

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

# **Türkiye Cumhuriyeti Ziraat Bankası Anonim Şirketi**

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

20 November 2019

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

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

## **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") and its consolidated financial subsidiaries (together referred to as the "Group") as at 30 September 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 nine 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 September 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 Group 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 September 2019, and its consolidated financial performance and its cash flows for the nine-month period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

#### *Report on other 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

20 November 2019

Istanbul, 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

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

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

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

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

**DOMESTIC SUBSIDIARIES**

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 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 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 GÖĞEBAKAN	Loan Policies
Musa ARDA	Loan Allocation and Management
Peyami Ömer ÖZDİLEK	Internal Operations
Süleyman TURETKEN	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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 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 transactions, such as; acquiring limited real and personal claims like all kinds of movable and immovable goods, industrial and intellectual properties, right of usufruct, easement, superficies and disposing and transferring acquired properties and rights, placing pledge and mortgage on those properties and rights, releasing pledged and mortgaged items and declaring leasing agreements and sale commitments to the registry office.

As of 30 September 2019, Parent Bank carries its activities with a grand total of 1.763 branches; 1.739 domestic branches including 19 corporate branches, 69 entrepreneurial branches, 1.646 branches and 5 mobile branches (31 December 2018: 1.750 domestic branches including 1.638 branches, 20 corporate branches, 87 entrepreneurial branches, 5 mobile branches) and 24 branches abroad which are London branch in England, Baghdad and Arbil branches in Iraq, Athens, Komotini, and Xanthi branches in Greece, Sofia, Plovdiv, Kardzhali and Varna branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina, Prizren, Peja and Ferizaj branch 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 September 2019, the Group has 26.993 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, Bankalararası Kart Merkezi and Platform Ortak Karlı Sistemler A.Ş. 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  
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 SEPTEMBER 2019  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

I- BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION) ASSETS		Note (Section Five I)	Current Period 30 September 2019			Prior Period 31 December 2018		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>FINANCIAL ASSETS (NET)</b>		<b>76.650.054</b>	<b>87.745.019</b>	<b>164.395.073</b>	<b>66.510.082</b>	<b>74.379.646</b>	<b>140.889.728</b>
<b>1.1</b>	<b>Cash and Cash Equivalents</b>		<b>5.817.292</b>	<b>49.657.704</b>	<b>55.474.996</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)	3.219.193	45.151.295	48.370.488	5.159.473	37.723.020	42.882.493
1.1.2	Banks	(4)	2.455.824	4.509.814	6.965.638	2.594.530	6.502.590	9.097.120
1.1.3	Receivables from Money Markets		146.382	2.885	149.267	61.405	188.682	250.087
1.1.4	Allowance for Expected Credit Losses (-)		4.107	6.290	10.397	1.065	13.510	14.575
<b>1.2</b>	<b>Financial Assets Measured at Fair Value Through Profit or Loss</b>	<b>(2)</b>	<b>904.695</b>	<b>6.697.193</b>	<b>7.601.888</b>	<b>536.584</b>	<b>6.246.194</b>	<b>6.782.778</b>
1.2.1	Government Securities		872.484	6.208.526	7.081.010	505.480	5.895.402	6.400.882
1.2.2	Equity Securities		18	-	18	8	-	8
1.2.3	Other Financial Assets		32.193	488.667	520.860	31.096	350.792	381.888
<b>1.3</b>	<b>Financial Assets Measured at Fair Value Through Other Comprehensive Income</b>	<b>(5),(6)</b>	<b>68.870.747</b>	<b>30.181.851</b>	<b>99.052.598</b>	<b>56.610.615</b>	<b>23.222.432</b>	<b>79.833.047</b>
1.3.1	Government Securities		66.570.758	29.284.696	95.855.454	55.241.367	22.647.572	77.888.939
1.3.2	Equity Securities		131.629	358.805	490.434	125.580	252.138	377.718
1.3.3	Other Financial Assets		2.168.360	538.350	2.706.710	1.243.668	322.722	1.566.390
<b>1.4</b>	<b>Derivative Financial Assets</b>	<b>(3)</b>	<b>1.057.320</b>	<b>1.208.271</b>	<b>2.265.591</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		1.057.320	1.208.271	2.265.591	1.548.540	510.238	2.058.778
1.4.2	Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II.</b>	<b>FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)</b>		<b>317.444.724</b>	<b>153.442.556</b>	<b>470.887.280</b>	<b>268.866.687</b>	<b>140.472.202</b>	<b>409.338.889</b>
2.1	Loans	(7)	321.555.836	139.343.336	460.899.172	270.654.402	133.874.529	404.528.931
2.2	Receivables from Leasing Transactions	(12)	1.415.594	2.062.010	3.477.604	1.449.276	2.529.404	3.978.680
2.3	Factoring Receivables		-	1.542	1.542	-	2.147	2.147
2.4	Other Financial Assets Measured at Amortized Cost	(8)	5.535.379	12.574.664	18.110.043	5.404.610	4.877.935	10.282.545
2.4.1	Government Securities		5.450.839	12.561.076	18.011.915	5.207.791	4.876.659	10.084.450
2.4.2	Other Financial Assets		84.540	13.588	98.128	196.819	1.276	198.095
2.5	Allowance for Expected Credit Losses (-)		11.062.085	538.996	11.601.081	8.641.601	811.813	9.453.414
<b>III.</b>	<b>NON-CURRENTS ASSETS OR DISPOSAL GROUPS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS (Net)</b>	<b>(15)</b>	<b>2.519.702</b>	<b>150</b>	<b>2.519.852</b>	<b>1.230.611</b>	<b>68</b>	<b>1.230.679</b>
3.1	Held for Sale		2.519.702	150	2.519.852	1.230.611	68	1.230.679
3.2	Held from Discontinued Operations		-	-	-	-	-	-
<b>IV.</b>	<b>INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>425.658</b>	<b>93.881</b>	<b>519.539</b>	<b>147.786</b>	<b>89.787</b>	<b>237.573</b>
<b>4.1</b>	<b>Investments in Associates (Net)</b>	<b>(9)</b>	<b>167.683</b>	<b>2.420</b>	<b>170.103</b>	<b>139.811</b>	<b>2.337</b>	<b>142.148</b>
4.1.1.	Associates Accounted by Using Equity Method		156.990	-	156.990	133.745	-	133.745
4.1.2	Unconsolidated Associates		10.693	2.420	13.113	6.066	2.337	8.403
<b>4.2</b>	<b>Subsidiaries (Net)</b>	<b>(10)</b>	<b>257.975</b>	<b>-</b>	<b>257.975</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		256.237	-	256.237	6.237	-	6.237
<b>4.3</b>	<b>Joint Ventures (Net)</b>	<b>(11)</b>	<b>-</b>	<b>91.461</b>	<b>91.461</b>	<b>-</b>	<b>87.450</b>	<b>87.450</b>
4.3.1.	Jointly Controlled Partnerships Accounted by Using Equity Method		-	91.461	91.461	-	87.450	87.450
4.3.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V.</b>	<b>TANGIBLE ASSETS (Net)</b>	<b>(16)</b>	<b>7.427.302</b>	<b>246.995</b>	<b>7.674.297</b>	<b>6.600.795</b>	<b>202.960</b>	<b>6.803.755</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>		<b>838.936</b>	<b>44.570</b>	<b>883.506</b>	<b>683.280</b>	<b>48.426</b>	<b>731.706</b>
6.1	Goodwill		30.723	-	30.723	-	-	-
6.2	Other		808.213	44.570	852.783	683.280	48.426	731.706
<b>VII.</b>	<b>INVESTMENT PROPERTY (Net)</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII.</b>	<b>CURRENT TAX ASSET</b>		<b>16.705</b>	<b>5.143</b>	<b>21.848</b>	<b>53.287</b>	<b>7.336</b>	<b>60.623</b>
<b>IX.</b>	<b>DEFERRED TAX ASSET</b>		<b>1.607.202</b>	<b>197</b>	<b>1.607.399</b>	<b>1.639.462</b>	<b>96</b>	<b>1.639.558</b>
<b>X.</b>	<b>OTHER ASSETS (Net)</b>	<b>(20)</b>	<b>4.655.455</b>	<b>2.268.591</b>	<b>6.924.046</b>	<b>4.234.374</b>	<b>3.220.111</b>	<b>7.454.485</b>
	<b>TOTAL ASSETS</b>		<b>411.585.738</b>	<b>243.847.102</b>	<b>655.432.840</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**

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

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

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

II- BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	Current Period 30 September 2019			Prior Period 31 December 2018		
		TL	FC	Total	TL	FC	Total
<b>LIABILITIES</b>							
<b>I. DEPOSITS</b>	(1)	222.096.515	208.237.456	430.333.971	184.601.759	169.773.489	354.375.248
<b>II. FUNDS BORROWED</b>	(3)	2.535.441	31.727.927	34.263.368	1.196.347	33.652.422	34.848.769
<b>III. MONEY MARKET FUNDS</b>	(4)	41.304.771	19.854.225	61.158.996	56.213.158	12.390.480	68.603.638
<b>IV. SECURITIES ISSUED (Net)</b>	(5)	5.823.227	9.431.356	15.254.583	4.326.776	12.617.088	16.943.864
4.1 Bills		2.405.925	314.617	2.720.542	1.761.094	106.896	1.867.990
4.2 Asset Backed Securities		2.406.612	-	2.406.612	1.375.097	-	1.375.097
4.3 Bonds		1.010.690	9.116.739	10.127.429	1.190.585	12.510.192	13.700.777
<b>V. FUNDS</b>		6.132.940	-	6.132.940	6.073.748	-	6.073.748
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		6.132.940	-	6.132.940	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)	1.090.922	1.869.208	2.960.130	1.156.322	511.847	1.668.169
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		1.090.922	1.869.208	2.960.130	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)	641.171	105.338	746.509	-	-	-
<b>X. PROVISIONS</b>	(9)	5.325.537	318.894	5.644.431	4.637.486	113.586	4.751.072
10.1 General Loan Loss Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1.512.716	4.758	1.517.474	1.342.697	4.324	1.347.021
10.3 Insurance Technical Provisions (Net)		2.180.177	-	2.180.177	1.739.355	-	1.739.355
10.4 Other Provisions		1.632.644	314.136	1.946.780	1.555.434	109.262	1.664.696
<b>XI. CURRENT TAX LIABILITY</b>	(10)	2.119.292	7.090	2.126.382	1.607.656	19.295	1.626.951
<b>XII. DEFERRED TAX LIABILITY</b>	(10)	-	4.882	4.882	-	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)	-	9.211.677	9.211.677	-	-	-
14. Loans		-	489.307	489.307	-	-	-
14.2 Other Debt Instruments		-	8.722.370	8.722.370	-	-	-
<b>XV. OTHER LIABILITIES</b>	(6)	10.026.693	9.026.728	19.053.421	8.547.463	10.810.430	19.357.893
<b>XVI. SHAREHOLDERS' EQUITY</b>	(13)	70.147.845	(1.606.295)	68.541.550	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		(585)	-	(585)	(483)	-	(483)
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		(585)	-	(585)	(483)	-	(483)
16.3 Other Accumulated Comprehensive Income that Will not be Reclassified in Profit or Loss		4.010.029	298.131	4.308.160	4.110.411	67.143	4.177.554
16.4 Other Accumulated Comprehensive Income that Will be Reclassified in Profit or Loss		1.860.571	(1.904.426)	(43.855)	(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)		6.064.786	-	6.064.786	16.092.374	-	16.092.374
16.6.1 Prior Periods' Profit or (Loss)		1.563.512	-	1.563.512	6.748.737	-	6.748.737
16.6.2 Current Period Profit or (Loss)		4.501.274	-	4.501.274	9.343.637	-	9.343.637
16.7 Minority Shares		2.668	-	2.668	2.458	-	2.458
<b>TOTAL LIABILITIES AND EQUITY</b>		367.244.354	288.188.486	655.432.840	331.205.600	237.181.396	568.386.996

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**

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

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

<b>IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>		<b>Note</b>	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>
		<b>(Section</b>	<b>1 January-30</b>	<b>1 January-30</b>	<b>1 July-30</b>	<b>1 July-30</b>
		<b>Five IV)</b>	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
			<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>52.370.703</b>	<b>38.673.900</b>	<b>17.465.074</b>	<b>16.038.229</b>
1.1	Interest on Loans		41.838.219	30.764.369	14.606.580	12.182.064
1.2	Interest Received from Reserve Deposits		443.596	468.069	128.821	197.527
1.3	Interest Received from Banks		553.640	332.669	158.651	142.790
1.4	Interest Received from Money Market Transactions		9.679	30.448	1.472	3.151
1.5	Interest Received from Marketable Securities Portfolio		9.075.731	6.776.429	2.421.134	3.391.252
1.5.1	Financial Assets at Fair Value Through Profit or Loss		16.461	4.239	6.721	2.270
1.5.2	Financial Assets at Fair Value through Other Comprehensive Income		8.047.507	6.133.664	2.123.722	3.026.830
1.5.3	Financial Assets Measured at Amortized Cost		1.011.763	638.526	290.691	362.152
1.6	Financial Lease Interest Income		281.577	205.013	98.846	85.241
1.7	Other Interest Income		168.261	96.903	49.570	36.204
<b>II.</b>	<b>INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>33.613.377</b>	<b>20.861.349</b>	<b>11.055.573</b>	<b>8.792.751</b>
2.1	Interest on Deposits		23.113.848	13.292.630	7.724.494	5.420.193
2.2	Interest on Funds Borrowed		1.308.439	1.113.019	430.858	518.016
2.3	Interest on Money Market Transactions		7.607.654	5.415.396	2.373.262	2.483.230
2.4	Interest on Securities Issued		1.290.536	917.875	441.337	358.269
2.5	Financial Lease Interest Expenses		87.392	17	32.508	8
2.6	Other Interest Expenses		205.508	122.412	53.114	13.035
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		<b>18.757.326</b>	<b>17.812.551</b>	<b>6.409.501</b>	<b>7.245.478</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>2.404.085</b>	<b>1.928.466</b>	<b>779.608</b>	<b>639.601</b>
4.1	Fees and Commissions Received		4.075.044	2.671.803	1.277.781	935.369
4.1.1	Non-cash Loans		761.113	498.331	257.816	184.402
4.1.2	Other		3.313.931	2.173.472	1.019.965	750.967
4.2	Fees and Commissions Paid		1.670.959	743.337	498.173	295.768
4.2.1	Non-cash Loans		1.184	767	195	494
4.2.2	Other		1.669.775	742.570	497.978	295.274
<b>V.</b>	<b>DIVIDEND INCOME</b>		<b>22.622</b>	<b>4.634</b>	<b>12.508</b>	<b>49</b>
<b>VI.</b>	<b>TRADING PROFIT/(LOSS) (Net)</b>	<b>(3)</b>	<b>(6.239.900)</b>	<b>(3.208.642)</b>	<b>(1.771.749)</b>	<b>(1.607.718)</b>
6.1	Profit/Losses from Capital Market Transactions		65.238	5.996	33.941	995
6.2	Profit/Losses from Derivative Financial Transactions		(6.797.065)	(2.402.985)	(2.136.211)	(1.220.514)
6.3	Foreign Exchange Profit/Losses		491.927	(811.653)	330.521	(388.199)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(4)</b>	<b>3.561.141</b>	<b>2.118.981</b>	<b>1.314.919</b>	<b>620.738</b>
<b>VIII.</b>	<b>GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)</b>		<b>18.505.274</b>	<b>18.655.990</b>	<b>6.744.787</b>	<b>6.898.148</b>
<b>IX.</b>	<b>ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)</b>	<b>(5)</b>	<b>3.912.550</b>	<b>3.421.882</b>	<b>1.585.707</b>	<b>2.029.053</b>
<b>X.</b>	<b>OTHER PROVISION EXPENSES (-)</b>	<b>(5)</b>	<b>77.139</b>	<b>20.399</b>	<b>53.558</b>	<b>(29.013)</b>
<b>XI.</b>	<b>PERSONNEL EXPENSE (-)</b>		<b>2.889.665</b>	<b>2.370.915</b>	<b>947.809</b>	<b>772.111</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(6)</b>	<b>5.830.419</b>	<b>4.414.921</b>	<b>2.012.336</b>	<b>1.514.064</b>
<b>XIII.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>5.795.501</b>	<b>8.427.873</b>	<b>2.145.377</b>	<b>2.611.933</b>
<b>XIV.</b>	<b>SURPLUS WRITTEN AS GAIN AFTER MERGER</b>		-	-	-	-
<b>XV.</b>	<b>PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		<b>41.876</b>	<b>28.682</b>	<b>21.894</b>	<b>17.171</b>
<b>XVI.</b>	<b>PROFIT/(LOSS) ON NET MONETARY POSITION</b>		-	-	-	-
<b>XVII.</b>	<b>PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>	<b>(7)</b>	<b>5.837.377</b>	<b>8.456.555</b>	<b>2.167.271</b>	<b>2.629.104</b>
<b>XVIII.</b>	<b>TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(8)</b>	<b>(1.335.661)</b>	<b>(1.928.946)</b>	<b>(510.298)</b>	<b>(657.732)</b>
18.1	Current Tax Provision		(2.292.313)	(1.761.688)	(1.351.353)	(545.992)
18.2	Expense Effect of Deferred Tax (+)		(2.796.415)	(2.262.148)	(440.671)	(1.411.145)
18.3	Income Effect of Deferred Tax (-)		3.753.067	2.094.890	1.281.726	1.299.405
<b>XIX.</b>	<b>CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)</b>	<b>(9)</b>	<b>4.501.716</b>	<b>6.527.609</b>	<b>1.656.973</b>	<b>1.971.372</b>
<b>XX.</b>	<b>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.</b>	<b>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>XXII.</b>	<b>PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)</b>		-	-	-	-
<b>XXIII.</b>	<b>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>XXIV.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		-	-	-	-
<b>XXV.</b>	<b>NET PROFIT/(LOSS) (XVIII+XXIII)</b>	<b>(10)</b>	<b>4.501.716</b>	<b>6.527.609</b>	<b>1.656.973</b>	<b>1.971.372</b>
25.1	Profit/(Loss) from the Group		4.501.274	6.527.253	1.656.800	1.971.259
25.2	Profit/(Loss) from Minority Interest		442	356	173	113
	Earnings/(Loss) per share (in TL full)		0,738	1,166	0,272	0,352

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

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR  
THE NINE MONTH ENDED 30 SEPTEMBER 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 1 January-30 September 2019</b>	<b>Prior Period 1 January-30 September 2018</b>
<b>I. CURRENT PERIOD PROFIT/LOSS</b>	<b>4.501.716</b>	<b>6.527.609</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>3.460.704</b>	<b>(5.160.865)</b>
2.1 Other Comprehensive Income That Will Not be Reclassified to Profit or Loss	(58.209)	(102.681)
2.1.1 Property and Equipment Revaluation Increase/Decrease	(179.877)	(84.750)
2.1.2 Intangible Assets Revaluation Increase/Decrease		
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	-	(30.763)
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	129.600	
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(7.932)	12.832
2.2 Other Comprehensive Income That Will be Reclassified to Profit or Loss	3.518.913	(5.058.184)
2.2.1 Foreign Currency Translation Differences	270.547	959.706
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	4.164.427	(7.342.905)
2.2.3 Cash Flow Hedge Income/Loss		
2.2.4 Foreign Net Investment Hedge Income/Loss		
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(916.061)	1.325.015
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>7.962.420</b>	<b>1.366.744</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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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

VI. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Paid-in Capital	Share Premium	Share certificate Cancel profits	Other capital reserves	Other Accumulated Comprehensive Income That Will Not Be Reclassified to Profit or Loss			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 September 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>	-	-	-	-	(161.889)	-	103.680	270.547	3.248.598	-	-	4.501.274	-	7.962.210	210	7.962.420
<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>Increase (decrease) through other changes, equity</b>	-	-	-	(102)	188.954	191	(330)	-	308	-	143.700	117.434	-	450.155	-	450.155
<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	-	-	(585)	3.993.266	(32.345)	347.239	2.914.272	(2.958.127)	-	52.110.376	1.563.512	4.501.274	68.538.882	2.668	68.541.550

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  
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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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

VI. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Paid-in Capital	Share Premium	Share certificate Cancel profits	Other capital reserves	Other Accumulated Comprehensive Income That Will Not Be Reclassified to Profit or Loss			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 September 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>	-	-	-	-	(77.045)	(25.636)	-	959.706	(6.018.483)	-	-	-	6.527.253	1.365.795	949	1.366.744
<b>V. Capital increase in cash</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital increase through internal reserves</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Issued capital inflation adjustment difference</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII I. Convertible bonds</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated debt</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase (decrease) through other changes, equity</b>	-	-	-	(290)	-	-	-	-	(1.135.652)	-	77.722	1.071.894	-	13.674	-	13.674
<b>XI. Profit distribution</b>	-	-	-	-	-	-	-	-	-	-	7.660.121	(7.940.121)	-	(280.000)	-	(280.000)
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	(280.000)	-	(280.000)	-	(280.000)
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	7.660.121	(7.660.121)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at the End of the Period (III+IV+.....+X+XI)</b>	5.600.000	-	-	(542)	3.987.306	(121.157)	-	3.080.327	(8.105.689)	17.388	37.398.102	6.601.510	6.527.253	54.984.498	2.614	54.987.112

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)

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER  
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 September 2019</b>	<b>Prior Period 1 January-30 September 2018</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities	(4.190.899)	(2.229.111)
1.1.1	Interest Received	47.826.657	32.184.645
1.1.2	Interest Paid	(32.056.149)	(19.459.339)
1.1.3	Dividend Received	16.805	4.634
1.1.4	Fees and Commissions Received	4.067.629	2.670.938
1.1.5	Other Income	4.160.182	1.198.490
1.1.6	Collections from Previously Written-off Loans and Other Receivables	1.839.297	829.624
1.1.7	Cash Payments to Personnel and Service Suppliers	(3.252.200)	(3.116.114)
1.1.8	Taxes Paid	(2.418.145)	(1.772.367)
1.1.9	Other	(24.374.975)	(14.769.622)
1.2	Changes in Operating Assets and Liabilities	12.502.982	30.262.264
1.2.1	Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss	(828.968)	56.761
1.2.2	Net (increase) / decrease in due from banks and other financial institutions	(6.691.216)	(4.197.307)
1.2.3	Net (increase) / decrease in loans	(48.044.356)	(82.267.335)
1.2.4	Net (increase) / decrease in other assets	555.522	(6.134.819)
1.2.5	Net increase / (decrease) in bank deposits	5.218.884	34.349.912
1.2.6	Net increase / (decrease) in other deposits	69.997.426	67.826.788
1.2.7	Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss	-	1.542.902
1.2.8	Net increase / (decrease) in funds borrowed	(666.606)	13.363.651
1.2.9	Net increase / (decrease) in payables	-	(22.064)
1.2.10	Net increase / (decrease) in other liabilities	(7.037.704)	5.743.775
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>	<b>8.312.083</b>	<b>28.033.153</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>	<b>(15.375.526)</b>	<b>(16.448.382)</b>
2.1	Cash paid for acquisition of investments, associates and subsidiaries	(251.750)	-
2.2	Cash obtained from disposal of investments, associates and subsidiaries	-	-
2.3	Purchases of tangible assets	(736.416)	(80.815)
2.4	Disposals of tangible assets	233.090	226.580
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(29.880.799)	(23.239.712)
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income	15.397.883	8.488.422
2.7	Purchase of Financial Assets Measured at Amortized Cost	(10.620.821)	(3.143.118)
2.8	Sale of Financial Assets Measured at Amortized Cost	2.920.881	2.827.716
2.9	Other	7.562.406	(1.527.455)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>	<b>3.700.971</b>	<b>311.160</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued	19.042.962	9.345.349
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	(14.985.940)	(9.029.237)
3.3	Issued Equity Instruments	-	-
3.4	Dividends Paid	-	-
3.5	Payments for Lease Liabilities	(356.051)	(4.952)
3.6	Other	-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>586.961</b>	<b>4.330.531</b>
<b>V.</b>	<b>Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)</b>	<b>(2.775.511)</b>	<b>16.226.462</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>28.295.446</b>	<b>13.839.511</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	<b>25.519.935</b>	<b>30.065.973</b>

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



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

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

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

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

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

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

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

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

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

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

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

**Changes in Accounting Policies**

The Group has started to apply TFRS 16 Leases standard (“TFRS 16”) in the accompanying financial statements starting from 1 January 2019. For the transactions the Group is lessee, the Group used the model the standard projects except for the low value assets and short term 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 statements. For lessors, the accounting stays almost the same.

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

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

**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 implementation TFRS 16 for leases previously classified as an operating lease while applying TAS 17. The Group measures that lease liability by the present value of the remaining lease payments, discounted using the Bank’s alternative borrowing rate at the date of initial implementation. Besides, the Parent 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 financial statements immediately before the date of initial implementation.

**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	17.201	620.838	6.891.010
Intangibles (Net)	488.666	-	92.651	581.317
Other Assets (Net)	7.508.585	(17.201)	-	7.491.384
Lease Payables (Net) <sup>(*)</sup>	-	-	713.489	713.489

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

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

Main activity of the Parent Bank comprises of banking services, such as; launching all kinds of cash and non-cash loans in terms of Turkish Lira and foreign currencies, performing transactions in local, international money and capital markets, supporting agricultural sector financially and collecting deposits in Turkish Lira and foreign currencies. The Parent Bank’s main funding sources are Turkish Lira deposits, repurchase agreements, issued securities and shareholders’ equity. 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 valued by Bank’s prevailing counter currency buying rate at transaction date and reflected to records. At period ends, foreign currency asset and liability balances are valued at the Bank’s period end counter currency buying rates and converted to Turkish currency and the resulting exchange differences are recognized as a “foreign exchange profit or loss”.

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.

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(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**

The consolidated financial statements have been prepared in accordance with the procedures listed in the “Communiqué 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 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. Subsidiaries are got into the scope of consolidation from the date when the control on its activities is transferred to group and they are excluded from the scope of consolidation from the date when the control is disappeared. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

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

Title	Address (City/Country)	Main Activities	30 September 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. (**)	İstanbul/Turkey	Portfolio Management	99,70	99,80	99,70	99,80
Ziraat Katılım Bankası A.Ş. (*)	İstanbul/Turkey	Banking	100,00	100,00	100,00	100,00
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	Real Estate	100,00	100,00	100,00	100,00
Ziraat 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	Banking	100,00	100,00	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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(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 (Continued)**

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

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

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

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

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

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

Title	Address (City/Country)	Main Activities	30 September 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.	Istanbul/Turkey	Banking	15,43	15,43	15,43	15,43

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

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

**1.4. Transactions with Minority Shareholders**

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

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

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

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

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

Derivative financial instruments of the Parent Bank 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.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

Income and losses from banking, agency and intermediary services are recognized as income/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 classifies and recognizes its financial assets as “fair value through profit/loss”, “fair value through other comprehensive income” or “measured at amortized cost”. This classification is based on the contractual cash flow characteristics of the related business model used for management of the financial assets at initial recognition.

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

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**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 measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss by;

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

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

**Financial assets at fair value through profit or loss**

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

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

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

**Financial assets at fair value through other comprehensive income**

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

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

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**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 at book value.

**Financial Assets Measured at Amortized Cost**

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

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

“Fair value through other comprehensive income” and “measured at amortized cost” securities portfolio of the Parent Bank include Consumer Price Index (CPI) Linked Bonds. Mentioned Securities 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 Under secretariat of Treasury’s Investor Guide of CPI Linked Bonds, the reference index used during the calculation of the actual coupon payment amount is the previous two months CPI’s. The Parent Bank determines its expected inflation rates in compliance with this guide.

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

**Loans**

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

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

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

**Explanations on Expected Loss Provisions**

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

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

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VIII. EXPLANATIONS ON 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 and the following aspects are important for the measurement:

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

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

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

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

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

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

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

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

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

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

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.



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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**Impairment (Continued)**

***Credit-Impaired Losses (Stage 3) (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 of the financial instrument,
- Cash flows expected to be obtained from collateral sales.

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

**Probability of Default**

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

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

**Default Amount**

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

**Loss Given Default**

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

**Future Expectations**

The effect of future expectations is included in the credit risk parameters used in the calculation of expected credit losses by using scenarios related to macroeconomic factors. The main macroeconomic indicators that create these estimation models are 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**

The loans in Stage 1, expected loss provision is calculated until their maturity for the ones which have less than one year to due date and for 1 year which have more than one year to due date. The loans in Stage 2, expected loss provision is calculated for lifetime (until maturity date) of the loan. In this calculation, the remaining maturity information of the loan is taken as basis for each loan. While this information is used for products with real maturity information, behavioral maturity is calculated by analyzing 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.

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**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 Money Markets” 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 are 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**

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

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

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

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

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

Goodwill; is the difference between the acquisition cost the fair value of the identifiable assets, liabilities and contingent liabilities of the acquisition and it represents the payment that the acquirer expects to benefit in the future from assets that are not individually identifiable and separately accountable. Assets which are not included in the financial statements of the business purchased in business combinations; however, that are capable of being separated from goodwill, intangible assets and / or contingent liabilities are reflected to the financial statements with their fair values. As of the date of balance sheet, the Group has goodwill amounting to TL 30.723 thousand in its financial statements.

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

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

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

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIII. EXPLANATIONS ON TANGIBLE ASSETS**

Tangible assets are measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. As of 31 January 2014 the Parent Bank has changed its accounting policies and has decided to pursue the real estates registered in its portfolio at fair values. In this context, for all real estates registered in the Parent Bank’s inventory, appraisal study was carried by independent expertise companies, and from 31 December 2016 valuation results are reflected in the accounting records. As of 30 January 2014, the net book amount of real estates of the tangible assets before valuation was TL 816.950. As of 31 December 2016 the valuation studies have been done and valuation results are reflected to accounting records. As of 30 September 2019, the fair value difference of the net real estates amounting to TL 3.804.312 TL is followed under shareholders' equity.

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

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

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

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

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

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

**XIV. EXPLANATIONS ON INVESTMENT PROPERTY**

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

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XV. EXPLANATIONS ON LEASING TRANSACTIONS**

**Leases in Accordance with TFRS 16**

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

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

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

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

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

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

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

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

**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.

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**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:

The Parent Bank uses independent actuaries in determining liability, and also makes assumptions about issues such as discount rate and inflation. As of 30 September 2019, retirement benefit obligation is TL 966.841 (31 December 2018: TL 836.363).

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

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

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**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 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.

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.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVIII. EXPLANATIONS ON TAXATION**

**Current Tax**

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

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warranters’ real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors’ revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from corporation tax. (Changed with 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.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**Current Tax (Continued)**

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

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

**Deferred Tax**

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

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

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

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

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

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

**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.

**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.



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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIX. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES (Continued)**

**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. The Group recognizes its debt instruments in accordance with tfrs 9 “financial instruments” and all financial liabilities are carried at amortized cost by using effective interest rate method. The Parent 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.

**XX. EXPLANATIONS ON BORROWINGS**

The Group recognizes its debt instruments in accordance with tfrs 9 “financial instruments” and all financial liabilities are carried at amortized cost by using effective interest rate method. The Parent 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.

**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 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 September 2019 Bank’s total capital has been calculated as TL 81.873.309 (31 December 2018: TL 63.884.017), capital adequacy ratio is 16,29% (31 December 2018:14,23%). This ratio is well above the minimum ratio required by the legislation.

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

	<b>Current Period 30 September 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	7.237.389	-
Profit	6.064.786	-
Current Period Profit	4.501.274	-
Prior Period Profit	1.563.512	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	17.388	-
Minority Shares	305	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>71.530.244</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	2.991.057	-
Improvement costs for operating leasing	49.155	-
Goodwill (net of related tax liability)	30.723	30.723
Other intangibles other than mortgage-servicing rights (net of related tax liability)	852.783	852.783
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 September 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>3.923.718</b>	-
<b>Total Common Equity Tier I Capital</b>	<b>67.606.526</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	9.015.646	-
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>9.015.646</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 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>9.015.646</b>	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>76.622.172</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)	5.378.204	-
<b>Tier II Capital Before Deductions</b>	<b>5.378.204</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>5.378.204</b>	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>82.000.376</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)**

	<b>Current Period 30 September 2019</b>	<b>Amount as per the regulation before 1/1/2014*</b>
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>	<b>82.000.376</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 Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	127.067	-
<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)	81.873.309	-
Total Risk Weighted Assets	502.514.167	-
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated CET 1 Capital Ratio (%)	13,45	-
Consolidated Tier I Capital Ratio (%)	15,25	-
Consolidated Capital Adequacy Ratio (%)	16,29	-
<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	8,95	-
Amounts Lower than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	177.725	-
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	86.434	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1.607.399	-
<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)	5.378.204	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	5.378.204	-
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)**

**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 recognized within profit for the period	17.388	-
Minority Shares	289	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>66.366.858</b>	<b>-</b>
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 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	-	-

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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*
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>7.033.876</b>	-
<b>Total Common Equity Tier I Capital</b>	<b>59.332.982</b>	-
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Third parties’ share in the Additional Tier I capital	-	-
Third parties’ share in the Additional Tier I capital (Covered by Temporary Article 3)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>	-	-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of 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>	-

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**SECTION FOUR (Continued)**

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

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

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

	Prior Period 31 December 2018	Amount as per the regulation before 1/1/2014*
<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 (-)	-	-
<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.	The Regulation on Bank Capital and Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity of the BRSA.
<b>Regulatory treatment</b>		
Subject to 10% deduction as of 1/1/2015	None	None
Eligible on unconsolidated and /or 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)	8.537	479
Nominal value of instrument (TL million)	8.537	479
Accounting classification of the instrument	347001-Subordinated Debts	347000- Subordinated Loans
Original date of issuance	24 April 2019	24 April 2019
Maturity structure of the instrument (perpetual/dated)	Perpetual	Perpetual
Issue date of the instrument	24 April 2019	24 April 2019
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Call option dates, conditioned call dates and call amount	Subject to the approval of the BRSA, a repayment option is available at the end of each 5-year period from the date of issue.	Option date is 5 years, (subject to BRSA permission)
Subsequent call dates, if applicable	24.04.2024	
<b>Interest/dividend payment</b>		
Fixed or floating coupon/dividend payments	Fixed	None
Coupon rate and any related index	First 5 years fixed 5,076%, next 5 years MS + 5,031% fixed	None
Existence of any dividend payment restriction	None	None
Fully discretionary, partially discretionary or mandatory	Fully discretionary	None
Existence of step up or other incentive to redeem	None	None
Noncumulative or cumulative	Noncumulative	None



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

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

**3. 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	Yes. Article 7 of the Regulation on Bank Capital
If bond can be written-down, full or partial	Has full or partial write down feature	Has full or partial write down feature
If bond can be written-down, permanent or temporary	Has permanent or temporary write down feature	Has temporary write down feature.
If temporary write-down, description of write-up mechanism.	Has-write up mechanism	It is possible to write up after temporary write down.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors	i. After payments within the scope of Priority Liabilities, 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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**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>68.541.550</b>	<b>60.128.975</b>
Operational Leasing Development Costs	(49.155)	(62.118)
Goodwill and Other Intangible Assets and Related Deferred Taxes		
Liabilities	(883.506)	(731.706)
TIER 2 Capital (Provisions)	5.378.204	4.552.906
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	9.015.646	-
Other deductions from common equity	(127.067)	(1.871)
Minority shares	(2.363)	(2.169)
Amount recognized in regulatory capital	<b>81.873.309</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 Parent Bank’s policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Parent Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, VAR is calculated for daily foreign exchange position and reported to the related departments. VAR based currency risk limit is also daily followed which was approved by Board of Directors.

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

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

None.

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

“Liquidity Gap Analysis”, “Repricing Gap Analysis” and “Structural Liquidity Gap Analysis” which takes into account historical repricing rates of foreign currency accounts, are prepared periodically in order to define liquidity and interest rate risks at US Dollar and Euro, which are mainly used by the 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>
23.09.2019	5,6725	6,2391	3,8414	0,8356	0,5824	5,7344	4,2714	0,6253	7,0497	1,5123	5,2841
24.09.2019	5,6452	6,2092	3,8359	0,8320	0,5829	5,7184	4,2586	0,6270	7,0430	1,5051	5,2568
25.09.2019	5,6284	6,1654	3,7980	0,8261	0,5777	5,6893	4,2402	0,6220	6,9623	1,5005	5,2226
26.09.2019	5,6111	6,1374	3,7948	0,8222	0,5752	5,6518	4,2329	0,6181	6,9263	1,4959	5,2104
27.09.2019	5,6032	6,1315	3,7933	0,8214	0,5717	5,6444	4,2329	0,6174	6,8919	1,4938	5,1804
30.09.2019	5,5937	6,0977	3,7707	0,8168	0,5691	5,6089	4,2268	0,6159	6,8921	1,4912	5,1760

**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>
5,6539	6,2267	3,8500	0,8344	0,5824	5,7111	4,2695	0,6273	6,9863	1,5074	5,2598

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**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	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	19.821.984	17.938.545	7.389.745	45.150.274
Banks	1.594.051	1.720.711	1.189.783	4.504.545
Financial Assets at Fair Value Through Profit and Loss	2.128.177	4.480.191	88.825	6.697.193
Money Market Placements	-	-	2.885	2.885
Financial Assets at Fair Value Through Other Comprehensive Income	6.226.061	23.820.714	135.076	30.181.851
Loans <sup>(1)</sup>	56.244.778	82.324.983	3.286.542	141.856.303
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(3)</sup>	-	91.461	2.420	93.881
Financial Assets Measured at Amortised Cost	9.226.125	3.315.752	32.423	12.574.300
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	21.450	641	224.904	246.995
Intangible Assets	18.563	-	26.007	44.570
Other Assets <sup>(5)</sup>	1.147.410	924.971	167.232	2.239.613
<b>Total Assets<sup>(4) (6)</sup></b>	<b>96.428.599</b>	<b>134.617.969</b>	<b>12.545.842</b>	<b>243.592.410</b>
<b>Liabilities</b>				
Interbank Deposits	12.257.521	2.712.180	311.787	15.281.488
Foreign Currency Deposits	105.491.893	69.535.781	17.928.294	192.955.968
Money Market Borrowings	-	19.854.225	-	19.854.225
Funds Provided from Other Financial Institutions	10.647.248	21.066.970	13.709	31.727.927
Issued Marketable Securities <sup>(7)</sup>	8.722.370	9.295.544	135.812	18.153.726
Miscellaneous Payables	1.526.249	149.351	14.041	1.689.641
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities <sup>(8)</sup>	3.167.511	4.882.070	213.017	8.262.598
<b>Total Liabilities</b>	<b>141.812.792</b>	<b>127.496.121</b>	<b>18.616.660</b>	<b>287.925.573</b>
<b>Net Balance Sheet Position</b>	<b>(45.384.193)</b>	<b>7.121.848</b>	<b>(6.070.818)</b>	<b>(44.333.163)</b>
<b>Net Off-Balance Sheet Position<sup>(2)</sup></b>	<b>44.873.621</b>	<b>(8.078.207)</b>	<b>8.499.547</b>	<b>45.294.961</b>
Financial Derivative Assets	50.504.751	63.212.904	9.333.808	123.051.463
Financial Derivative Liabilities	5.631.130	71.291.111	834.261	77.756.502
<b>Non-Cash Loans</b>	<b>34.329.803</b>	<b>43.372.724</b>	<b>6.825.121</b>	<b>84.527.648</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>(2)</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>

(1) TL 377.167 equivalent of USD, and TL 610.880 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.)

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

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

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

(5) Prepaid expenses in other assets amounting to TL 34.468 are not included in the table.

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

(7) Includes subordinated other debt instruments.

(8) 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)

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	26.974.516	-	-	-	-	21.394.436	48.368.952
Banks	2.467.262	643.100	85.667	178.947	-	3.581.813	6.956.789
Financial Assets at Fair Value Through Profit and Loss	28.949	3.117	37.882	1.219.782	99.439	6.212.719	7.601.888
Money Market Placements	149.255	-	-	-	-	-	149.255
Financial Assets at Fair Value Through Other Comprehensive Income	3.894.973	13.432.101	33.471.458	21.603.079	25.832.669	818.318	99.052.598
Loans Given <sup>(3)</sup>	147.417.483	36.660.619	91.082.594	145.230.166	29.142.653	3.246.456	452.779.971
Financial Assets Measured at Amortised Cost	1.645	1.158.535	3.077.425	10.242.932	3.595.040	31.732	18.107.309
Other Assets <sup>(2)</sup>	553.884	1.422.128	598.556	309.043	11.142	19.521.325	22.416.078
<b>Total Assets <sup>(1)(5)</sup></b>	<b>181.487.967</b>	<b>53.319.600</b>	<b>128.353.582</b>	<b>178.783.949</b>	<b>58.680.943</b>	<b>54.806.799</b>	<b>655.432.840</b>
<b>Liabilities</b>							
Interbank Deposits	19.517.744	5.846.179	967.003	40.553	-	4.224.496	30.595.975
Other Deposits	169.239.050	72.470.408	41.279.793	4.927.931	199.844	111.620.970	399.737.996
Money Market Borrowings	52.496.485	3.240.086	4.771.966	650.459	-	-	61.158.996
Miscellaneous Payables	74.788	-	-	-	-	6.212.963	6.287.751
Issued Marketable Securities <sup>(6)</sup>	993.822	3.543.970	964.552	18.474.609	-	-	23.976.953
Funds Provided from Other Financial Institutions	14.333.563	4.229.431	8.511.278	5.995.247	772.991	420.858	34.263.368
Other Liabilities <sup>(2) (4)(7)</sup>	4.233.813	727.978	1.692.827	2.389.694	5.025.876	85.341.613	99.411.801
<b>Total Liabilities <sup>(1)</sup></b>	<b>260.889.265</b>	<b>90.058.052</b>	<b>58.187.419</b>	<b>32.478.493</b>	<b>5.998.711</b>	<b>207.820.900</b>	<b>655.432.840</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>-</b>	<b>70.166.163</b>	<b>146.305.456</b>	<b>52.682.232</b>	<b>-</b>	<b>269.153.851</b>
<b>Balance Sheet Short Position</b>	<b>(79.401.298)</b>	<b>(36.738.452)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(153.014.101)</b>	<b>(269.153.851)</b>
Off-Balance Sheet Long Position	809.572	960.885	130.015	-	-	-	1.900.472
Off-Balance Sheet Short Position	(413.264)	1.101	(64.021)	(654.035)	-	-	(1.130.219)
<b>Total Position</b>	<b>(79.004.990)</b>	<b>(35.776.466)</b>	<b>70.232.157</b>	<b>145.651.421</b>	<b>52.682.232</b>	<b>(153.014.101)</b>	<b>770.253</b>

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

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

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

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

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

<sup>(6)</sup> Includes subordinated 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>(3)</sup>	127.815.015	35.816.349	73.662.425	132.928.386	26.349.811	2.485.893	399.057.879
Financial Assets Measured at Amortised Cost	2.388.245	883.236	1.945.688	1.626.076	3.429.926	7.839	10.281.010
Other Assets <sup>(2)</sup>	550.141	1.304.545	504.152	95.773	20.037	17.742.509	20.217.157
<b>Total Assets <sup>(1) (5)</sup></b>	<b>167.494.224</b>	<b>46.791.854</b>	<b>95.741.145</b>	<b>155.827.170</b>	<b>51.747.792</b>	<b>50.784.811</b>	<b>568.386.996</b>
<b>Liabilities</b>							
Interbank Deposits	15.448.356	5.224.199	494.669	113.039	-	4.151.647	25.431.910
Other Deposits	148.819.779	47.427.841	41.617.560	4.254.360	282.375	86.541.423	328.943.338
Money Market Borrowings	64.330.322	2.671.990	1.118.379	482.947	-	-	68.603.638
Miscellaneous Payables	21.402	-	124.850	-	-	5.404.163	5.550.415
Issued Marketable Securities	1.425.962	1.964.991	4.137.675	9.415.236	-	-	16.943.864
Funds Provided from Other Financial Institutions	5.817.048	9.738.616	12.419.697	5.809.914	1.063.494	-	34.848.769
Other Liabilities <sup>(2) (4)</sup>	3.508.399	908.612	1.465.331	903.168	4.859.282	76.420.270	88.065.062
<b>Total Liabilities <sup>(1)</sup></b>	<b>239.371.268</b>	<b>67.936.249</b>	<b>61.378.161</b>	<b>20.978.664</b>	<b>6.205.151</b>	<b>172.517.503</b>	<b>568.386.996</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>-</b>	<b>34.362.984</b>	<b>134.848.506</b>	<b>45.542.641</b>	<b>-</b>	<b>214.754.131</b>
<b>Balance Sheet Short Position</b>	<b>(71.877.044)</b>	<b>(21.144.395)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(121.732.692)</b>	<b>(214.754.131)</b>
Off-Balance Sheet Long Position	509.574	2.062.209	-	-	-	75.511	2.647.294
Off-Balance Sheet Short Position	469.564	965.120	(74.986)	(193.925)	-	-	1.165.773
<b>Total Position</b>	<b>(70.897.906)</b>	<b>(18.117.066)</b>	<b>34.287.998</b>	<b>134.654.581</b>	<b>45.542.641</b>	<b>(121.657.181)</b>	<b>3.813.067</b>

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

<sup>(2)</sup> Deferred tax asset and liability 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>	-	-	-	15,00
Banks	1,08	1,25	-	15,19
Financial Assets Measured at Fair Value Through Profit or Loss	2,22	5,34	-	2,25
Money Market Placements	-	-	-	14,00
Financial Assets Measured at Fair Value Through Other Comprehensive Income	4,67	5,89	-	13,66
Loans Given <sup>(2)</sup>	5,10	7,23	5,19	14,95
Financial Assets Measured at Amortised Cost	-	7,40	-	15,70
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0,43	3,79	-	15,47
Other Deposits	0,67	1,62	-	11,09
Money Market Borrowings	-	3,16	-	16,41
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities <sup>(4)</sup>	5,08	4,96	1,50	17,46
Funds Provided from Other Financial Institutions	1,79	4,13	-	15,67

<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> 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	1,32	2,26	-	14,19
Money Market Borrowings	-	3,76	-	24,33
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities	0,60	4,77	1,50	21,40
Funds Provided from Other Financial Institutions	1,22	3,94	-	21,13

<sup>(1)</sup> The 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.

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**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 (*)	157.507	157.507	-

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

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

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

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

The investments in equity instruments, partaking in banking accounts according to the credit risk standard method, are amounted TL 157.507 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. 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.

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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)**

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

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

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

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

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

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

*Explanation regarding the usage of the stress test*

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

*General information on liquidity urgent and unexpected situation plan*

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



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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. Within the last 3 months the consolidated lowest ratios are as follows: In the last three months (July-August-September), the consolidated ratios were as follows: July FC 484.52, TL + FC 122.20; August FC 472.80, TP + FC 125.93; September FC was 468.47 TL + FC was 131.44. (31 December 2018: In the last three months (October-November-December), the consolidated rates are respectively 108,75%, TL + FC 75,16%, November FC 123,26%, TL + FC 80,91% and December, respectively. FC was realized as 131,90%, TL + FC as 86,71%).

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			94.502.272	57.388.255
<b>CASH OUTFLOWS</b>				
Retail and Small Business Customers, of which;	285.464.696	141.016.197	24.593.565	14.101.550
Stable deposits	79.058.101	1.389	3.952.905	69
Less stable deposits	206.406.595	141.014.808	20.640.660	14.101.481
Unsecured wholesale funding, of which;	126.005.774	55.617.232	67.236.893	30.345.436
Operational deposit	7.945.997	1.015.406	1.974.296	241.648
Non-operational deposits	97.879.170	46.173.086	48.252.528	21.783.688
Other unsecured funding	20.180.607	8.428.740	17.010.069	8.320.100
Secured funding				
Other cash outflows, of which;	60.025.397	7.263.851	7.152.279	2.412.756
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2.113.599	493.952	2.113.599	493.952
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	57.911.798	6.769.899	5.038.680	1.918.804
Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	96.218.845	31.063.657	5.179.771	1.554.760
<b>TOTAL CASH OUTFLOWS</b>			<b>104.162.508</b>	<b>48.414.502</b>
<b>CASH INFLOWS</b>				
Secured lending	-	-	-	-
Unsecured lending	42.937.060	19.519.807	28.373.702	14.275.346
Other cash inflows	980.489	39.501.755	973.910	39.495.177
<b>Total Cash Inflows</b>	<b>43.917.549</b>	<b>59.021.562</b>	<b>29.347.612</b>	<b>53.770.523</b>
			<b>Upper Limit Applied Amounts</b>	
<b>TOTAL HQLA STOCK</b>			<b>94.502.272</b>	<b>57.388.255</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>74.814.896</b>	<b>12.103.626</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>126,31</b>	<b>474,14</b>

<sup>(\*)</sup> 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>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			60.776.637	41.550.730
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which:	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>

(\*) 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)**

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

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

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

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

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

*High quality liquid assets are comprised to which items*

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

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

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

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

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

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

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

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

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

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SECTION FOUR (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 <sup>(1)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	21.358.221	26.974.516	-	-	-	-	36.215	48.368.952
Banks	3.581.813	2.479.857	661.745	54.427	178.947	-	-	6.956.789
Financial Assets at Fair Value Through Profit and Loss	-	31.481	11.579	32.434	1.214.236	99.439	6.212.719	7.601.888
Money Market Placements	-	149.255	-	-	-	-	-	149.255
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	839.522	4.042.007	15.813.289	39.787.737	38.079.609	490.434	99.052.598
Loans Given	-	24.935.530	32.617.653	180.743.151	175.650.244	35.586.937	3.246.456	452.779.971
Financial Assets Measured at Amortised Cost	31.732	1.645	1.158.535	820.299	12.500.057	3.595.041	-	18.107.309
Other Assets	7.151.707	463.327	1.422.129	600.271	309.043	11.142	12.458.459	22.416.078
<b>Total Assets<sup>(2)</sup></b>	<b>32.123.473</b>	<b>55.875.133</b>	<b>39.913.648</b>	<b>198.063.871</b>	<b>229.640.264</b>	<b>77.372.168</b>	<b>22.444.283</b>	<b>655.432.840</b>
<b>Liabilities</b>								
Interbank Deposits	4.224.496	19.517.744	5.846.179	967.003	40.553	-	-	30.595.975
Other Deposits	111.620.970	169.107.002	71.946.468	41.772.494	5.088.962	202.100	-	399.737.996
Funds Provided from Other Financial Institutions	-	2.828.002	913.138	15.669.953	11.394.145	3.458.130	-	34.263.368
Money Market Borrowings	-	52.496.485	3.240.086	4.771.966	650.459	-	-	61.158.996
Issued Marketable Securities <sup>(3)</sup>	-	993.822	1.796.079	2.712.443	18.474.609	-	-	23.976.953
Miscellaneous Payables	2.489.721	3.706.026	-	-	-	-	92.004	6.287.751
Other Liabilities <sup>(4)</sup>	15.237.246	5.168.724	1.914.165	1.692.827	2.389.693	6.501.767	66.507.379	99.411.801
<b>Total Liabilities</b>	<b>133.572.433</b>	<b>253.817.805</b>	<b>85.656.115</b>	<b>67.586.686</b>	<b>38.038.421</b>	<b>10.161.997</b>	<b>66.599.383</b>	<b>655.432.840</b>
<b>Liquidity Gap</b>	<b>(101.448.960)</b>	<b>(197.942.672)</b>	<b>(45.742.467)</b>	<b>130.477.185</b>	<b>191.601.843</b>	<b>67.210.171</b>	<b>(44.155.100)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>26.373</b>	<b>(1.480.027)</b>	<b>(298.795)</b>	<b>127.069</b>	<b>604.548</b>	<b>-</b>	<b>-</b>	<b>(1.020.832)</b>
Financial Derivative Assets	585.477	75.767.023	22.314.657	4.868.489	1.523.355	-	-	105.059.001
Financial Derivative Liabilities	559.104	77.247.050	22.613.452	4.741.420	918.807	-	-	106.079.833
Non-cash Loans	42.179.431	4.352.056	9.403.467	41.489.644	25.391.369	5.080.996	221.339	128.118.302
<b>Prior Period</b>								
Total Assets	31.142.785	49.280.824	31.263.258	168.369.498	197.658.653	71.226.370	19.445.608	568.386.996
Total Liabilities	114.627.753	236.995.776	62.998.947	61.748.955	26.809.968	9.908.287	55.297.310	568.386.996
<b>Liquidity Gap</b>	<b>(83.484.968)</b>	<b>(187.714.952)</b>	<b>(31.735.689)</b>	<b>106.620.543</b>	<b>170.848.685</b>	<b>61.318.083</b>	<b>(35.851.702)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(291.050)</b>	<b>(967.025)</b>	<b>122.547</b>	<b>672.964</b>	<b>-</b>	<b>(44)</b>	<b>(462.608)</b>
Financial Derivative Assets	-	35.660.859	14.439.645	3.000.559	1.793.273	-	19.360	54.913.696
Financial Derivative Liabilities	-	35.951.909	15.406.670	2.878.012	1.120.309	-	19.404	55.376.304
<b>Non-cash Loans</b>	<b>45.706.867</b>	<b>4.670.432</b>	<b>10.165.962</b>	<b>38.893.051</b>	<b>27.158.917</b>	<b>4.856.928</b>	<b>195.551</b>	<b>131.647.708</b>

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

(3) Includes subordinated other debt instruments.

(4) 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 8,77% (31 December 2018: 7,82%). 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 (*)</b>	<b>Prior Period (*)</b>
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	648.140.860	570.386.642
(Assets deducted in determining Tier 1 capital)	(5.731.517)	(7.798.391)
Total on-balance sheet risks (sum of lines 1 and 2)	642.409.343	562.588.251
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost associated with all derivative financial instruments and credit Derivatives	2.337.488	2.253.807
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	1.299.178	631.144
Total risks of derivative financial instruments and credit derivatives	3.636.666	2.884.951
<b>Securities or commodity financing transactions (SCFT)</b>		
Risks from SCFT assets	8.210.659	5.082.975
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	8.210.659	5.082.975
<b>Other off-balance sheet transactions</b>		
Gross notional amounts of off-balance sheet transactions	198.362.021	183.788.436
(Adjustments for conversion to credit equivalent amounts)	(3.551.083)	(3.650.093)
Total risks of off-balance sheet items	194.810.938	180.138.343
<b>Capital and total risks</b>		
Tier 1 capital	74.443.162	57.496.516
Total risks	849.067.606	750.694.520
<b>Leverage ratio</b>		
Leverage ratio %	8,77	7,66

(\*) 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(*) 30 September 2019</b>	<b>Prior Period(*) 31 December 2018</b>
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards(**)	655.495.546	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”	62.706	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	228.004.832	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	37.329.660	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	3.551.083	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	(43.202.831)	(28.788.983)
<b>Total Risk Amount</b>	<b>849.067.606</b>	<b>750.694.520</b>

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

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

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**SECTION FOUR (Continued)**

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

**VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT**

Notes and explanations prepared in accordance with “the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks” published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section. As of 30 September 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 Parent 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)	442.950.135	396.750.839	35.436.011
2	Standardized approach	442.950.135	396.750.839	35.436.011
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	5.440.319	3.747.369	435.225
5	Standardized approach for counterparty credit risk	5.440.319	3.747.369	435.225
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	2.445.746	1.022.273	195.660
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	13.032.692	15.630.514	1.042.615
17	Standardized approach	13.032.692	15.630.514	1.042.615
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>502.514.167</b>	<b>448.874.719</b>	<b>40.201.133</b>

**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 to meet its clients’ needs.

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

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

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

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

As of 30 September 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”.

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**SECTION FOUR (Continued)**

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

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

**1. Table for Segment Reporting**

<b>Current Period</b>	<b>Retail Banking</b>	<b>Corporate/ Entrepreneurial banking</b>	<b>Specialized Banking</b>	<b>Treasury/ Investment Banking</b>	<b>Consolidation Corrections</b>	<b>Other/ Undistributed</b>	<b>Total</b>
<b>OPERATING INCOME/EXPENSE</b>							
<b>Interest Income</b>	<b>10.802.756</b>	<b>20.789.206</b>	<b>6.099.298</b>	<b>14.229.605</b>	-	<b>449.838</b>	<b>52.370.703</b>
Interest Income from Loans	10.802.756	20.789.206	6.099.298	4.146.959	-	-	41.838.219
Interest Income from Banks	-	-	-	553.640	-	-	553.640
Interest Income from Securities	-	-	-	9.075.731	-	-	9.075.731
Other Interest Income	-	-	-	453.275	-	449.838	903.113
<b>Interest Expense</b>	<b>14.970.824</b>	<b>5.846.890</b>	-	<b>12.502.763</b>	-	<b>292.900</b>	<b>33.613.377</b>
Interest Expense on Deposits	14.970.824	5.846.890	-	2.296.134	-	-	23.113.848
Interest Expense on Funds Borrowed	-	-	-	1.308.439	-	-	1.308.439
Interest Expense on Money Market Transactions	-	-	-	7.607.654	-	-	7.607.654
Interest Expense on Securities Issued	-	-	-	1.290.536	-	-	1.290.536
Other Interest Expense	-	-	-	-	-	292.900	292.900
<b>Net Interest Income/Expense</b>	<b>(4.168.068)</b>	<b>14.942.316</b>	<b>6.099.298</b>	<b>1.726.842</b>	-	<b>156.938</b>	<b>18.757.326</b>
<b>Net Fees and Commission Income/Expense</b>	<b>2.271.754</b>	<b>1.658.686</b>	<b>85.748</b>	<b>(1.371.898)</b>	-	<b>(240.205)</b>	<b>2.404.085</b>
Fees and Commissions Received	2.279.015	1.664.260	85.748	9.609	-	36.412	4.075.044
Fees and Commissions Paid	7.261	5.574	-	1.381.507	-	276.617	1.670.959
<b>Dividend Income</b>	-	-	-	<b>1.062.919</b>	<b>(1.040.297)</b>	-	<b>22.622</b>
<b>Trading Profit /Loss (Net)</b>	-	-	-	<b>(6.225.025)</b>	-	<b>(14.875)</b>	<b>(6.239.900)</b>
<b>Other Operating Income</b>	<b>86.574</b>	<b>296.836</b>	<b>20.924</b>	<b>34.740</b>	-	<b>3.122.067</b>	<b>3.561.141</b>
<b>Provision for Expected Loss (-)</b>	<b>885.098</b>	<b>2.396.425</b>	<b>535.370</b>	-	-	<b>95.657</b>	<b>3.912.550</b>
<b>Other Provision Expenses</b>	<b>28.925</b>	<b>3.290</b>	-	<b>1.064</b>	-	<b>43.860</b>	<b>77.139</b>
<b>Personnel Expenses</b>	-	-	-	-	-	<b>2.889.665</b>	<b>2.889.665</b>
<b>Other Operating Expense</b>	<b>1.620.864</b>	<b>39.760</b>	<b>43.660</b>	<b>1.482</b>	-	<b>4.124.653</b>	<b>5.830.419</b>
<b>Net Operational Profit/Loss</b>	<b>(4.344.627)</b>	<b>14.458.363</b>	<b>5.626.940</b>	<b>(4.774.968)</b>	<b>(1.040.297)</b>	<b>(4.129.910)</b>	<b>5.795.501</b>
<b>Profit/Loss on Equity Method Applied Subsidiaries</b>	-	-	-	-	<b>20.204</b>	<b>21.672</b>	<b>41.876</b>
<b>Tax Provision</b>	-	-	-	-	-	<b>(1.335.661)</b>	<b>(1.335.661)</b>
<b>Net Profit/Loss</b>	<b>(4.344.627)</b>	<b>14.458.363</b>	<b>5.626.940</b>	<b>(4.774.968)</b>	<b>(1.020.093)</b>	<b>(5.443.899)</b>	<b>4.501.716</b>
<b>SEGMENT ASSETS</b>							
Financial Assets at FV Through P/L	-	-	-	7.601.888	-	-	7.601.888
Banks and Receivables from Money Market	-	-	-	7.106.044	-	-	7.106.044
Financial Assets Measured at Fair Value Through Other Comprehensive Income (Net)	-	-	-	99.052.438	160	-	99.052.598
Loans	111.680.887	248.217.216	69.625.500	23.255.764	-	604	452.779.971
Financial Assets Measured at Amortised Cost (Net)	-	-	-	18.107.309	-	-	18.107.309
Derivative Financial Assets	-	-	-	2.265.591	-	-	2.265.591
Associates, Subsidiaries and Joint Ventures	-	-	-	7.961.408	(7.441.869)	-	519.539
Other Assets	66.854	2.289.088	142.787	43.943.272	(122.546)	21.680.445	67.999.900
<b>TOTAL SEGMENT ASSETS</b>	<b>111.747.741</b>	<b>250.506.304</b>	<b>69.768.287</b>	<b>209.293.714</b>	<b>(7.564.255)</b>	<b>21.681.049</b>	<b>655.432.840</b>
<b>SEGMENT LIABILITIES</b>							
Deposits	315.721.107	71.377.544	-	31.122.549	-	12.112.771	430.333.971
Derivative Financial Liabilities Held for Trading	-	-	-	2.960.130	-	-	2.960.130
Funds Borrowed	-	-	-	34.263.368	-	-	34.263.368
Money Market Funds	3.608	28.799.030	-	32.356.358	-	-	61.158.996
Securities Issued (Net)	-	-	-	15.254.583	-	-	15.254.583
Provisions	4.734	699.647	-	86	-	4,939,964	5,644,431
Other Liabilities	-	-	-	-	(153.678)	37,429,489	37,275,811
Shareholders' Equity	-	-	-	-	(7,410,577)	75,952,127	68,541,550
<b>TOTAL SEGMENT LIABILITIES</b>	<b>315.729.449</b>	<b>100.876.221</b>	-	<b>115.957.074</b>	<b>(7.564.255)</b>	<b>130.434.351</b>	<b>655.432.840</b>



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**SECTION FOUR (Continued)**

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

**VIII. EXPLANATIONS ON 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>8.393.888</b>	<b>13.996.371</b>	<b>5.031.372</b>	<b>10.910.494</b>	-	<b>341.775</b>	<b>38.673.900</b>
Interest Income from Loans	8.393.888	13.996.371	5.031.372	3.302.879	-	39.859	30.764.369
Interest Income from Banks	-	-	-	332.669	-	-	332.669
Interest Income from Securities	-	-	-	6.776.429	-	-	6.776.429
Other Interest Income	-	-	-	498.517	-	301.916	800.433
<b>Interest Expense</b>	<b>8.466.742</b>	<b>3.653.834</b>	-	<b>8.618.333</b>	-	<b>122.440</b>	<b>20.861.349</b>
Interest Expense on Deposits	8.466.742	3.653.834	-	1.172.043	-	11	13.292.630
Interest Expense on Funds Borrowed	-	-	-	1.113.019	-	-	1.113.019
Interest Expense on Money Market Transactions	-	-	-	5.415.396	-	-	5.415.396
Interest Expense on Securities Issued	-	-	-	917.875	-	-	917.875
Other Interest Expense	-	-	-	-	-	122.429	122.429
<b>Net Interest Income/Expense</b>	<b>(72.854)</b>	<b>10.342.537</b>	<b>5.031.372</b>	<b>2.292.161</b>	-	<b>219.335</b>	<b>17.812.551</b>
<b>Net Fees and Commission Income/Expense</b>							
<b>Income/Expense</b>	<b>1.278.821</b>	<b>1.023.999</b>	<b>69.472</b>	<b>(471.263)</b>	-	<b>27.437</b>	<b>1.928.466</b>
Fees and Commissions Received	1.287.262	1.027.218	69.492	10.117	-	277.714	2.671.803
Fees and Commissions Paid	8.441	3.219	20	481.380	-	250.277	743.337
<b>Personnel Expenses</b>	-	-	-	-	-	<b>2.370.915</b>	<b>2.370.915</b>
<b>Dividend Income</b>	-	-	-	<b>291.626</b>	<b>(286.992)</b>	-	<b>4.634</b>
<b>Trading Profit/Loss (Net)</b>	-	-	-	<b>(3.209.136)</b>	-	<b>494</b>	<b>(3.208.642)</b>
<b>Other Operating Income</b>	<b>27.949</b>	<b>131.568</b>	<b>20.589</b>	<b>2.660</b>	-	<b>1.936.215</b>	<b>2.118.981</b>
<b>Provision for Expected Loss (-)</b>	<b>769.893</b>	<b>2.104.650</b>	<b>505.611</b>	<b>751</b>	-	<b>61.376</b>	<b>3.442.281</b>
<b>Other Operating Expense</b>	<b>1.272.420</b>	<b>62.398</b>	<b>36.743</b>	-	-	<b>3.043.360</b>	<b>4.414.921</b>
<b>Net Operating Profit/Loss</b>	<b>(808.397)</b>	<b>9.331.056</b>	<b>4.579.079</b>	<b>(1.094.703)</b>	<b>(286.992)</b>	<b>(3.292.170)</b>	<b>8.427.873</b>
<b>Profit/Loss on Equity Method Applied Subsidiaries</b>	-	-	-	-	<b>28.682</b>	-	<b>28.682</b>
<b>Tax Provision</b>	-	-	-	-	-	<b>(1.928.946)</b>	<b>(1.928.946)</b>
<b>Net Profit/Loss</b>	<b>(808.397)</b>	<b>9.331.056</b>	<b>4.579.079</b>	<b>(1.094.703)</b>	<b>(258.310)</b>	<b>(5.221.116)</b>	<b>6.527.609</b>
<b>SEGMENT ASSETS</b>							
Financial Assets at FV Through P/L Banks and Other Financial Institutions	-	-	-	6.782.778	-	-	6.782.778
Financial Assets Measured at Fair Value Through Other Comprehensive Income (Net)	-	-	-	9.333.095	-	-	9.333.095
Loans	94.703.180	219.844.242	64.158.050	79.830.814	2.233	-	399.057.879
Financial Assets Measured at Amortised Cost (Net)	-	-	-	17.086.392	-	3.266.015	17.086.392
Derivative Financial Assets	-	-	-	10.281.010	-	-	10.281.010
Associates, Subsidiaries and Joint Ventures	-	-	-	2.058.778	-	-	2.058.778
Other Assets	-	-	-	7.655.170	(7.417.597)	-	237.573
<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>

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**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	1.957.037	2.371.419	2.099.128	1.668.232
Central Bank of the Republic of Turkey	1.261.931	42.578.373	3.059.195	35.869.303
Other	225	201.503	1.150	185.485
<b>Total</b>	<b>3.219.193</b>	<b>45.151.295</b>	<b>5.159.473</b>	<b>37.723.020</b>

**Information on Required Reserves**

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

As of the balance sheet date, according to CBRT’s Communiqué about Required Reserves No. 2016/4, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity, and for deposits up to 3-months maturity 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%; 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 17%; for FC deposit accounts with 1-year and longer maturity 13%, 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 starting 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, interest payment 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	1.058.249	13.090.060	2.723.598	12.551.557
Unrestricted Time Deposit	-	-	-	6.689
Restricted Time Deposit	-	2.710.330	-	763
Other <sup>(1)</sup>	203.682	26.777.983	335.597	23.310.294
<b>Total</b>	<b>1.261.931</b>	<b>42.578.373</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 6.641. Required reserve of branches abroad amounting to TL 149.668 is presented in this line. TL 2.394.388 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	323.508	-
Assets Blocked/Given as Collateral	-	-
<b>Total</b>	<b>323.508</b>	<b>-</b>

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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	211.667	87.860	243.173	28.128
Swap Transactions	845.634	1.120.363	1.305.367	481.402
Futures Transactions	-	-	-	-
Options	19	48	-	708
Other	-	-	-	-
<b>Total</b>	<b>1.057.320</b>	<b>1.208.271</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	2.265.739	163.124	2.415.689	97.528
Foreign Banks	190.085	4.346.690	178.841	6.405.062
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>2.455.824</b>	<b>4.509.814</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	51.208.503	29.004.119
Assets Blocked/Given as Collateral	33.550.174	45.767.374
<b>Total</b>	<b>84.758.677</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	102.615.495	85.616.480
Quoted in Stock Exchange	102.053.513	85.247.015
Not Quoted in Stock Exchange	561.982	369.465
Share Certificates	522.244	473.465
Quoted in Stock Exchange	333.106	227.330
Not Quoted in Stock Exchange	189.138	246.135
Provision for Impairment (-)	4.085.141	6.256.898
<b>Total</b>	<b>99.052.598</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>	481.045	-	403.046	-
<b>Total</b>	<b>481.045</b>	<b>-</b>	<b>403.046</b>	<b>-</b>

(1) Interest rediscount and interest accrual amounting TL 4.746, are not included in the table above. (31 December 2018: Interest rediscount and interest accrual amounting TL 4.261, are not included).

(2) Since the balance of overdraft accounts related to employees amounting TL 20.450, 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.)

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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	Standard Loans	Loans under Close Monitoring		
		Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled	
Cash Loans				Loans with revised contract terms
Non-Specialized Loans	350.899.525	14.509.567	6.026.989	-
Commercial Loans	217.263.192	5.814.761	5.841.251	-
Export Loans	7.041.293	31.526	-	-
Import Loans	599.922	3.075	-	-
Loans Given to Financial Sector	7.370.159	6.447.652	-	-
Consumer Loans	101.352.569	1.860.875	170.743	-
Credit Cards	10.085.460	276.964	437	-
Other	7.186.930	74.714	14.558	-
Specialized Lending <sup>(1) (2)</sup>	62.344.618	2.145.326	696.307	-
Other Receivables	-	-	-	-
Interest Income Accruals	9.941.200	2.588.610	397.125	-
<b>Total</b>	<b>423.185.343</b>	<b>19.243.503</b>	<b>7.120.421</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	Standard Loans	Loans under Close Monitoring		
		Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled	
Cash Loans				Loans with revised contract terms
Non-Specialized Loans	309.583.530	13.275.350	2.191.593	-
Commercial Loans	198.443.229	5.677.965	2.117.141	-
Export Loans	6.629.524	46.720	-	-
Import Loans	508.257	5.440	-	-
Loans Given to Financial Sector	2.933.264	6.052.521	-	-
Consumer Loans	86.986.557	1.304.871	71.925	-
Credit Cards	5.831.331	134.811	434	-
Other	8.251.368	53.022	2.093	-
Specialized Lending <sup>(1) (2)</sup>	58.636.554	1.518.720	534.642	-
Other Receivables	-	-	-	-
Interest Income Accruals	8.074.441	1.841.776	116.328	-
<b>Total</b>	<b>376.294.525</b>	<b>16.635.846</b>	<b>2.842.563</b>	<b>-</b>

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

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

	Current Period		Prior Period	
	Standard Qualified Loans	Loans Under Close Monitoring	Standard Qualified Loans	Loans Under Close Monitoring
Expected Provision Loss for 12 months	1.179.766	-	996.215	-
Significant Increase in Credit Risk	-	2.863.174	-	2.264.734

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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)**

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

Current Period	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans-TL</b>	<b>1.159.300</b>	<b>99.397.529</b>	<b>100.556.829</b>
Real Estate Loans <sup>(2)</sup>	18.142	59.808.570	59.826.712
Vehicle Loans	10.446	373.411	383.857
Consumer Loans <sup>(2)</sup>	1.130.712	39.215.548	40.346.260
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>7.801</b>	<b>861.870</b>	<b>869.671</b>
Real Estate Loans	263	101.225	101.488
Vehicle Loans	-	3.236	3.236
Consumer Loans	2.776	565.053	567.829
Other	4.762	192.356	197.118
<b>Retail Credit Cards-TL</b>	<b>6.661.931</b>	<b>188.108</b>	<b>6.850.039</b>
With Installment	2.271.762	181.631	2.453.393
Without Installment	4.390.169	6.477	4.396.646
<b>Retail Credit Cards-FC</b>	<b>39.665</b>	<b>-</b>	<b>39.665</b>
With Installment	38.991	-	38.991
Without Installment	674	-	674
<b>Personnel Loans-TL</b>	<b>18.319</b>	<b>283.347</b>	<b>301.666</b>
Real Estate Loans	-	2.995	2.995
Vehicle Loans	-	82	82
Consumer Loans	18.319	278.902	297.221
Other	-	1.368	1.368
<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>215</b>	<b>26.478</b>	<b>26.693</b>
Real Estate Loans	-	7.387	7.387
Vehicle Loans	-	-	-
Consumer Loans	209	18.121	18.330
Other	6	970	976
<b>Personnel Credit Cards-TL</b>	<b>144.751</b>	<b>6.660</b>	<b>151.411</b>
With Installment	59.216	6.549	65.765
Without Installment	85.535	111	85.646
<b>Personnel Credit Cards-FC</b>	<b>1.275</b>	<b>-</b>	<b>1.275</b>
With Installment	1.254	-	1.254
Without Installment	21	-	21
<b>Overdraft Accounts-TL (Real Person)</b>	<b>1.629.304</b>	<b>-</b>	<b>1.629.304</b>
<b>Overdraft Accounts-FC (Real Person)</b>	<b>24</b>	<b>-</b>	<b>24</b>
<b>Total <sup>(1)</sup></b>	<b>9.662.585</b>	<b>100.763.992</b>	<b>110.426.577</b>

<sup>(1)</sup> TL 821.461 of interest income accrual is not included in the table above.

<sup>(2)</sup> Consumer loans originated from funds amounting to TL 3.916.432 of are 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)**

**7.3. 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>1.660.938</b>	<b>39.694.160</b>	<b>41.355.098</b>
Business Loans	18.100	799.450	817.550
Vehicle Loans	86.036	966.703	1.052.739
Consumer Loans	1.556.802	37.928.007	39.484.809
Other	-	-	-
<b>Installment Based Commercial Loans- Indexed to FC</b>	<b>-</b>	<b>25.316</b>	<b>25.316</b>
Business Loans	-	-	-
Vehicle Loans	-	25.316	25.316
Consumer Loans	-	-	-
Other	-	-	-
<b>Installment Based Commercial Loans - FC</b>	<b>453.593</b>	<b>31.580.017</b>	<b>32.033.610</b>
Business Loans	-	5.479	5.479
Vehicle Loans	-	17.417	17.417
Consumer Loans	143.400	31.091.130	31.234.530
Other	310.193	465.991	776.184
<b>Corporate Credit Cards-TL</b>	<b>3.296.962</b>	<b>21.886</b>	<b>3.318.848</b>
With Installment	1.090.634	18.018	1.108.652
Without Installment	2.206.328	3.868	2.210.196
<b>Corporate Credit Cards-FC</b>	<b>1.623</b>	<b>-</b>	<b>1.623</b>
With Installment	1.041	-	1.041
Without Installment	582	-	582
<b>Overdraft Account-TL (Legal Entity)</b>	<b>790.396</b>	<b>-</b>	<b>790.396</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>8.707</b>	<b>-</b>	<b>8.707</b>
<b>Total <sup>(1)</sup></b>	<b>6.212.219</b>	<b>71.321.379</b>	<b>77.533.598</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**

	<b>Current Period</b>	<b>Priod Period</b>
Domestic Loans	422.740.696	372.670.578
Foreign Loans	13.881.636	13.069.811
Interest Income Accruals of Loans	12.926.935	10.032.545
<b>Total</b>	<b>449.549.267</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)**

	<b>Current Period</b>	<b>Priod Period</b>
Loans and other receivables with limited collectability	527.309	726.013
Loans and other receivables with doubtful collectability	1.259.290	760.225
Uncollectible loans and other receivables	5.768.808	4.704.692
<b>Total</b>	<b>7.555.407</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)**

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period</b>			
Gross amounts before the provisions	196.623	142.527	281.335
Rescheduled loans	196.623	142.527	281.335
<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**

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Prior Period Ending Balance</b>	<b>1.889.105</b>	<b>1.418.246</b>	<b>5.448.646</b>
Additions (+)	3.355.991	792.173	486.769
Transfers from Other Categories of Loans under Follow-Up (+)	-	3.153.344	2.285.611
Transfers to Other Categories of Loans under Follow-Up (-)	3.153.344	2.285.611	-
Collections (-)	282.840	581.344	975.113
Deducted from the record (-) <sup>(1)</sup>	158.149	8.697	34.882
Debt Sale (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance</b>	<b>1.650.763</b>	<b>2.488.111</b>	<b>7.211.031</b>
Specific Provision (-)	527.309	1.259.290	5.768.808
<b>Net Balance on Balance Sheet</b>	<b>1.123.454</b>	<b>1.228.821</b>	<b>1.442.223</b>

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



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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)**

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
<b>Current Period:</b>			
<b>Period Ending Balance</b>	<b>213.975</b>	<b>378.318</b>	<b>237.918</b>
Provision (-)	63.382	192.112	153.058
<b>Net Balance on Balance Sheet</b>	<b>150.593</b>	<b>186.206</b>	<b>84.860</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**

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
<b>Current Period (Net)</b>	<b>1.123.454</b>	<b>1.228.821</b>	<b>1.442.223</b>
Loans to Real Persons and Legal Entities (Gross)	1.650.763	2.488.111	7.064.123
Provision (-)	527.309	1.259.290	5.621.900
Loans to Real Persons and Legal Entities (Net)	1.123.454	1.228.821	1.442.223
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	146.908
Provision (-)	-	-	146.908
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**

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
<b>Current Period (Net)</b>	<b>81.313</b>	<b>84.911</b>	<b>47.229</b>
Interest Accruals and Valuation Differences	119.603	192.185	151.147
Provision (-)	38.290	107.274	103.918
<b>Prior Period (Net)</b>	<b>67.001</b>	<b>29.159</b>	<b>9.399</b>
Interest Accruals and Valuation Differences	116.066	65.264	28.958
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	1.975.192	2.464.445	177.923	1.819.056
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>1.975.192</b>	<b>2.464.445</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	3.117.934	9.529.033	3.790.424	3.019.229
Other	-	-	-	-
<b>Total</b>	<b>3.117.934</b>	<b>9.529.033</b>	<b>3.790.424</b>	<b>3.019.229</b>

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

	Current Period	Prior Period
Government Bonds	17.457.705	10.076.568
Treasury Bills	-	-
Other Public Sector Debt Securities	554.210	7.882
<b>Total</b>	<b>18.011.915</b>	<b>10.084.450</b>

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

	Current Period	Prior Period
Debt securities	18.110.153	10.282.653
Listed in a Stock Exchange	17.493.050	10.076.676
Not Listed in a Stock Exchange	617.103	205.977
Provision for Impairment (-)	110	108
<b>Total</b>	<b>18.110.043</b>	<b>10.282.545</b>

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

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>10.282.545</b>	<b>7.625.763</b>
Foreign Currency Differences on Monetary Assets	210.282	1.772.252
Purchases During the Year (*)	10.538.207	3.515.803
Disposals through Sales and Redemptions	(2.920.881)	(2.631.165)
Provision for Impairment (-)	110	108
<b>Period End Balance</b>	<b>18.110.043</b>	<b>10.282.545</b>

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

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**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 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
3	Platform Ortak Kartlı Sistemler A.Ş. <sup>(1)</sup>	Istanbul/ Turkey	33,33	33,33

<sup>(1)</sup> The company has been registered at 23 September 2019 and announced in the Türkiye Trade Registry Gazette as the date of 27 September 2019 numbered 9918.

	Total 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	147.868	93.468	73.688	4.027	-	28.503	15.603	-
2	313.468	182.764	190.608	10.407	-	19.267	34.818	-
3	5.250	5.250	-	-	-	-	-	-

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

<sup>(2)</sup> Current period information of associates has been provided from unreviewed financial statements as of 30 September 2019. Prior period profit/loss information of associates has been provided from reviewed financial statements as of 30 September 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	22,20	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	4.599.525	1.017.431	119.896	210.223	40.339	149.385	63.711	-

<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 unreviewed financial statements as of 30 September 2019. Prior period profit/loss information of Arap Türk Bankası A.Ş. has been provided from reviewed financial statements as of 30 September 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>23.245</b>	<b>12.560</b>
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	23.050	15.581
Transfer	-	-
Sales	-	-
Revaluation Increase	195	374
Impairment Provision	-	3.395
<b>Balance at the End of the Period</b>	<b>156.990</b>	<b>133.745</b>
Capital Commitments	-	-
Period Ending Share of Capital Participation (%)	-	-

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

	Current Period	Prior Period
Banks	156.990	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	65.653	9.544	3.722	1.727	-	(4.521)	(4.069)	-	-

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

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

The transactions related to the participation in the capital of TL 250.000 with the rate of 99,01% of the Central Oto Kiralama A.Ş. with the Ziraat Girişim Sermayesi Yatırım Ortaklığı A.Ş. which is subsidiary included in the consolidation has been completed as of 29 July 2019.

**10.2. Information on Consolidated Subsidiaries**

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

	Description	Address (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	10.375.164	965.514	1.656	409.334	-	577.866	382.070	-	-
2	1.920.896	639.437	4.452	179.122	-	295.294	217.092	-	-
3	226.767	165.430	893	24.755	9.582.128	62.204	54.512	-	-
4	98.162	86.930	31.738	8.423	41.963	26.771	14.373	-	-
5	28.842.186	2.770.153	237.488	1.589.921	98.384	210.150	151.306	-	-
6	2.204.229	1.709.527	1.743.600	-	-	25.348	33.531	-	-
7	854.294	852.863	1.508	-	-	101.524	-	-	-
8	7.685.098	1.511.892	20.517	220.918	2.147	79.528	76.161	1.378.682	-
9	3.189.085	543.065	124.676	78.326	687	4.420	(46.251)	620.972	-
10	548.570	258.055	11.388	41.676	288	19.950	16.664	209.829	-
11	1.112.597	419.528	25.092	58.435	-	26.070	31.158	382.795	-
12	745.777	224.234	57.477	42.234	780	9.939	5.572	202.831	-
13	493.587	85.962	2.947	14.081	892	1.045	(4.173)	78.550	-
14	268.691	104.138	8.256	6.889	2.630	5.921	4.388	112.626	-
15	388.115	157.809	8.701	28.784	204	30.067	3.028	166.462	-

(1) The subsidiaries other than the ones presented with fair value are carried at cost less impairment, if any. For the subsidiaries having fair value, fair value shows the portion belonging to Ziraat Bank.

(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 reviewed financial statements as of 30 June 2019, the prior period profit/loss balances have been provided from limited reviewed financial statements as of 30 June 2018. Information on other subsidiaries shown in the table above has been provided from reviewed financial statements as of 30 September 2019, the prior period profit/loss balances have been provided from limited reviewed financial statements as of 30 September 2018.

**Information on 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>37.575</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>	35.547	807.408
Impairment Provision (-)	-	72.265
<b>Balance at the End of the Period</b>	<b>7.431.983</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	5.185.586	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	5.383.114	14.572	32.850	73.668	33.492

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

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

**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	1.041.489	943.294	1.709.543	1.429.167
1-5 Years	2.940.230	2.242.813	2.778.781	2.136.398
More than 5 Years	480.152	291.497	538.541	413.115
<b>Total</b>	<b>4.461.871</b>	<b>3.477.604</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 2.516.846 consisting of TL 20.663 due to consumer loans, TL 2.353.396 on its commercial loans and TL 142.787 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 3.006. (31 December 2018: The Bank'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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**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)	94.721	675.822	(22.743)	106.457	(13.441)	-	840.816
- Cost	83.349	771.129	102.148	138.764	8.878	-	1.104.268
- Depreciation – net (-)	(11.510)	95.307	124.891	31.478	22.319	-	262.485
- Impairment (-)	138	-	-	829	-	-	967
Net Currency Translation from Foreign Subsidiaries	(9.322)	31.022	(1.634)	9.182	478	-	29.726
Cost at Period End	7.324.730	802.151	1.390.862	162.874	304.161	-	9.984.778
Accumulated Depreciation at Period End (-)	974.707	95.307	942.332	37.696	255.006	-	2.305.048
Impairment (-)	2.943	-	1.661	829	-	-	5.433
<b>Closing Net Book Value</b>	<b>6.347.080</b>	<b>706.844</b>	<b>446.869</b>	<b>124.349</b>	<b>49.155</b>	<b>-</b>	<b>7.674.297</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	1.536	463
Receivables from banks and money markets	8.861	14.112
Financial assets appraised over their amortized cost	2.734	1535
Other asset	55.072	54.100
<b>Total</b>	<b>68.203</b>	<b>70.210</b>

**20. Information on Other Assets**

As of 30 September 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	32.742.838	-	3.896.780	64.596.517	27.989.892	2.852.316	8.891.768	209.594	141.179.705
Foreign Currency Deposits	48.371.755	-	14.538.182	62.610.606	10.319.380	9.623.696	30.797.743	5.675	176.267.037
Residents in Turkey	39.404.329	-	13.524.901	52.072.166	6.471.516	4.346.651	9.487.291	4.496	125.311.350
Residents Abroad	8.967.426	-	1.013.281	10.538.440	3.847.864	5.277.045	21.310.452	1.179	50.955.687
Public Sector Deposits	8.647.267	-	3.301.904	5.507.608	776.118	1.864.442	113.359	-	20.210.698
Commercial Inst. Deposits	9.459.322	-	6.134.044	14.679.812	1.390.712	2.223.652	1.498.821	67.597	35.453.960
Other Inst. Deposits	2.045.152	-	1.425.261	5.418.505	3.207.397	1.103.017	671.433	-	13.870.765
Precious Metals	10.354.636	-	95.245	1.933.449	178.464	84.277	109.760	-	12.755.831
Interbank Deposits	4.224.496	-	17.001.395	4.708.917	3.365.287	714.441	581.439	-	30.595.975
CBRT	2.499	-	-	-	-	-	-	-	2.499
Domestic Banks	418.726	-	15.120.567	279.692	13.031	2.047	2.404	-	15.836.467
Foreign Banks	3.444.424	-	1.880.828	3.640.393	3.352.256	712.394	579.035	-	13.609.330
Participation Banks	358.847	-	-	788.832	-	-	-	-	1.147.679
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>115.845.466</b>	<b>-</b>	<b>46.392.811</b>	<b>159.455.414</b>	<b>47.227.250</b>	<b>18.465.841</b>	<b>42.664.323</b>	<b>282.866</b>	<b>430.333.971</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**

	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits <sup>(1)</sup>	96.832.681	77.125.284	43.974.290	41.715.586
Foreign Currency Saving Deposits <sup>(1)</sup>	58.807.858	36.632.643	72.849.693	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>	1.263.588	1.106.656	140.004	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 143.803 and TL 12.921 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 586 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş.

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of the banks. As total of capital amount and interest expense accruals of saving deposits up to TL 150 attributable to a real person is covered by the insurance, TL 2.299.618 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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**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	68.474	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	20.665	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	176.340	68.609	272.091	27.360
Swap Transactions	914.573	1.800.559	882.868	484.487
Futures Transactions	-	-	-	-
Options	9	40	1.363	-
Other	-	-	-	-
<b>Total</b>	<b>1.090.922</b>	<b>1.869.208</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	2.155.669	4.444.960	615.820	5.735.551
Foreign Banks, Institutions and Funds	379.772	27.282.967	580.527	27.916.871
<b>Total</b>	<b>2.535.441</b>	<b>31.727.927</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	2.149.088	2.016.908	615.434	6.314.775
Medium and Long-Term	386.353	29.711.019	580.913	27.337.647
<b>Total</b>	<b>2.535.441</b>	<b>31.727.927</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**

65,65% of the Group’s total liabilities and equity consist of deposits. Deposits have a diversified base and have steady structures. The Group’s liabilities are not subject to a significant concentration risk.

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Domestic Transactions</b>	<b>41.304.771</b>	-	<b>56.213.158</b>	-
Financial Institutions and Organizations	40.740.675	-	56.007.340	-
Other Institutions and Organizations	560.488	-	203.162	-
Real Person	3.608	-	2.656	-
<b>From Overseas Operations</b>	-	<b>19.854.225</b>	-	<b>12.390.480</b>
Financial Institutions and Organizations	-	19.854.225	-	12.390.480
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
<b>Total</b>	<b>41.304.771</b>	<b>19.854.225</b>	<b>56.213.158</b>	<b>12.390.480</b>

**5. Information on Securities Issued**

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.405.925	314.617	1.761.094	106.896
Asset-Backed Securities	2.406.612	-	1.375.097	-
Treasury Bills	1.010.690	9.116.739	1.190.585	12.510.192
<b>Total</b>	<b>5.823.227</b>	<b>9.431.356</b>	<b>4.326.776</b>	<b>12.617.088</b>

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

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

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

Information on finance lease payables represented in the table below.

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	146.649	146.118	-	-
1-4 Years	496.737	476.133	-	-
More than 4 Years	189.252	124.258	-	-
<b>Total</b>	<b>832.638</b>	<b>746.509</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**

The Group's provision for the decrease in foreign currency indexed loans and finance lease receivables amount to TL 122 (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 September 2019, unpaid vacation liability amounted to TL 268.929, and employment termination amounted to TL 966.841 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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**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 general 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, provisions amounting to TL 30.500 for cash transfers made by officials and TL 1.086 for other operations exist. The provision for losses for non-cash loans is TL 738.514 (31 December 2018: Due to the possible effects of adverse developments in the economy and markets by the Group management, TL 1.475.000 thousand was allocated in previous years, TL 30.000 thousand was allocated in the current year and TL 523.000 thousand was canceled in the current year. Moreover, provisions amounting to TL 30.500 for cash transfers made by officials and TL 217 for other operations exist. The provision for loss for non-cash loans is TL 466.897).

**10. Information on Tax Liability**

**10.1. Information on Current Tax Liability**

**10.1.1. Information on Tax Provisions**

As of 30 September 2019, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 1.318.558 (As of 31 December 2018, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 1.001.148).

**10.1.2. Information on Current Taxes Payable**

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Tax Payable	1.318.558	1.001.148
Taxation on Income From Securities	401.130	208.090
Property Tax	3.015	2.890
Banking Insurance Transactions Tax (BITT)	273.844	246.205
Foreign Exchange Transactions Tax	5.032	58
Value Added Tax Payable	10.846	16.288
Other	109.577	117.251
<b>Total</b>	<b>2.122.002</b>	<b>1.591.930</b>

**10.1.3. Information on Premiums**

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums - Employee	288	260
Social Security Premiums - Employer	431	376
Bank Social Aid Pension Fund Premium - Employee	67	11.988
Bank Social Aid Pension Fund Premium - Employer	96	16.712
Pension Fund Membership Fees and Provisions - Employee	2	1
Pension Fund Membership Fees and Provisions - Employer	1	-
Unemployment Insurance - Employee	1.165	1.894
Unemployment Insurance - Employer	2.330	3.790
Other	-	-
<b>Total</b>	<b>4.380</b>	<b>35.021</b>

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

The Group’s deferred tax liability amounts to TL 4.882 (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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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**12. Explanations on Subordinated Debts**

	Current Period (*)		Prior Period	
	TL	FC	TL	FC
Debt instruments to be included in additional capital calculation	-	9.211.677	-	-
Subordinated loans	-	489.307	-	-
Subordinated debt instruments	-	8.722.370	-	-
Debt instruments to be included in contribution capital calculation	-	-	-	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	-	-	-	-
<b>Total</b>	-	<b>9.211.677</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 are no capital increases in the current period.

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

There is no share capital amount included in capital.

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

The 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>(1.053.701)</b>	<b>(1.904.426)</b>	<b>(3.423.980)</b>	<b>(2.783.053)</b>
Revaluation Difference	(1.888.048)	(1.904.439)	(5.174.693)	(2.783.095)
Deferred Tax Effect	834.347	-	1.750.713	(12)
Foreign Exchange Difference	-	13	-	54
<b>Total</b>	<b>(964.432)</b>	<b>(1.876.204)</b>	<b>(3.334.711)</b>	<b>(2.754.831)</b>

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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	22.214.497	13.363.899
Other Irrevocable Commitments	12.726.239	14.238.136
Loan Granting Commitments	10.206.872	8.568.744
Payment Commitments for Cheques	3.728.680	2.876.102
Asset Purchase Commitments	20.910.614	7.262.309
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	35.083	23.620
Tax and Fund Obligations Resulting from Export Commitments	10.748	6.925
Subsidiaries and Associates Capital Contribution Commitments	5.250	-
<b>Total</b>	<b>69.837.983</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 738.514 for possible losses arising from the off-balance sheet items in the current period (31 December 2018: TL 466.897).

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

	<b>Current Period</b>	<b>Prior Period</b>
Letters of Guarantee	99.661.870	103.715.207
Letters of Credit	19.110.529	18.388.533
Bank Acceptances	7.672.827	8.317.026
Endorsements	868.608	202.092
Factoring Guarantees	1.557	2.172
Other Guarantees	798.805	1.010.273
Other Warrantees	4.106	12.405
<b>Total</b>	<b>128.118.302</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	70.391.327	69.436.954
Letters of Advance Guarantees	16.810.449	21.139.028
Letters of Temporary Guarantees	2.972.242	3.572.721
Letters of Guarantees Given to Customs Offices	1.715.406	1.519.782
Other Letters of Guarantees	7.772.446	8.046.722
<b>Total</b>	<b>99.661.870</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>4.269.119</b>	<b>4.173.468</b>
With Original Maturity of One Year or Less	462.606	1.752.900
With Original Maturity of More than One Year	3.806.513	2.420.568
<b>Other Non-Cash Loans</b>	<b>123.849.183</b>	<b>127.474.240</b>
<b>Total</b>	<b>128.118.302</b>	<b>131.647.708</b>

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**SECTION FIVE (Continued)**

**IV. EXPLANATIONS AND NOTES RELATED TO PROFIT OR LOSS STATEMENT**

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Interest on Loans <sup>(1)</sup></b>	<b>34.994.669</b>	<b>6.843.550</b>	<b>25.286.909</b>	<b>5.477.460</b>
Short Term Loans	11.419.439	741.769	7.054.515	438.543
Medium and Long Term Loans	22.872.256	6.094.919	18.117.466	5.034.567
Interest on Non-Performing Loans	702.974	6.862	114.928	4.350
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	91.929	-	32.523	-
Domestic Banks	374.956	9.750	260.454	6.686
Foreign Banks	27.022	49.983	11.094	21.912
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>493.907</b>	<b>59.733</b>	<b>304.071</b>	<b>28.598</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	14.562	1.899	3.756	483
Financial Assets at Fair Value Through Other Comprehensive Income	6.808.248	1.239.259	5.117.486	1.016.178
Financial Assets Measured at Amortized Cost	627.728	384.035	355.062	283.464
<b>Total</b>	<b>7.450.538</b>	<b>1.625.193</b>	<b>5.476.304</b>	<b>1.300.125</b>

**1.4. Information on Interest Income from Subsidiaries and Associates**

The Group has no interest income from its subsidiaries and affiliates (30 September 2018: None).

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

**IV. EXPLANATIONS AND NOTES RELATED TO PROFIT OR LOSS 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>	235.834	1.037.658	154.789	939.270
Central Bank of the Republic of Turkey	-	-	6.488	-
Domestic Banks	116.045	202.214	87.919	68.777
Foreign Banks	119.789	835.444	60.382	870.493
Foreign Head Office and Branches	-	-	-	-
Other Institutions	24.506	10.441	-	18.960
<b>Total</b>	<b>260.340</b>	<b>1.048.099</b>	<b>154.789</b>	<b>958.230</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	1.551	1.358

**2.3 Information on Interest Given on Securities Issued**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	656.076	634.460	473.581	444.294

**2.4 Maturity Structure of the Interest Expense on Deposits**

Account Name	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 year		
<b>TL</b>								
Bank Deposit	-	2.128.703	13.523	4.369	376	404	-	2.147.375
Saving Deposit	3.417	371.862	9.527.816	2.004.770	405.016	784.584	6.652	13.104.117
Public Sector Deposit	369	479.492	567.509	114.515	267.935	18.113	-	1.447.933
Commercial Deposit	536	869.430	1.460.329	127.416	540.736	40.490	-	3.038.937
Other Deposit	7	145.895	525.236	435.705	145.632	71.299	-	1.323.774
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4.329</b>	<b>3.995.382</b>	<b>12.094.413</b>	<b>2.686.775</b>	<b>1.359.695</b>	<b>914.890</b>	<b>6.652</b>	<b>21.062.136</b>
<b>FC</b>								
Foreign Currency Deposit	1.695	251.856	1.013.143	113.566	121.847	383.372	1	1.885.480
Bank Deposit	13	115.948	8.859	14.136	7.992	6.110	-	153.058
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	4.928	6.669	751	349	477	-	13.174
<b>Total</b>	<b>1.708</b>	<b>372.732</b>	<b>1.028.671</b>	<b>128.453</b>	<b>130.188</b>	<b>389.959</b>	<b>1</b>	<b>2.051.712</b>
<b>Grand Total</b>	<b>6.037</b>	<b>4.368.114</b>	<b>13.123.084</b>	<b>2.815.228</b>	<b>1.489.883</b>	<b>1.304.849</b>	<b>6.653</b>	<b>23.113.848</b>



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**IV. EXPLANATIONS AND NOTES RELATED TO PROFIT OR LOSS STATEMENT (Continued)**

**3. Information on Trading Profit/Loss (Net)**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Profit</b>	<b>80.203.236</b>	<b>92.536.010</b>
Foreign Exchange Gains	77.246.393	90.401.071
Profit on Derivative Financial Instruments	2.885.312	2.122.927
Profit from the Capital Market Transactions	71.531	12.012
<b>Loss (-)</b>	<b>86.443.136</b>	<b>95.744.652</b>
Foreign Exchange Loss	76.754.466	91.212.724
Loss on Derivative Financial Instruments	9.682.377	4.525.912
Loss from the Capital Market Transactions	6.293	6.016

**4. Information on Other Operating Income**

Of the Bank’s other operating income consists of reversals from prior period provisions amounting to TL 1.036.599, income from sales of assets amounting to TL 83.485 and revenue from insurance transactions of amount to TL 2.022.633 (30 September 2018: The Bank’s other operating income consists of reversals from prior period provisions amounting to TL 357.037, income from sales of assets amounting to TL 34.154 and revenue from insurance transactions of amount to TL 1.662.629).

**5. Provision for Impairment on Loans and Other Receivables of Banks**

	<b>Current Period</b>	<b>Prior Period</b>
Expected Credit Loss Provisions	3.912.550	3.421.882
12 month expected credit loss (stage 1)	357.491	405.554
Significant increase in credit risk (stage 2)	665.054	1.542.400
Non-performing loans (stage 3)	2.890.005	1.473.928
Marketable Securities Impairment Expense	1.174	800
Financial Assets at Fair Value through Profit or Loss	110	-
Financial Assets at Fair Value Through Other Comprehensive Income	1.064	800
Subsidiaries, Associates and Joint Ventures Provision Expenses for Impairment	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	75.965	19.599
<b>Total</b>	<b>3.989.689</b>	<b>3.442.281</b>

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**SECTION FIVE (Continued)**

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

**IV. EXPLANATIONS AND NOTES RELATED TO PROFIT OR LOSS STATEMENT (Continued)**

**6. Information on Other Operating Expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for Employee Termination Benefits <sup>(3)</sup>	130.612	91.492
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	101
Depreciation Expenses of Tangible Fixed Assets	335.889	190.493
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	83.529	75.581
Impairment Expense for Equity Shares Subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	-	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	2.096.979	2.341.076
Lease Expenses Related to TFRS 16 Exemptions <sup>(2)</sup>	91.988	242.109
Maintenance Expenses	87.716	78.370
Advertisement Expenses	168.354	130.652
Other Expenses	1.748.921	1.889.945
Loss on Sales of Assets	25.556	4.156
Other <sup>(1)</sup>	3.157.854	1.712.022
<b>Total</b>	<b>5.830.419</b>	<b>4.414.921</b>

<sup>(1)</sup> TL 744.606 of other items consists of Saving Deposit Insurance Fund accrual expense while TL 660.015 consists of taxes, duties and charges expense and TL 929.761 consists of expenses from insurance expenses (30 September 2018: TL 509.887 of other items consists of Saving Deposit Insurance Fund accrual expense while TL 498.401 consists of taxes, duties and charges expense and TL 320.068 consists of expenses from insurance expenses).

<sup>(2)</sup> Prior period balance is from Operational Leasing Expenses.

**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	18.757.326	17.812.551
Net Fees and Commissions Income	2.404.085	1.928.466
Other Operating Income	3.561.141	2.118.981
Dividend Income	22.622	4.634
Trading Profit/Loss (Net)	(6.239.900)	(3.208.642)
Personnel Expenses	2.889.665	2.370.915
Allowances For Expected Credit Losses (-)	3.912.550	3.421.882
Other Provision Expenses (-)	77.139	20.399
Other Operating Expenses (-)	5.830.419	4.414.921
Profit / Loss from Subsidiaries Consolidated with Equity Pick-up	41.876	28.682
<b>Profit / (Loss) From Continuing Operations</b>	<b>5.837.377</b>	<b>8.456.555</b>

**8. Information on Tax Provision for Continuing and Discontinuing Operations**

As of 30 September 2019, TL 2.292.313 of the Bank’s total tax provision expense amounting to TL 2.796.415 consists of current tax expense while remaining balances amounting to TL, 956.652 consists of deferred tax revenue. (As of 30 September 2018, TL 1.928.946 of the Bank’s total tax provision expense amounting to TL 1.761.688 consists of current tax expense while remaining balances amounting to TL 167.258 consists of deferred tax expense.)

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

The Group’s net profit after tax amounts to TL 4.501.716 (30 September 2018: TL 6.527.609 TL).

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**SECTION FIVE (Continued)**

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

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED PROFIT OR LOSS STATEMENT (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 Profit or Loss Statement Exceed 10% of the Profit or Loss Statement Total, Sub-Accounts Constituting At Least 20% of These Items are Shown Below**

The “Other” statement under the “Fees and Commission Income” in the Profit/Loss 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 September 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
Deposits						
Opening Balance	27.657	26.398	-	-	-	-
Closing Balance	23.703	27.657	-	-	-	-
<b>Interest Expense on Deposits <sup>(1)</sup></b>	<b>1.551</b>	<b>1.358</b>	-	-	-	-

<sup>(1)</sup> The prior period balance of the deposit interest expense represents the amount at 30 September 2018.

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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 29.923 (30 September 2018: 25.814 TL).

**VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS**

None.

**SECTION SIX**

**EXPLANATIONS ON INDEPENDENT AUDITORS’ REVIEW REPORT**

**I. EXPLANATIONS ON AUDITORS’ REVIEW REPORT**

As of 30 September 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 20 November 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**

During the third quarter which once again clearly showed that there are no winners in a trade war, economic activities were continued to be repressed. Central Banks, on the other hand, being sensitive to the slow-down in global economy took an expansionary path in synchronization with each other.

We came to the end of a quarter during which developing countries central banks, along with developed countries` entered a race of rate cuts. FED for the first time since the global economic crisis cut interest rates and made two rate cuts in the third quarter.

Specifically due to increasing concerns over recession in Germany, European Central Bank (ECB) restarted bond purchases along with rate cuts. Strongest rate cuts in this quarter, though, were made by CBRT with 750 basis points, thanks to significant improvement in inflation. Additionally CBRT has further cut the policy rates 250 basis points in October.

Political risks in the Eurozone, uncertainties regarding Brexit and Hong Kong protests were among other developments which shaped the third quarter. Because no resolution has been reached in the US-China trade talks, it may be expected that protectionist policies will keep casting a shadow on global economy in the mid-term. Geopolitical risks, political risks in Europe and next year`s elections in the US may lead developed country central banks to maintain their supportive monetary policy stances.

TL assets have positively differentiated from peers in the last quarter. Despite CBRT`s rate cuts and the global appreciation trend in USD, Turkish Lira kept its stable position and gave positive signals for the fourth quarter. The rebalancing period which policymakers estimated to span two years, seems to have been completed in one year, thanks to the success in major macroeconomic indicators such as inflation and current account balance. Following the rebalancing and discipline period, coordinated policies which are to be implemented in the transformation period will achieve financial stabilization and the economy will converge to sustainable growth.

Group which has reached an consolidated asset size of TL 655 billion, as of the end of September, shows that it is the leading bank of the sector with the new deposit products it designed and offered, as well as loan solutions it provided to where financing in favourable terms is needed. Ziraat Bank maintains its pioneering status through new loan and deposit products.

Loan products which especially enable TL financing of investment projects should be regarded as of considerable importance. In that regard, our Bank has increased its market share in TL loans since 2012 and the Bank currently provides approximately 19% of the TL loans in the sector. Along with its approach which focuses on financing the real sector, the Bank also maintains its leading status by efficiently meeting individual financing needs through housing and general purpose loans.

Ziraat Bank continues its operations by increasing its support to our economy anytime, anywhere and it will keep increasing its support in the coming period, conscious of its responsibility as a leader bank.

**Dr. Ahmet GENÇ**

**Chairman of the Board**

**SECTION SEVEN (Continued)**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

**II. Assessment of General Manager**

As of the end of third quarter, we have reached TL 656 billion in consolidated assets. Consolidated cash loans have exceeded TL 450 billion and including our non-cash loans, our total loans figure has reached TL 578 billion.

In order to facilitate mid-long term TL financing of investment loans in our economy, we have developed and diversified our loan products. We have introduced inflation and government securities indexed loan products. We ensured that those loan products are mostly allocated to the sectors whose operations better support the country’s current account balance, increase energy efficiency and decrease reliance on imports.

As a pioneering bank in lending, we have provided 37% of the 9 month total loan growth in the sector and increased our market share to 19%.

Approximately 75% of our cash loans are corporate loans (including SME) while retail loans make up 25% of our loan portfolio. Agriculture sector has the highest share in our corporate loans. That being said, we do not view agriculture as merely another sector we provide financing for. As a value chain, we keep working towards further improving its industrial aspects and increasing its share in the economy along with adding more value to it.

We keep increasing our support to small and medium sized enterprises. We have provided considerable support to our customers through new and reasonable financing products such as SME Support and SME Value Loans, İvme (Acceleration) Financing Pack and Economy Value Loans Pack. Along with our fixed rate loan products, we have designed and implemented new, inflation and government securities indexed loan products in order to meet our customers’ investment and working capital financing needs. In the third quarter we have also launched our loan product indexed to TLREF (Turkish Lira Overnight Reference Rate)

We also reasonably and efficiently meet retail financing needs such as housing, general purpose and automobile through our retail loan products. Our market share in housing loans has reached to 30% and in GPL close to 18%. We keep offering innovative products to our customers in order to meet retail financing needs. Following recent retail loan products we have launched such as ‘Combining Consumer Loan’, ‘Inflation Indexed Housing Loan’, ‘Company Contributed Housing Loan’, we have further enriched our product portfolio with ‘Domestic Production Focused Private Auto Loan Package’.

We continue to provide funds that our economy needs through deposit and non-deposit funding internationally as well as domestically. We allocate these funds through loans extended to fields mainly in real sector which contribute to our economy. Additionally, in order to support de-dollarization, we have also started offering inflation-protected deposit products which allow households to protect their assets against inflation.

While strengthening the most widespread branch and ATM network in the sector in order to provide better, more efficient and faster services, we also keep investing in digital banking. We are developing our widespread foreign branch network along with our domestic branches in order to benefit our Bank and economy more.

**Hüseyin AYDIN**

**Member of the Board and CEO**

**SECTION SEVEN (Continued)**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

**III. Corporate Profile**

Through its strong position, Ziraat Bank reflects the growth potential offered by financial markets to its performance in the most accurate way and accomplishes best practices in business processes.

Ziraat Bank has made great breakthroughs in 155 years, has created high added value for the society and has reached the status of the leading bank.

Ziraat Bank, Turkey's oldest and strongest bank, began its operations in 1863. The Bank starting from the date of its foundation, has been supporting individuals from all segments of the society, and institutions from all sectors of the economy and thus with the funds allocation has been the driving force of the economic development.

Ziraat Bank has rich product and service diversity, long-term know-how and experience, competent human resources and a sound financial structure.

The Bank continues to shape the Turkish banking sector with its excellent service delivery scale, growth power and potential.

Ziraat Bank, with a strategy of being a global player, has gained a reputable position in international banking, an area which the Bank has been focusing for many years. Operating in 18 countries around the world, the Bank is serving banking in overseas through a large international network with 9 international subsidiary banks, 24 foreign branches and 1 representative office.

The Bank, which has a large and diversified subsidiaries portfolio in Turkey performs its activities as an institution with consciousness of ethical values and social responsibility, in banking, insurance, pension, securities brokerage, asset management, venture capital investment, real estate investment and financial technology. This strong structure is the most important factor supporting Ziraat Bank's ability to provide integrated financial services. Ziraat Bank manages innovations and changes together in line with its goals, and operates in a stable manner both in terms of financial and operational aspects.

**IV. Shareholding Structure**

The paid in capital of 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.

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**SECTION SEVEN (Continued)**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

**V. Main Financial Indicators**

<b>ASSETS (TL Million)</b>	<b>30.09.2019</b>	<b>31.12.2018</b>
Cash and Cash Equivalents	55.475	52.215
Securities Portfolio *	118.552	90.206
Cash Loans **	449.549	395.773
Other Assets	31.857	30.193
<b>Total Assets</b>	<b>655.433</b>	<b>568.387</b>
<b>LIABILITIES (TL Million)</b>	<b>30.09.2019</b>	<b>31.12.2018</b>
Deposits	430.334	354.375
Non-deposit Funds	119.889	120.396
Other Liabilities	36.668	33.487
Shareholders' Equity	68.542	60.129
<b>Total Liabilities</b>	<b>655.433</b>	<b>568.387</b>
<b>SELECTED P&amp;L ITEMS (TL Million)</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
Interest Income	52.371	38.674
Interest Expense	33.613	20.861
Net Interest Income	18.757	17.813
Net Fees and Commission Income	2.404	1.928
Other Operations Income	3.561	2.119
Other Operations Expense	5.830	4.415
Allowance for expected credit losses	3.913	3.442
Profit/Loss Before Tax Provision	5.837	8.457
Tax Provision	1.336	1.929
<b>Net Profit/Losses</b>	<b>4.502</b>	<b>6.528</b>
<b>RATIOS (%)</b>	<b>30.09.2019</b>	<b>31.12.2018</b>
Capital Adequacy Ratio	16,29	14,23
Equity / Total Assets	10,5	10,6
Cash Loans / Total Assets	68,6	69,6
Non-performing Loans (Gross) / Total Loans	2,5	2,2
Demand Deposits/ Total Deposits	26,9	25,6
FC Assets / FC Liabilities	84,6	92,1
Liquid Assets / Total Assets	8,5	9,2

(\*) Securities borrowed by the Group 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**

In the third quarter of 2019, more expansionary monetary and fiscal policies have been observed due to increasing concerns for slowdown in global economy.

Concerns over international trade determined by US-China trade talks, political developments in the Euro Zone, especially uncertainties pertaining to Brexit, and Hong Kong protests have been agenda items of the third quarter.

For the first time after 11 years, Fed has made two consecutive rate cuts in the third quarter in order to ensure sustainable economic growth in the United States. Contribution of net exports has been negative in the U S economy due to trade tensions and the growth has stemmed by consumer spending in the second quarter. Moderate inflation trend in the US provides Fed with room for further maneuvering for rate cuts. Fed, which compares the current period to the 90s during which it made three rate cuts in order to sustain the economy activity, cut the rates by a further 25 bps in October. On the other hand, Fed also signaled that it would stop rate cuts in case there are no remarkable positive changes in the economic outlook.

Euro Zone seems to have experienced a quarter where weaknesses in manufacturing sector are also reflected on services sector. Germany`s export based economy is among the economies who suffered the worst due to the protectionist policies during this quarter. Deal or no-deal Brexit scenarios significantly affect both the global markets and the UK`s domestic politics. Resignation of the prime minister of Italy and the fact that Spain will go through two general elections within one year exacerbates political risks in the region. In light of these developments, the ECB has deepened the negative deposit rates policy and reinitiated bond purchases.

Even though progress has been made on the US-China trade negotiations which have been ongoing for 1,5 years, the final agreement has not been reached yet. In case of ongoing protectionist policies, economies which have been exposed to pressures on net exports may start to see challenges in domestic demand as well. In line with continuing risks, international institutions such as OECD, IMF and World Bank have revised their global economic growth estimations downwards while revising Turkey`s economic growth expectations upwards.

In the last quarter, oil prices have been under pressure due to supply concerns. Despite that, calming worries over Saudi oil supply and emerging concerns over demand, Brent oil`s barrel price has declined by 9% quarter on quarter.

It is being observed that the outcomes of the third quarter of 2019 have been positive both in terms of TL assets as well as macroeconomic framework. While there has been moderate recovery in GDP growth, significant improvement was achieved in Current Account Balance and inflation. BIST 100 index has increased by 9% in the quarter. With the downward trend in inflation, Turkey`s risk premiums have also receded by 40 bps. Although some geopolitical risks seem to have come forward at the beginning of the fourth quarter, TL assets have maintained their resistance.

Economy Management have announced the roadmap for the next three years with the motto of “The Change is beginning”. A new economic program has been put into effect which aims to quickly reassess the potential growth rates with the help of base effect, continue the disinflationary trend and maintain the moderate budget deficit and current account levels.

In the third quarter, inflation improved by 6,5 points with the support of high base effect and this provided CBRT with room for a looser monetary policy stance. During the period, weak demand and positive developments in food prices have also contributed to lower inflation expectations by the year- end. Inflation is estimated to stay in single digit levels in September and October and reach around 12% by the year-end.

In the last quarter, the Central Bank makes the strong interest rate cut by 750 basis points in total by taking advantages of the stability and disinflation process. In this context, the central Bank cuts interest rates by another 250 basis points in October. After using the area in its monetary policy in a preloaded manner. The Central Bank is expected to pursue a more moderate policy for the rest of the year by taking into account the geopolitical developments.

Turkish economy has experienced a moderate recovery period in the first half of 2019 especially with the help of ongoing contribution of net exports. Improvements in financial conditions are expected to have a clearer positive reflection on loan markets in the last quarter. Therefore, considering the lagging effect of rate cuts, private consumption may begin to have a limited positive effect on economic growth in the last quarter. In light of these events, considering the low base in the last quarter, it can be expected to complete the year with a slight positive growth figure.

**SECTION SEVEN (Continued)**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

**VI. Economic Outlook in the World and Turkey (Continued)**

Exports kept increasing in the third quarter with the help of moderate GDP growth’s limiting effect on imports and FX rates conducive to competition. With the help of positive trend in tourism, there was a cumulative surplus in the current account balance for the first time in 17 years. The current account balance which resulted a USD 27 billion deficit last year is expected to be around zero at the year end. Even though there has been a limited slowdown in Turkey’s exports to the EU countries, trade was stronger with other countries and the positive trend in exports has continued. Turkey aims to compensate the weakening in the EU by diversifying its commercial relations with 17, primarily African, target countries

In the passing period, despite the increase in spending, with the help of other income sources, budget deficit/GDP ratio stayed below 3% which is the Maastricht criteria. Within the New Economic Programme, fiscal policies are expected to support growth in the next two years and especially consumption based taxes are expected to improve with the recovering economy.

The New Economic Program launched basically aims to improve energy efficiency, focus on less energy intensive sectors and the ones creating high value exports, and establish a growth model which will allow growing without generating current account deficit and to reach potential and sustainable economic growth.