that defaulted since the last reporting period	2.574.490
3	Receivables that have not re-defaulted	8.696
4	Amounts write-off from assets	-
5	Other changes	(1.505.313)
6	<b>The amount of defaulted loans and borrowing instruments at the end of the reporting period (1 + 2-3-4 ± 5)</b>	<b>9.816.478</b>

		Prior Period
1	The amount of defaulted loans and borrowing instruments at the end of the previous reporting period	5.028.967
2	Credits and borrowing instruments that defaulted since the last reporting period	4.989.088
3	Receivables that have not re-defaulted	85.686
4	Amounts deleted actively	-
5	Other changes	(1.176.372)
6	<b>The amount of defaulted loans and borrowing instruments at the end of the reporting period (1 + 2-3-4 ± 5)</b>	<b>8.755.997</b>

*Credit risk mitigation techniques - Overview*

Current Period	Unsecured receivables: TAS probable valued amount	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Loans protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Credits	363.860.371	17.999.310	3.128.476	60.059.483	43.971.960	-	-
Debt instruments	119.405.099	-	-	-	-	-	-
<b>Total</b>	<b>483.265.470</b>	<b>17.999.310</b>	<b>3.128.476</b>	<b>60.059.483</b>	<b>43.971.960</b>	-	-
Defaulted	8.734.563	748	43	1.081.167	414.232	-	-

Prior Period	Unsecured receivables: TAS probable valued amount	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Loans protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Credits	338.343.135	12.205.965	1.587.257	47.788.901	19.917.358	-	-
Debt instruments	96.898.370	-	-	-	-	-	-
<b>Total</b>	<b>435.241.505</b>	<b>12.205.965</b>	<b>1.587.257</b>	<b>47.788.901</b>	<b>19.917.358</b>	-	-
Defaulted	8.084.352	1.274	134	670.371	330.907	-	-

**SECTION FOUR (Continued)**

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

**VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT(Continued)**

**2. Explanations of credit risk**

*Standard Approach- Exposure to credit risk and credit risk mitigation effects*

Current Period	The credit conversion rate and the credit amount before the credit risk reduction		The credit conversion rate and the credit amount after the credit risk reduction		Risk weighted amount and risk weighted amount density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Risk classes	On-balance sheet amount	Off-balance sheet amount
Risk classes						
Receivables from central government or central banks	142.776.845	761.295	185.401.077	2.747.105	27.788.727	14,8%
Receivables from regional or local governments	687.955	61.988	558.890	33.974	279.572	47,2%
Receivables from administrative units and non-commercial enterprises	156.522	700.053	860.857	330.738	1.139.424	95,6%
Multilateral development receivables from banks	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-
Receivables from banks and intermediary institutions	61.051.010	17.099.436	62.034.731	10.273.866	13.323.465	18,4%
Corporate receivables	220.461.975	121.971.641	195.911.127	66.110.893	256.968.729	98,1%
Retail receivables	151.337.486	47.573.240	132.821.397	4.645.167	102.082.699	74,3%
Receivables secured with real estate mortgage for residence	49.322.308	344.746	49.004.215	179.494	17.217.230	35,0%
Receivables secured by real estate mortgage	8.363.102	776.437	8.125.084	477.007	4.337.456	50,4%
Delayed receivables	2.824.471	-	2.410.284	-	1.505.770	62,5%
The risk is high determined receivables	2.385.022	351.474	2.239.034	146.421	3.553.585	149,0%
Mortgage-backed securities	-	-	-	-	-	-
Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-
Investments in the nature of collective investment enterprise	2.646.713	113.887	2.646.713	55.727	2.451.117	90,7%
Other receivables	25.140.955	-	25.140.954	-	14.471.202	57,6%
Equity investments	158.129	-	158.129	-	158.129	100,0%
<b>Total</b>	<b>667.312.493</b>	<b>189.754.197</b>	<b>667.312.492</b>	<b>85.000.392</b>	<b>445.277.105</b>	<b>59,2%</b>

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**SECTION FOUR (Continued)**

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

**VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT(Continued)**

**2. Explanations of credit risk**

*Standard Approach- Exposure to credit risk and credit risk mitigation effects*

Prior Period	The credit conversion rate and the credit amount before the credit risk reduction		The credit conversion rate and the credit amount after the credit risk reduction		Risk weighted amount and risk weighted amount density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Risk classes	On-balance sheet amount	Off-balance sheet amount
Receivables from central government or central banks	107.894.178	758.747	144.868.014	2.509.956	20.460.158	13,9%
Receivables from regional or local governments	653.608	69.730	673.614	49.958	346.954	48,0%
Receivables from administrative units and non-commercial enterprises	259.479	726.398	882.834	300.059	1.108.297	93,7%
Multilateral development receivables from banks	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-
Receivables from banks and intermediary institutions	47.446.731	15.377.723	47.442.723	7.906.935	10.994.443	19,9%
Corporate receivables	198.718.093	120.286.115	176.984.914	63.780.014	237.941.365	98,8%
Retail receivables	133.616.322	36.461.303	118.485.575	3.715.750	90.889.469	74,4%
Receivables secured with real estate mortgage for residence	47.446.107	331.458	47.194.835	178.693	16.589.279	35,0%
Receivables secured by real estate mortgage	6.879.814	550.210	6.727.011	327.865	3.594.586	51,0%
Delayed receivables	2.327.696	-	1.996.804	-	1.356.832	68,0%
The risk is high determined receivables	2.229.276	368.990	2.214.980	197.389	3.593.812	149,0%
Mortgage-backed securities	-	-	-	-	-	-
Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-
Investments in the nature of collective investment enterprise	1.080.488	133.558	1.080.488	66.061	1.022.273	89,2%
Other receivables	23.398.673	-	23.398.673	-	13.474.579	57,6%
Equity investments	148.434	-	148.434	-	148.434	100,0%
<b>Total</b>	<b>572.098.899</b>	<b>175.064.232</b>	<b>572.098.899</b>	<b>79.032.680</b>	<b>401.520.481</b>	<b>61,7%</b>

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**SECTION FOUR (Continued)**

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

**VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT(Continued)**

**2. Explanations of credit risk**

*Receivables related with Risk Classes and Risk Weights*

<b>Risk Classes/ Risk Weight Current Period</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35% secured by property mortgage</b>	<b>50% secured by property mortgage</b>	<b>50% (*)</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>Other</b>	<b>Total risk amount (post-CCF and CRM)</b>
Exposures to sovereigns and their central banks	133.056.721	-	10.087	-	-	54.589.328	-	492.046	-	-	-	188.148.182
Exposures to regional and local government	35.804	-	35	-	-	554.920	-	2.105	-	-	-	592.864
Exposures to administrative bodies and non-commercial entities	52.023	-	184	-	-	-	-	1.139.388	-	-	-	1.191.595
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	35.854.431	-	15.525.573	-	-	18.526.075	-	925.779	-	-	1.476.739	72.308.597
Exposures to corporates	2.503.524	-	644.802	-	-	4.063.419	-	254.808.014	-	-	2.261	262.022.020
Retail exposures	913.039	-	604.414	-	-	70	135.949.041	-	-	-	-	137.466.564
Exposures secured by residential property	13.814	-	9.774	49.145.916	-	-	-	14.205	-	-	-	49.183.709
Exposures secured by commercial property	6.782	-	9.764	-	8.500.082	-	-	85.463	-	-	-	8.602.091
Past-due items	42	-	-	-	-	1.808.944	-	601.298	-	-	-	2.410.284
Exposures in high-risk categories	1.694	-	841	-	-	-	-	41.927	2.340.993	-	-	2.385.455
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	251.323	-	-	-	-	-	-	2.451.117	-	-	-	2.702.440
Equity share investments	-	-	-	-	-	-	-	158.129	-	-	-	158.129
Other exposures	10.669.748	-	6	-	-	-	-	14.471.200	-	-	-	25.140.954
<b>Total</b>	<b>183.358.945</b>	<b>-</b>	<b>16.805.480</b>	<b>49.145.916</b>	<b>8.500.082</b>	<b>79.542.756</b>	<b>135.949.041</b>	<b>275.190.671</b>	<b>2.340.993</b>	<b>-</b>	<b>1.479.000</b>	<b>752.312.884</b>

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
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**SECTION FOUR (Continued)**

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

**VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT(Continued)**

**2. Explanations of credit risk**

*Receivables related with Risk Classes and Risk Weights (Continued)*

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
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**SECTION FOUR (Continued)**

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

**VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT(Continued)**

**2. Explanations of credit risk**

*Evaluation of Counterparty Credit Risk in Accordance with the Measurement Methods*

	Current Period	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) <sup>(*)</sup>	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
	Valuation Method according to fair value - CCR (for derivatives)	1.858.542	1.213.576			3.072.118	1.366.066
1	Standardised approach - CCR (for derivatives)	-	-		1,4	-	-
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					30.619.736	3.072.411
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					3.177.328	1.070.238
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
<b>6</b>	<b>Total</b>						<b>5.508.715</b>

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

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

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

**SECTION FOUR (Continued)**

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

**VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT(Continued)**

**3. Counter Party Credit Risk**

*Capital Requirement for Loan Valuation Adjustments*

<b>Current Period</b>		<b>Exposure at default post-CRM</b>	<b>RWA</b>
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	3.072.118	51.455
<b>4</b>	<b>Total subject to the CVA capital charge</b>	<b>3.072.118</b>	<b>51.455</b>

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



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**SECTION FOUR (Continued)**

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

**VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT**

**3. Counter Party Credit Risk(Continued)**

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

Current Period Risk Weight /Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure <sup>(*)</sup>
Exposures to sovereigns and their central banks	2.591.745	-	-	341.630	-	-	-	-	2.933.375
Exposures to regional and local governments	12.818	-	-	82	-	-	-	-	12.900
Exposures to administrative bodies and non-commercial entities	4.069	-	-	-	-	28	-	-	4.097
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	37.333.456	-	9.198.167	6.195.009	-	-	-	1.476.550	54.203.182
Exposures to corporates	54.639	-	-	-	-	448.711	-	2.261	505.611
Retail exposures	82.792	-	-	-	3.840	-	-	-	86.632
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	251.322	-	-	-	-	747	-	-	252.069
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets <sup>(**)</sup>	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>40.330.841</b>	<b>-</b>	<b>9.198.167</b>	<b>6.536.721</b>	<b>3.840</b>	<b>449.486</b>	<b>-</b>	<b>1.478.811</b>	<b>57.997.866</b>

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

<sup>(\*\*)</sup> Other assets: the amount excludes exposures to “Central counterparty” which are reported in Counterparty credit risk

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**SECTION FOUR (Continued)**

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

**VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT**

**3. Counter Party Credit Risk (Continued)**

*Standardised approach - CCR exposures by risk class and risk weights (Continued)*

Prior Period Risk Weight /Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure <sup>(*)</sup>
Exposures to sovereigns and their central banks	880.014	-	-	5.242	-	61.494	-	-	946.750
Exposures to regional and local governments	5.017	-	-	-	-	-	-	-	5.017
Exposures to administrative bodies and non-commercial entities	1.812	-	-	-	-	-	-	-	1.812
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	26.243.471	-	6.442.448	4.122.603	-	18.501	-	-	36.827.023
Exposures to corporates	59.801	-	-	-	-	305.088	-	-	364.889
Retail exposures	4.395	-	-	-	5.149	-	-	-	9.544
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	124.277	-	-	-	-	6.012	-	-	130.289
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets <sup>(**)</sup>	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>27.318.787</b>	<b>-</b>	<b>6.442.448</b>	<b>4.127.845</b>	<b>5.149</b>	<b>391.095</b>	<b>-</b>	<b>-</b>	<b>38.285.324</b>

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

<sup>(\*\*)</sup> Other assets: the amount excludes exposures to “Central counterparty” which are reported in Counterparty credit risk

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
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SECTION FOUR (Continued)

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

VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT

3. Counter Party Credit Risk(Continued)

*Guarantees used for counterparty credit risk*

Current Period	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral received		Collateral received	Collateral received
	Segregated	Non-Segregated	Segregated	Non-Segregated		
Cash-domestic currency	-	-	-	-	22.266.140	-
Cash-foreign currency	-	-	-	-	22.155.036	-
Domestic sovereign debts	-	-	-	-	78.016	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>44.499.192</b>	-

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**  
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**SECTION FOUR (Continued)**

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

**VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT**

**3. Counter Party Credit Risk (Continued)**

*Credit Derivatives*

None (31 December 2018: None).

*Risks Related with Central Counterparty*

	<b>Current Period</b>	<b>Exposure at default (post-CRM)</b>	<b>RWA</b>
1	<b>Exposure to Qualified Central Counterparties (QCCPs) (total)</b>	<b>1.478.999</b>	<b>29.580</b>
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3	(i) OTC Derivatives	-	-
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	650.633	13.013
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	828.366	16.567
10	Unfunded default fund contributions	-	-
11	<b>Exposures to non-QCCPs (total)</b>	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which )	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

	<b>Prior Period</b>	<b>Exposure at default (post-CRM)</b>	<b>RWA</b>
1	<b>Exposure to Qualified Central Counterparties (QCCPs) (total)</b>	<b>709.305</b>	<b>17.957</b>
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3	(i) OTC Derivatives	-	-
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	462.693	9.254
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	246.612	8.703
10	Unfunded default fund contributions	-	-
11	<b>Exposures to non-QCCPs (total)</b>	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which )	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**  
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**SECTION FOUR (Continued)**

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

**VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT**

**4. Explanations on Market Risk**

*Standard approach*

<b>Current Period</b>		<b>RWA</b>
	Outright products	
1	Interest rate risk (general and specific)	10.391.595
2	Equity risk (general and specific)	669.998
3	Foreign exchange risk	3.819.735
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	<b>Total</b>	<b>14.881.328</b>

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

Notes and explanations prepared in accordance with “the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks” published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section. As of 30 June 2018, the following notes to be presented on a quarterly and semi-annually basis according to Communiqué have not been presented due to usage of standard approach for the calculation of capital adequacy by the Bank.

Market risk RAV (Risk Weighted Assets) change table according to internal model approach

Internal model approach for trading account

Comparison of RmD (Risk Value of Return) estimates with profit / loss

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
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**SECTION FOUR (Continued)**

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

**VIII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS**

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

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

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

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

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

Treasury transactions and international banking activities are conducted by the Treasury Management and International Banking Executive Vice Presidency and, spot and forward TL, foreign currency, precious metal, securities derivative transactions are executed in local and international organized and over the counter money and capital markets and also The Parent Bank’s liquidity and securities portfolio management, deposit and non-deposit funding activities are executed. Additionally the distribution of treasury products between branches and other channels for marketing purposes and the intermediation to the customers’ trade finance are other responsibilities of the EVP The Bank acts as an intermediary for transaction of securities and Eurobonds by the related departments, for transaction of shares and public offerings as an agency of Ziraat Yatırım Menkul Değerler A.Ş. and for transaction of mutual funds founded by Ziraat Portföy Yönetimi A.Ş. and other portfolio management companies’, and keeps records of these financial instruments and the Bank performs repo/reverse repo transactions. Besides the Bank have long term financing from banks and international financial institutions issues bonds in local and international markets, manages relationship with correspondent banks and relations with international investors so as to diversify its funding base are among the responsibilities of the Department.

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

As of 30 June 2019 explanations on segment reporting as shown on the following page are in line with Communiqué on “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures”.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 2019**  
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**SECTION FOUR (Continued)**

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

**VIII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)**

**1. Table for Segment Reporting**

Current Period	Retail Banking	Corporate/ Entrepreneurial banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Corrections	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>							
<b>Interest Income</b>	<b>6.969.303</b>	<b>13.660.579</b>	<b>3.906.599</b>	<b>10.067.725</b>	-	<b>301.423</b>	<b>34.905.629</b>
Interest Income from Loans	6.969.303	13.660.579	3.906.599	2.695.158	-	-	27.231.639
Interest Income from Banks	-	-	-	394.989	-	-	394.989
Interest Income from Securities	-	-	-	6.654.597	-	-	6.654.597
Other Interest Income	-	-	-	322.981	-	301.423	624.404
<b>Interest Expense</b>	<b>9.882.421</b>	<b>3.950.362</b>	-	<b>8.517.743</b>	-	<b>207.278</b>	<b>22.557.804</b>
Interest Expense on Deposits	9.882.421	3.950.362	-	1.556.571	-	-	15.389.354
Interest Expense on Funds Borrowed	-	-	-	877.581	-	-	877.581
Interest Expense on Money Market Transactions	-	-	-	5.234.392	-	-	5.234.392
Interest Expense on Securities Issued	-	-	-	849.199	-	-	849.199
Other Interest Expense	-	-	-	-	-	207.278	207.278
<b>Net Interest Income/Expense</b>	<b>(2.913.118)</b>	<b>9.710.217</b>	<b>3.906.599</b>	<b>1.549.982</b>	-	<b>94.145</b>	<b>12.347.825</b>
<b>Net Fees and Commission Income/Expense</b>	<b>1.418.591</b>	<b>1.072.501</b>	<b>56.197</b>	<b>(817.746)</b>	-	<b>(105.066)</b>	<b>1.624.477</b>
Fees and Commissions Received	1.418.659	1.080.409	56.197	7.192	-	234.806	2.797.263
Fees and Commissions Paid	68	7.908	-	824.938	-	339.872	1.172.786
<b>Dividend Income</b>	-	-	-	<b>1.055.486</b>	<b>(1.045.372)</b>	-	<b>10.114</b>
<b>Trading Income/Loss (Net)</b>	-	-	-	<b>(4.456.721)</b>	-	<b>(11.430)</b>	<b>(4.468.151)</b>
<b>Other Operating Income</b>	<b>58.555</b>	<b>219.945</b>	<b>15.019</b>	<b>2.975</b>	-	<b>1.949.728</b>	<b>2.246.222</b>
<b>Provision for Expected Loss (-)</b>	<b>504.197</b>	<b>1.460.248</b>	<b>306.758</b>	-	-	<b>55.640</b>	<b>2.326.843</b>
<b>Other Provision Expenses</b>	<b>1.341</b>	<b>5.957</b>	-	<b>728</b>	-	<b>15.555</b>	<b>23.581</b>
<b>Personnel Expenses</b>	-	-	-	-	-	<b>1.941.856</b>	<b>1.941.856</b>
<b>Other Operating Expense</b>	<b>1.005.935</b>	<b>30.686</b>	<b>31.097</b>	-	-	<b>2.750.365</b>	<b>3.818.083</b>
<b>Net Operational Profit/Loss</b>	<b>(2.947.445)</b>	<b>9.505.772</b>	<b>3.639.960</b>	<b>(2.666.752)</b>	<b>(1.045.372)</b>	<b>(2.836.039)</b>	<b>3.650.124</b>
<b>Profit/Loss on Equity Method Applied Subsidiaries</b>	-	-	-	-	<b>28.380</b>	<b>(8.398)</b>	<b>19.982</b>
<b>Tax Provision</b>	-	-	-	-	-	<b>(825.363)</b>	<b>(825.363)</b>
<b>Net Profit/Loss</b>	<b>(2.947.445)</b>	<b>9.505.772</b>	<b>3.639.960</b>	<b>(2.666.752)</b>	<b>(1.016.992)</b>	<b>(3.669.800)</b>	<b>2.844.743</b>
<b>SEGMENT ASSETS</b>							
Financial Assets at FV Through P/L	-	-	-	7.467.675	-	-	7.467.675
Banks and Receivables from Money Market	-	-	-	7.139.296	-	-	7.139.296
Financial Assets Measured at Fair Value Through Other Comprehensive Income (Net)	-	-	-	93.155.147	160	-	93.155.307
Loans	103.702.495	240.746.748	69.269.808	20.916.253	-	7.212.252	441.847.556
Financial Assets Measured at Amortised Cost (Net)	-	-	-	18.779.516	-	-	18.779.516
Derivative Financial Assets	-	-	-	2.495.975	-	-	2.495.975
Associates, Subsidiaries and Joint Ventures	-	-	-	7.841.951	(7.572.878)	-	269.073
Other Assets	63.638	2.033.005	129.255	49.723.135	(112.036)	23.061.078	74.898.075
<b>TOTAL SEGMENT ASSETS</b>	<b>103.766.133</b>	<b>242.779.753</b>	<b>69.399.063</b>	<b>207.518.948</b>	<b>(7.684.754)</b>	<b>30.273.330</b>	<b>646.052.473</b>
<b>SEGMENT LIABILITIES</b>							
Deposits	310.473.201	65.875.414	-	32.349.842	-	10.211.199	418.909.656
Derivative Financial Liabilities Held for Trading	-	-	-	2.395.143	-	-	2.395.143
Funds Borrowed	-	-	-	37.865.810	-	-	37.865.810
Money Market Funds	2.457	21.818.857	-	43.386.173	-	-	65.207.487
Securities Issued (Net)	-	-	-	17.997.919	-	-	17.997.919
Provisions	5.629	516.669	-	82	-	4.767.939	5.290.319
Other Liabilities	-	-	-	-	(149.357)	35.350.116	35.200.759
Shareholders' Equity	-	-	-	-	(7.535.397)	70.720.777	63.185.380
<b>TOTAL SEGMENT LIABILITIES</b>	<b>310.481.287</b>	<b>88.210.940</b>	-	<b>133.994.969</b>	<b>(7.684.754)</b>	<b>121.050.031</b>	<b>646.052.473</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**SECTION FOUR (Continued)**

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

**VIII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)**

**1. Table for Segment Reporting (Continued)**

Prior Period	Retail Banking	Corporate/ Entrepreneurial banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Corrections	Other /Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>							
<b>Interest Income</b>	<b>5.381.900</b>	<b>8.132.170</b>	<b>3.241.449</b>	<b>5.674.368</b>	-	<b>205.784</b>	<b>22.635.671</b>
Interest Income from Loans	5.381.900	8.132.170	3.241.449	1.801.473	-	25.313	18.582.305
Interest Income from Banks	-	-	-	189.879	-	-	189.879
Interest Income from Securities	-	-	-	3.385.177	-	-	3.385.177
Other Interest Income	-	-	-	297.839	-	180.471	478.310
<b>Interest Expense</b>	<b>4.960.210</b>	<b>2.299.327</b>	-	<b>4.699.675</b>	-	<b>109.386</b>	<b>12.068.598</b>
Interest Expense on Deposits	4.960.210	2.299.327	-	612.900	-	-	7.872.437
Interest Expense on Funds Borrowed	-	-	-	595.003	-	-	595.003
Interest Expense on Money Market Transactions	-	-	-	2.932.166	-	-	2.932.166
Interest Expense on Securities Issued	-	-	-	559.606	-	-	559.606
Other Interest Expense	-	-	-	-	-	109.386	109.386
<b>Net Interest Income/Expense</b>	<b>421.690</b>	<b>5.832.843</b>	<b>3.241.449</b>	<b>974.693</b>	-	<b>96.398</b>	<b>10.567.073</b>
<b>Net Fees and Commission Income/Expense</b>	<b>820.174</b>	<b>642.209</b>	<b>50.076</b>	<b>(253.550)</b>	-	<b>29.956</b>	<b>1.288.865</b>
Fees and Commissions Received	824.418	644.179	50.076	7.071	-	210.690	1.736.434
Fees and Commissions Paid	4.244	1.970	-	260.621	-	180.734	447.569
<b>Personnel Expenses</b>	-	-	-	-	-	<b>1.598.804</b>	<b>1.598.804</b>
<b>Dividend Income</b>	-	-	-	<b>276.322</b>	<b>(271.737)</b>	-	<b>4.585</b>
<b>Trading Income/Loss (Net)</b>	-	-	-	<b>(1.605.900)</b>	-	<b>4.976</b>	<b>(1.600.924)</b>
<b>Other Operating Income</b>	<b>19.260</b>	<b>92.501</b>	<b>14.194</b>	<b>1.537</b>	-	<b>1.370.751</b>	<b>1.498.243</b>
<b>Provision for Expected Loss (-)</b>	<b>347.426</b>	<b>820.493</b>	<b>227.261</b>	<b>9.826</b>	-	<b>37.235</b>	<b>1.442.241</b>
<b>Other Operating Expense</b>	<b>819.814</b>	<b>40.708</b>	<b>26.665</b>	-	-	<b>2.013.670</b>	<b>2.900.857</b>
<b>Net Operating Profit/Loss</b>	<b>93.884</b>	<b>5.706.352</b>	<b>3.051.793</b>	<b>(616.724)</b>	<b>(271.737)</b>	<b>(2.147.628)</b>	<b>5.815.940</b>
<b>Profit/Loss on Equity Method Applied Subsidiaries</b>	-	-	-	-	<b>11.511</b>	-	<b>11.511</b>
<b>Tax Provision</b>	-	-	-	-	-	<b>(1.271.214)</b>	<b>(1.271.214)</b>
<b>Net Profit/Loss</b>	<b>93.884</b>	<b>5.706.352</b>	<b>3.051.793</b>	<b>(616.724)</b>	<b>(260.226)</b>	<b>(3.418.842)</b>	<b>4.556.237</b>
<b>SEGMENT ASSETS</b>							
Financial Assets at FV Through P/L	-	-	-	6.782.778	-	-	6.782.778
Banks and Other Financial Institutions	-	-	-	9.333.095	-	-	9.333.095
Financial Assets Measured at Fair Value Through Other Comprehensive Income (Net)	-	-	-	79.830.814	2.233	-	79.833.047
Loans	94.703.180	219.844.242	64.158.050	17.086.392	-	3.266.015	399.057.879
Financial Assets Measured at Amortised Cost (Net)	-	-	-	10.281.010	-	-	10.281.010
Derivative Financial Assets	-	-	-	2.058.778	-	-	2.058.778
Associates, Subsidiaries and Joint Ventures	-	-	-	7.655.170	(7.417.597)	-	237.573
Other Assets	-	-	-	-	1.831	60.801.005	60.802.836
<b>TOTAL SEGMENT ASSETS</b>	<b>94.703.180</b>	<b>219.844.242</b>	<b>64.158.050</b>	<b>133.028.037</b>	<b>(7.413.533)</b>	<b>64.067.020</b>	<b>568.386.996</b>
<b>SEGMENT LIABILITIES</b>							
Deposits	257.256.430	62.710.117	-	26.578.726	-	7.829.975	354.375.248
Derivative Financial Liabilities Held for Trading	-	-	-	1.668.169	-	-	1.668.169
Funds Borrowed	-	-	-	34.848.769	-	-	34,848,769
Money Market Funds	-	-	-	68.603.638	-	-	68,603,638
Securities Issued (Net)	-	-	-	16.943.864	-	-	16,943,864
Provisions	4.339	453.913	-	-	-	4.292.820	4,751,072
Other Liabilities	-	-	-	-	(27.731)	27.094.992	27,067,261
Shareholders' Equity	-	-	-	-	(7.385.802)	67.514.777	60,128,975
<b>TOTAL SEGMENT LIABILITIES</b>	<b>257.260.769</b>	<b>63.164.030</b>	-	<b>148.643.166</b>	<b>(7.413.533)</b>	<b>106.732.564</b>	<b>568.386.996</b>



**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 2019**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

**SECTION FIVE**

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	2.294.266	2.175.549	2.099.128	1.668.232
Central Bank of the Republic of Turkey	3.871.114	48.282.163	3.059.195	35.869.303
Other	1.035	112.653	1.150	185.485
<b>Total</b>	<b>6.166.415</b>	<b>50.570.365</b>	<b>5.159.473</b>	<b>37.723.020</b>

**Information on Required Reserves**

Banks that are established in Turkey or performing their operations by opening 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 of Turkish Republic, 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 7%; for deposits up to 6-months maturity 4%; for deposits up to 1-year maturity 2%; for deposits 1-year and longer maturity 1,1%; for TL liabilities other than deposits up to 1-year maturity 7%; for TL liabilities other than deposits between 1- and 3-years maturity 3,5%; for TL liabilities other than deposits more than 3-years maturity 1%; for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturities 15%; for FC deposit accounts with 1-year and longer maturity 11%, for FC liabilities other than deposits up to 1-year maturity 21%; for FC liabilities other than deposits up to 2-years maturity 16%; for FC liabilities other than deposits up to 3-years maturity 11%; 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.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	3.644.638	13.984.319	2.723.598	12.551.557
Unrestricted Time Deposit	-	-	-	6.689
Restricted Time Deposit	-	-	-	763
Other <sup>(1)</sup>	226.476	34.297.844	335.597	23.310.294
<b>Total</b>	<b>3.871.114</b>	<b>48.282.163</b>	<b>3.059.195</b>	<b>35.869.303</b>

<sup>(1)</sup> Includes required reserves and CBRT restricted electronic money funds amounting to TL 5.412. Required reserve of branches abroad amounting to TL 182.709 is presented in this line. TL 9.390.584 of the current period’s FC required reserve is the part of the TL required reserves that are held in FC. (31 December 2018: Includes required reserves and CBRT Restricted Electronic Money Funds amounting to TL 7.537. Required reserve of branches abroad amounting to TL 163.388 is presented in this line. TL 10.945.733 of the current period’s FC required reserve is the part of the TL required reserves that are held in FC).

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	414.615	-
Assets Blocked/Given as Collateral	-	-
<b>Total</b>	<b>414.615</b>	<b>-</b>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 2019

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

3. Positive Differences Related to The Derivative Financial Assets Held-for-Trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	181.500	91.766	243.173	28.128
Swap Transactions	926.318	1.296.328	1.305.367	481.402
Futures Transactions	-	-	-	-
Options	26	37	-	708
Other	-	-	-	-
<b>Total</b>	<b>1.107.844</b>	<b>1.388.131</b>	<b>1.548.540</b>	<b>510.238</b>

4. Information on Banks and Other Financial Institutions

4.1. Information on Bank Balances

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	1.803.062	116.746	2.415.689	97.528
Foreign Banks	111.590	4.975.619	178.841	6.405.062
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>1.914.652</b>	<b>5.092.365</b>	<b>2.594.530</b>	<b>6.502.590</b>

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	43.721.014	29.004.119
Assets Blocked/Given as Collateral	27.975.136	45.767.374
<b>Total</b>	<b>71.696.150</b>	<b>74.771.493</b>

6. Information on Financial Assets Measured at Fair Value Through Other Comprehensive Income

	Current Period	Prior Period
Debt Securities	98.764.720	85.616.480
Quoted in Stock Exchange	97.743.236	85.247.015
Not Quoted in Stock Exchange	1.021.484	369.465
Share Certificates	519.948	473.465
Quoted in Stock Exchange	335.234	227.330
Not Quoted in Stock Exchange	184.714	246.135
Provision for Impairment (-)	6.129.361	6.256.898
<b>Total</b>	<b>93.155.307</b>	<b>79.833.047</b>

7. Information Related to Loans

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Group Shareholders</b>	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
<b>Indirect Loans Granted to Group Shareholders</b>	-	-	-	-
<b>Loans Granted to Group Employees</b> <sup>(1)(2)</sup>	489.063	-	403.046	-
<b>Total</b>	<b>489.063</b>	-	<b>403.046</b>	-

(1) Interest rediscount and interest accrual amounting TL 5.771, are not included in the table above.(31 December 2018: Interest rediscount and interest accrual amounting TL 4.261, are not included in the table above).

(2) Since the balance of overdraft accounts related to employees amounting TL 15.757, is showed under Table 7.3. as overdraft accounts (real person), it is not included to the table above.(31 December:2018: Since the balance of overdraft accounts related to employees amounting TL 22.076, is showed under Table 7.4. as overdraft accounts (real person), it is not included to the table above.)

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
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**SECTION FIVE (Continued)**

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

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

**7. Information Related to Loans(Continued)**

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

Current Period	Cash Loans	Performing Loans	Loans under Close Monitoring		
			Non-restructured	Restructured	
				Revised Contract Terms	Refinanced
Non-Specialized Loans		342.508.035	13.953.644	4.926.358	-
Commercial Loans		217.727.098	5.361.493	4.761.071	-
Export Loans		6.779.191	167.526	-	-
Import Loans		640.611	26	-	-
Loans Given to Financial Sector		5.967.765	6.605.290	-	-
Consumer Loans		94.915.050	1.543.880	146.534	-
Credit Cards		8.667.913	198.672	449	-
Other		7.810.407	76.757	18.304	-
Specialized Lending <sup>(1) (2)</sup>		62.871.398	1.693.881	609.375	-
Other Receivables		-	-	-	-
Interest Income Accruals <sup>(2)</sup>		9.688.637	2.295.959	313.452	-
<b>Total</b>		<b>415.068.070</b>	<b>17.943.484</b>	<b>5.849.185</b>	<b>-</b>

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

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

Prior Period	Cash Loans	Performing Loans	Loans under Close Monitoring		
			Non-restructured	Restructured	
				Revised Contract Terms	Refinanced
Non-Specialized Loans		309.583.530	13.275.350	2.191.593	-
Commercial Loans		198.443.229	5.677.965	2.117.141	-
Export Loans		6.629.524	46.720	-	-
Import Loans		508.257	5.440	-	-
Loans Given to Financial Sector		2.933.264	6.052.521	-	-
Consumer Loans		86.986.557	1.304.871	71.925	-
Credit Cards		5.831.331	134.811	434	-
Other		8.251.368	53.022	2.093	-
Specialized Lending <sup>(1) (2)</sup>		58.636.554	1.518.720	534.642	-
Other Receivables		-	-	-	-
Interest Income Accruals <sup>(2)</sup>		8.074.441	1.841.776	116.328	-
<b>Total</b>		<b>376.294.525</b>	<b>16.635.846</b>	<b>2.842.563</b>	<b>-</b>

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

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

	Current Period		Prior Period	
	Standard Qualified Loans	Loans Under Close Monitoring	Standard Qualified Loans	Loans Under Close Monitoring
Expected Provision Loss for 12 months	1.074.771	-	996.215	-
Significant Increase in Credit Risk	-	2.676.029	-	2.264.734

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

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

**7. Information Related to Loans (Continued)**

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

<b>Current Period</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer Loans-TL</b>	<b>1.101.195</b>	<b>92.667.840</b>	<b>93.769.035</b>
Real Estate Loans <sup>(2)</sup>	16.334	54.612.263	54.628.597
Vehicle Loans	10.975	362.197	373.172
Consumer Loans <sup>(2)</sup>	1.073.886	37.693.380	38.767.266
Other	-	-	-
<b>Consumer Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>5.617</b>	<b>896.597</b>	<b>902.214</b>
Real Estate Loans	335	82.681	83.016
Vehicle Loans	-	420	420
Consumer Loans	1.673	43.724	45.397
Other	3.609	769.772	773.381
<b>Retail Credit Cards-TL</b>	<b>5.996.298</b>	<b>187.216</b>	<b>6.183.514</b>
With Installment	1.947.251	182.075	2.129.326
Without Installment	4.049.047	5.141	4.054.188
<b>Retail Credit Cards-FC</b>	<b>23.222</b>	<b>-</b>	<b>23.222</b>
With Installment	22.664	-	22.664
Without Installment	558	-	558
<b>Personnel Loans-TL</b>	<b>17.621</b>	<b>307.689</b>	<b>325.310</b>
Real Estate Loans	-	7.495	7.495
Vehicle Loans	-	7.449	7.449
Consumer Loans	17.621	290.832	308.453
Other	-	1.913	1.913
<b>Personnel Loans-Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>234</b>	<b>27.721</b>	<b>27.955</b>
Real Estate Loans	-	7.658	7.658
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	234	20.063	20.297
<b>Personnel Credit Cards-TL</b>	<b>128.309</b>	<b>6.640</b>	<b>134.949</b>
With Installment	56.323	6.540	62.863
Without Installment	71.986	100	72.086
<b>Personnel Credit Cards-FC</b>	<b>849</b>	<b>-</b>	<b>849</b>
With Installment	807	-	807
Without Installment	42	-	42
<b>Overdraft Accounts-TL (Real Person)</b>	<b>1.564.607</b>	<b>-</b>	<b>1.564.607</b>
<b>Overdraft Accounts-FC (Real Person)</b>	<b>16.343</b>	<b>-</b>	<b>16.343</b>
<b>Total <sup>(1)</sup></b>	<b>8.854.295</b>	<b>94.093.703</b>	<b>102.947.998</b>

<sup>(1)</sup> TL 813.545 of interest income accrual is not included in the table above.

<sup>(2)</sup> Consumer loans originated from funds amounting to TL 3.881.727 of are included in the table above.

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

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

**7. Information Related to Loans (Continued)**

**7.3. Information on Consumer Loans, Retail Credit Cards and Personnel Loans and Personnel Credit Cards (Continued)**

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

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

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

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

7. Information Related to Loans (Continued)

7.4. Information on Commercial Installment Loans and Corporate Credit Cards

Current Period	Short-Term	Medium and Long-Term	Total
<b>Installment Based Commercial Loans-TL</b>	<b>1.549.305</b>	<b>37.886.116</b>	<b>39.435.421</b>
Business Loans	1.282	845.384	846.666
Vehicle Loans	97.219	954.650	1.051.869
Consumer Loans	1.450.804	36.086.082	37.536.886
Other	-	-	-
<b>Installment Based Commercial Loans- Indexed to FC</b>	<b>-</b>	<b>35.098</b>	<b>35.098</b>
Business Loans	-	-	-
Vehicle Loans	-	35.098	35.098
Consumer Loans	-	-	-
Other	-	-	-
<b>Installment Based Commercial Loans - FC</b>	<b>794.898</b>	<b>34.682.336</b>	<b>35.477.234</b>
Business Loans	-	6.135	6.135
Vehicle Loans	-	19.998	19.998
Consumer Loans	211.066	33.529.317	33.740.383
Other	583.832	1.126.886	1.710.718
<b>Corporate Credit Cards-TL</b>	<b>2.506.512</b>	<b>16.506</b>	<b>2.523.018</b>
With Installment	802.558	15.224	817.782
Without Installment	1.703.954	1.282	1.705.236
<b>Corporate Credit Cards-FC</b>	<b>1.482</b>	<b>-</b>	<b>1.482</b>
With Installment	967	-	967
Without Installment	515	-	515
<b>Overdraft Account-TL (Legal Entity)</b>	<b>783.114</b>	<b>-</b>	<b>783.114</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>6.293</b>	<b>-</b>	<b>6.293</b>
<b>Total <sup>(1)</sup></b>	<b>5.641.604</b>	<b>72.620.056</b>	<b>78.261.660</b>

<sup>(1)</sup> Accruals and rediscount amounts are not included in the table above.

Prior Period	Short-Term	Medium and Long-Term	Total
<b>Installment Based Commercial Loans-TL</b>	<b>1.662.607</b>	<b>32.448.158</b>	<b>34.110.765</b>
Business Loans	17.073	460.549	477.622
Vehicle Loans	93.421	944.940	1.038.361
Consumer Loans	1.552.113	30.852.721	32.404.834
Other	-	189.948	189.948
<b>Installment Based Commercial Loans- Indexed to FC</b>	<b>219.289</b>	<b>938.792</b>	<b>1.158.081</b>
Business Loans	788	59.578	60.366
Vehicle Loans	-	46.410	46.410
Consumer Loans	-	-	-
Other	218.501	832.804	1.051.305
<b>Installment Based Commercial Loans - FC</b>	<b>311.912</b>	<b>28.941.566</b>	<b>29.253.478</b>
Business Loans	-	-	-
Vehicle Loans	407	19.046	19.453
Consumer Loans	160.509	28.492.473	28.652.982
Other	150.996	430.047	581.043
<b>Corporate Credit Cards-TL</b>	<b>1.167.050</b>	<b>14.704</b>	<b>1.181.754</b>
With Installment	353.950	14.640	368.590
Without Installment	813.100	64	813.164
<b>Corporate Credit Cards-FC</b>	<b>1.033</b>	<b>2</b>	<b>1.035</b>
With Installment	902	-	902
Without Installment	131	2	133
<b>Overdraft Account-TL (Legal Entity)</b>	<b>663.279</b>	<b>-</b>	<b>663.279</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>18.754</b>	<b>-</b>	<b>18.754</b>
<b>Total <sup>(1)</sup></b>	<b>4.043.924</b>	<b>62.343.222</b>	<b>66.387.146</b>

<sup>(1)</sup> Accruals and rediscount amounts are not included in the table above.

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**SECTION FIVE (Continued)**

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

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

**7. Information related to loans (Continued)**

**7.5. Breakdown of Domestic and International Loans**

	Current Period	Prior Period
Domestic Loans	415.091.985	372.670.578
Foreign Loans	11.470.706	13.069.811
Interest Income Accruals of Loans	12.298.048	10.032.545
<b>Total</b>	<b>438.860.739</b>	<b>395.772.934</b>

**7.6. Loans Granted to Subsidiaries and Associates**

None. (31 December 2018: None)

**7.7. Provisions Provided Against Loans (Stage Three)**

	Current Period	Prior Period
Loans and other receivables with limited collectability	244.560	726.013
Loans and other receivables with doubtful collectability	1.391.802	760.225
Uncollectible loans and other receivables	5.121.691	4.704.692
<b>Total</b>	<b>6.758.053</b>	<b>6.190.930</b>

**7.8. Information on Non-Performing Receivables (Net)**

**7.8.1. Information on Non-Performing Loans and Loans which are Restructured or Rescheduled (Net)**

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful	Group V Uncollectible loans and receivables
<b>Current Period</b>			
Gross amounts before the provisions	62.027	156.512	226.231
Rescheduled loans	62.027	156.512	226.231
<b>Prior Period</b>			
Gross amounts before the provisions	53.834	77.194	152.866
Rescheduled loans	53.834	77.194	152.866

**7.8.2. Information on the Movement of Non-Performing Receivables**

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Prior Period Ending Balance</b>	<b>1.889.105</b>	<b>1.418.246</b>	<b>5.448.646</b>
Additions (+)	1.578.169	598.434	397.887
Transfers from Other Categories of Loans under Follow-Up (+)	-	2.394.168	1.255.394
Transfers to Other Categories of Loans under Follow-Up (-)	2.394.168	1.255.394	-
Collections (-)	234.104	403.888	771.796
Deducted from the record (-) <sup>(1)</sup>	75.327	4.709	24.185
Debt Sale (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance</b>	<b>763.675</b>	<b>2.746.857</b>	<b>6.305.946</b>
Specific Provision (-)	244.560	1.391.802	5.121.691
<b>Net Balance on Balance Sheet</b>	<b>519.115</b>	<b>1.355.055</b>	<b>1.184.255</b>

<sup>(1)</sup> Consist of amount transferred to the Stage I and Stage II loans.

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

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

**7. Information Related to Loans (Continued)**

**7.8. Information On Non-Performing Receivables (Net) (Continued)**

**7.8.3. Information on Foreign Currency Non-Performing Loans**

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
<b>Current Period:</b>			
<b>Period Ending Balance</b>	<b>53.858</b>	<b>435.378</b>	<b>254.877</b>
Provision (-)	14.746	233.465	156.043
<b>Net Balance on Balance Sheet</b>	<b>39.112</b>	<b>201.913</b>	<b>98.834</b>
<b>Prior Period:</b>			
<b>Period Ending Balance</b>	<b>583.308</b>	<b>63.507</b>	<b>358.508</b>
Provision (-)	267.579	46.440	351.392
<b>Net Balance on Balance Sheet</b>	<b>315.729</b>	<b>17.067</b>	<b>7.116</b>

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

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
<b>Current Period (Net)</b>	<b>519.115</b>	<b>1.355.055</b>	<b>1.184.255</b>
Loans to Real Persons and Legal Entities (Gross)	763.675	2.746.857	6.161.331
Provision (-)	244.560	1.391.802	4.977.076
Loans to Real Persons and Legal Entities (Net)	519.115	1.355.055	1.184.255
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	144.615
Provision (-)	-	-	144.615
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>1.163.092</b>	<b>658.021</b>	<b>743.954</b>
Loans to Real Persons and Legal Entities (Gross)	1.889.105	1.418.246	5.313.440
Provision (-)	726.013	760.225	4.569.486
Loans to Real Persons and Legal Entities (Net)	1.163.092	658.021	743.954
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	135.206
Provision (-)	-	-	135.206
Other Loans and Receivables (Net)	-	-	-

**7.8.5. Information on Accruals of Interest, Rediscount and Valuation Effect and Their Provisions Calculated for Non-Performing Loans Banks which Provide Expected Credit Loss According to TFRS 9**

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
<b>Current Period (Net)</b>	<b>28.218</b>	<b>63.608</b>	<b>21.798</b>
Interest Accruals and Valuation Differences	55.609	163.871	86.445
Provision (-)	27.391	100.263	64.647
<b>Prior Period</b>	<b>67.001</b>	<b>29.159</b>	<b>9.399</b>
Interest Accruals and Valuation Differences	116.066	65.264	28.958
Provision (-)	49.065	36.105	19.559



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**SECTION FIVE (Continued)**

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

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

**8. Financial Assets Measured at Amortised Cost**

**8.1. Information on Comparative Net Values of Financial Assets Measured at Amortised Cost Subject to Repo Transactions and Given as a Collateral/Blocked**

*Financial Assets Measured at Amortised Cost subject to repo transactions*

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	2.669.020	2.566.048	177.923	1.819.056
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>2.669.020</b>	<b>2.566.048</b>	<b>177.923</b>	<b>1.819.056</b>

*Financial assets Measured at Amortised Cost given as Collateral or Blocked*

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	50.535	10.029.184	3.790.424	3.019.229
Other	-	-	-	-
<b>Total</b>	<b>50.535</b>	<b>10.029.184</b>	<b>3.790.424</b>	<b>3.019.229</b>

**8.2. Information on Government Securities Measured at Amortised Cost**

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds		17.962.644		10.076.568
Treasury Bills		-		-
Other Public Sector Debt Securities		646.526		7.882
<b>Total</b>		<b>18.609.170</b>		<b>10.084.450</b>

**8.3. Information on Investments Measured at Amortised Cost**

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt securities		18.782.117		10.282.653
Listed in a Stock Exchange		18.072.043		10.076.676
Not Listed in a Stock Exchange		710.074		205.977
Provision for Impairment (-)		-		108
<b>Total</b>		<b>18.782.117</b>		<b>10.282.545</b>

**8.4. Movements of Investments Measured at Amortised Cost**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Beginning Balance</b>		<b>10.282.545</b>		<b>7.625.763</b>
Foreign Currency Differences on Monetary Assets		294.461		1.772.252
Purchases During the Year (*)		9.999.774		3.515.803
Disposals through Sales and Redemptions		(1.794.546)		(2.631.165)
Provision for Impairment (-)		117		108
<b>Period End Balance</b>		<b>18.782.117</b>		<b>10.282.545</b>

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

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

9. Information about Associates Accounts (Net)

9.1. Information about Unconsolidated Associates

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage, if Different, Voting Percentage (%)	The 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 <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)(3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	120.607	86.332	59.382	2.649	-	21.367	8.630	-
2	286.943	178.113	193.762	7.642	-	14.616	23.681	-

<sup>(1)</sup> There is no fair value due to the fact that associates are not traded in the stock exchange

<sup>(2)</sup> Current period information of associates has been provided from limited reviewed financial statements as of 30 June 2019. Prior period profit/loss information of associates has been provided from audited financial statements as of 30 June 2018.

<sup>(3)</sup> Total fixed assets include tangible and intangible assets.

9.2. Information on Consolidated Associates by Equity Method

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

	Total Assets <sup>(2)</sup>	Shareholde rs’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)(3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	4.583.072	976.613	121.117	147.726	32.567	109.529	28.777	-

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

<sup>(2)</sup> Current period information of Arap Türk Bankası A.Ş. has been provided from unaudited financial statements as of 30 June 2019. Prior period profit/loss information of Arap Türk Bankası A.Ş. has been provided from audited financial statements as of 30 June 2018.

9.2.1 Information on Consolidated Associates by Equity Method

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>133.745</b>	<b>121.185</b>
<b>Movement During the Period</b>	<b>16.946</b>	<b>12.560</b>
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	16.900	15.581
Transfer	-	-
Sales	-	-
Revaluation Increase	46	374
Impairment Provision	-	3.395
<b>Balance at the End of the Period</b>	<b>150.691</b>	<b>133.745</b>
Capital Commitments	-	-
Period Ending Share of Capital Participation (%)	15,43	15,43

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**SECTION FIVE (Continued)**

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

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

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

**9.2.2. Sectoral Information and Related Amounts on Consolidated Associates by Equity Method**

	Current Period	Prior Period
Banks	150.691	133.745
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

**9.3. Associates Quoted to a Stock Exchange**

None (31 December 2018: None).

**10. Information on Subsidiaries (Net)**

**10.1. Information on Unconsolidated Subsidiaries**

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

	Total Assets	Shareholders’ Equity	Total Non- Current Assets	Interest Income	Income from Marketable Securities	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value	Shareholders’ equity amount needed
1	60.824	11.351	4.191	1.193	-	(2.715)	1.139	60.824	-

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

(2) Current period information of subsidiaries has been provided from unaudited financial statements as of 30 June 2019. Prior period profit/loss information has been provided from audited financial statements as of 30 June 2018.

**10.2. Information on Consolidated Subsidiaries**

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

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

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

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

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**SECTION FIVE (Continued)**

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

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

**10. Information on Subsidiaries (Net) (Continued)**

**10.2. Information on Consolidated Subsidiaries (Continued)**

	Total Assets	Shareholders' Equity	Total Non-Current Assets	Interest Income	Income from Marketable Securities	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value	Shareholders' equity amount needed
1	9.239.000	769.500	1.916	271.317	-	381.794	223.112	-	-
2	1.814.510	509.635	4.796	144.782	-	165.387	131.441	-	-
3	215.872	127.344	544	-	7.571.000	36.918	32.440	-	-
4	82.627	75.160	31.624	5.933	23.992	15.001	9.401	-	-
5	24.957.680	2.667.407	226.122	750.861	41.452	104.261	68.742	-	-
6	2.119.205	1.701.670	1.681.987	-	-	17.497	25.479	-	-
7	826.303	824.846	1.517	-	-	73.528	-	-	-
8	8.602.444	1.579.770	22.274	154.886	1.654	50.791	44.440	1.471.676	-
9	3.300.012	576.829	133.002	56.356	279	4.150	839	662.857	-
10	796.500	264.343	12.068	30.982	203	13.761	9.551	209.829	-
11	980.568	424.597	24.548	39.571	-	14.844	21.837	382.795	-
12	649.418	225.219	59.079	30.007	341	6.092	3.061	202.831	-
13	519.748	91.042	3.764	9.815	631	381	(1.637)	83.848	-
14	265.519	108.306	9.050	4.712	1.922	4.088	2.204	112.626	-
15	418.735	167.359	8.170	20.756	232	22.296	6.513	166.462	-

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

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

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

(4) Information on Ziraat Katılım Bankası A.Ş. has been provided from audited financial statements as of 30 March 2019, the prior period profit/loss balances have been provided from audited financial statements as of 30 March 2018. Information on other subsidiaries shown in the table above has been provided from audited financial statements as of 30 June 2019, the prior period profit/loss balances have been provided from audited financial statements as of 30 June 2018.

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

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>7.394.408</b>	<b>5.138.250</b>
<b>Movements During the Period</b>	<b>177.754</b>	<b>2.256.158</b>
Additions to Scope of Consolidation	-	-
Purchases <sup>(1)</sup>	-	1.521.015
Bonus Shares Obtained	2.028	-
Dividends from current year income	-	-
Sales	-	-
Revaluation Increase <sup>(2)</sup>	175.726	807.408
Impairment Provision (-)	-	72.265
<b>Balance at the End of the Period</b>	<b>7.572.162</b>	<b>7.394.408</b>
Capital Commitments	-	-
Share percentage at the end of the period (%)	-	-

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

(2) Includes changes arising from conversion of subsidiaries, whose capitals are paid in Euro amounts, into TL at period end currency rate

(3) Non-financial subsidiaries are not included.

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

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

**10.2. Sectoral Information and Related Amounts of Subsidiaries**

*(Represents Values Belonging To the Parent Bank)*

	<b>Current Period</b>	<b>Prior Period</b>
Banks	5.325.765	4.865.172
Insurance Companies	129.972	129.972
Factoring Companies	-	-
Leasing Companies	-	282.839
Financing Companies	-	-
Other Financial Subsidiaries	2.116.425	2.116.425

**10.3. Subsidiaries which are Quoted on a Stock Exchange**

None (31 December 2018: None).

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

<b>Entities under Common Control (Joint Ventures) (*)</b>	<b>Parent Bank's Share (**)</b>	<b>Group's Share</b>	<b>Current Assets</b>	<b>Non-Current Assets</b>	<b>Long Term Liabilities</b>	<b>Income</b>	<b>Expense</b>
Turkmen Turkish Joint Stock Commercial Bank	50,00	50,00	5.280.935	14.792	16.098	47.215	22.164

(\*) Information on entity under joint control is provided from the unaudited financial statements as of 30 June 2019.

Entities under common control domiciled and operating in the Parent Bank's consolidated financial statement abroad are followed by their fair values. For these entities under common control, fair value is determined by independent valuation firm's report and revaluation differences are accounted as the value of entities under common control and in "Marketable Securities Value Increase Fund" under shareholders' equity.

**12. Information on Finance Lease Receivables (Net)**

Information on finance lease receivables are as below:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than 1 Year	239	9.329	1.709.543	1.429.167
1-5 Years	2.283.955	1.987.633	2.778.781	2.136.398
More than 5 Years	2.369.601	1.682.230	538.541	413.115
<b>Total</b>	<b>4.653.795</b>	<b>3.679.192</b>	<b>5.026.865</b>	<b>3.978.680</b>

**13. Information on Derivative Financial Assets for Hedging Purposes**

Group does not have any derivative financial assets for hedging purposes.

**14. Information on Investment Property**

None.

**15. Information on Assets Held For Sale And Tangibles Corresponding Discontinuing Operations**

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

The Group's immovables acquired amount to TL 2.239.541 consisting of TL 22.059 due to consumer loans, TL 2.088.227 on its commercial loans and TL 129.255 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 3.752.(31 December 2018: The Group's immovables acquired amount to TL 1.227.120 consisting of TL 17.591 due to consumer loans, TL 1.109.214 on its commercial loans and TL 100.315 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 3.559.)

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**SECTION FIVE (Continued)**

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

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

**16. Explanations on Property And Equipment**

	Tangibles	Tangibles- Right-of-Use	Intangibles	Intangibles- Right-of-Use	Operational Leasing Development Costs	Other Tangibles	Total
<b>Prior Period End</b>							
Cost	7.250.703	-	1.290.348	14.928	294.805	-	8.850.784
Accumulated Depreciation (-)	986.217	-	817.441	6.218	232.687	-	2.042.563
Impairment (-)	2.805	-	1.661	-	-	-	4.466
<b>Net Book Value</b>	<b>6.261.681</b>	<b>-</b>	<b>471.246</b>	<b>8.710</b>	<b>62.118</b>	<b>-</b>	<b>6.803.755</b>
<b>Current Period End</b>							
Net Book Value at the Beginning of the Period	6.261.681	-	471.246	8.710	62.118	-	6.803.755
Change During the Period (Net)	98.479	682.797	5.517	104.332	(10.545)	-	880.580
- Cost	109.580	745.248	90.965	127.367	4.582	-	1.077.742
- Depreciation – net (-)	11.101	62.451	85.448	19.833	15.127	-	193.960
- Impairment (-)	-	-	-	3.202	-	-	3.202
Net Currency Translation from Foreign Subsidiaries	4.328	27.022	2.275	10.402	892	-	44.919
Cost at Period End	7.364.611	772.270	1.383.588	152.697	300.279	-	9.973.445
Accumulated Depreciation at Period End (-)	997.318	62.451	902.889	26.051	247.814	-	2.236.523
Impairment (-)	2.805	-	1.661	3.202	-	-	7.668
<b>Closing Net Book Value</b>	<b>6.364.488</b>	<b>709.819</b>	<b>479.038</b>	<b>123.444</b>	<b>52.465</b>	<b>-</b>	<b>7.729.254</b>

**17. The Impairment Provision Set or Cancelled in The Current Period According to The Asset Groups Not Individually Significant But Materially Affecting The Overall Financial Statements, and The Reason and Conditions for This:**

None.

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

None.

**19. Information on Expected Credit Loss for Financial Investments**

	Current Period	Prior Period
Cash values and central bank	1.443	463
Receivables from banks and money markets	8.470	14.112
Financial assets appraised over their amortised cost	2.601	1535
Other asset	55.001	54.100
<b>Total:</b>	<b>67.515</b>	<b>70.210</b>

**20. Information on Other Assets**

As of 30 June 2019, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

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

**II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES**

**1. Information on Deposits/Funds Collected**

**1.1 Information on Maturity Structure of Deposits**

Current Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	29.092.641	-	3.402.882	68.520.861	18.453.715	2.779.235	7.196.886	203.808	129.650.028
Foreign Currency Deposits	48.891.879	-	14.370.334	67.384.436	11.264.264	10.255.471	31.349.083	6.139	183.521.606
Residents in Turkey	39.269.101	-	13.338.608	56.909.742	6.750.130	4.501.761	9.478.819	4.647	130.252.808
Residents Abroad	9.622.778	-	1.031.726	10.474.694	4.514.134	5.753.710	21.870.264	1.492	53.268.798
Public Sector Deposits	8.589.883	-	2.840.929	5.138.292	894.126	1.829.960	119.954	-	19.413.144
Commercial Inst. Deposits	8.469.046	-	7.441.994	10.563.870	1.022.159	3.220.253	414.909	-	31.132.231
Other Inst. Deposits	1.943.184	-	1.182.635	3.543.629	3.993.250	1.247.942	642.485	-	12.553.125
Precious Metals	8.620.862	-	85.445	1.705.182	177.631	68.561	90.518	-	10.748.199
Interbank Deposits	2.652.223	-	15.881.342	7.477.274	5.171.810	94.672	614.002	-	31.891.323
CBRT	1.720	-	-	-	-	-	-	-	1.720
Domestic Banks	392.466	-	15.028.628	432.946	38.618	2.301	2.259	-	15.897.218
Foreign Banks	2.021.294	-	852.714	6.171.762	5.133.192	92.371	611.743	-	14.883.076
Participation Banks	225.242	-	-	872.566	-	-	-	-	1.097.808
Other	11.501	-	-	-	-	-	-	-	11.501
<b>Total</b>	<b>108.259.718</b>	<b>-</b>	<b>45.205.561</b>	<b>164.333.544</b>	<b>40.976.955</b>	<b>19.496.094</b>	<b>40.427.837</b>	<b>209.947</b>	<b>418.909.656</b>

Prior Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	26.085.178	-	2.970.274	75.339.363	8.225.640	3.109.733	3.552.919	163.671	119.446.778
Foreign Currency Deposits	35.462.060	-	12.077.492	48.125.965	9.418.307	9.012.470	27.868.733	5.576	141.970.603
Residents in Turkey	28.739.734	-	10.822.850	37.227.261	5.531.411	3.528.918	7.765.042	4.070	93.619.286
Residents Abroad	6.722.326	-	1.254.642	10.898.704	3.886.896	5.483.552	20.103.691	1.506	48.351.317
Public Sector Deposits	7.082.239	-	3.192.485	5.244.373	2.018.212	3.470.269	101.658	-	21.109.236
Commercial Inst. Deposits	9.223.407	-	5.176.246	8.157.297	829.440	3.681.582	242.536	-	27.310.508
Other Inst. Deposits	1.978.024	-	1.806.775	4.543.593	1.179.194	864.518	538.096	-	10.910.200
Precious Metals	6.710.515	-	67.100	1.194.009	101.328	51.184	71.877	-	8.196.013
Interbank Deposits	4.151.647	-	12.150.631	4.143.899	2.900.136	1.258.825	826.772	-	25.431.910
CBRT	1.038	-	-	-	-	-	-	-	1.038
Domestic Banks	288.147	-	9.295.725	97.998	11.406	2.088	2.085	-	9.697.449
Foreign Banks	2.970.112	-	2.854.906	3.774.861	2.888.730	1.256.737	553.647	-	14.298.993
Participation Banks	892.350	-	-	271.040	-	-	271.040	-	1.434.430
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>90.693.070</b>	<b>-</b>	<b>37.441.003</b>	<b>146.748.499</b>	<b>24.672.257</b>	<b>21.448.581</b>	<b>33.202.591</b>	<b>169.247</b>	<b>354.375.248</b>

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

**II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES**

**1. Information on Deposits/Funds Collected**

**1.2. 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 <sup>(1)</sup>	80.268.401	77.125.284	48.890.831	41.715.586
Foreign Currency Saving Deposits <sup>(1)</sup>	46.289.851	36.632.643	82.447.700	74.091.093
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(2)</sup>	1.255.931	1.106.656	159.505	161.259
Deposits at Off-Shore Banking Regions’ and under Foreign Authorities’ Insurance	-	-	-	-

<sup>(1)</sup> Related deposit balances do not include foreign branches.

<sup>(2)</sup> In Bulgaria and Greece, since both real person and legal entity’s saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 192.442 and TL 15.051 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2018: TL 140.007 and TL 24.266).

Based on the Council of Minister’s decree dated 29 December 2003 and numbered 2003/6668, TL 601 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 2.276.362 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 15 February 2013 and numbered 28560.

**1.3. Information on Saving Deposits/Real Persons’ Private Current And Accession Accounts Not Related to Commercial Transactions in a Turkish Branch of The Parent Bank Whose Head Office is Abroad, And Reasons if it is Covered in Where The Head Office is Located**

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



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**SECTION FIVE (Continued)**

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

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

**1. Information on Deposits/Funds Collected (Continued)**

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

	<b>Current Period</b>	<b>Prior Period</b>
Deposits and other Accounts in Branches Abroad	96.375	59.444
Deposits of Ultimate Shareholders and Their Close Family Members	-	-
Deposits of Chairman and Members of the Board of Directors, CEO, Executive Vice Presidents and Their Close Family Members	12.277	9.247
Deposits Obtained through Illegal Acts Defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

**2. Negative Differences Related to the Derivative Financial Liabilities**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Forward Transactions	168.454	78.416	272.091	27.360
Swap Transactions	1.229.306	913.810	882.868	484.487
Futures Transactions	5.098	-	-	-
Options	25	34	1.363	-
Other	-	-	-	-
<b>Total</b>	<b>1.402.883</b>	<b>992.260</b>	<b>1.156.322</b>	<b>511.847</b>

**3. Information on Banks and Other Financial Institutions**

**3.1. General Information on Banks and Other Financial Institutions**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	366.801	5.216.739	615.820	5.735.551
Foreign Banks, Institutions and Funds	381.148	31.901.122	580.527	27.916.871
<b>Total</b>	<b>747.949</b>	<b>37.117.861</b>	<b>1.196.347</b>	<b>33.652.422</b>

**3.2. Maturity Structure of Funds Borrowed**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Short-Term	366.026	6.202.661	615.434	6.314.775
Medium and Long-Term	381.923	30.915.200	580.913	27.337.647
<b>Total</b>	<b>747.949</b>	<b>37.117.861</b>	<b>1.196.347</b>	<b>33.652.422</b>

**3.3. Further Information is Disclosed for the Areas Of Liability Concentrations. Main Liability Concentration Areas are Fund Suppliers, Sector Groups or other Risk Concentration Criteria**

64,83 % of the Group’s total liabilities and equity consist of deposits. Deposits have a diversified base and have steady structures. The Group’s liabilities are not subject to a significant concentration risk.

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**SECTION FIVE (Continued)**

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

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

**4. Information on Funds Supplied from Repurchase Agreements**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Domestic Transactions</b>	<b>45.420.983</b>	-	<b>56.213.158</b>	-
Financial Institutions and Organizations	44.428.159	-	56.007.340	-
Other Institutions and Organizations	990.371	-	203.162	-
Real Person	2.453	-	2.656	-
<b>From Overseas Operations</b>	-	<b>19.786.504</b>	-	<b>12.390.480</b>
Financial Institutions and Organizations	-	19.786.504	-	12.390.480
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
<b>Total</b>	<b>45.420.983</b>	<b>19.786.504</b>	<b>56.213.158</b>	<b>12.390.480</b>

**5. Information on Securities Issued**

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	1.220.151	201.776	1.761.094	106.896
Asset-Backed Securities	1.906.644	-	1.375.097	-
Treasury Bills	1.010.690	13.658.658	1.190.585	12.510.192
<b>Total</b>	<b>4.137.485</b>	<b>13.860.434</b>	<b>4.326.776</b>	<b>12.617.088</b>

**6. If Other Liabilities Exceed 10% of The Balance Sheet Total, Name and Amount Of Sub-Accounts Constituting at Least 20% of These Liabilities**

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

**7. Information on Finance Lease Payables (Net)**

Information on finance lease payables represented in the table below.

	Current Period		Prior Period	
	TL	FC	TL	FC
Less than 1 Year	15.157	15.119	-	-
1-4 Years	288.717	285.711	-	-
More than 4 Years	519.849	444.649	-	-
<b>Total</b>	<b>823.723</b>	<b>745.479</b>	-	-

**8. Information on Derivative Financial Liabilities for Hedging Purposes**

There are no derivative financial liabilities for hedging purposes of Group.

**9. Explanations on Provisions**

**9.1 Foreign Exchange Loss Provisions on The Foreign Currency Indexed Loans and Finance Lease Receivables**

There is no foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables amount of Group (31 December 2018: TL 228).

**9.2. Liabilities on Reserve for Employee Termination Benefits**

The Group accounts for its vacation and retirement pay obligations in accordance with the TAS 19 “Employee Benefits”. The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation. As of 30 June 2019, unpaid vacation liability amounted to TL 289.580, and employment termination amounted to TL 926.105 are presented under the “Employee Benefits Provision” in the financial statements. (31 December 2018: unpaid vacation liability amounted to TL 207.658, and employment termination amounted to TL 836.363 are presented under the “Employee Benefits Provision” in the financial statements.)

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**SECTION FIVE (Continued)**

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

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

**9. Explanations on Provisions (Continued)**

**9.3. Information on Other Provisions**

These financial statements include a free provision which is not in accordance with BRSA Principles amounting to TL 982.000, 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 30.500 and other provision of TL 217 exist for cash transfers made by Parent Bank officials.(31 December 2018: These financial statements include a free provision which is not in accordance with BRSA Principles amounting to TL 1.475.000 ,which has a part of TL 982.000 have been reversed from the current period, provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions. Moreover, the provision of TL 30.000 and other provision of TL 217 exist for cash transfers made by Bank officials.)

**10. Information on Tax Liability**

**10.1. Information on Current Tax Liability**

**10.1.1. Information on Tax Provisions**

As of 30 June 2019, the remaining corporate tax liability after deducting temporary taxes paid for the period of the Group is TL 255.609. (31 December 2018: the remaining corporate tax liability after deducting temporary taxes paid for the period of the Group is TL 1.001.148.)

**10.1.2. Information on Current Taxes Payable**

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Tax Payable	253.727	1.001.148
Taxation on Income From Securities	379.345	208.090
Property Tax	3.232	2.890
Banking Insurance Transactions Tax (BITT)	302.087	246.205
Foreign Exchange Transactions Tax	9.056	58
Value Added Tax Payable	10.156	16.288
Other	93.480	117.251
<b>Total</b>	<b>1.051.083</b>	<b>1.591.930</b>

**10.1.3. Information on Premiums**

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums - Employee	536	260
Social Security Premiums - Employer	797	376
Bank Social Aid Pension Fund Premium - Employee	18.226	11.988
Bank Social Aid Pension Fund Premium - Employer	25.405	16.712
Pension Fund Membership Fees and Provisions - Employee	1	1
Pension Fund Membership Fees and Provisions - Employer	1	-
Unemployment Insurance - Employee	4.176	1.894
Unemployment Insurance - Employer	8.356	3.790
Other	-	-
<b>Total</b>	<b>57.498</b>	<b>35.021</b>

**10.2. Information on Deferred Tax Liabilities, if any**

The Group’s deferred tax liability, for the current term, amounts to TL 5.539. (31 December 2018: TL 8.669)

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

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

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**SECTION FIVE (Continued)**

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

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

**12. Explanations on Subordinated Debts**

	Current Period <sup>(*)</sup>		Prior Period	
	TL	FC	TL	FC
Debt instruments to be included in additional capital calculation	-	9.712.942	-	-
Subordinated loans	-	517.326	-	-
Subordinated debt instruments	-	9.195.616	-	-
Debt instruments to be included in contribution capital calculation	-	-	-	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	-	-	-	-
<b>Total</b>	<b>-</b>	<b>9.712.942</b>	<b>-</b>	<b>-</b>

(\*)Subordinated loans are explained in detail in the Note “Information on debt instruments included in the calculation of equity” in section four

**13. Information on Shareholders’ Equity**

**13.1. Presentation on Paid-In Capital**

	Current Period	Prior Period
Common stock	6.100.000	6.100.000
Preferred stock	-	-

**13.2. Paid-In Capital Amount, Explanation Whether the Registered Capital System is Applicable by The Parent Bank, if so the Registered Capital Ceiling Amount**

The Parent Bank does not have a registered capital system.

**13.3. Information on Share Capital Increases and Their Sources; Other Information on Increased Capital Shares in the Current Period**

There is no share capital increases in the current period.

**13.4. Information on Additions from Capital Reserves to Capital in the Current Period**

There is no share capital amount included in capital.

**13.5. Capital Commitments in the Last Fiscal Year and Continue Until the End of the Following Interim Period, General Purpose of These Commitments and Estimated Resources Required for These Commitments**

The Bank has no capital commitments.

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

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

**13.7. Information on Preferred Shares Representing The Capital**

The Bank has no preferred shares.

**13.8. Information on Marketable Securities Value Increase Fund**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Subsidiaries, Associates and Entities under Common Control</b>	<b>89.269</b>	<b>28.222</b>	<b>89.269</b>	<b>28.222</b>
Revaluation Difference	(4.133)	28.222	(4.133)	28.222
Foreign Exchange Difference	93.402	-	93.402	-
<b>From Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>(4.129.567)</b>	<b>(2.694.568)</b>	<b>(3.423.980)</b>	<b>(2.783.053)</b>
Revaluation Difference	(6.054.326)	(2.694.582)	(5.174.693)	(2.783.095)
Deferred Tax Effect	1.924.759	-	1.750.713	(12)
Foreign Exchange Difference	-	14	-	54
<b>Total</b>	<b>(4.040.298)</b>	<b>(2.666.346)</b>	<b>(3.334.711)</b>	<b>(2.754.831)</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
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**SECTION FIVE (Continued)**

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

**III. EXPLANATIONS AND NOTES TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS**

**1. Information on Off-Balance Sheet Liabilities**

**1.1. Nature and Amount Of Irrevocable Loan Commitments**

	<b>Current Period</b>	<b>Prior Period</b>
Commitments for Credit Card Expenditure Limits	21.752.330	13.363.899
Other Irrevocable Commitments	13.241.715	14.238.136
Loan Granting Commitments	9.535.611	8.568.744
Payment Commitments for Cheques	3.900.115	2.876.102
Asset Purchase Commitments	8.753.291	7.262.309
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	39.441	23.620
Tax and Fund Obligations Resulting from Export Commitments	10.016	6.925
Subsidiaries and Associates Capital Contribution Commitments	-	-
<b>Total</b>	<b>57.232.519</b>	<b>46.339.735</b>

**1.2. Nature and Amount of Possible Losses and Commitments Arising From The Off-Balance Sheet Items Including The Below Mentioned**

The Group has provided provision amounting to TL 551.742 for possible losses arising from the off-balance sheet items in the current year. (31 December 2018: TL 466.897).

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

	<b>Current Period</b>	<b>Prior Period</b>
Guarantee Letters	104.669.039	103.715.207
Letter of Credits	19.787.591	18.388.533
Bank Acceptances	9.115.321	8.317.026
Endorsement	812.835	202.092
Factoring Guarantees	-	2.172
Other Guarantees	763.368	1.010.273
Other Warrantees	9.504	12.405
<b>Total</b>	<b>135.157.658</b>	<b>131.647.708</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Letters of Certain Guarantees	72.016.929	69.436.954
Letters of Advance Guarantees	19.271.849	21.139.028
Letters of Temporary Guarantees	2.737.956	3.572.721
Letters of Guarantees Given to Customs Offices	1.625.129	1.519.782
Other Letters of Guarantees	9.017.176	8.046.722
<b>Total</b>	<b>104.669.039</b>	<b>103.715.207</b>

**1.3. Explanations on Non-Cash Loans**

**1.3.1. Total Non-Cash Loans**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>5.033.913</b>	<b>4.173.468</b>
With Original Maturity of One Year or Less	330.714	1.752.900
With Original Maturity of More than One Year	4.703.199	2.420.568
<b>Other Non-Cash Loans</b>	<b>130.123.745</b>	<b>127.474.240</b>
<b>Total</b>	<b>135.157.658</b>	<b>131.647.708</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
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**SECTION FIVE (Continued)**

**IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT**

**1. Within The Scope of Interest Income**

**1.1. Information on Interest Income from Loans**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Interest on Loans <sup>(1)</sup></b>	<b>22.615.902</b>	<b>4.615.737</b>	<b>15.665.345</b>	<b>2.916.960</b>
Short Term Loans	7.405.656	456.191	4.069.696	209.665
Medium and Long Term Loans	14.782.907	4.145.286	11.522.973	2.705.484
Interest on Non-Performing Loans	427.339	14.260	72.676	1.811
Premiums from Resource Utilization Support Fund	-	-	-	-

<sup>(1)</sup> Includes fees and commissions income on cash loans.

**1.2. Information on Interest Received from the Banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	69.648	-	19.172	-
Domestic Banks	264.958	8.305	150.371	3.733
Foreign Banks	18.566	33.512	6.559	10.044
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>353.172</b>	<b>41.817</b>	<b>176.102</b>	<b>13.777</b>

**1.3. Information on Interest Income on Marketable Securities**

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	6.588	3.152	410	1.559
Financial Assets at Fair Value Through Other Comprehensive Income	5.105.689	818.096	2.555.451	551.383
Financial Assets Measured at Amortized Cost	491.967	229.105	112.656	163.718
<b>Total</b>	<b>5.604.244</b>	<b>1.050.353</b>	<b>2.668.517</b>	<b>716.660</b>

**1.4. Information on Interest Income from Subsidiaries and Associates**

The Group has no interest income from its subsidiaries and affiliates (31 December 2018: None).

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**SECTION FIVE (Continued)**

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

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

**2. Within the Scope of Interest Expense**

**2.1. Information on Interest Expense on Borrowings**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks <sup>(1)</sup>	201.742	636.246	76.823	503.089
Central Bank of the Republic of Turkey	-	-	6.488	-
Domestic Banks	123.040	63.019	29.761	18.126
Foreign Banks	78.702	573.227	40.574	484.963
Foreign Head Office and Branches	-	-	-	-
Other Institutions	12.478	27.115	-	15.091
<b>Total</b>	<b>214.220</b>	<b>663.361</b>	<b>76.823</b>	<b>518.180</b>

<sup>(1)</sup> Includes fees and commissions expenses on cash loans.

**2.2. Information on Interest Expenses Given to Subsidiaries and Associates**

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	1.041	850

**2.3. Information on Interest Given on Securities Issued**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	432.218	416.981	309.905	249.701

**2.4. Maturity Structure of the Interest Expense on Deposits**

Account Name	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 year		
<b>TL</b>								
Bank Deposit	-	1.433.386	4.574	273	268	259	-	1.438.760
Saving Deposit	2.220	239.959	6.698.465	910.619	282.016	430.239	3.527	8.567.045
Public Sector Deposit	296	331.959	385.897	81.816	187.250	11.856	-	999.074
Commercial Deposit	456	602.843	969.898	67.934	348.955	28.970	-	2.019.056
Other Deposit	12	97.198	361.895	306.669	94.794	46.185	-	906.753
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2.984</b>	<b>2.705.345</b>	<b>8.420.729</b>	<b>1.367.311</b>	<b>913.283</b>	<b>517.509</b>	<b>3.527</b>	<b>13.930.688</b>
<b>FC</b>								
Foreign Currency Deposit	520	175.105	718.402	80.367	86.495	269.566	-	1.330.455
Bank Deposit	195	96.115	4.922	10.914	3.197	4.282	-	119.625
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	3.416	4.166	470	222	312	-	8.586
<b>Total</b>	<b>715</b>	<b>274.636</b>	<b>727.490</b>	<b>91.751</b>	<b>89.914</b>	<b>274.160</b>	<b>-</b>	<b>1.458.666</b>
<b>Grand Total</b>	<b>3.699</b>	<b>2.979.981</b>	<b>9.148.219</b>	<b>1.459.062</b>	<b>1.003.197</b>	<b>791.669</b>	<b>3.527</b>	<b>15.389.354</b>

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

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

**3. Information on Trading Profit/Loss (Net)**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Profit</b>	<b>53.741.122</b>	<b>37.249.116</b>
Foreign Exchange Gains	51.263.039	36.098.698
Profit on Derivative Financial Instruments	2.439.978	1.143.325
Profit from the Capital Market Transactions	38.105	7.093
<b>Loss (-)</b>	<b>58.209.273</b>	<b>38.850.040</b>
Foreign Exchange Loss	51.101.633	36.522.152
Loss on Derivative Financial Instruments	7.100.832	2.325.796
Loss from the Capital Market Transactions	6.808	2.092

**4. Information on Other Operating Income**

Of the Bank’s other operating income consists of reversals from prior period provisions amounting to TL 782.895, income from sales of assets amounting to TL 43.257 and revenue from insurance transactions of amount to TL1.323.471. (30 June 2018: Of the Bank’s other operating income consists of reversals from prior period provisions amounting to TL 339.734, income from sales of assets amounting to TL, 24.857 and revenue from insurance transactions of amount to TL 1.038.510.

**5. Provision for Impairment on Loans and Other Receivables of Banks**

	<b>Current Period</b>	<b>Prior Period</b>
Expected Credit Loss Provisions	2.326.843	1.392.829
12 month expected credit loss (stage 1)	213.066	175.071
Significant increase in credit risk (stage 2)	458.028	170.762
Non-performing loans (stage 3)	1.655.749	1.046.996
Marketable Securities Impairment Expense	728	10.325
Financial Assets at Fair Value through Profit or Loss	-	97
Financial Assets at Fair Value Through Other Comprehensive Income	728	10.228
Subsidiaries, Associates and Entities under Common Control Provision Expenses for Impairment	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	22.853	39.087
<b>Total</b>	<b>2.350.424</b>	<b>1.442.241</b>



**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 2019**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

**SECTION FIVE (Continued)**

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

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

**6. Information on Other Operating Expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for Employee Termination Benefits <sup>(3)</sup>	90.216	59.436
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	101
Depreciation Expenses of Tangible Fixed Assets	217.424	124.536
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	54.734	46.222
Impairment Expense for Equity Shares Subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	-	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	1.374.915	1.546.082
Lease Expenses Related to TFRS 16 Exemptions <sup>(2)</sup>	66.623	155.891
Maintenance Expenses	54.996	47.051
Advertisement Expenses	121.811	97.600
Other Expenses	1.131.485	1.245.540
Loss on Sales of Assets	8.188	765
Other <sup>(1)(3)</sup>	2.072.606	1.123.715
<b>Total</b>	<b>3.818.083</b>	<b>2.900.857</b>

<sup>(1)</sup> TL 442.812 of other items consists of Saving Deposit Insurance Fund accrual expense while TL 444.426 consists of taxes, duties and charges expense 30 June 2018: TL 307.970 of other items consists of Saving Deposit Insurance Fund accrual expense while TL 314.679 consists of taxes, duties and charges expense )

<sup>(2)</sup> This table also includes “Personnel Expenses” which is not in the “Other operating expenses”, but is a separate item.

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Net Interest Income	12.347.825	10.567.073
Net Fees and Commissions Income	1.624.477	1.288.865
Other Operating Income	2.246.222	1.498.243
Dividend Income	10.114	4.585
Trading Income/Expense (Net)	(4.468.151)	(1.600.924)
Personnel Expenses	1.941.856	1.598.804
Expected Loss Provisions (-)	2.326.843	1.392.829
Other Provision Expenses (-)	23.581	49.412
Other Operating Expenses (-)	3.818.083	2.900.857
Income / Loss from Subsidiaries Consolidated with Equity Pick-up	19.982	11.511
<b>Profit / (Loss) From Continuing Operations</b>	<b>3.670.106</b>	<b>5.827.451</b>

**8. Information on Tax Provision for Continuing and Discontinuing Operations**

As of 30 June 2019, TL 825.363 of the Bank’s total tax provision expense consists of amounting to TL 940.960 current tax expense while remaining balances amounting to TL 115.597 consists of deferred tax revenue. (30 June 2018, TL 1.271.214 of the Bank’s total tax provision expense consists of amounting to TL 1.215.696 current tax expense while remaining balances amounting to TL 55.518 consists of deferred tax expense.)

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

The Group’s net profit after tax amounts to TL 2.844.743 (30 June 2018: TL 4.556.237 TL).

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
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**SECTION FIVE (Continued)**

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

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

**10. Information on Net Profit/Loss**

**10.1. Nature, Amount and Frequency of Income and Expenses Arising from Ordinary Banking Activities, if Required for the Understanding the Performance of the Parent Bank in The Current Period**

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

**10.2. The Effect of the Change in Accounting Estimates to the Net Profit/Loss; Including the Effects to the Future Period, if any**

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period

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

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 PARENT BANK**

**1. Information on the Deposits of the Parent Bank's Risk Group**

**Current Period**

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Opening Balance	-	45.815	-	-	-	-
Closing Balance	-	49.961	-	-	-	-
<b>Interest and Commissions Income</b>	-	-	-	-	-	-

**Prior Period**

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Opening Balance	-	37.252	-	-	-	-
Closing Balance	-	45.815	-	-	-	-
<b>Interest and Commissions Income <sup>(1)</sup></b>	-	-	-	-	-	-

<sup>(1)</sup> Represent the amount of interest and commissions income as of 30 June 2018.

**2. Deposits Held By The Bank's Risk Group**

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Deposits</b>						
Opening Balance	27.657	26.398	-	-	-	-
Closing Balance	21.393	27.657	-	-	-	-
<b>Interest Expense on Deposits <sup>(1)</sup></b>	<b>1.041</b>	<b>850</b>	-	-	-	-

<sup>(1)</sup> The prior period balance of the deposit interest expense represents the amount at 30 June 2018.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TÜRKiYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
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**SECTION FIVE (Continued)**

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

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

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

None. (31 December 2018:None).

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

Fees paid to the Bank’s key management amount to TL 18.446 (30 June 2018: TL 16.952).

**VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS**

None.

**SECTION SIX**

**EXPLANATIONS ON AUDITORS’ REVIEW REPORT**

**I. EXPLANATIONS ON AUDITORS’ REVIEW REPORT**

As of 30 June 2019, consolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Auditors’ Review Report dated 8 August 2019 is presented preceding the financial statements.

**II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS**

None.

## **SECTION SEVEN**

### **EXPLANATIONS ON INTERIM ACTIVITY REPORT**

#### **I. Chairman’s Assessment**

The second quarter of 2019 was a period where protectionism over global trade continued and as a result global economic growth rate slowed down. In this context, strong signals are being received that the central banks of developed countries are more inclined to loosen their monetary policies in the face of deepening protectionism activities over the previous year.

The US-China trade talks, unlikely to be resolved in the near future, the Brexit process extended with the resignation of the British Prime Minister and US sanctions on Iran were the main risks dominating the second quarter. Announcements made by the central banks of the developed countries state that they will step towards expansionary monetary policy in order to limit the impact of these fragilities on economies supported the demand for emerging markets financial assets and the appetite for risk in the last quarter.

The US economy, which diverged positively from the developed economies in the first quarter, entered into a slowdown trend in the second quarter, opening the door to the US Federal Reserve (FED) in 2019 for possible interest rate cuts. The European Central Bank, which has not been unresponsive to the sharpening of the slowdown in the Eurozone's growth rate, also announced that it would follow the FED and increase its incentives. Consequently, despite the risks, with the global wind blowing in favor of developing countries, the central banks of developing countries also tended to follow the central banks in developed countries and participate in the rate cut cycle. Central Banks of Russia, India, South Africa, Indonesia, Kazakhstan, the Philippines, Ukraine, South Korea and Chile were among the Monetary Authorities that cut policy rates in the first half of the year.

The rebalancing trend continued in the Turkish economy which surpassed the two election periods in the first half of 2019. Inflation, which followed a moderate trend in the first two months of the second quarter, accelerated its decline with June. The recovery in the current account balance which started in the third quarter of 2018, continued to improve with the contribution of tourism revenues and the impact of the weak outlook in economic activity. In addition to the increase in exports, rapid decline in imports mainly led to an improvement in the current account balance.

Although our risk premium indicator remains high throughout the second quarter, the expectation, which increased with the G-20 summit that relations with the United States may progress on a moderate course has led to a recovery in risk premium. In addition to the favorable outlook in global liquidity conditions, the recovery in TL assets, the improvement in the current account balance and increasing disinflationary trend due to the base effect have created a space for the Central Bank to resort to strong interest rate cuts in the coming period.

The Banking Sector which continued to meet the financing needs of households and real sector in the first 6 months of 2019, has mainly increased its lending in TL which was double to the increase in TL lending in 2018 whereas the growth in FX loans mainly stemmed from higher FX rate. In this performance, the state-owned banks and especially Ziraat Bank, which is the morale bank of our country, played an important role.

In the upcoming periods, Ziraat Bank will continue to provide funding from domestic and international markets and supply these funds to the use of the economy mainly through loan allocation.

Ziraat Bank is one of the most valuable assets of our country with its 156 year history, TL 646 billion consolidated asset size, TL 439 billion consolidated cash loan, and TL 135 billion consolidated non-cash loan, 1,741 domestic branches, 8 local subsidiaries in different fields, subsidiary banks and foreign branches operating in 18 countries abroad. Ziraat Bank continues its resounding efforts to deliver financing in the sector and business lines that will contribute to the economy of our country and to provide effective, fast and high quality banking services.

In this context, we will continue to cooperate with our subsidiaries and foreign branches as well as other public and private banks on best practices that will contribute to the efficiency of the banking sector.

**Dr. Ahmet GENÇ**

**Chairman of the Board**

**SECTION SEVEN (Continued)**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

**II. Assessment of General Manager**

As of the first half of 2019, Ziraat Bank continued to grow its loans faster than the sector, with a significant number of effectively designed products just like in previous years. Ziraat Bank, which constitutes more than 67% of its balance sheet from loans and 75% of its loans from corporate loans, continues to be the leading bank in the financing of all sectors that will contribute to the country's economy, support the current account balance, and create employment and added value. Despite its strong loan growth, Ziraat Bank continues to maintain its loan/deposit ratio below the sector average with the contribution of its sustainable deposit base.

Due to limited demand in the first half of 2019, there was no significant change in foreign currency loans of the sector other than the exchange rate effect, while a higher increase was achieved in Turkish lira loans compared to 2018 and our market share has reached 18%.

We continue to increase our support through loans by designing new products to meet the needs. In addition to the financing provided by “SME Value Loans” (KOBİ Değer Kredileri) since last year, we continue our support to the real economy through “Economy Value Loan” (Ekonomi Değer Kredisi) which is designed to be indexed to inflation and “Momentum Financing Package” which is designed to be indexed to inflation and interest rates on government bonds.

We have acquired a significant level of financing with the greenhouse loans we designed to improve greenhouses cultivation. As a reflection of our pioneering and leading position in the financing of agriculture, we also increase our contribution to the creation of a conscious, efficient and high added-value agricultural sector in the country's economy through our practices such as “The Young Farmers Academy”.

With these products, it is aimed to promote effective allocation of scarce savings resources, which should be the main target of the banks, and to ensure proper risk management.

Apart from the real sector, we continue to be the leading bank in meeting the financing needs of our retail customers. While housing loans decreased in the first half of the year in the sector, Ziraat Bank recorded an increase in housing loans. Ziraat Bank provided about 60% of the increase in consumer loans in the first half of the year. We have reached a market share of 27% in housing loans and 18% in consumer loans. In other words, 1 out of every 4 housing loans and every 5 consumer loans in the sector were extended by Ziraat Bank. We added "Inflation Indexed Housing Loan" product to our “Firm Backed Housing Loan” product that we have previously offered to our customers.

Our bank continues to expand its retail and non-retail customer base and product ownership of both. Thus, we continue to contribute to increasing the number of individuals and firms benefiting from banking products and services through widespread branch and non-branch distribution channels.

The deposit continues to be the major financing source of the balance sheet with 65% share in liabilities. As with loans, we avoid harmful and aggressive competition with the responsibility of being a leader bank in deposit market. We also aim to contribute to the development of the savings attitude as well as the development of the deposit market by designing new products. We designed and offered new “Inflation-Indexed” and “Inflation-Protected” deposit products to our customers this year, in addition to our previous year “Loyal”, “Cumulative”, “Dowry”, “Housing”, “Demand – Non-Demand Gold”, “Term Payment”, etc. deposit products.

We continue to attain funds from abroad as the domestic savings are not sufficient for investments. We successfully rolled our \$1.4 billion syndicated loan due in April. In addition, we continue our efforts to increase our funds through repo, post financing, borrowings from international financial institutions and banks and eurobond issuance. The additional foreign currency funds we obtained from abroad in the first half of the year reached \$1.2 billion.

**Hüseyin AYDIN**

**Member of the Board and CEO**

**SECTION SEVEN (Continued)**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

**III. Corporate Profile**

Ziraat Bank uses its strong position to affect its performance with the growth potential provided by financial markets and to perform the best practices in workflows.

Ziraat Bank has made great breakthroughs in 155 years, it has created high added value for society and has reached the status of the leading bank.

Turkey's oldest and most powerful bank, Ziraat Bank began its operations in 1863. Nowadays, started from the date of its foundation, the Bank has been on the side of individuals from all levels of society, institutions and organizations from all sectors and transferred sources to them. Ever since the Bank has been the driving force of the economic development

Ziraat Bank has rich product and service diversity, long-term knowledge and experience, competent human resources and a strong financial structure.

The Bank continues to shape the Turkish banking sector with its excellent service delivery scale, growth power and growth potential.

Ziraat Bank, on its strategy to become a global player, also gain a prestigious position in international banking sector in where the Bank performed hard work by following the sector closely. Operating in 18 countries around the world, the Bank has a large international network with 9 international subsidiary banks, 23 abroad branches and 1 representative office.

The Bank, which is the owner of a large portfolio of subsidiaries in Turkey in banking, insurance, investment services, portfolio management, financial leasing, venture fund, real estate investment trust and financial technology fields, perform its activities as a n institution with consciousness of ethical values and social responsibility.

Ziraat Bank manages innovations and changes together in line with its goals, and operates in a stable manner both in terms of financial and operational aspects.

**IV. Shareholding Structure**

The paid in capital of The Parent Bank is TL 6.100.000.000. The Bank's sole shareholder is Turkish Wealth Fund.

Chairman and Members of the Board of Directors, Members of the Supervisory Board and General Manager and Vice General Managers are not a shareholder in the bank.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**  
(Unless otherwise stated amounts in Section Seven are expressed in Turkish Lira (“TL”))

**SECTION SEVEN (Continued)**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

**V. Main Financial Indicators**

<b>ASSETS (TL Million)</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Cash and Cash Equivalents	63.875	52.215
Securities Portfolio *	110.040	90.206
Cash Loans **	438.861	395.773
Other Assets	33.276	30.193
<b>Total Assets</b>	<b>646.052</b>	<b>568.387</b>
<b>LIABILITIES (TL Million)</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Deposits	418.910	354.375
Non-deposits Funds	130.784	120.396
Other Liabilities	33.173	33.487
Shareholders' Equity	63.185	60.129
<b>Total Liabilities</b>	<b>646.052</b>	<b>568.387</b>
<b>SELECTED P&amp;L ITEMS (TL Million)</b>	<b>30 June 2019</b>	<b>30 June 2018</b>
Interest Income	34.906	22.636
Interest Expense	22.558	12.069
Net Interest Income	12.348	10.567
Net Fees and Commission Income	1.624	1.289
Other Operations Income	2.246	1.498
Other Operations Expense	3.818	2.901
Allowance for expected credit losses	2.327	1.393
Profit/Loss Before Tax Provision	3.670	5.827
Tax Provision	825	1.271
<b>Net Profit/Losses</b>	<b>2.845</b>	<b>4.556</b>
<b>RATIOS (%)</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Capital Adequacy Ratio	15,41	14,23
Equity / Total Assets	9,8	10,6
Cash Loans / Total Assets	67,9	69,6
Non-performing Loans (Gross) / Total Loans	2,2	2,2
Demand Deposits/ Total Deposits	25,8	25,6
FC Assets / FC Liabilities	84,1	92,1
Liquid Assets / Total Assets	9,9	9,2

(\*) Securities borrowed by the Bank are not included.

(\*\*) Non Performing Loans and Allowance for expected credit losses are not included.

**SECTION SEVEN (Continued)**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

**VI. Economic Outlook in the World and Turkey**

The second quarter of 2019 was a period where uncertainty regarding global trade policies persisted, global economic activity relatively slowed down, downside risks to inflation in developed economies became more pronounced and central banks of the leading developed countries expressed interest rate cuts in a bolder manner. US-Iran tensions and Brexit uncertainties have surpassed risk appetite, albeit to a limited extent, in the period we left behind.

The US economy started to feel the reflection of the significant weakening of global economic activity in the second quarter of 2019. With downside risks to the U.S. economy increasing, the FED has raised the prospect of going for a 25 basis points interest rate cut at least twice in 2019. Eurozone economies continued to slow down in the second quarter and primary indicators suggest that Germany, the region's largest economy, could contract in the second quarter. Therefore, the European Central Bank (ECB) is expected to increase its expansionary monetary policy stance and cut interest rates later this year. Since IMF President Christine Lagarde's name stands out as the successor of ECB President Mario Draghi, whose term of office expires in October, expectations that ECB's market-friendly policies may continue strengthens. Although Britain's exit from the European Union is delayed to October 31, the uncertainty of the process remains. While political uncertainty has increased with the resignation of British Prime Minister Theresa May, the fact that strong candidates aren't pro-deal Brexit increases the likelihood of the no-deal break up option.

The trade wars continue to adversely affect the global economy. While the US-China trade dispute has yet to be settled, the Washington Administration has continued its threats against Mexico and Europe as well. Although the Chinese side appears to be pursuing a patient policy despite Trump's requests, it seems difficult to reach a deal in the short term in the US-China trade discussion. The growing trend towards monetary expansion in developed countries has also raised the possibility of trade wars turning into currency wars. Despite the monetary and fiscal measures taken, the slowdown in the country's economy has continued as Chinese export orders are constrained. With tariffs imposed since the beginning of 2018, the countries that benefit the most from China's loss of tariffed products have been Taiwan, South Korea and Vietnam.

Turkey's economy, emerging from recession in the first quarter of 2019 continued its rebalancing trend in the second quarter with the effect of tight financial conditions. As of the second quarter of 2018, the rebalancing process that has become evident in the economy has been rather prolonged as Turkey has overtaken two elections in the first half of this year. This indicates that we will end the year with a growth figure below the 2.3% GDP growth targeted for this year in the NEP.

The current account balance continued to improve rapidly as a result of the continued contraction in the foreign trade deficit and the impact of the dynamic tourism sector in the second quarter and the cumulative current account balance for 12 months appears to have entered a surplus trend. A partial pressure on external demand can be seen if the economic slowdown trends observed in EU countries, which are our largest export partners, continue. According to the extent of the economic recovery, moderate levels in the current account balance are expected to continue for the rest of this year. The Turkish economy is prepared to implement “economic growth while in current account balance model” instead of the main model of “growth with current account deficit”.

A partial deterioration in budget balance was observed in the first half of the year, due to increase in spending and weak course of tax revenues. However, a gradual improvement in tax revenues is expected, with the expected moderate recovery in the economy and the removal of temporary tax cuts. In addition, it is thought that the saving-enhancing measures applied to control expenses and the positive performance in non-tax revenues will partially counterbalance the rise in the budget deficit.

With the trend of the TL's appreciation against the US dollar, the moderate course of oil prices and the base effect coming into play strongly in June, inflation has shown a positive outlook in the quarter we left behind. These developments have also improved end of year inflation forecasts and indicate that under current conditions, year-end inflation could be below the 15.9% target in The New Economy Program.

Towards the end of the second quarter, with the contribution of positive developments in contacts with the United States, the improvement in our risk premium has become evident. It is thought that continuation of the trend of improvement in the current account balance and inflation may support the recovery in our risk premium. In the light of these assessments, it is being observed that appreciation of TL and the continuation of the disinflation process will give the Central Bank room to maneuver in monetary policy.