

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

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

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

INTERIM REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

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

Introduction

We have reviewed the consolidated balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“the Bank”) and its consolidated subsidiaries at 30 September 2016 and the related consolidated income statement, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the nine-month period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Legislation which includes “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Authority and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards of Turkey and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

Basis for the Qualified Conclusion

As mentioned in Section II. Note 7.d1 of Explanations and Notes to the Consolidated Financial Statements; as of the balance sheet date at 30 September 2016, the accompanying consolidated financial statements include a free provision amounting to TL 945.000 thousand (TL 295.400 thousand of this provision amount was reversed from the income statement in the current year), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions.

Qualified Conclusion

Based on our review, except for the effect of the matter on the financial statements described in the basis for the qualified conclusion paragraph nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and its consolidated subsidiaries at 30 September 2016 and of the results of its operations and its cash flows for the nine-month period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on Other Responsibilities Arising From Regulatory Requirements

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

Additional Paragraph for Convenience Translation

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

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

Didem Demer Kaya, SMMM
Partner

Istanbul, 9 November 2016

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

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

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

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

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

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

DOMESTIC JOINT VENTURES

Ziraat Hayat ve Emeklilik A.Ş.
Ziraat Sigorta A.Ş.
Ziraat Finansal Kiralama A.Ş.
Ziraat Yatırım Menkul Değerler A.Ş.
Ziraat Portföy Yönetimi A.Ş.
Ziraat Katılım Bankası A.Ş.

ASSOCIATES

Arap Türk Bankası A.Ş.

FOREIGN JOINT VENTURES

Ziraat Bank International A.G.
Ziraat Bank BH d.d.
Ziraat Bank (Moscow) JSC
Kazakistan Ziraat Int. Bank
Ziraat Bank Azerbaijan ASC
Ziraat Bank Montenegro AD

SUBSIDIARIES

Turkmen Turkish Joint Stock Commercial Bank
UTBANK JSC

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

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

Hüseyin AYDIN
Member of the Board,
CEO

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

Peyami Ömer ÖZDİLEK
Financial Coordination
Executive Vice President

Atakan BEKTAŞ
Senior Vice President
of Financial Reporting and
Budget Management

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

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

SECTION ONE
General Information about the Group

	Page Number
I. History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status, if any	1
II. Explanation about the Parent Bank's capital structure, shareholders of the Bank who are in charge of the management and/or auditing of the Bank directly or indirectly, changes in these matters (if any) and the group the Bank belongs to	1
III. Information on the Board of Directors, members of the audit committee, CEO and Executive Vice President, changes in these matters (if any) and shares of the Parent Bank they possess	2
IV. Information about the persons and institutions that have qualified shares attributable to the Parent Bank	2
V. Summary information on the Parent Bank's activities and services	3
VI. Differences between the communiqué 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	4
VII. Existing or potential, actual or legal obstacles to the immediate transfer of shareholder's equity, or repayment of debt between the Parent Bank and its subsidiaries	4

SECTION TWO
Consolidated Financial Statements

I. Consolidated balance sheet	5
II. Consolidated statement of off-balance sheet commitments	7
III. Consolidated statement of income	8
IV. Consolidated statement of profit and loss items accounted under shareholders' equity	9
V. Consolidated statement of changes in shareholders' equity	10
VI. Consolidated statement of cash flows	12

SECTION THREE
Explanations on Accounting Policies

I. Basis of presentation	13
II. Explanations on strategy of using financial instruments and foreign currency transactions	14
III. Explanations on investments in associates, subsidiaries and joint ventures	15
IV. Explanations on derivative instruments	17
V. Explanations on interest income and expense	17
VI. Explanations on fee and commission income and expense	17
VII. Explanations on financial assets	17
VIII. Explanations on impairment of financial assets	20
IX. Explanations on offsetting financial assets and liabilities	20
X. Explanations on sales and repurchase agreements and securities lending transactions	20
XI. Information on assets held for sale and related to discontinued operations and explanations on liabilities related with these assets	21
XII. Explanations on goodwill and other intangible assets	21
XIII. Explanations on property and equipment	21
XIV. Explanations on leasing transactions	22
XV. Explanations on provisions, contingent asset and liabilities	23
XVI. Explanations on obligations related to employee rights	23
XVII. Explanations on taxation	25
XVIII. Explanations on insurance technical reserves	27
XIX. Explanations on borrowings	28
XX. Explanations on issuance of share certificates	28
XXI. Explanations on avalized drafts and acceptances	28
XXII. Explanations on government grants	28
XXIII. Cash and cash equivalents	28
XXIV. Explanations on segment reporting	28
XXV. Explanations on Other Matters	29

SECTION FOUR
Explanations Related to the Financial Position and Risk Management of the Bank

I. Explanations on the components of consolidated shareholders' equity	30
II. Explanations on the consolidated currency risk	37
III. Explanations on the consolidated interest rate risk	39
IV. Explanations on the position risk of consolidated equity securities	42
V. Explanations on consolidated liquidity risk management and consolidated liquidity coverage ratio	42
VI. Explanations on consolidated leverage	50
VII. Explanations on consolidated risk management	51
VIII. Explanations on consolidated operating segments	52

SECTION FIVE
Explanations and Notes Related to Consolidated Financial Statements

I. Explanations and notes related to consolidated assets	55
II. Explanations and notes related to consolidated liabilities	71
III. Explanations and notes related to consolidated off-balance sheet accounts	79
IV. Explanations and notes related to consolidated income statement	80
V. Explanations and notes to the risk group of the Parent Bank	85
VI. Explanations and notes related to subsequent events	85

SECTION SIX
Other Explanations and Notes

I. Other Explanations on the Group's Operations	86
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SECTION SEVEN
Explanations on Review Report

I. Explanations on review report	86
II. Explanations and notes prepared by the independent auditors	86

SECTION EIGHT
Explanations on Interim Report

I. Interim report included chairman of the board of directors and Ceo's assessments for the interim activities	87
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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE I. OF SECTION THREE**

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

SECTION ONE

GENERAL INFORMATION ABOUT THE GROUP

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

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

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

The sole shareholder of the Parent Bank is the Republic of Turkey Prime Ministry Undersecretariat of Treasury (“Treasury”).

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

Name	Administrative Function
Members of the Board of Directors	
Muharrem KARSLI	Chairman
Hüseyin AYDIN	CEO and Member
Yusuf DAĞCAN	Vice Chairman and Member
Cemalettin BAŞLI	Member
Feyzi ÇUTUR	Member
Mehmet Hamdi YILDIRIM	Member
Metin ÖZDEMİR	Member
Mustafa ÇETİN	Member
Salim ALKAN	Member
Audit Committee Members	
Muharrem KARSLI	Member
Feyzi ÇUTUR	Member
Executive Vice Presidents	
Alpaslan ÇAKAR	Distribution Channels Management
Bilgehan KURU	Treasury and International Banking
Bülent SUER	Operational Transactions
Mehmet Cengiz GÖĞEBAKAN	Loan Policies
Musa ARDA	Loan Allocation and Management
Ömer Muzaffer BAKTIR	Marketing
Peyami Ömer ÖZDİLEK	Financial Coordination
Yüksel CESUR	Internal Systems

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

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

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

The sole shareholder of the Parent Bank is the Treasury.

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

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

As of 30 September 2016, Bank carries its activities with a grand total of 1.812 branches; 1.785 domestic branches including 21 corporate branches, 79 entrepreneurial branches, 76 dynamic entrepreneurial branches, 1.604 branches and 5 mobile branches (31 December 2015: 1.786 domestic branches including 1.596 branches, 22 corporate branches, 80 entrepreneurial branches, 83 dynamic entrepreneurial branches, 5 mobile branches) and 27 branches abroad including 22 branches and 5 sub branches (New York branch in United States, London branch in England, Tbilisi branch and Batumi, Marneuli sub branches in Georgia, Baghdad and Arbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina in Kosovo, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Akdoğan, Near East University, Karaoğlanoğlu, Karakum and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has a representative office in Tehran, Iran.

The Parent Bank signed a contract with T. İş Bankası A.Ş. on 22 January 2007 to provide longer installment plan and bonus points to their credit card users and benefit from all the advantages within Maximum credit card at merchants that are a part of Maximum plan. Also with this contract the Bank has the right to register members for Maximum. Transactions between the two banks are administered by Interbank Card Center.

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

The Parent Bank and subsidiaries consolidated with the Parent Bank are together referred as the “Group”.

As of 30 September 2016, the number of the Group’s employees is 27.143 (31 December 2015: 27.397).

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

According to Communiqué regarding the Preparation of the Consolidated Financial Statements and Turkish Accounting Standards, Araptürk Bankası A.Ş., one of the associates of the Parent Bank, and Turkmen Turkish Joint Stock Commercial Bank, UTBANK JSC (formerly named as “Uzbekistan-Turkish Bank”) entities under common control are consolidated through “Equity Method” in accompanying consolidated financial statements of the Bank.

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

All other subsidiaries are fully consolidated.

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

None.

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 SEPTEMBER 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	Current Period (30/09/2016)			Prior Period (31/12/2015)		
		ASSETS			ASSETS		
		TL	FC	Total	TL	FC	Total
I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	6.162.914	33.983.902	40.146.816	4.102.225	32.832.452	36.934.677
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	778.113	390.442	1.168.555	687.695	284.571	972.266
2.1 Financial Assets Held for Trading		778.113	390.442	1.168.555	687.695	284.571	972.266
2.1.1 Public Sector Debt Securities		52.004	16.239	68.243	35.031	4.377	39.408
2.1.2 Securities Representing a Share in Capital		-	-	-	580	-	580
2.1.3 Derivative Financial Assets Held for Trading		726.109	374.203	1.100.312	652.084	280.194	932.278
2.1.4 Other Marketable Securities		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	(3)	1.764.077	2.177.655	3.941.732	1.911.314	3.054.377	4.965.691
IV. MONEY MARKET PLACEMENTS		12.867	155.005	167.872	50.408	65.765	116.173
4.1 Interbank Money Market Placements		-	76.747	76.747	-	48.732	48.732
4.2 Istanbul Stock Exchange Money Market Placements		11.697	-	11.697	41.143	-	41.143
4.3 Receivables from Reverse Repurchase Agreements		1.170	78.258	79.428	9.265	17.033	26.298
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	44.070.825	13.193.023	57.263.848	42.359.768	11.677.170	54.036.938
5.1 Securities Representing a Share in Capital		108.587	459.357	567.944	108.407	500.274	608.681
5.2 Public Sector Debt Securities		43.574.893	12.630.495	56.205.388	42.100.780	11.067.797	53.168.577
5.3 Other Marketable Securities		387.345	103.171	490.516	150.581	109.099	259.680
VI. LOANS AND RECEIVABLES	(5)	159.723.985	59.332.499	219.056.484	142.067.085	50.441.311	192.508.396
6.1 Loans and Receivables		159.456.599	59.332.499	218.789.098	141.197.622	50.429.880	191.627.502
6.1.1 Loans Granted to Risk Group of The Bank		-	20.939	20.939	-	25.125	25.125
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		159.456.599	59.311.560	218.768.159	141.197.622	50.404.755	191.602.377
6.2 Loans under Follow-up		3.860.627	137.483	3.998.110	3.129.083	93.617	3.222.700
6.3 Specific Provisions (-)		3.593.241	137.483	3.730.724	2.259.620	82.186	2.341.806
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENTS HELD TO MATURITY (Net)	(6)	3.530.664	4.447.597	7.978.261	4.567.447	5.656.028	10.223.475
8.1 Public Sector Debt Securities		3.439.086	4.429.598	7.868.684	4.533.588	5.613.041	10.146.629
8.2 Other Marketable Securities		91.578	17.999	109.577	33.859	42.987	76.846
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	102.829	869	103.698	98.927	1.914	100.841
9.1 Accounted with Equity Method		96.763	-	96.763	92.861	-	92.861
9.2 Unconsolidated Associates		6.066	869	6.935	6.066	1.914	7.980
9.2.1 Financial Associates		-	-	-	-	1.097	1.097
9.2.2 Non-financial Associates		6.066	869	6.935	6.066	817	6.883
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	7.457	-	7.457	7.457	-	7.457
10.1 Unconsolidated Financial Subsidiaries		1.220	-	1.220	1.220	-	1.220
10.2 Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237	6.237	-	6.237
XI. ENTITIES UNDER COMMON CONTROL (Net)	(9)	-	85.960	85.960	-	77.771	77.771
11.1 Accounted with Equity Method		-	85.960	85.960	-	77.771	77.771
11.2 Unconsolidated Entities Under Common Control		-	-	-	-	-	-
11.2.1 Financial Entities Under Common Control		-	-	-	-	-	-
11.2.2 Non Financial Entities Under Common Control		-	-	-	-	-	-
XII. RECEIVABLES FROM LEASING TRANSACTIONS	(10)	589.273	1.711.582	2.300.855	594.625	1.768.777	2.363.402
12.1 Finance Lease Receivables		695.594	1.929.316	2.624.910	728.968	2.014.538	2.743.506
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		106.321	217.734	324.055	134.343	245.761	380.104
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1 Fair Value Hedges		-	-	-	-	-	-
13.2 Cash Flow Hedges		-	-	-	-	-	-
13.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(14)	4.958.396	109.873	5.068.269	4.874.436	83.248	4.957.684
XV. INTANGIBLE ASSETS (Net)		308.348	26.201	334.549	232.759	13.358	246.117
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		308.348	26.201	334.549	232.759	13.358	246.117
XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-	-	-	-
XVII. TAX ASSET		10.637	4.790	15.427	271.567	1.091	272.658
17.1 Current Tax Asset		1.121	4.790	5.911	4.740	1.091	5.831
17.2 Deferred Tax Asset		9.516	-	9.516	266.827	-	266.827
XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	294.366	-	294.366	241.558	-	241.558
18.1 Held for Sale		294.366	-	294.366	241.558	-	241.558
18.2 Held from Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS		2.312.841	908.325	3.221.166	1.385.582	857.132	2.242.714
TOTAL ASSETS		224.627.592	116.527.723	341.155.315	203.452.853	106.814.965	310.267.818

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 SEPTEMBER 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	Current Period (30/09/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES AND EQUITY					
I. DEPOSITS	(1)	139.820.632	72.228.690	212.049.322	120.975.369	69.944.728	190.920.097
1.1 Deposits Held By the Risk Group of the Bank		34.505	29.445	63.950	27.015	11.370	38.385
1.2 Other		139.786.127	72.199.245	211.985.372	120.948.354	69.933.358	190.881.712
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	91.232	462.690	553.922	28.659	271.523	300.182
III. FUNDS BORROWED	(3)	1.268.320	20.880.430	22.148.750	1.213.775	19.573.628	20.787.403
IV. MONEY MARKET BALANCES		27.657.091	14.465.369	42.122.460	28.389.499	14.744.813	43.134.312
4.1 Interbank Money Market Borrowings		2.070.000	-	2.070.000	1.100.000	-	1.100.000
4.2 Istanbul Stock Exchange Takasbank Borrowings		-	-	-	-	-	-
4.3 Funds Provided under Repurchase Agreements		25.587.091	14.465.369	40.052.460	27.289.499	14.744.813	42.034.312
V. MARKETABLE SECURITIES ISSUED (Net)		2.377.794	4.081.241	6.459.035	2.331.124	3.088.273	5.419.397
5.1 Bills		2.144.770	100.811	2.245.581	2.199.333	756.233	2.955.566
5.2 Asset-backed Securities		101.363	-	101.363	-	-	-
5.3 Bonds		131.661	3.980.430	4.112.091	131.791	2.332.040	2.463.831
VI. FUNDS		6.103.265	-	6.103.265	5.931.129	-	5.931.129
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		6.103.265	-	6.103.265	5.931.129	-	5.931.129
VII. MISCELLANEOUS PAYABLES		1.229.813	756.303	1.986.116	1.509.413	869.723	2.379.136
VIII. OTHER LIABILITIES	(4)	3.663.569	485.652	4.149.221	2.053.649	414.619	2.468.268
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. PAYABLES FROM LEASING TRANSACTIONS (Net)	(5)	-	-	-	-	-	-
10.1 Finance Lease Payables		-	-	-	-	-	-
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(6)	-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XII. PROVISIONS	(7)	6.939.865	116.276	7.056.141	6.272.108	93.629	6.365.737
12.1 General Provisions		3.579.925	44.664	3.624.589	2.871.184	54.634	2.925.818
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		956.629	1.306	957.935	858.476	1.823	860.299
12.4 Insurance Technical Reserves (Net)		1.191.111	-	1.191.111	1.097.588	-	1.097.588
12.5 Other Provisions		1.212.200	70.306	1.282.506	1.444.860	37.172	1.482.032
XIII. TAX LIABILITY	(8)	862.592	4.349	866.941	801.633	7.582	809.215
13.1 Current Tax Liability		812.500	2.150	814.650	800.981	5.877	806.858
13.2 Deferred Tax Liability		50.092	2.199	52.291	652	1.705	2.357
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(9)	-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Held from Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(10)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(11)	36.813.750	846.392	37.660.142	30.874.192	878.750	31.752.942
16.1 Paid-in Capital		5.100.000	-	5.100.000	5.000.000	-	5.000.000
16.2 Capital Reserves		3.119.204	846.392	3.965.596	2.162.865	878.750	3.041.615
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(405.031)	838.235	433.204	(1.376.470)	871.303	(505.167)
16.2.4 Tangible Assets Revaluation Reserves		3.637.646	8.157	3.645.803	3.607.167	7.447	3.614.614
16.2.5 Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6 Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7 Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17.388	-	17.388	17.388	-	17.388
16.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other Capital Reserves		(130.799)	-	(130.799)	(85.220)	-	(85.220)
16.3 Profit Reserves		22.829.648	-	22.829.648	18.146.025	-	18.146.025
16.3.1 Legal Reserves		3.384.921	-	3.384.921	3.061.444	-	3.061.444
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		18.019.392	-	18.019.392	13.659.246	-	13.659.246
16.3.4 Other Profit Reserves		1.425.335	-	1.425.335	1.425.335	-	1.425.335
16.4 Profit or Loss		5.763.733	-	5.763.733	5.564.157	-	5.564.157
16.4.1 Prior Years Profit/Loss		626.422	-	626.422	186.366	-	186.366
16.4.2 Net Period Profit/Loss		5.137.311	-	5.137.311	5.377.791	-	5.377.791
16.5 Minority Shares		1.165	-	1.165	1.145	-	1.145
TOTAL LIABILITIES AND EQUITY		226.827.923	114.327.392	341.155.315	200.380.550	109.887.268	310.267.818

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS OF 30 SEPTEMBER 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

II.	CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (30/09/2016)			Prior Period (31/12/2015)		
			TL	FC	Total	TL	FC	Total
			A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		52.680.717	106.006.522	158.687.239
I.	GUARANTEES AND WARRANTIES	(I)	25.025.835	47.145.614	72.171.449	19.789.565	41.101.309	60.890.874
1.1	Letters of Guarantee		24.934.270	35.691.643	60.625.913	19.689.042	30.018.744	49.707.786
1.1.1	Guarantees Subject to State Tender Law		1.461.991	6.856.833	8.318.824	1.182.000	5.742.948	6.924.948
1.1.2	Guarantees Given for Foreign Trade Operations		21.219.886	28.125.632	49.345.518	17.004.896	23.740.445	40.745.341
1.1.3	Other Letters of Guarantee		2.252.393	709.178	2.961.571	1.502.146	535.351	2.037.497
1.2	Bank Acceptances		28.601	3.537.251	3.565.852	12.965	4.181.142	4.194.107
1.2.1	Import Letter of Acceptance		28.601	3.536.575	3.565.176	12.965	4.173.792	4.186.757
1.2.2	Other Bank Acceptances		-	676	676	-	7.350	7.350
1.3	Letters of Credit		59.718	7.497.316	7.557.034	87.558	6.869.898	6.957.456
1.3.1	Documentary Letters of Credit		59.718	7.455.154	7.514.872	87.558	6.831.047	6.918.605
1.3.2	Other Letters of Credit		-	42.162	42.162	-	38.851	38.851
1.4	Pre-financing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		3.075	406.170	409.245	-	31.525	31.525
1.9	Other Collaterals		171	13.234	13.405	-	-	-
II.	COMMITMENTS	(I)	17.216.612	5.335.721	22.552.333	16.023.661	4.062.087	20.085.748
2.1	Irrevocable Commitments		17.197.221	4.224.301	21.421.522	16.009.885	3.932.546	19.942.431
2.1.1	Asset Purchase and Sale Commitments		534.334	1.914.633	2.448.967	153.461	1.695.131	1.848.592
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		3.021.492	173.397	3.194.889	2.693.280	314.414	3.007.694
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		3.098.463	10	3.098.473	3.079.620	10	3.079.630
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	27	-	27
2.1.9	Commitments for Credit Card Limits		6.986.160	7.422	6.993.582	7.130.144	1.130	7.131.274
2.1.10	Commitments for Credit Cards and Banking Services Promotions		24.860	-	24.860	20.185	-	20.185
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		3.531.912	2.128.839	5.660.751	2.933.168	1.921.861	4.855.029
2.2	Revocable Commitments		19.391	1.111.420	1.130.811	13.776	129.541	143.317
2.2.1	Revocable Loan Granting Commitments		-	11.080	11.080	-	4.898	4.898
2.2.2	Other Revocable Commitments		19.391	1.100.340	1.119.731	13.776	124.643	138.419
III.	DERIVATIVE FINANCIAL INSTRUMENTS		10.438.270	53.525.187	63.963.457	3.178.658	55.337.129	58.515.787
3.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Transactions		10.438.270	53.525.187	63.963.457	3.178.658	55.337.129	58.515.787
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.053.909	3.341.365	4.395.274	1.301.255	4.034.444	5.335.699
3.2.1.1	Forward Foreign Currency Transactions-Buy		511.569	1.691.526	2.203.095	659.599	2.010.626	2.670.225
3.2.1.2	Forward Foreign Currency Transactions-Sell		542.340	1.649.839	2.192.179	641.656	2.023.818	2.665.474
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		9.384.361	50.183.822	59.568.183	1.864.357	51.259.311	53.123.668
3.2.2.1	Foreign Currency Swap-Buy		7.313.651	18.766.351	26.080.002	482.054	23.157.990	23.640.044
3.2.2.2	Foreign Currency Swap-Sell		2.070.710	23.365.823	25.436.533	1.382.303	21.865.695	23.247.998
3.2.2.3	Interest Rate Swap-Buy		-	4.025.824	4.025.824	-	3.117.813	3.117.813
3.2.2.4	Interest Rate Swap-Sell		-	4.025.824	4.025.824	-	3.117.813	3.117.813
3.2.3	Foreign Currency, Interest rate and Securities Options		-	-	-	13.046	43.374	56.420
3.2.3.1	Foreign Currency Options-Buy		-	-	-	6.523	21.687	28.210
3.2.3.2	Foreign Currency Options-Sell		-	-	-	6.523	21.687	28.210
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		738.160.595	124.147.784	862.308.379	651.413.498	103.351.722	754.765.220
IV.	ITEMS HELD IN CUSTODY		101.010.443	12.162.098	113.172.541	87.806.488	11.305.131	99.111.619
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		30.772.755	5.026.754	35.799.509	30.615.944	4.389.662	35.005.606
4.3	Checks Received for Collection		5.904.669	451.557	6.356.226	4.604.119	344.759	4.948.878
4.4	Commercial Notes Received for Collection		6.012.071	513.582	6.525.653	4.785.677	309.112	5.094.789
4.5	Other Assets Received for Collection		8.903	-	8.903	8.934	-	8.934
4.6	Assets Received for Public Offering		54.175.169	4.976	54.180.145	44.394.987	10.431	44.405.418
4.7	Other Items Under Custody		4.134.677	6.152.915	10.287.592	3.394.628	6.246.167	9.640.795
4.8	Custodians		2.199	12.314	14.513	2.199	5.000	7.199
V.	PLEDGES RECEIVED		636.436.374	110.476.007	746.912.381	563.004.107	90.760.553	653.764.660
5.1	Marketable Securities		1.535.480	33.393	1.568.873	938.313	28.100	966.413
5.2	Guarantee Notes		13.859.921	2.134.208	15.994.129	13.252.277	2.088.733	15.341.010
5.3	Commodity		1.381.284	61.865	1.443.149	1.158.807	18.248	1.177.055
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		562.081.694	86.920.322	649.002.016	500.207.394	68.056.740	568.264.134
5.6	Other Pledged Items		57.572.786	21.315.234	78.888.020	47.442.107	20.558.160	68.000.267
5.7	Pledged Items-Depository		5.209	10.985	16.194	5.209	10.572	15.781
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		713.778	1.509.679	2.223.457	602.903	1.286.038	1.888.941
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			790.841.312	230.154.306	1.020.995.618	690.405.382	203.852.247	894.257.629

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

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

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

III. CONSOLIDATED STATEMENT OF INCOME					
INCOME AND EXPENSE ITEMS	Note (Section Five IV)	Current Period 01/01-30/09/2016	Prior Period 01/01-30/09/2015	Current Period 01/07-30/09/2016	Prior Period 01/07-30/09/2015
I. INTEREST INCOME	(1)	20.581.367	16.425.270	7.207.090	5.752.304
1.1 Interest Income from Loans		15.945.639	12.227.995	5.620.797	4.446.833
1.2 Interest Income from Reserve Deposits		135.739	32.713	46.380	18.886
1.3 Interest Income from Banks		163.711	142.462	54.011	46.855
1.4 Interest Income from Money Market Placements		8.664	2.724	3.535	1.099
1.5 Interest Income from Marketable Securities		4.169.604	3.840.289	1.435.042	1.186.010
1.5.1 Financial Assets Held for Trading		2.303	948	911	196
1.5.2 Financial Assets at Fair Value through Profit and Loss		6.755	7.250	25	536
1.5.3 Financial Assets Available-for-Sale		3.547.977	3.240.450	1.226.245	991.370
1.5.4 Investments Held-to-Maturity		612.569	591.641	207.861	193.908
1.6 Finance Lease Income		127.476	115.499	41.488	43.262
1.7 Other Interest Income		30.534	63.588	5.837	9.359
II. INTEREST EXPENSES	(2)	9.989.279	8.505.309	3.344.790	3.046.319
2.1 Interest Expense on Deposits		7.370.484	6.376.764	2.497.201	2.253.022
2.2 Interest on Borrowings		364.367	329.981	133.194	127.351
2.3 Interest on Money Market Borrowings		1.926.742	1.534.023	608.634	579.282
2.4 Interest on Marketable Securities Issued		285.109	206.884	102.129	78.328
2.5 Other Interest Expense		42.577	57.657	3.632	8.336
III. NET INTEREST INCOME/EXPENSES (I - II)		10.592.088	7.919.961	3.862.300	2.705.985
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		1.075.249	887.973	356.390	299.906
4.1 Fees and Commissions Received		1.345.875	1.127.781	440.864	383.564
4.1.1 Non-cash Loans		254.604	183.555	81.084	69.704
4.1.2 Other	(12)	1.091.271	944.226	359.780	313.860
4.2 Fees and Commissions Paid		270.626	239.808	84.474	83.658
4.2.1 Non-cash Loans		4.259	157	3.784	87
4.2.2 Other		266.367	239.651	80.690	83.571
V. DIVIDEND INCOME		32.364	5.980	529	418
VI. TRADING PROFIT/LOSS (Net)	(3)	(85.872)	(215.726)	(12.951)	(138.644)
6.1 Profit/Loss from Capital Market Operations		27.607	69.563	9.801	10.226
6.2 Profit/losses on Derivative Financial Transactions	(4)	109.766	(926.739)	346.353	(103.214)
6.3 Profit/Loss from Foreign Exchanges		(223.245)	641.450	(369.105)	(45.656)
VII. OTHER OPERATING INCOME	(5)	2.348.705	1.775.062	683.010	577.229
VIII. TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)		13.962.534	10.373.250	4.889.278	3.444.894
IX. PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)	(6)	2.616.664	1.208.995	1.091.703	238.616
X. OTHER OPERATING EXPENSES(-)	(7)	4.801.767	4.426.900	1.515.892	1.615.533
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		6.544.103	4.737.355	2.281.683	1.590.745
XII. GAINS RECORDED AFTER MERGER		-	-	-	-
XIII. PROFIT/LOSS ON EQUITY METHOD		14.931	17.445	4.023	6.593
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(8)	6.559.034	4.754.800	2.285.706	1.597.338
PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(9)	(1.421.643)	(1.080.171)	(553.929)	(334.689)
16.1 Current Tax Provision		(1.600.464)	(498.819)	(417.542)	(230.600)
16.2 Deferred Tax Provision		178.821	(581.352)	(136.387)	(104.089)
XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(10)	5.137.391	3.674.629	1.731.777	1.262.649
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
18.1 Income from Non-current Assets Held for Sale		-	-	-	-
18.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-
18.3 Other Income from Discontinued Operations		-	-	-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
19.1 Expenses for Non-current Assets Held for Sale		-	-	-	-
19.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-
19.3 Other Expenses from Discontinued Operations		-	-	-	-
XX. PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-	-	-
PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-	-	-
21.1 Current tax provision		-	-	-	-
21.2 Deferred tax provision		-	-	-	-
NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-	-	-
XXII. NET PROFIT/LOSSES (XVII+XXII)	(11)	5.137.391	3.674.629	1.731.777	1.262.649
23.1 Group's Profit/Loss		5.137.311	3.674.512	1.731.792	1.262.624
23.2 Minority Shares Profit/Loss		80	117	(15)	25
Earnings/Loss per Share		1,018	0,731	0,343	0,251

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

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

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

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

IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Current Period (30/09/2016)	Prior Period (30/09/2015)
I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	1.329.387	(3.737.235)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	144.739	(17.272)
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	33.556	(16.656)
V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)	-	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	(56.974)	19.402
IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(486.066)	822.507
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	964.642	(2.929.254)
XI. CURRENT YEAR PROFIT/LOSS	5.137.391	3.674.629
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	27.607	69.563
11.2 Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3 Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4 Other	5.109.784	3.605.066
XII. TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	6.102.033	745.375

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

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TURKISH, SEE IN NOTE I. OF SECTION THREE

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																				
30 September 2015		Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancell. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity	
I.	Balance at the Beginning of the Period		2.500.000	543.482	-	-	2.852.218	-	11.880.556	850.461	-	4.495.841	1.841.393	3.634.310	17.388	-	-	1.383	28.617.032	
II.	Corrections according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1	The Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	The Effect of Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	New Balance (I+II)		2.500.000	543.482	-	-	2.852.218	-	11.880.556	850.461	-	4.495.841	1.841.393	3.634.310	17.388	-	-	1.383	28.617.032	
	Changes During the Period																			
IV.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.	Marketable Securities Valuation Differences		-	-	-	-	21.550	-	-	-	-	-	(2.932.188)	-	-	-	-	(210)	(2.910.848)	
VI.	Hedging Funds (Active Part)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	(17.272)	-	-	-	-	(17.272)	
VIII.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Foreign Exchange Differences		-	-	-	-	15.579	-	-	-	-	-	(32.235)	-	-	-	-	-	(16.656)	
XI.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV.	Increase in Capital		2.500.000	(543.482)	-	-	-	-	(1.281.518)	-	-	-	-	-	-	-	-	-	675.000	
14.1	Cash		675.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	675.000	
14.2	From Internal Resources		1.825.000	(543.482)	-	-	-	-	(1.281.518)	-	-	-	-	-	-	-	-	-	-	
XV.	Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII.	Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII.	Other		-	-	-	-	-	-	-	15.522	-	(251.018)	-	-	-	-	-	-	(235.496)	
XIX.	Net Profit or Losses		-	-	-	-	-	-	-	-	3.674.512	-	-	-	-	-	-	117	3.674.629	
XX.	Profit Distribution		-	-	-	-	195.859	-	3.041.293	503.357	-	(4.050.509)	-	-	-	-	-	-	(310.000)	
20.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	(310.000)	-	-	-	-	-	-	(310.000)	
20.2	Transfers to Legal Reserves		-	-	-	-	195.859	-	3.041.293	503.357	-	(3.740.509)	-	-	-	-	-	-	-	
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Balance at the End of the Period (I+II+III+.....+ XIX+XX)		5.000.000	-	-	-	3.085.206	-	13.640.331	1.369.340	3.674.512	194.314	(1.123.030)	3.617.038	17.388	-	-	1.290	29.476.389	

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

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

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																			
30 September 2016		Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Canc. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
I.	Balance at the Beginning of the Period		5.000.000	-	-	3.061.444	-	13.659.246	1.340.115	-	5.564.157	(505.167)	3.614.614	17.388	-	-	-	1.145	31.752.942
	Changes During the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	21.417	-	-	-	-	-	-	924.551	-	-	-	-	(492)	945.476
IV.	Hedging Funds (Active Part)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	31.189	-	-	-	-	31.189
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	19.736	-	-	-	-	-	-	13.820	-	-	-	-	-	33.556
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Increase in Capital		100.000	-	-	-	-	-	(28.000)	-	-	-	-	-	-	-	-	-	72.000
12.1	Cash		72.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72.000
12.2	From Internal Resources		28.000	-	-	-	-	-	(28.000)	-	-	-	-	-	-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	(45.579)	-	-	-	-	-	-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-	-	-	5.137.311	224.735	-	-	-	-	-	-	432	179.588
XVIII.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80	5.137.391
18.1	Dividend Distributed		-	-	-	282.324	-	4.388.146	-	-	(5.162.470)	-	-	-	-	-	-	-	(492.000)
18.2	Transfers to Legal Reserves		-	-	-	282.324	-	4.388.146	-	-	(4.670.470)	-	-	-	-	-	-	-	(492.000)
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the End of the Period (I+II+III+.....+XVI+XVII+XVIII)		5.100.000	-	-	3.384.921	-	18.019.392	1.294.536	5.137.311	626.422	433.204	3.645.803	17.388	-	-	-	1.165	37.660.142

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

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

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS			
	Note (Section Five)	Current Period 01/01-30/09/2016	Prior Period 01/01-30/09/2015
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		5.572.774	4.437.261
1.1.1 Interest Received		18.724.099	15.067.964
1.1.2 Interest Paid		(9.922.464)	(5.854.530)
1.1.3 Dividend Received		32.357	5.471
1.1.4 Fees and Commissions Received		1.345.318	1.127.027
1.1.5 Other Income		2.599.318	2.165.991
1.1.6 Collections from Previously Written-off Loans and Other Receivables		722.907	1.051.054
1.1.7 Payments to Personnel and Service Suppliers		(1.852.845)	(1.659.511)
1.1.8 Taxes Paid		(1.925.763)	(1.058.659)
1.1.9 Other		(4.150.153)	(6.407.546)
1.2 Changes in Operating Assets and Liabilities		(3.854.337)	1.255.943
1.2.1 Net (Increase)/Decrease in Trading Securities		(27.701)	(54.390)
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	(66)
1.2.3 Net (Increase)/Decrease in Banks		(52.609)	(7.161.481)
1.2.4 Net (Increase)/Decrease in Loans		(25.403.202)	(40.947.542)
1.2.5 Net (Increase)/Decrease in Other Assets		(516.162)	(1.758.088)
1.2.6 Net Increase/(Decrease) in Bank Deposits		(1.445.337)	4.566.933
1.2.7 Net Increase/(Decrease) in Other Deposits		21.510.069	39.380.306
1.2.8 Net Increase/(Decrease) in Funds Borrowed		1.347.173	5.844.752
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		733.432	1.385.519
I. Net Cash Provided from Banking Operations		1.718.437	5.693.204
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net Cash Provided from Investing Activities		(398.076)	(3.901.359)
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		-	-
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3 Fixed Assets Purchases		(256.550)	(442.010)
2.4 Fixed Assets Sales		124.044	3.954
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		(10.703.157)	(13.605.577)
2.6 Cash Obtained from Sale of financial Assets Available for Sale		9.369.141	15.469.717
2.7 Cash Paid for Purchase of Investment Securities		(110.038)	(148.236)
2.8 Cash Obtained from Sale of Investment Securities		2.583.998	1.227.432
2.9 Other		(1.405.514)	(6.406.639)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from Financing Activities		632.493	307.870
3.1 Cash Obtained from Funds Borrowed and Securities Issued		3.854.026	2.633.694
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.990.333)	(2.325.824)
3.3 Marketable Securities Issued		-	-
3.4 Dividends Paid		(231.200)	-
3.5 Payments for Finance Leases		-	-
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		238.046	736.438
V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)		2.190.900	2.836.153
VI. Cash and Cash Equivalents at the Beginning of the Period		9.118.137	6.445.194
VII. Cash and Cash Equivalents at the End of the Period		11.309.037	9.281.347

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and other regulations related to reporting and accounting principles on accounting records of Banks published by Banking Regulation and Supervision Agency (“BRSA”) and circulars and interpretations and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards 34 “Interim Financial Reporting Standards” and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (all referred as “BRSA Accounting and Financial Reporting Regulation” or “BRSA Principles”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”).

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

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

The consolidated financial statements have been prepared in thousands of Turkish Lira (TL), under the historical cost convention as modified in accordance with inflation adjustments applied until 31 December 2004, except for the financial assets and liabilities carried at fair value.

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

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

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

The amendments of TAS and TFRS which have entered into force as of 1 January 2016 have no material impact on the Group’s accounting policies, financial position and performance. The amendments of TAS and TFRS, except TFRS 9 Financial Instruments, is predicted no impact on the accounting policies, financial condition and performance of the Group. The Group conducts the preparations in line with TFRS 9 Financial Instruments Standard, which will have entered into force as of 1 January 2018.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

I. BASIS OF PRESENTATION (Continued)

Additional paragraph for convenience translation into English:

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

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

Main activity of the Parent Bank comprises banking services, such as; launching all kinds of cash and non-cash loans in terms of Turkish Lira and foreign currencies, performing transactions in local, international money and capital markets, supporting agricultural sector financially and collecting deposits in Turkish Lira and foreign currencies. The Parent Bank’s main funding source is Turkish Lira deposits, repurchase agreements, issued securities, 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 Parent Bank’s balance sheet are with fixed interest rate, some of the securities in assets have floating interest rate. Since the remaining time to re-pricing date of sources is short, cost of sources is repriced in short periods based on the market conditions.

Moreover, the Parent Bank adopts high return principle for its long-term placements.

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

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

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

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

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

a. Consolidation principles applied:

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

1. Consolidation principles for subsidiaries:

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

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

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

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

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 2016		31 December 2015	
			Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Share Percentage (%)	Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Share Percentage (%)
Ziraat Hayat ve Emeklilik A.Ş.	Istanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Sigorta A.Ş.	Istanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Finansal Kiralama A.Ş.	Istanbul/Turkey	Leasing	100,00	100,00	100,00	100,00
Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	Investment Management	99,60	99,60	99,60	99,60
Ziraat Portföy Yönetimi A.Ş.	Istanbul/Turkey	Portfolio Management	99,70	99,80	99,70	99,80
Ziraat Katılım Bankası A.Ş.	Istanbul/Turkey	Banking	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 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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

a. Consolidation principles applied (Continued):

2. Consolidation principles of associates and joint ventures:

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

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

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

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

Title	Address (City/Country)	Main Activities	30 September 2016		31 December 2015	
			Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)	Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)
Turkmen Turkish Joint Stock Commercial Bank	Ashkhabad/Turkmenistan	Banking	50,00	50,00	50,00	50,00
UTBANK JSC	Tashkent/Uzbekistan	Banking	50,00	50,00	50,00	50,00
Arap Türk Bankası A.Ş.	Istanbul/Turkey	Banking	15,43	15,43	15,43	15,43

3. Principles applied during share transfer, merger and acquisition: None.

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.

b. Presentation of unconsolidated subsidiaries and associates in consolidated financial statements:

Turkish Lira denominated unconsolidated associates and subsidiaries are booked at cost value after clarifying the impairment if any, in accordance with “Consolidated Financial Statements” (“TFRS 10”) are recognized in the consolidated financial statements.

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. EXPLANATIONS ON DERIVATIVE INSTRUMENTS

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

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

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

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

Interest income and expenses are recognized on an accrual basis using the internal rate of return method in conformity with TAS 39 “Financial Instruments: Recognition and Measurement”. In accordance with the Communiqué on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions” came into force after being published in the Official Gazette numbered 26333 dated 1 November 2006, no interest accrual is calculated for non-performing loans. Realized interest accruals calculated for non-performing loans and recognized as income although not collected are reversed and interest income related to these loans is recognized as interest income only when they are collected.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

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

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

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

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

b. Held-to-maturity financial assets:

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

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

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

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

Held to maturity assets are initially recognized at cost value.

c. Loans and receivables:

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

c. Loans and receivables: (Continued)

The Group sets specific and general provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 26333 and dated 1 November 2006 on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions”. In addition to this, in the related Regulation and interpretations of BRSA does not include any clause which prevents to reflect excess provisions than the required level. Allocated provisions are deducted from the income for the period. If the receivables for which provisions were set in the previous years are collected, provision for allowances are released and recognized as income under “Other Operating Income” account. Releases of current period provisions are made by the reversal of the amount from the “Provision for Impairment of Loans and Other Receivables” account.

d. Available-for-sale financial assets:

Available-for-sale financial assets are defined as financial assets other than the ones classified as “loans and receivables”, “held-to-maturity assets” or “financial assets at fair value through profit or loss”.

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

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

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

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

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

Securities subject to repurchase agreements are classified in “held for trading”, “available for sale” and/or “held-to-maturity” portfolios and they are valued based on the revaluation principles of the related portfolios. Funds obtained by these agreements are followed under the “Funds from Repurchase Agreements” account in the balance sheet and interest expense accrual is calculated using the internal rate of return method.

Funds given against securities purchased under agreements (“Reverse Repo”) to resell are accounted under “Receivables from Reverse Repurchase Agreements” on the balance sheet and interest income accrual is calculated using internal rate of return method.

As of the balance sheet date, there are no securities lending transactions.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

The Parent Bank has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

The Group recognizes its software costs incurred under the intangible assets-intangible rights account and the expenses that do qualify as development are added to software’s initial costs and amortized over 3 years considering the useful lives. The Parent Bank has determined estimated useful lives of the intangible assets between 3 and 15 years and it applies depreciation rates between 6,67% to 33,3 %.

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT (Continued)

Estimated depreciation rates of tangible fixed assets are as follows;

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

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

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

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

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Financial Lease

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

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

Operational Lease

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES

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

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

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

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

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

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment Termination and Vacation Benefits

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

Under the Turkish legislation as supplemented by union agreements, Employment Termination Benefit payments are made in case of retirement or employment termination or resignation depending on the arise of the legal conditions. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, Employment Termination Benefit Provision is calculated based on the final salary at the date of retirement or leave (to the extent that the payments and/or salary amount does not exceed the Employment Termination Benefit Provision ceiling).

Communiqué on “Turkish Accounting Standard (TAS 19) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TL 129.910 was classified as “Other Comprehensive Expense” in the financials by the Parent Bank.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

a. Employment Termination and Vacation Benefits (Continued)

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

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

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

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

In accordance with 23rd provisional clause of the Banking Law numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the Banking Law numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 1st paragraph of the 1st article of the 23rd provisional clause of Banking Law numbered 5411 allowing pension funds to be transferred to Social Security Institution (“SSI”) is annulled following the resolution of Constitutional Court declared in the Official Gazette dated 31 March 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33.

With the publication of the reasoning of the decision, the Grand National Assembly of Turkey (“GNAT”) started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the “Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations” No 5754 (“the New Law”) regulating the transfer of the funds were approved by the GNAT on 17 April 2008. The New Law was published in the Official Gazette dated 8 May 2008, numbered 26870 and came into force.

According to the new law bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution and would be subject to its legislation within three years beginning from the date of publication without any required transaction. Three years transfer period would be extended by two years at most with the decision of Council of Ministers. In accordance with the related legislation, as of the transfer date, the cash value of the liabilities will be calculated by considering the income and expenses of the transferred funds by the insurance branches and by using the actuarial interest rate of 9,80%. Moreover, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

In accordance with 58th article and 7th provisional article of the Banking Law, restricting banks from transferring any funds to the pension funds in order to compensate the actuarial deficits effective from 1 January 2008, has been delayed up to 5 years.

Based on the Council of Ministers’ decree numbered 2011/1559 and issued in the Official Gazette numbered 27900, dated 9 April 2011, and 20th provisional article of law numbered 506, the deadline for transferring banks, insurance and reinsurance companies, chambers of commerce, chambers of industry, exchange markets and the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for two years.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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 2015 which is prepared in accordance with the new law and the rate determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the 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.

XVII. EXPLANATIONS ON TAXATION

a. Current Tax

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

Corporate Tax Law No. 5520 was taken into effect after being published in the Official Gazette dated 21 June 2006 No.26205. Many clauses of the “New Tax Law” are effective from 1 January 2006. According to the New Tax Law, the corporate tax rate in Turkey is payable at the rate of 20% as of 1 January 2006. The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income (like affiliation privilege) and other allowances. No further tax is payable unless the profit is distributed.

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION (Continued)

a. Current Tax (Continued)

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

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

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

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

Tax rates used in tax calculation considering the related countries' tax legislation as of 30 September 2016 are presented below:

Russia	20,00%
Kazakhstan	20,00%
Germany	15,00%
Bosnia Herzegovina	10,00%
Azerbaijan	20,00%
Montenegro	9,00%

b. 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.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION (Continued)

b. Deferred tax (Continued)

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

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

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

XVIII. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES

Technical Reserves

Reserve for unearned premiums:

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

Unexpired risk provision:

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

Reserve for outstanding claims:

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

Offset provision:

In Article 9 of “Communiqué Regarding the Technical Reserves of Insurance and Reinsurance Companies and the Assets that these Reserves Recorded” numbered 27655 dated 28 July 2010, it is stated that insurance companies provide offset provision for loan and earthquake assurances in order to compensate the possible fluctuations in the assurance rates and catastrophic risks in the succeeding accounting periods.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVIII. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES (Continued)

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 insureds.

XIX. EXPLANATIONS ON BORROWINGS

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

If required, the Parent Bank borrows from domestic and foreign real people and entities with debt instruments such as bill/bond issuance. These transactions are recognized at fair value including acquisition costs at the transaction date while accounted with effective interest rate method over their discounted costs in the following periods.

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

XX. 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.

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXII. EXPLANATIONS ON GOVERNMENT GRANTS

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

XXIII. CASH AND CASH EQUIVALENTS

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

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

XXIV. EXPLANATIONS ON SEGMENT REPORTING

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXV. EXPLANATIONS ON OTHER MATTERS

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

SECTION FOUR

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

I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY

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

As of 30 September 2016 Bank’s total capital has been calculated as TL 40.220.599, Capital adequacy ratio is %14,57. As of 31 December 2015, Bank’s total capital amounted to TL 35.243.638, Capital adequacy ratio was %14,56 calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

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

	Amount	Amount as per the regulation before 1/1/2014*
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.100.000	
Share issue premiums	-	
Reserves	22.829.648	
Gains recognized in equity as per TAS	4.826.221	
Profit	5.763.733	
Current period profit	5.137.311	
Prior period profit	626.422	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17.388	
Minorities’ Share	108	
Common Equity Tier 1 Capital Before Deductions	38.537.098	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	833.548	-
Improvement costs for operating leasing	100.104	-
Goodwill netted with related deferred tax liabilities	-	-
Other intangible assets netted off related deferred tax liabilities except mortgage servicing rights	200.729	334.549
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net off related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	44.465	
Direct and Indirect Investments of the Bank in its own Tier I Capital	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

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

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

	Amount	Amount as per the regulation before 1/1/2014*
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier I Capital	1.178.846	
Total Common Equity Tier I Capital	37.358.252	
ADDITIONAL TIER I CAPITAL		
Preferred stock not included in Common Equity Tier I Capital and the related share premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Covered by Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Covered by Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items to be defined by the BRSA	-	
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	133.820	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	37.224.432	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Covered by Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on the Equity of Banks)	3.030.856	
Tier II Capital Before Deductions	3.030.856	
Deductions from Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

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

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

	Amount	Amount as per the regulation before 1/1/2014*
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	3.030.856	
Total Capital (The sum of Tier I Capital and Tier II Capital)	40.255.288	
The sum of Tier I Capital and Tier II Capital (Total Capital)	40.255.288	
Loans Granted against the Articles 50 and 51 of the Banking Law	-	
Net book values of movables and immovables exceeding the limit defined in the Article 57, Clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years	33.859	
Other items to be defined by the BRSA (-)	830	
Items to be deducted from the sum of Tier I and Tier II Capital (“Capital”) during the Transition Period		
The Sum of net long positions of investments (the portion which exceeds the % 10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	40.220.599	
Total Risk Weighted Assets	275.965.042	
CAPITAL ADEQUACY RATIOS		
Common Equity Tier I Capital Adequacy Ratio (%)	13,54	
Tier I Capital Adequacy Ratio (%)	13,49	
Capital Adequacy Ratio (%)	14,57	
BUFFERS		
Bank-specific total buffer ratio	-	
Capital conservation buffer ratio (%)	0,63	
Bank-specific counter-cyclical capital buffer ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	5,54	
Amounts below the Excess Limits as per the Deduction Principles	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	148.814	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	84.905	

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

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

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

	Amount	Amount as per the regulation before 1/1/2014*
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	9.516	
Limits for Provisions Used in Tier II Capital Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3.624.589	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	3.030.856	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subject to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subject to temporary Article 4	-	

(*) Amounts considered within transition provisions

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

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

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

	Prior Period ^(*)
COMMON EQUITY TIER 1 CAPITAL	
Paid-in Capital to be Entitled for Compensation after All Creditors	5.000.000
Share Premium	-
Share Cancellation Profits	-
Reserves	18.146.025
Income recognized under equity in accordance with TAS	4.486.075
Profit	5.564.157
Current Period's Profit	5.377.791
Prior Period's Profit	186.366
Free Provisions for Possible Risks	1.257.419
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	17.388
Minority Shares	25
Common Equity Tier 1 Capital Before Deductions	34.471.089
Deductions from Common Equity Tier 1 Capital	
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	1.461.847
Leasehold Improvements on Operational Leases (-)	98.800
Goodwill and intangible asset and the related deferred tax liability (-)	98.447
Net Deferred Tax Asset / Liability (-)	-
Excess amount expressed in the law (Article 56 4th paragraph) (-)	-
Bank's direct or indirect investments on its own Tier 1 Capital (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Amounts related to mortgage servicing rights (-)	-
Excess amount of deferred tax assets from temporary differences (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from common equity tier 1 capital (-)	-
Total Deductions from Common Equity Tier 1 Capital	1.659.094
Total Common Equity Tier 1 Capital	32.811.995
ADDITIONAL TIER 1 CAPITAL	
Premiums that are not included in Common Equity Tier 1 Capital	-
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	-
The shares of third parties in additional Tier 1 Capital	-
Additional Tier 1 Capital before Deductions	-
Deductions from Additional Tier 1 Capital	
Bank's direct or indirect investment in Tier 1 Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from Additional Tier 1 Capital (-)	-
Total Deductions from Additional Tier 1 Capital	-
Total Additional Tier 1 Capital	-

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

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

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

	Prior Period (*)
Deductions From Tier 1 Capital	147.670
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	147.670
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-
Tier 1 Capital	32.664.325
TIER 2 CAPITAL	
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	-
Pledged assets of the shareholders to be used for the Bank's capital increases	-
General Provisions	2.580.430
Third parties share in Tier 2 capital	-
Tier 2 Capital Before Deductions	2.580.430
Deductions From Tier 2 Capital	
Bank's direct or indirect investment in Tier 2 capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other Items Determined by BRSA (-)	-
Total Deductions From Tier 2 Capital	-
Tier 2 Capital	2.580.430
TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS	35.244.755
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	1.044
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-
Securitization positions that is deducted -preferably- from the shareholders' equity (Article 20 paragraph 2) (-)	-
Other items to be defined by BRSA (-)	73
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%, but exceeding 10% of Common Equity Tier 1 not deducted from Common Equity Tier 1, Tier 1 or Tier 2 (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of the bank (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of bank(-)	-
TOTAL CAPITAL	35.243.638
Amounts below deduction thresholds	
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%	121.043
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%	82.240
Mortgage servicing rights	-
Deferred tax assets arising from temporary differences (net of related tax liability) (-)	266.827

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

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

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

None.

**c) Necessary explanations in order to reach an agreement between the statement of shareholders’s equity
and balance-sheet amounts:**

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision. In the calculation of Total Capital, general provision up to 1,25% credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

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

The Parent Bank’s policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Parent Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, VAR is calculated for daily foreign exchange position and reported to the related departments. VAR based currency risk limit is also daily followed which was approved by Board of Directors.

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

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

None.

- c) Management policy for foreign currency risk:**

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

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

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

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (Continued)

Information on the foreign currency risk of the Group:

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	8.642.456	17.260.553	8.080.893	33.983.902
Banks	426.065	1.169.173	582.417	2.177.655
Financial Assets at Fair Value Through Profit and Loss ⁽⁴⁾	-	15.701	538	16.239
Money Market Placements	-	32.417	122.588	155.005
Financial Assets Available-for-Sale	3.684.690	9.460.580	47.753	13.193.023
Loans ⁽¹⁾	21.123.358	39.168.772	1.243.580	61.535.710
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) ⁽³⁾	10.183	75.777	869	86.829
Investments Held-to-Maturity	1.199.966	3.229.294	18.337	4.447.597
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	8.230	1.453	100.190	109.873
Intangible Assets	18.823	1	7.377	26.201
Other Assets ⁽⁵⁾	1.817.245	697.834	84.944	2.600.023
Total Assets⁽⁴⁾	36.931.016	71.111.555	10.289.486	118.332.057
Liabilities				
Interbank Deposits	3.874.748	2.887.762	566.985	7.329.495
Foreign Currency Deposits	39.681.415	22.327.493	2.890.287	64.899.195
Money Market Borrowings	277.418	14.187.951	-	14.465.369
Funds Provided from Other Financial Institutions	6.904.371	13.943.815	32.244	20.880.430
Issued Marketable Securities	100.898	3.979.593	750	4.081.241
Sundry Creditors	718.729	23.863	13.711	756.303
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	326.859	219.542	59.876	606.277
Total Liabilities	51.884.438	57.570.019	3.563.853	113.018.310
Net Balance Sheet Position	(14.953.422)	13.541.536	6.725.633	5.313.747
Net Off-Balance Sheet Position⁽²⁾	13.819.900	(12.932.608)	(5.445.077)	(4.557.785)
Financial Derivative Assets	16.139.120	7.137.533	1.207.048	24.483.701
Financial Derivative Liabilities	2.319.220	20.070.141	6.652.125	29.041.486
Non-Cash Loans	15.730.590	27.873.636	3.541.388	47.145.614
Prior Period				
Total Assets	28.646.698	70.463.073	8.430.490	107.540.261
Total Liabilities	47.955.846	57.791.690	2.989.459	108.736.995
Net Balance Sheet Position	(19.309.148)	12.671.383	5.441.031	(1.196.734)
Net Off-Balance Sheet Position⁽²⁾	19.608.010	(13.277.253)	(5.051.654)	1.279.103
Financial Derivative Assets	21.904.831	5.192.850	1.210.435	28.308.116
Financial Derivative Liabilities	2.296.821	18.470.103	6.262.089	27.029.013
Non-Cash Loans	13.108.152	24.916.400	3.076.757	41.101.309

(1) TL 583.030 equivalent of EUR and TL 1.620.181 equivalent of USD loans are originated as foreign currency indexed loans (31 December 2015: TL 296.717 equivalent of EUR and TL 721.987 equivalent of USD).

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

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

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

(5) Prepaid expenses amounting TL 24.674 among other expenses are not included in the table.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

III. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	30.081.660	-	-	-	-	10.065.156	40.146.816
Banks	1.100.931	647.766	620.967	-	-	1.572.068	3.941.732
Financial Assets at Fair Value Through Profit and Loss	163.473	565.767	350.491	82.811	4.044	1.969	1.168.555
Money Market Placements	167.872	-	-	-	-	-	167.872
Financial Assets Available-for-Sale	6.959.485	5.195.147	12.228.338	15.079.681	17.192.698	608.499	57.263.848
Loans Given	68.731.305	22.910.075	46.468.131	64.306.558	16.373.029	267.386	219.056.484
Investments Held-to-Maturity	1.019.119	48.722	3.223.900	2.254.160	1.432.360	-	7.978.261
Other Assets	150.915	176.008	587.192	1.282.047	149.942	9.085.643	11.431.747
Total Assets	108.374.760	29.543.485	63.479.019	83.005.257	35.152.073	21.600.721	341.155.315
Liabilities							
Interbank Deposits	6.685.553	840.020	1.817.012	364.252	-	413.534	10.120.371
Other Deposits	108.223.897	24.047.206	19.257.877	1.236.483	90.246	49.073.242	201.928.951
Money Market Borrowings	40.467.438	171.764	1.005.254	478.004	-	-	42.122.460
Sundry Creditors	-	-	-	-	-	1.986.116	1.986.116
Issued Marketable Securities	131.393	1.594.258	907.749	3.825.635	-	-	6.459.035
Funds Provided from Other Financial Institutions	7.562.629	2.402.157	8.840.185	1.924.669	1.419.110	-	22.148.750
Other Liabilities	1.074.782	432.395	495.218	6.571.604	14.874	47.800.759	56.389.632
Total Liabilities	164.145.692	29.487.800	32.323.295	14.400.647	1.524.230	99.273.651	341.155.315
Balance Sheet Long Position	-	55.685	31.155.724	68.604.610	33.627.843	-	133.443.862
Balance Sheet Short Position	(55.770.932)	-	-	-	-	(77.672.930)	(133.443.862)
Off-Balance Sheet Long Position	612.134	1.896.449	-	-	-	-	2.508.583
Off-Balance Sheet Short Position	-	-	(177.044)	(1.677.154)	-	-	(1.854.198)
Total Position	(55.158.798)	1.952.134	30.978.680	66.927.456	33.627.843	(77.672.930)	654.385

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

(2) TL 6.011.842 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the “1 - 5 Years” column TL 91.423 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.

(3) Deferred tax asset is shown under the non-interest bearing column.

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

(5) Total shareholders’ equity is shown under the non-interest bearing column.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	68.125	-	-	-	-	36.866.552	36.934.677
Banks	1.157.187	406.252	911.110	186.488	-	2.304.654	4.965.691
Financial Assets at Fair Value Through Profit and Loss	295.829	178.096	435.552	55.405	4.265	3.119	972.266
Money Market Placements	107.491	8.682	-	-	-	-	116.173
Financial Assets Available-for-Sale	5.507.414	7.012.479	10.929.787	15.394.736	14.583.841	608.681	54.036.938
Loans Given	60.645.124	18.800.306	47.376.453	54.506.749	10.171.491	1.008.273	192.508.396
Investments Held-to-Maturity	3.439.949	1.648.784	941.158	2.770.608	1.422.976	-	10.223.475
Other Assets	89.872	249.773	547.672	1.380.783	169.571	8.072.531	10.510.202
Total Assets	71.310.991	28.304.372	61.141.732	74.294.769	26.352.144	48.863.810	310.267.818
Liabilities							
Interbank Deposits	7.354.580	834.458	135.475	1.082.644	-	279.728	9.686.885
Other Deposits	96.091.616	23.456.511	18.875.407	1.696.356	3.550	41.109.772	181.233.212
Money Market Borrowings	36.325.722	4.312.765	1.841.293	654.532	-	-	43.134.312
Sundry Creditors	30.900	10.002	22.550	1.012	-	2.314.672	2.379.136
Issued Marketable Securities	932.357	1.609.322	497.397	2.380.321	-	-	5.419.397
Funds Provided from Other Financial Institutions	2.433.574	4.575.233	11.276.835	1.708.833	792.928	-	20.787.403
Other Liabilities	212.627	203.088	413.406	6.370.792	34.885	40.392.675	47.627.473
Total Liabilities	143.381.376	35.001.379	33.062.363	13.894.490	831.363	84.096.847	310.267.818
Balance Sheet Long Position	-	-	28.079.369	60.400.279	25.520.781	-	114.000.429
Balance Sheet Short Position	(72.070.385)	(6.697.007)	-	-	-	(35.233.037)	(114.000.429)
Off Balance Sheet Long Position	621.061	1.300.401	-	44.401	-	-	1.965.863
Off Balance Sheet Short Position	-	-	(111.409)	(1.222.188)	-	-	(1.333.597)
Total Position	(71.449.324)	(5.396.606)	27.967.960	59.222.492	25.520.781	(35.233.037)	632.266

- (1) Balances without fixed maturity are shown in the “Up to 1 Month” and “Non-Interest Bearing” columns.
- (2) TL 5.833.179 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the “1 - 5 Years” column. TL 97.950 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.
- (3) Deferred tax asset is shown under the non-interest bearing column.
- (4) Net balance of loans under follow-up is shown under the “Non-Interest Bearing” column in loans given.
- (5) Total shareholders’ equity is shown under the non-interest bearing column.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

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

b) Average interest rate applied to the monetary financial instruments (Represents the values belong to the Parent Bank):

	EUR	USD	JPY	TL
Current Period				
Assets				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾	0,03	0,49	-	3,49
Banks	0,97	2,45	-	7,99
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	6,72
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,74	5,64	-	9,09
Loans Given ⁽²⁾	4,29	5,40	-	13,26
Investments Held-to-Maturity	6,48	7,20	-	9,06
Liabilities				
Interbank Deposits ⁽³⁾	0,44	0,78	-	8,25
Other Deposits ⁽⁴⁾	0,96	1,17	-	6,71
Money Market Borrowings	0,95	1,34	-	8,09
Sundry Creditors	-	-	-	-
Issued Marketable Securities	0,30	4,37	-	9,41
Funds Provided from Other Financial Institutions	0,91	2,15	-	8,31

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

⁽²⁾ Credit card loan balances are not included.

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

⁽⁴⁾ Rates include also demand deposit data.

	EUR	USD	JPY	TL
Prior Period				
Assets				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾	-	0,28	-	3,45
Banks	1,30	1,82	-	9,68
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	6,84
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,71	5,68	-	9,09
Loans Given ⁽²⁾	4,09	4,98	-	12,82
Investments Held-to-Maturity	6,42	7,08	-	9,71
Liabilities				
Interbank Deposits ⁽³⁾	0,65	0,58	-	9,06
Other Deposits ⁽⁴⁾	1,21	1,12	-	7,19
Money Market Borrowings	0,72	1,05	-	9,84
Sundry Creditors	-	-	-	-
Issued Marketable Securities	0,59	3,79	-	10,86
Funds Provided from Other Financial Institutions	1,22	1,69	-	10,03

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

⁽²⁾ Credit card loan balances are not included.

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

⁽⁴⁾ Rates include also demand deposit data.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

IV. EXPLANATIONS ON THE POSITION RISK OF CONSOLIDATED EQUITY SECURITIES

1. Equity securities position risk derived from banking books:

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

Equity Share Investments	Comparison		
	Balance Sheet Value	Fair Value	Market Value
1. Stock Investment Group A	-	-	-
Stock Exchange Securities	-	-	-
2. Stock Investment Group B	-	-	-
Stock Exchange Securities	-	-	-
3. Stock Investment Group C	-	-	-
Stock Exchange Securities	-	-	-
4. Stock Investment Other Group	-	-	-
Other	126.807	126.807	-

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

The stock investments, partaking in banking accounts according to the credit risk standard method, are amounted TL 126.807 and 100% of them are risk weighted.

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

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

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

1) Liquidity Risk

a) 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 İsedes Regulations” of the Parent Bank. In this context, liquidity risk strategies and policies are published in periodically on weeks, months and years with all of the units with board directors in bank. Moreover, analyses done and reports are handled in the Assets-Liability Commission Conferences, Board of Director is informed by Audit Commission.

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

Continuously the information exchange is actualized about the liquidity need and surpluses between the 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.

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

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

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

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

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

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

1) Liquidity Risk (Continued)

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

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

f) Explanation regarding the usage of the stress test

In the presence of unexpected negative circumstances, stress tests being done in order to test the endurance of the bank. These actions have been shared with key management and all related units for the purpose of taking necessary precautions. Additionally, stress tests also taken into consideration on subjects like the 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.

g) General information on liquidity urgent and unexpected situation plan:

The internal and external sources which can be used in an emergency case to satisfy the liquidity need are periodically followed and the borrowing limits of the 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 “Regulations of Risk Management, Stress Test Program and Internal Capital Adequacy Assessment Process (ICAAP)”.

2) Liquidity Coverage Ratio:

Within the frame of the regulation named “Regulation on the Calculation of Liquidity Coverage Ratio” issued by BRSA in the Official Gazette numbered 28948, dated 21 March 2014, the Parent Bank calculates the liquidity coverage ratio and reports it to BRSA monthly in consolidated base. The liquidity coverage ratio sails above the frontier limits determined by BRSA. Within the last 3 months (July-August-September) the consolidated ratios are as follows: Take place for FC as 101,1 in July, for TL+FC as 82,44; take place for FC as 97,22 in August, for TL+FC as 83,92; take place for FC as 93,81, for TL+FC as 86,86 in September.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

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

2) Liquidity Coverage Ratio: (Continued)

	Total Unweighted Value (average)		Total Weighted Value (average)	
	TL+FC	FC	TL+FC	FC
Current Period				
High Quality Liquid Assets				
High Quality Liquid Assets			46.835.001	27.676.085
Cash Outflows				
Retail and Small Business Customers, of which;	136.429.707	47.436.900	10.952.221	4.743.690
Stable deposits	53.815.000	-	2.690.750	-
Less stable deposits	82.614.707	47.436.900	8.261.471	4.743.690
Unsecured wholesale funding , of which;	69.458.780	23.724.925	40.439.365	16.430.381
Operational deposit	1.505.439	222.789	376.360	55.697
Non-operational deposits	57.828.075	16.791.814	29.982.504	9.680.050
Other unsecured funding	10.125.266	6.710.322	10.080.501	6.694.634
Secured funding			-	-
Other cash outflows, of which;	57.142.649	32.580.683	16.011.936	12.767.489
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2.373.215	8.389.656	2.373.215	8.389.656
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	15.554.952	1.668.726	2.907.050	683.968
Other revocable off-balance sheet commitments and contractual Obligations	70.060	42.800	3.503	2.140
Other irrevocable or conditionally revocable off-balance sheet Obligations	39.144.422	22.479.501	10.728.168	3.691.725
Total Cash Outflows			67.403.522	33.941.560
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	14.608.128	5.378.349	10.050.830	4.717.076
Other cash inflows	1.873.974	822.530	1.863.853	812.409
Total Cash Inflows	16.482.102	6.200.879	11.914.683	5.529.485
			Total Adjusted Value	
Total HQLA Stock			46.835.001	27.676.085
Total Net Cash Outflows			55.488.839	28.412.075
Liquidity Coverage Ratio (%)			84,40	97,41

(*) The average of last three months' month-end consolidated liquidity ratios.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

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

2) Liquidity Coverage Ratio: (Continued)

	Total Unweighted Value (average)		Total Weighted Value (average)	
	TL+FC	FC	TL+FC	FC
Prior Period- 31 December 2015				
High Quality Liquid Assets				
High Quality Liquid Assets			43.380.868	29.708.281
Cash Outflows				
Retail and Small Business Customers, of which;	121.726.943	42.781.057	8.952.673	3.468.796
Stable deposits	64.400.433	16.186.193	3.220.022	809.310
Less stable deposits	57.326.510	26.594.863	5.732.651	2.659.486
Unsecured wholesale funding , of which;	61.931.778	25.359.764	35.541.320	17.100.150
Operational deposit	1.134.952	130.783	283.738	32.696
Non-operational deposits	53.253.252	20.361.335	27.725.692	12.205.264
Other unsecured funding	7.543.574	4.867.646	7.531.890	4.862.190
Secured funding			-	-
Other cash outflows, of which;	55.748.866	27.338.257	17.187.989	7.964.955
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	1.812.166	1.800.891	1.812.166	1.800.891
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	41.890.713	13.629.912	14.773.485	5.568.653
Other revocable off-balance sheet commitments and contractual obligations	803.467	754.693	40.173	37.735
Other irrevocable or conditionally revocable off-balance sheet obligations	11.241.753	11.151.993	562.088	557.600
Total Cash Outflows			61.681.982	28.533.901
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	11.124.921	2.633.933	7.167.150	1.968.010
Other cash inflows	867.709	573.329	867.709	573.329
Total Cash Inflows	11.992.629	3.207.262	8.034.859	2.541.339
			Total Adjusted Value	
Total HQLA Stock			43.380.868	29.708.281
Total Net Cash Outflows			53.647.123	25.992.563
Liquidity Coverage Ratio (%)			80,86	114,30

(*) The average of last three months' month-end consolidated liquidity ratios.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

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

3) Minimum statements concerning liquidity coverage ratio by Banks

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

Bank deposit, which has not a fluctuant structure, together with constituting an important part of its sources and liquidity coverage ratio, in proportion to other deposits, public deposits can cause periodic changes within total deposits. When comparing with the previous periods, the percentage of the total deposit in financial statement does not change and has an increasing sail.

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

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

b) High quality liquid assets are comprised to which items:

All of the high-quality liquid assets of the calculation of Liquidity Coverage Ratio are First Quality Liquid Assets. These; cash, the accounts in Central Bank, reserve requirements and securities from the portfolio (The important part of bonds and T-bills issued by Republic of Turkey Prime Ministry Undersecretariat of Treasury, other bonds).

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

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

d) Information about cash out-flows arising from derivative operations and margin operations likely to processing:

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

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

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

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

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

The needed and surplus of liquidity of the branches in foreign countries of the bank and partnerships consolidated are followed and managed regularly. There is no constraint of operational and legal factors preventing liquidity transfer.

In the analysis made, it is observed that the impact of the foreign branches and subsidiaries on the Bank’s liquidity structure remain limited comparing to the size of the balance sheet. The need and surplus of the liquidity is encountered properly between partnerships, as well as the branches abroad.

**g) Explanations of cash in-flow and cash out-flow items that are considered to be related to liquidity profile
of the bank and to be placed on the calculation of liquidity coverage ratio but not on the second
paragraph of the disclosure template:**

All items on the calculation of liquidity coverage ratio are included in calculation in aggregated form on the table. In this context, there is no point included in the calculation of liquidity coverage ratio and not included in the disclosure template.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

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

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

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (1) (2)	Total
Current Period								
Assets								
Cash (Cash in vault, effectives, Money in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	40.131.331	-	-	-	-	-	15.485	40.146.816
Banks	1.572.068	1.100.931	647.766	620.967	-	-	-	3.941.732
Financial Assets at Fair Value Through Profit and Loss	1.969	96.191	20.769	183.793	723.001	141.663	1.169	1.168.555
Money Market Placements	3	167.869	-	-	-	-	-	167.872
Financial Assets Available-for-Sale	63.290	337.574	776.151	7.673.024	23.409.694	24.436.171	567.944	57.263.848
Loans Given	-	8.931.646	16.743.849	85.705.419	84.591.735	22.816.449	267.386	219.056.484
Investments Held-to-Maturity	-	107.983	48.722	1.711.090	4.678.106	1.432.360	-	7.978.261
Other Assets	2.986.823	73.944	174.830	577.911	1.320.983	169.494	6.127.762	11.431.747
Total Assets	44.755.484	10.816.138	18.412.087	96.472.204	114.723.519	48.996.137	6.979.746	341.155.315
Liabilities								
Interbank Deposits	413.534	6.685.553	840.020	1.817.012	364.252	-	-	10.120.371
Other Deposits	49.073.242	107.971.702	24.204.720	19.151.017	1.521.914	6.356	-	201.928.951
Funds Provided from Other Financial Institutions	-	1.273.223	2.183.005	12.182.835	3.971.741	2.537.946	-	22.148.750
Money Market Borrowings	-	40.467.438	171.764	1.005.254	478.004	-	-	42.122.460
Issued Marketable Securities	25	131.393	1.569.867	911.215	3.846.535	-	-	6.459.035
Sundry Creditors	1.300.494	685.622	-	-	-	-	-	1.986.116
Other Liabilities (3)	5.202.266	761.921	547.305	493.771	6.765.313	1.063.485	41.555.571	56.389.632
Total Liabilities	55.989.561	157.976.852	29.516.681	35.561.104	16.947.759	3.607.787	41.555.571	341.155.315
Liquidity Gap	(11.234.077)	(147.160.714)	(11.104.594)	60.911.100	97.775.760	45.388.350	(34.575.825)	-
Net Off-Balance Sheet Position	-	24.408	31.759	122.186	476.032	-	-	654.385
Financial Derivative Assets	-	20.737.896	3.698.872	853.133	2.993.196	-	-	28.283.097
Financial Derivative Liabilities	-	20.713.488	3.667.113	730.947	2.517.164	-	-	27.628.712
Non-cash Loans	34.410.126	911.657	3.491.134	18.711.244	11.579.037	3.068.251	-	72.171.449
Prior Period								
Total Assets	41.104.345	10.803.851	15.486.534	80.786.469	111.901.898	42.331.227	7.853.494	310.267.818
Total Liabilities	45.955.242	143.301.990	34.327.033	32.360.482	15.755.955	3.084.016	35.483.100	310.267.818
Liquidity Gap	(4.850.897)	(132.498.139)	(18.840.499)	48.425.987	96.145.943	39.247.211	(27.629.606)	-
Net Off-Balance Sheet Position	-	(123.663)	(7.420)	21.298	506.582	-	-	396.797
Financial Derivative Assets	-	21.505.764	730.692	1.640.019	2.462.004	-	-	26.338.479
Financial Derivative Liabilities	-	21.629.427	738.112	1.618.721	1.955.422	-	-	25.941.682
Non-cash Loans	32.747.550	492.394	2.678.785	13.191.131	9.677.305	2.103.709	-	60.890.874

(1) Assets which are required for banking operations and could not be converted into cash in short-term, such as; tangible assets, associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net non-performing loans as well as securities representing a share in capital; and other liabilities such as provisions which are not considered as payables and equity are classified as undistributed.

(2) Deferred tax asset is included under the “Undistributed” column.

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

VI. EXPLANATIONS ON CONSOLIDATED LEVERAGE

1) Explanations on the subjects caused a gap between prior and current period leverage:

The Bank’s leverage calculated by force of the regulation “Regulation on Measurement and Assessment of Leverage Ratios of Banks” is 8,38% (31 December 2015: 8,33%). The change on leverage results heavily from the increase on risk amounts of balance sheet assets. The regulation sentenced the minimum leverage as 3%.

Balance sheet assets	Current Period (*)	Prior Period (*)
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	337.902.894	305.987.769
(Assets deducted in determining Tier 1 capital)	(1.330.142)	(1.358.811)
Total on-balance sheet risks (sum of lines 1 and 2)	336.572.752	304.628.958
Derivative financial instruments and credit derivatives		
Replacement cost associated with all derivative financial instruments and credit Derivatives	1.181.242	906.945
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	321.305	294.821
Total risks of derivative financial instruments and credit derivatives	1.502.547	1.201.766
Securities or commodity financing transactions (SCFT)		
Risks from SCFT assets	4.919.460	4.611.358
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	4.919.460	4.611.358
Other off-balance sheet transactions		
Gross notional amounts of off-balance sheet transactions	94.814.644	79.187.009
(Adjustments for conversion to credit equivalent amounts)	(990.334)	(362.843)
Total risks of off-balance sheet items	93.824.310	78.824.166
Capital and total risks		
Tier 1 capital	36.585.801	32.430.099
Total risks	436.819.069	389.266.248
Leverage ratio		
Leverage ratio %	8,38	8,33

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

1) An extract comparison table of total risks placed in consolidated financial statements coordinated in accordance with TAS:

	Current Period (**)	Prior Period (**)
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards	331.918.946	288.337.293
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”	40.349	24.491
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	65.011.158	57.881.888
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	40.076.742	38.777.772
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	990.334	362.843
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	(43.814.961)	(42.482.185)
Total Risk Amount	436.819.069	389.266.248

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT

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

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

RWA (Risk Weighted Amounts) flow statements of CCR exposures under the Internal Model Method (IMM)

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

1. Explanations on Risk Management and Risk Weighted Amount

Overview of RWA

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	238.995.353	203.551.045	19.119.628
2	Standardised approach	238.995.353	203.551.045	19.119.628
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3.211.182	2.113.638	256.895
5	Standardised approach for counterparty credit risk	3.211.182	2.113.638	256.895
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies-look through approach	-	-	-
9	Investments made in collective investment companies-mandate-based approach	238.137	102.098	19.051
10	Investments made in collective investment companies-1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB Supervisory Formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	12.976.813	17.618.138	1.038.145
17	Standardised Approach	12.976.813	17.618.138	1.038.145
18	Internal model Approaches	-	-	-
19	Operational risk	20.519.768	18.052.275	1.641.581
20	Basic Indicator Approach	20.519.768	18.052.275	1.641.581
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity(subject to a 250% risk weight)	23.789	667.594	1.903
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	275.965.042	242.104.788	22.077.203

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

VIII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

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

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

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

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

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

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

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

As of 30 September 2016, explanations on segment reporting as shown on the following page are in line with Communiqué on “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures”.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

VIII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)

Table for Segment Reporting:

Current Period	Retail Banking	Corporate/ Entrepreneu rial Banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Correction	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE							
Interest Income	4.978.939	7.258.955	3.388.849	4.687.759	-	266.865	20.581.367
Interest Income from Loans	4.978.939	7.215.559	3.388.849	342.558	-	19.734	15.945.639
Interest Income from Banks	-	36.705	-	46.229	-	80.777	163.711
Interest Income from Securities	-	-	-	4.159.385	-	10.219	4.169.604
Other Interest Income	-	6.691	-	139.587	-	156.135	302.413
Interest Expense	4.898.794	2.155.810	-	2.850.091	-	84.584	9.989.279
Interest Expense on Deposits	4.898.794	2.159.959	-	310.100	-	1.631	7.370.484
Interest Expense on Funds Borrowed	-	(4.149)	-	339.702	-	28.814	364.367
Interest Expense on Money Market Transactions	-	-	-	1.926.740	-	2	1.926.742
Interest Expense on Securities Issued	-	-	-	273.549	-	11.560	285.109
Other Interest Expense	-	-	-	-	-	42.577	42.577
Net Interest Income/Expense	80.145	5.103.145	3.388.849	1.837.668	-	182.281	10.592.088
Net Fees and Commission Income/Expense	735.226	304.814	75.750	(182.942)	-	142.401	1.075.249
Fees and Commissions Received	735.226	310.721	76.781	3.047	-	220.100	1.345.875
Fees and Commissions Paid	-	5.907	1.031	185.989	-	77.699	270.626
Dividend Income	-	-	-	255.651	(227.301)	4.014	32.364
Trading Income/Loss (Net)	-	6.743	-	(92.985)	-	370	(85.872)
Other Operating Income	23.690	214.679	30.763	2.727	-	2.076.846	2.348.705
Provision for Loans or Other Receivables Losses	688.442	1.310.646	542.370	120	(1.485)	76.571	2.616.664
Other Operating Expense	41.903	207.963	39.466	-	(889)	4.513.324	4.801.767
Income Before Tax	108.716	4.110.772	2.913.526	1.819.999	(224.927)	(2.183.983)	6.544.103
Profit/Loss on Equity Method	-	-	-	-	-	14.931	14.931
Tax Provision	-	-	-	-	-	(1.421.643)	(1.421.643)
Net Profit/Loss	108.716	4.110.772	2.913.526	1.819.999	(224.927)	(3.590.695)	5.137.391
SEGMENT ASSETS							
Financial Assets at FV Through P/L	-	-	-	1.126.072	-	42.483	1.168.555
Banks and Other Financial Institutions	-	731.573	-	2.387.329	-	990.702	4.109.604
Financial Assets Available for Sale (Net)	-	-	-	57.254.495	147	9.206	57.263.848
Loans	56.840.102	109.380.343	44.047.428	8.491.899	-	296.712	219.056.484
Held to Maturity Investments (Net)	-	14.018	-	7.934.250	-	29.993	7.978.261
Associates, Subsidiaries and Joint Ventures	-	868,9538	-	2.733.088	(2.561.148)	24.306	197.115
Other Assets	-	131.428	-	-	(35.757)	51.285.777	51.381.448
Total Segment Assets	56.840.102	110.258.231	44.047.428	79.927.133	(2.596.758)	52.679.179	341.155.315
SEGMENT LIABILITIES							
Deposits	149.669.640	49.922.393	-	10.948.443	-	1.508.846	212.049.322
Derivative Financial Liabilities Held for Trading	-	-	-	551.407	-	2.515	553.922
Funds Borrowed	-	(564.578)	-	21.680.584	-	1.032.744	22.148.750
Money Market Funds	-	-	-	42.122.460	-	-	42.122.460
Securities Issued (Net)	-	4.271	-	6.323.103	-	131.661	6,459,035
Provisions	-	-	-	-	22.068	7,034,073	7,056,141
Other Liabilities	-	-	-	-	(35.757)	13,141,300	13,105,543
Shareholders' Equity	-	-	-	-	(2,583,069)	40,243,211	37,660,142
Total Segment Liabilities	149.669.640	49.362.086	-	81.625.997	(2,596,758)	63.094.350	341.155.315
OTHER SEGMENT ITEMS							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	247.718	247.718
Restructuring Costs	-	-	-	-	-	-	-

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

VIII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)

Table for Segment Reporting (Continued):

Prior Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Correction	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE							
30 September 2015							
Interest Income	4.266.447	5.052.042	2.508.516	4.295.910	-	302.355	16.425.270
Interest Income from Loans	4.266.447	5.022.648	2.508.516	405.326	-	25.058	12.227.995
Interest Income from Banks	-	27.837	-	42.634	-	71.991	142.462
Interest Income from Securities	-	1.557	-	3.812.808	-	25.924	3.840.289
Other Interest Income	-	-	-	35.142	-	179.382	214.524
Interest Expense	4.168.451	1.848.598	-	2.392.120	-	96.140	8.505.309
Interest Expense on Deposits	4.168.451	1.844.532	-	362.589	-	1.192	6.376.764
Interest Expense on Funds Borrowed	-	3.847	-	298.034	-	28.100	329.981
Interest Expense on Money Market Transactions	-	-	-	1.534.005	-	18	1.534.023
Interest Expense on Securities Issued	-	-	-	197.492	-	9.392	206.884
Other Interest Expense	-	219	-	-	-	57.438	57.657
Net Interest Income/Expense	97.996	3.203.444	2.508.516	1.903.790	-	206.215	7.919.961
Net Fees and Commission Income/Expense	598.253	226.849	49.821	(141.118)	-	154.168	887.973
Fees and Commissions Received	598.253	228.686	49.821	4.633	-	246.388	1.127.781
Fees and Commissions Paid	-	1.837	-	145.751	-	92.220	239.808
Dividend Income	-	-	-	195.655	(191.711)	2.036	5.980
Trading Income/Loss (Net)	-	(502)	968	(220.628)	-	4.436	(215.726)
Other Operating Income	18.204	160.756	36.713	2.668	(21.141)	1.577.862	1.775.062
Provision for Loans or Other Receivables Losses	317.567	619.534	222.734	1.861	6.010	41.289	1.208.995
Other Operating Expense	35.143	148.848	23.090	-	54	4.219.765	4.426.900
Income Before Tax	361.743	2.822.164	2.350.194	1.738.507	(218.917)	(2.316.336)	4.737.355
Profit/Loss on Equity Method	-	-	-	-	-	17.445	17.445
Tax Provision	-	-	-	-	-	(1.080.171)	(1.080.171)
Net Profit/Loss	361.743	2.822.164	2.350.194	1.738.507	(218.917)	(3.379.062)	3.674.629
SEGMENT ASSETS							
31 December 2015							
Financial Assets at FV Through P/L	-	-	-	945.774	-	26.492	972.266
Banks and Other Financial Institutions	-	378.545	-	3.297.543	-	1.405.776	5.081.864
Financial Assets Available for Sale (Net)	-	36.360	-	53.948.118	148	52.312	54.036.938
Loans	51.214.922	95.157.671	37.676.823	8.190.770	-	268.210	192.508.396
Held to Maturity Investments (Net)	-	13.407	-	10.144.142	-	65.926	10.223.475
Associates, Subsidiaries and Joint Ventures	-	817	-	2.655.366	(2.495.396)	25.282	186.069
Other Assets	-	197.145	-	-	(2.537)	47.064.202	47.258.810
Total Segment Assets	51.214.922	95.783.945	37.676.823	79.181.713	(2.497.785)	48.908.200	310.267.818
SEGMENT LIABILITIES							
31 December 2015							
Deposits	137.600.974	41.269.946	-	10.828.741	-	1.220.436	190.920.097
Derivative Financial Liabilities Held for Trading	-	-	-	290.275	-	9.907	300.182
Funds Borrowed	-	43.305	-	19.463.588	-	1.280.510	20.787.403
Money Market Funds	-	-	-	43.134.312	-	-	43.134.312
Securities Issued (Net)	-	-	-	5.287.606	-	131.791	5.419.397
Provisions	-	14.470	-	-	23.552	6.327.715	6.365.737
Other Liabilities	-	19.556	-	-	(2.537)	11.570.729	11.587.748
Shareholders' Equity	-	235.617	-	-	(2.518.802)	34.036.127	31.752.942
Total Segment Liabilities	137.600.974	41.582.894	-	79.004.522	(2.497.787)	54.577.215	310.267.818
OTHER SEGMENT ITEMS							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	236.972	236.972
Restructuring Costs	-	-	-	-	-	-	-

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1.711.113	980.490	1.723.559	853.611
Central Bank of the Republic of Turkey	4.450.950	32.852.757	2.378.666	31.888.236
Other	851	150.655	-	90.605
Total	6.162.914	33.983.902	4.102.225	32.832.452

1) Information on Required Reserves:

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

As of the balance sheet date, according to CBRT’s Communiqué about Required Reserves No. 2016/4, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity, and for deposits up to 3-months maturity 10,5%; for deposits up to 6-months maturity 7,5%; for deposits up to 1-year maturity 5,5%; for deposits 1-year and longer maturity 4%; for TL liabilities other than deposits up to 1-year maturity 10,5%; for TL liabilities other than deposits between 1- and 3-years maturity 7%; for TL liabilities other than deposits more than 3-years maturity 4%; for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturity 13%; for FC deposit accounts with 1-year and longer maturity 9%, for FC liabilities other than deposits up to 1-year maturity 25%; for FC liabilities other than deposits up to 2-years maturity 20%, for FC liabilities for FC liabilities other than deposits up to 3-years maturity 15%; for FC liabilities other than deposits up to 5-years maturity 7% and for FC liabilities other than deposits more than 5-years maturity 5%.

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

As of 30 September 2016, total reserve requirement of the Group is TL 37.461.091 including Central Banks abroad (31 December 2015: TL 35.484.883).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	4.358.345	770.452	2.310.541	236.684
Unrestricted Time Deposit	-	2.093.250	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves ^{(1) (2)}	92.605	29.989.055	68.125	31.651.552
Total	4.450.950	32.852.757	2.378.666	31.888.236

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period		Prior Period	
Assets Subject to Repurchase Agreements	-	-	-	-
Assets Blocked/Given as Collateral	-	-	-	3.960
Total	-	-	-	3.960

b) Positive differences related to the derivative financial assets held-for-trading:

Derivative Financial Assets Held-for-Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	28.654	39.429	26.116	46.643
Swap Transactions	697.455	334.774	625.959	233.506
Futures Transactions	-	-	-	-
Options	-	-	9	45
Other	-	-	-	-
Total	726.109	374.203	652.084	280.194

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	1.685.007	230.956	1.884.201	408.643
Foreign Banks	79.070	1.946.699	27.113	2.645.734
Foreign Head Office and Branches	-	-	-	-
Total	1.764.077	2.177.655	1.911.314	3.054.377

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

4. a) Explanation regarding to the comparison of net values of financial assets available-for-sale given or blocked as collateral and subject to repurchase agreements:

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	39.633.562	40.599.081
Assets Blocked/Given as Collateral	4.256.220	5.251.648
Total	43.889.782	45.850.729

- b) Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	57.242.277	54.745.634
Quoted in Stock Exchange	57.167.542	54.688.171
Not Quoted in Stock Exchange	74.735	57.463
Share Certificates	598.250	635.564
Quoted in Stock Exchange	444.839	483.687
Not Quoted in Stock Exchange	153.411	151.877
Provision for Impairment (-)	576.679	1.344.260
Total	57.263.848	54.036.938

5. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	507	-	202
Loans Granted to Employees ^{(1) (2)}	296.426	151	267.353	132
Total	296.426	658	267.353	334

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information related to loans (Continued):

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms ⁽¹⁾	Other		Loans and other receivables with revised contract terms	Other
Non-Specialized Loans	166.597.342	1.913.346	-	2.622.853	1.684.482	-
Commercial loans	98.565.250	1.229.533	-	1.283.728	1.480.839	-
Export Loans	3.234.412	-	-	4.653	-	-
Import Loans	357.399	-	-	5.612	-	-
Loans Given to Financial Sector	4.800.305	-	-	-	-	-
Consumer Loans	51.881.164	683.672	-	1.248.661	201.282	-
Credit Cards	3.257.207	141	-	65.600	2.361	-
Other ⁽²⁾	4.501.605	-	-	14.599	-	-
Specialized Lending ⁽³⁾⁽⁴⁾	37.546.998	2.605.693	-	931.524	304.442	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals	4.582.418	-	-	-	-	-
Total	208.726.758	4.519.039	-	3.554.377	1.988.924	-

⁽¹⁾ Since Restructured or rescheduled loans cannot be decomposed systematically, they have been shown in the “Loans and Other Receivables with Revised Contract Terms” section.

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

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

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

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended ^(*)	4.516.754	1.983.836
3 - 4 or 5 Times Extended	2.285	4.975
Over 5 Times Extended	-	113

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

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	1.475.434	933.472
6 Months - 12 Months	1.040.681	159.967
1 - 2 Years	1.469.876	450.188
2 - 5 Years	480.215	422.328
5 Years and Over	52.833	22.969
Total	4.519.039	1.988.924

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information related to loans: (Continued)

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	405.405	52.283.113	52.688.518
Real Estate Loans ⁽²⁾	13.596	28.035.304	28.048.900
Vehicle Loans	2.989	217.179	220.168
Consumer Loans ⁽²⁾	383.981	23.614.492	23.998.473
Abroad	4.339	305.438	309.777
Other	500	110.700	111.200
Consumer Loans- Indexed to FC	598	124.770	125.368
Real Estate Loans	-	14.784	14.784
Vehicle Loans	-	107	107
Consumer Loans	-	-	-
Other	598	109.879	110.477
Consumer Loans-FC	1.612	95.150	96.762
Real Estate Loans	-	10.444	10.444
Vehicle Loans	-	-	-
Consumer Loans	186	56.637	56.823
Abroad	1.320	26.368	27.688
Other	106	1.701	1.807
Individual Credit Cards-TL	2.818.610	3.039	2.821.649
With Installment	962.484	125	962.609
Without Installment	1.856.126	2.914	1.859.040
Individual Credit Cards-FC	337	-	337
With Installment	-	-	-
Without Installment	337	-	337
Personnel Loans-TL	9.093	194.718	203.811
Real Estate Loans	-	1.769	1.769
Vehicle Loans	15	19	34
Consumer Loans	8.944	187.114	196.058
Abroad	127	1.667	1.794
Other	7	4.149	4.156
Personnel Loans-Indexed to FC	29	6.907	6.936
Real Estate Loans	-	1.952	1.952
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	29	4.955	4.984
Personnel Loans-FC	19	1.101	1.120
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	771	771
Other	19	330	349
Personnel Credit Cards-TL	84.391	156	84.547
With Installment	36.537	87	36.624
Without Installment	47.854	69	47.923
Personnel Credit Cards-FC	12	-	12
With Installment	-	-	-
Without Installment	12	-	12
Overdraft Accounts-TL (Real Person)	892.264	-	892.264
Overdraft Accounts-FC (Real Person)	-	-	-
Total ⁽¹⁾	4.212.370	52.708.954	56.921.324

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information related to loans: (Continued)

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

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	861.329	13.276.379	14.137.708
Business Loans	439	498.174	498.613
Vehicle Loans	42.372	909.691	952.063
Consumer Loans	741.841	11.710.151	12.451.992
Other	76.677	158.363	235.040
Commercial Installment Loans- Indexed to FC	105.968	346.724	452.692
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	105.968	346.724	452.692
Commercial Installment Loans - FC	127.869	15.382.689	15.510.558
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	27.044	15.165.661	15.192.705
Other	100.825	217.028	317.853
Corporate Credit Cards-TL	418.520	214	418.734
With Installment	124.653	183	124.836
Without Installment	293.867	31	293.898
Corporate Credit Cards-FC	30	-	30
With Installment	-	-	-
Without Installment	30	-	30
Overdraft Account-TL (Legal Entity)	142.529	-	142.529
Overdraft Account-FC (Legal Entity)	-	-	-
Total ⁽¹⁾	1.656.245	29.006.006	30.662.251

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

e) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	208.402.895	181.834.465
Foreign Loans	5.803.785	6.442.090
Interest Income Accruals of Loans	4.582.418	3.350.947
Total	218.789.098	191.627.502

f) Loans granted to subsidiaries and associates:

None (31 December 2015: None)

g) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	435.117	187.917
Loans and other receivables with doubtful collectability	760.349	480.993
Uncollectible loans and other receivables	2.535.258	1.672.896
Total	3.730.724	2.341.806

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information related to loans: (Continued)

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

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

	Group III: Loans and Receivables with Limited Collectability	Group IV: Loans and Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Receivables
Current Period	16.563	43.151	102.073
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	16.563	43.151	102.073
Rescheduled loans and other receivables	-	-	-
Prior Period	11.844	51.598	92.945
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	11.844	51.598	92.945
Rescheduled loans and other receivables	-	-	-

2) Information on the movement of non-performing receivables:

	Group III: Loans and Receivables with Limited Collectability	Group IV: Loans and Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Receivables
Prior Period Ending Balance	331.722	492.416	2.398.562
Additions (+)	1.313.019	65.878	119.438
Transfers from Other Categories of Loans under Follow-up (+)	-	1.096.304	588.203
Transfers to Other Categories of Loans under Follow-up (-)	1.096.304	588.203	-
Collections (-) ⁽¹⁾	112.974	295.969	313.964
Write-offs (-)	-	-	18
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	18
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance ⁽²⁾	435.463	770.426	2.792.221
Specific Provision (-) ⁽³⁾	435.117	760.349	2.535.258
Net Balance on Balance Sheet ⁽²⁾	346	10.077	256.963

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

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information related to loans: (Continued)

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

3) Information on foreign currency non-performing loans:

	Group III: Loans and Other Receivables with Limited Collectability	Group IV: Loans and Other Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Other Receivables
Current Period:			
Period Ending Balance	38.755	16.212	82.517
Specific Provision (-)	38.755	16.212	82.517
Net Balance on Balance Sheet	-	-	-
Prior Period:			
Period Ending Balance	50.271	8.652	34.694
Specific Provision (-)	38.840	8.652	34.694
Net Balance on Balance Sheet	11.431	-	-

4) Gross and net amounts of non-performing receivables according to user groups:

	Group III: Loans and Other Receivables with Limited Collectability	Group IV: Loans and Other Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Other Receivables
Current Period (Net)	346	10.077	256.963
Loans to Real Persons and Legal Entities (Gross)	435.463	695.610	2.792.221
Specific Provisions (-)	435.117	685.533	2.535.258
Loans to Real Persons and Legal Entities (Net)	346	10.077	256.963
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	74.816	-
Specific Provisions (-)	-	74.816	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	143.806	11.423	725.665
Loans to Real Persons and Legal Entities (Gross)	331.723	415.807	2.398.561
Specific Provisions (-)	187.917	404.384	1.672.896
Loans to Real Persons and Legal Entities (Net)	143.806	11.423	725.665
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	76.609	-
Specific Provisions (-)	-	76.609	-
Other Loans and Receivables (Net)	-	-	-

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information on held-to-maturity investments:

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

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

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

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

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

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

	Current Period	Prior Period
Government Bonds	7.854.666	10.133.222
Treasury Bills	-	-
Other Public Sector Debt Securities	14.018	13.407
Total	7.868.684	10.146.629

c) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt securities	7.978.261	10.223.475
Quoted in a Stock Exchange	7.868.684	10.146.629
Not Quoted in a Stock Exchange	109.577	76.846
Provision for Impairment (-)	-	-
Total	7.978.261	10.223.475

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

d) Movements of held-to-maturity investments:

	Current Period	Prior Period
Beginning Balance	10.223.475	10.239.816
Addition to Scope of Consolidation		
Foreign Currency Differences on Monetary Assets	228.746	1.064.698
Purchases During the Year	110.038	154.288
Disposals through Sales and Redemptions	(2.583.998)	(1.235.327)
Provision for Impairment (-)		
Period End Balance	7.978.261	10.223.475

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

Revaluation differences of reclassified available for sale securities before deferred tax are TL 68.984, EUR (23.067) thousand and USD (15.207) thousand respectively and are recorded under shareholders’ equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. At the end of balance sheet date, negative revaluation differences under shareholders’ equity are amounted as USD 10.970 thousand and EUR 1.287 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 24.001 thousand and USD 67.647 thousand respectively.

If the reclassification from the held for trading securities portfolio to the held-to-maturity portfolio had not been performed, income accrual amounting to TL 10.286 would have been recorded. As of 30 September 2016, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL 26.582 (expense).

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information about associates (net):

a) 1) Information about unconsolidated associates:

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

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

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

⁽²⁾ Current period information of associates has been provided from unreviewed financial statements as of 30 September 2016. Prior period profit/loss information of associates has been provided from reviewed financial statements as of 30 September 2015.

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

b) 1) Explanation regarding consolidated associates:

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

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

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

⁽²⁾ Current period information of Arap Türk Bankası A.Ş. has been provided from reviewed financial statements as of 30 September 2016. Prior period profit/loss information of ArapTürk Bankası A.Ş. has been provided from reviewed financial statements as of 30 September 2015.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

2) Information about consolidated associates:

	Current Period	Prior Period
Beginning Balance	92.861	82.116
Movement During the Period	3.902	10.745
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer	-	-
Sales	-	-
Revaluation	3.902	10.745
Impairment Provision	-	-
Ending Balance	96.763	92.861
Capital Commitments	-	-
Period Ending Share of Capital Participation (%)	15,43	15,43

3) Sector information about consolidated associates:

	Current Period	Prior Period
Banks	96.763	92.861
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

4) Consolidated associates quoted to a stock exchange:

None (31 December 2015: None).

8. Information on subsidiaries (net):

a) Information about unconsolidated subsidiaries:

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

	Total Assets ⁽²⁾	Shareholders' Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽²⁾	Prior Period Profit / Loss ⁽²⁾	Fair Value ⁽¹⁾
1	44.286	9.744	11.930	737	67	(564)	291	-

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

⁽²⁾ Current period information of subsidiaries has been provided from unreviewed financial statements as of 30 September 2016. Prior period profit/loss information has been provided from reviewed financial statements as of 30 September 2015.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

b) Information about consolidated subsidiaries:

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

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

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

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

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

⁽³⁾ Information on subsidiaries shown in the above table has been provided from the unreviewed financial statements as of 30 September 2016, the prior period profit/loss balances have been provided from reviewed financial statements as of 30 September 2015.

⁽⁴⁾ The amounts shown in Interest Income column belong to Ziraat Katılım Bank A.Ş. and contain dividend income.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

2) Information about consolidated subsidiaries (Represents the values belong to the Parent Bank):

	Current Period	Prior Period
Balance at the Beginning of the Period	2.442.943	1.453.735
Movements During the Period	72.000	989.208
Additions to Scope of Consolidation	-	-
Purchases ⁽¹⁾	72.000	997.857
Bonus Shares Obtained	-	16.921
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales	-	-
Revaluation Increase	-	227.760
Impairment Provision	-	253.330
Balance at the End of the Period	2.514.943	2.442.943
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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

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

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

c) Subsidiaries which are quoted on a stock exchange:

None (31 December 2015: None).

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

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

9. a) Information on entities under common control (joint ventures):

Entities under Common Control (Joint Ventures) ⁽¹⁾	Parent Bank's Share⁽²⁾	Group's Share	Current Assets	Non- Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	39.635	39.635	741.493	11.299	16.053	25.829	17.700
UTBANK JSC	46.221	46.240	307.211	3.271	4.913	22.556	15.941
Total	85.856	85.875	1.048.704	14.570	20.966	48.385	33.641

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

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

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

10. Information on finance lease receivables (net):

Information on finance lease receivables are as below:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	945.075	822.604	360.879	317.383
1-5 Years	1.497.511	1.307.852	2.192.205	1.874.178
More than 5 Years	182.324	170.399	190.422	171.841
Total	2.624.910	2.300.855	2.743.506	2.363.402

11. Information on derivative financial assets for hedging purposes:

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

12. Information on investment property:

None (31 December 2015: None).

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

The Group’s immovables acquired amount to TL 296.827 consisting of TL 14.523 due to consumer loans, TL 222.964 on its commercial loans and TL 59.340 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1.803. Total depreciation expense is TL 4.264 for these held for sale assets. (31 December 2015: The Bank’s immovables acquired amount to TL 244.367 consisting of TL 13.494 due to consumer loans, TL 185.021 on its commercial loans and TL 45.852 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1.849. Total depreciation expense is TL 4.658 for these held for sale assets).

14. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs ⁽¹⁾	Other Tangibles	Total
Prior Period End:						
Cost	5.283.531	9.869	45.930	210.178	824.742	6.374.250
Accumulated Depreciation (-)	869.320	2.186	23.007	111.378	410.675	1.416.566
Net Book Value	4.414.211	7.683	22.923	98.800	414.067	4.957.684
Current Period End:						
Net Book Value at the Beginning of the Period	4.414.211	7.683	22.923	98.800	414.067	4.957.684
Change During the Period (Net)	126.568	901	(5.400)	1.304	(12.788)	110.585
Cost	236.482	1.762	(1.395)	28.765	57.738	323.352
Depreciation – Net (-)	109.914	861	4.005	27.461	70.526	212.767
Impairment (-)						
Net Currency Translation from Foreign Subsidiaries (-)						
Cost at Period End	5.520.013	11.631	44.535	238.943	882.480	6.697.602
Accumulated Depreciation at Period End (-)	979.234	3.047	27.012	138.839	481.201	1.629.333
Closing Net Book Value	4.540.779	8.584	17.523	100.104	401.279	5.068.269

- a) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.
- b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

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

1) For deposit banks:

Current Period	Demand	7 Days Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	20.838.454	-	3.074.448	58.661.047	4.374.019	965.139	847.552	20.256	88.780.915
Foreign Currency Deposits	14.137.827	-	5.871.488	19.221.141	4.818.001	3.709.346	15.075.459	605	62.833.867
Residents in Turkey	12.090.649	-	5.522.707	16.537.320	4.033.720	2.751.891	9.976.249	605	50.913.141
Residents Abroad	2.047.178	-	348.781	2.683.821	784.281	957.455	5.099.210	-	11.920.726
Public Sector Deposits	6.494.970	-	3.927.884	4.570.346	692.157	4.104.804	13.560	-	19.803.721
Commercial Inst. Deposits	4.675.237	-	5.892.656	6.969.216	1.021.350	123.444	92.444	-	18.774.347
Other Inst. Deposits	1.810.540	-	2.071.688	4.317.598	766.980	670.341	773.345	-	10.410.492
Precious Metals	1.116.214	-	24.487	143.654	19.745	9.953	11.556	-	1.325.609
Interbank Deposits	413.534	-	5.601.543	530.124	778.197	1.923.324	873.649	-	10.120.371
CBRT	3.918	-	-	-	-	-	-	-	3.918
Domestic Banks	100.718	-	4.172.209	197.367	348.637	61.508	368.467	-	5.248.906
Foreign Banks	103.395	-	1.429.334	332.757	429.560	1.861.816	505.182	-	4.662.044
Participation Banks	205.503	-	-	-	-	-	-	-	205.503
Other	-	-	-	-	-	-	-	-	-
Total	49.486.776	-	26.464.194	94.413.126	12.470.449	11.506.351	17.687.565	20.861	212.049.322

Prior Period	Demand	7 Days Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	15.846.134	-	2.775.653	54.063.340	4.248.745	990.796	799.896	5.538	78.730.102
Foreign Currency Deposits	12.371.997	-	8.909.641	16.467.457	4.792.177	3.626.058	13.137.046	431	59.304.807
Residents in Turkey	10.900.141	-	8.712.995	14.420.590	4.280.762	2.921.964	9.726.044	431	50.962.927
Residents Abroad	1.471.856	-	196.646	2.046.867	511.415	704.094	3.411.002	-	8.341.880
Public Sector Deposits	5.765.117	-	3.440.895	4.511.961	1.247.351	2.865.402	94.380	13.276	17.938.382
Commercial Inst. Deposits	4.553.542	-	3.605.918	5.111.621	1.071.958	328.128	1.166.738	-	15.837.905
Other Inst. Deposits	1.533.085	-	1.857.417	3.081.800	259.595	737.257	474.829	252.326	8.196.309
Precious Metals	1.039.897	-	25.203	123.939	18.613	9.393	8.662	-	1.225.707
Interbank Deposits	279.728	-	6.127.518	995.229	1.094.520	1.116.474	73.416	-	9.686.885
CBRT	11.521	-	-	-	-	-	-	-	11.521
Domestic Banks	35.674	-	5.046.468	51.023	109.610	36.885	-	-	5.279.660
Foreign Banks	87.163	-	1.049.200	944.206	984.910	1.079.589	73.416	-	4.218.484
Participation Banks	145.370	-	31.850	-	-	-	-	-	177.220
Other	-	-	-	-	-	-	-	-	-
Total	41.389.500	-	26.742.245	84.355.347	12.732.959	9.673.508	15.754.967	271.571	190.920.097

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

b) Information on saving deposits:

1) Amounts exceeding the deposit insurance limit:

**a) Saving deposits under the guarantee of deposit insurance and exceeding the deposit insurance limit:
(It reflects the values of the Parent Bank)**

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

⁽¹⁾ In Bulgaria and Greece, since both real person and legal entity’s saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 49.604 and TL 7.538 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2015: Bulgaria and Greece, TL 57.299 and TL 7.465, respectively).

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

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

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of banks. As total of capital amount and interest expense accruals of saving deposits up to TL 100 attributable to a real person is covered by the insurance, TL 499.173 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 15 February 2013 and numbered 28560.

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

3) Amounts which are not covered by deposit insurance:

a) Saving deposits of real persons not covered by the deposit insurance fund (Values belong to the Parent Bank):

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

2. Information on derivative financial liabilities held for trading:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	23.954	35.912	24.700	43.551
Swap Transactions	67.278	426.778	3.956	227.951
Futures Transactions	-	-	-	-
Options	-	-	3	21
Other	-	-	-	-
Total	91.232	462.690	28.659	271.523

3. a) General information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	297.757	1.434.600	269.760	1.001.940
Foreign Banks, Institutions and Funds	970.563	19.445.830	944.015	18.571.688
Total	1.268.320	20.880.430	1.213.775	19.573.628

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	315.469	6.915.278	255.656	7.155.010
Medium and Long-Term	952.851	13.965.152	958.119	12.418.618
Total	1.268.320	20.880.430	1.213.775	19.573.628

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

62,16% of the Group’s liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Group’s liabilities are not subject to a significant concentration risk.

d) Information on funds supplied from repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	25.587.091	-	27.289.499	-
Financial Institutions and Organizations	25.322.824	-	27.068.715	-
Other Institutions and Organizations	257.885	-	212.000	-
Real Person	6.382	-	8.784	-
From Overseas Operations	-	14.465.369	-	14.744.813
Financial Institutions and Organizations	-	14.465.369	-	14.744.813
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
Total	25.587.091	14.465.369	27.289.499	14.744.813

e) Information on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.144.770	100.811	2.199.333	756.233
Asset-Backed Securities	101.363	-	-	-
Treasury Bills	131.661	3.980.430	131.791	2.332.040
Total	2.377.794	4.081.241	2.331.124	3.088.273

4. If other liabilities exceed 10% of the balance sheet total, name and amount of sub-accounts constituting at least 20% of these liabilities:

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

5. Information on finance lease payables (net):

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

The Group has no liabilities from finance leases (31 December 2015: None).

6. Information on derivative financial liabilities for hedging purposes:

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Explanations on provisions:

a) Information on general provisions:

	Current Period	Prior Period
General Provisions	3.624.589	2.925.818
Allocated for Group-I Loans and Receivables	2.919.572	2.506.562
Additional Provision for Loans and Receivables with Extended Maturities	179.965	121.600
Allocated for Group-II Loans and Receivables	216.312	152.015
Additional Provision for Loans and Receivables with Extended Maturities	63.673	28.425
Allocated for Non-Cash Loans	421.558	164.752
Other	67.147	102.489

b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

Foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables amount to TL 975 (31 December 2015: TL 5.561).

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

The Parent Bank’s specific provisions for unindemnified non-cash loans amount to TL 126.017 (31 December 2015: TL 55.629).

d) Information on other provisions:

1) Information on free provisions for possible risks:

These financial statements include a free provision which is not in accordance with BRSA Principles amounting to TL 945.000 (TL 295.400 of this provision amount was reversed from the income statement in the current year), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions. Moreover, the provision of TL 16.700 and other provision of TL 244 exist for cash transfers made by the Parent Bank officials.

	Current Period	Prior Period
Provisions for Possible Risks	961.944	1.257.419

2) The names and amounts of sub-accounts of other provisions exceeding 10% of the total provision amount:

Based on the information provided by the legal department, lawsuits against the Parent Bank over TL 100 amounts to TL 59.126. Full provision has been provided in these financial statements for law suits ended against the Bank but not finalized yet, amounting to TL 34.759.

Based on the decision of the Bank management, provision amounting to TL 73.650 is provided for the consumer loans followed under standard loan portfolio that also have amounts in the non-performing loan portfolio in compliance with the Act on Preservation of Consumers numbered 4077. The provision is made in accordance with the “Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”, published in Official Gazette numbered 26333, dated 1 November 2006 and considering the conservatism principle without taking into consideration the guarantees of these loans.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Explanations on provisions: (Continued)

d) Information on other provisions: (Continued)

2) The names and amounts of sub-accounts of other provisions exceeding 10% of the total provision amount: (Continued)

The Group also provided provisions amounting to TL 126.017 for unindemnified non-cash loans (31 December 2015: TL 55.629), TL 86.136 for other provisions (31 December 2015: TL 45.625). As a result of the provisions mentioned above, the other provision balance on the Group’s balance sheet amounts to TL 1.282.506 (31 December 2015: TL 1.482.032).

e) Liabilities on reserve for employee termination benefits:

1) Employment termination benefits and unused vacation rights

The Group accounts for its vacation and retirement pay obligations in accordance with the TAS 19 “Employee Benefits”. The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation. As of 30 September 2016, unpaid vacation liability amounted to TL 188.311 (31 December 2015: TL 170.572), and employment termination amounted to TL 769.654 (31 December 2015: TL 689.727) are presented under the “Employee Benefits Provision” in the financial statements.

8. Information on tax liability:

a) Information on current tax liability:

1) Information on tax provisions:

As of 30 September 2016, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 394.332 (31 December 2015: TL 416.922).

2) Information on current taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	394.332	416.922
Taxation on Income From Securities	222.696	202.372
Property Tax	2.256	2.237
Banking Insurance Transactions Tax (BITT)	124.032	117.824
Foreign Exchange Transactions Tax	38	28
Value Added Tax Payable	4.682	4.341
Other	64.020	59.961
Total	812.056	803.685

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on tax liability: (Continued)

a) Information on current tax liability: (Continued)

3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	43	239
Social Security Premiums - Employer	61	341
Bank Social Aid Pension Fund Premium - Employee	163	330
Bank Social Aid Pension Fund Premium - Employer	308	528
Pension Fund Membership Fees and Provisions - Employee	12	13
Pension Fund Membership Fees and Provisions - Employer	58	45
Unemployment Insurance - Employee	648	559
Unemployment Insurance - Employer	1.301	1.118
Other	-	-
Total	2.594	3.173

b) Information on deferred tax liabilities, if any:

The Group’s deferred tax liability, for the current term, amounts to TL 52.291 (31 December 2015: TL 2.357).

9. 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.

10. Explanations on subordinated debts:

The Group does not have any subordinated debts.

11. Information on shareholders’ equity:

a) Presentation on paid-in capital:

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

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

The Parent Bank does not have a registered capital system.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on shareholders’ equity: (Continued)

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

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

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

None.

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

The Parent Bank has no capital commitments.

f) 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.

g) Information on preferred shares representing the capital:

The Parent Bank has no preferred shares.

h) Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	342.182	61.381	342.182	61.381
Revaluation Difference	-	61.381	-	61.381
Foreign Exchange Difference	342.182	-	342.182	-
From Available for Sale Marketable Securities	(747.213)	776.854	(1.718.652)	809.922
Revaluation Difference	(238.649)	777.055	(1.618.036)	810.012
Deferred Tax Effect	(108.553)	(201)	275.247	(90)
Foreign Exchange Difference	(400.011)	-	(375.863)	-
Total	(405.031)	838.235	(1.376.470)	871.303

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

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

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:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Payment Commitments for Cheques	3.098.473	3.079.630
Asset Purchase and Sale Commitments	2.448.967	1.848.592
Commitments for Credit Card Expenditure Limits	6.993.582	7.131.274
Loan Granting Commitments	3.194.889	3.007.694
Other Irrevocable Commitments	5.660.751	4.855.029
Commitments for Credit Cards and Banking Services Promotions	24.860	20.185
Tax and Fund Liabilities from Export Commitments	-	27
Share Capital Commitments to Associates and Subsidiaries	-	-
Total	21.421.522	19.942.431

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

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

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

	Current Period	Prior Period
Guarantee Letters	60.625.913	49.707.786
Bank Acceptances	7.557.034	6.957.456
Letter of Credits	3.565.852	4.194.107
Other Guarantees	409.245	31.525
Other Securities	13.405	-
Total	72.171.449	60.890.874

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

	Current Period	Prior Period
Letters of Certain Guarantees	38.104.328	31.862.854
Letters of Advance Guarantees	16.177.025	13.052.987
Letters of Temporary Guarantees	3.382.989	2.754.448
Letters of Guarantees Given to Customs Offices	749.963	655.110
Other Letters of Guarantees	2.211.608	1.382.387
Total	60.625.913	49.707.786

c) 1) Total non-cash loans:

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	1.237.869	1.054.138
With Original Maturity of One Year or Less	17.677	84.954
With Original Maturity of More than One Year	1.220.192	969.184
Other Non-Cash Loans	70.933.580	59.836.736
Total	72.171.449	60.890.874

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

1. a) Information on interest income from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans ⁽¹⁾	13.856.660	2.088.979	10.602.525	1.625.470
Short Term Loans	3.380.656	98.923	2.865.910	81.865
Medium and Long Term Loans	10.388.778	1.990.030	7.616.039	1.543.585
Interest on Non-Performing Loans	87.226	26	120.576	20
Premiums from Resource Utilization Support Fund	-	-	-	-

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

(2) The dividend income amount belong to Ziraat Katılım Bank A.Ş shown in interest income from loans column.

b) Information on interest received from the banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	3.279	-	608	-
Domestic Banks	141.493	3.121	123.828	2.559
Foreign Banks	1.393	14.425	677	14.758
Head Office and Branches	-	-	-	32
Total	146.165	17.546	125.113	17.349

c) Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	2.077	226	749	199
Financial Assets at Fair Value through Profit or Loss	6.755	-	6.262	988
Financial Assets Available-for-Sale	3.082.997	464.980	2.872.748	367.702
Investments Held-to-Maturity	345.126	267.443	310.758	280.883
Total	3.436.955	732.649	3.190.517	649.772

d) Information on interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	153	98

2. a) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks ⁽¹⁾	91.268	266.866	91.157	238.824
Central Bank of the Republic of Turkey	2.056	4.688	-	-
Domestic Banks	22.610	8.196	28.051	6.492
Foreign Banks	66.602	253.982	63.106	232.332
Head Office and Branches	-	-	-	-
Other Institutions	3.861	2.372	-	-
Total	95.129	269.238	91.157	238.824

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	3.026	2.238

c) Information on interest given on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	179.609	105.500	126.240	80.644

d) 1) Maturity structure of the interest expense on deposits:

Account Name	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 year		
TL								
Bank Deposit	-	273.583	-	-	-	-	-	273.583
Saving Deposit	1	164.492	3.861.426	275.376	58.274	52.247	1.471	4.413.287
Public Sector Deposit	104	250.223	326.585	87.338	210.793	1.688	-	876.731
Commercial Deposit	144	323.440	417.421	33.997	23.503	5.662	-	804.167
Other Deposit	82	94.883	268.653	27.321	54.471	20.846	-	466.256
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Total	331	1.106.621	4.874.085	424.032	347.041	80.443	1.471	6.834.024
FC								
Foreign Currency Deposit	814	61.541	185.523	42.219	35.870	169.265	287	495.519
Bank Deposit	37	39.451	324	142	-	-	-	39.954
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	89	678	105	54	61	-	987
Total	851	101.081	186.525	42.466	35.924	169.326	287	536.460
Grand Total	1.182	1.207.702	5.060.610	466.498	382.965	249.769	1.758	7.370.484

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

	Current Period	Prior Period
Profit	24.445.064	28.172.637
Foreign Exchange Gains	21.471.417	25.304.935
Profit on Derivative Financial Instruments	2.942.503	2.796.644
Profit from the Capital Market Transactions	31.144	71.058
Loss (-)	24.530.936	28.388.363
Foreign Exchange Loss	21.694.662	24.663.485
Loss on Derivative Financial Instruments	2.832.737	3.723.383
Loss from the Capital Market Transactions	3.537	1.495

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

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	5.016.793	565.124
Effect of the change in interest rates on profit/loss	(4.907.027)	(1.491.863)
Total	109.766	(926.739)

5. Information on other operating income:

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

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

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

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables ⁽¹⁾	1.831.894	675.806
Group III Loans and Receivables	417.179	124.783
Group IV Loans and Receivables	723.689	383.597
Group V Loans and Receivables	691.026	167.426
General Provision Expenses ⁽²⁾	699.199	494.932
Provision Expenses for the Possible Losses	960	1.500
Marketable Securities Impairment Expense	120	1.861
Financial Assets at Fair Value through Profit and Loss	-	33
Financial Assets Available for Sale	120	1.828
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Business Partners)	-	-
Investment Securities Held to Maturity	-	-
Other	84.491	34.896
Total	2.616.664	1.208.995

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. a) Information on other operating expenses:

	Current Period	Prior Period
Personnel Expenses	1.852.845	1.659.511
Reserve for Employee Termination Benefits	33.519	22.360
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	212.767	203.431
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	34.951	33.541
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	983.466	880.993
Operational Leasing Expenses	171.408	138.946
Maintenance Expenses	55.028	61.206
Advertisement Expenses	53.193	45.362
Other Expenses	703.837	635.479
Loss on Sales of Assets	733	197
Other ⁽¹⁾	1.683.486	1.626.867
Total	4.801.767	4.426.900

⁽¹⁾ TL 348.853 of the relevant balance is Savings Deposit Insurance Fund expense accrual (30 September 2015: TL 298.555), TL 333.091 is taxes, fees and tolls expenses (30 September 2015: TL 291.201).

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

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

	Current Period	Prior Period
Net Interest Income	10.592.088	7.919.961
Other Operating Income	2.348.705	1.775.062
Net Fees and Commissions Income	1.075.249	887.973
Dividend Income	32.364	5.980
Trading Income/Expense (Net)	(85.872)	(215.726)
Other Operating Expenses (-)	4.801.767	4.426.900
Provision for Loan or Other Receivables Losses (-)	2.616.664	1.208.995
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	14.931	17.445
Profit/(Loss) from Continuing Operations	6.559.034	4.754.800

9. Information on tax provision for continuing and discontinuing operations

As of 30 September 2016, TL 1.421.643 (30 September 2015 TL 1.080.171) of the Group’s total tax provision expense amounting to TL 1.600.464 (30 September 2015: TL 498.819), consists of current tax expense while the remaining balances amounting to TL 178.821 (30 September 2015: TL 581.352 deferred tax expense) consists of deferred tax income.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

The Group’s net operating income after tax amounts to TL 5.137.391 (30 September 2015: TL 3.674.629).

11. Information on net profit/loss:

a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the 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.

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

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

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

a) 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 and Other Receivables ⁽¹⁾						
Opening Balance	25.125	-	-	-	-	-
Closing Balance	20.939	-	-	-	-	-
Interest and Commissions Income	153	-	-	-	-	-

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

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 ⁽²⁾	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables ⁽¹⁾						
Opening Balance	8.558	-	-	-	-	-
Closing Balance	25.125	-	-	-	-	-
Interest and Commissions Income ⁽²⁾	98	-	-	-	-	-

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

⁽²⁾ Prior period's interest and commissions income shows the amount as of 30 September 2015.

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Opening Balance	38.385	25.152	-	-	-	-
Closing Balance	63.950	38.385	-	-	-	-
Interest Expense on Deposits	3.026	2.238	-	-	-	-

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

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

None (31 December 2015: None).

3) Information about fees paid to the Group's key management:

Fees paid to the Group's key management amount to TL 32.490 (30 September 2015: TL 26.426).

VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE GROUP’S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON REVIEW REPORT

I. EXPLANATIONS ON REVIEW REPORT

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

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

SECTION EIGHT (*)

EXPLANATIONS ON INTERIM REPORT

I. Chairman of the Board’s Message

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

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

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

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

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

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

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON INTERIM REPORT (Continued)

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

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

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

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

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

II. CEO’s Message

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

We are maintaining our credit-focused growth by outperforming the sector's growth. With a 10% increase in the first nine months, consolidated total assets reached TRY 341 billion as of late Q3 with credits accounting for 64%. In line with our goal to have customer-weighted balance sheet, share of credits has increased and balance sheet share of securities has regressed to 19%. Total volume of credits has reached up to TRY 291 billion including non-cash credits with cash credits amounting to TRY 291 billion.

Although consumer loans, particularly mortgages, gained a momentum due to the latest regulations and declines in interest rates, the corporate loans are the main contributor to our credit growth.

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

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

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

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

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON INTERIM REPORT (Continued)

II. CEO’s Message (Continued)

We improve digital banking further, thus, our quality and efficiency. We concentrate on more effective management of our costs as well as branch and employee efficiencies. Accordingly, the Parent Bank's revenue to cost ratio differentiates from the industry positively and remains far below the sector's average. Maintaining its positive course for the efficiency ratios and supporting its shareholders' equity accordingly, the Parent Bank will pursue its strategy to improve credit-weighted balance sheet structure through a robust financial structure, while maintaining its lending capability at high levels with its strong shareholders' equity structure.

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

III. Shareholding Structure

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON INTERIM REPORT (Continued)

IV. CONSOLIDATED FINANCIAL INDICATORS

ASSETS (TL Million)	30 September 2016	31 December 2015	Change (%)
Liquid Assets and Banks	44.256	42.017	5,3
Securities Portfolio	66.411	65.233	1,8
Loans	219.056	192.508	13,8
Other Assets	11.432	10.510	8,8
Total Assets	341.155	310.268	10,0
LIABILITIES (TL Million)	30 September 2016	31 December 2015	Change (%)
Deposits	212.049	190.920	11,1
Non-deposits Resources	70.730	69.341	2,0
Other Liabilities	20.716	18.254	13,5
Shareholders' Equity	37.660	31.753	18,6
Total Liabilities	341.155	310.268	10,0
CHOSEN INCOME-EXPENSES (TL Million)	30 September 2016	30 September 2015	Change (%)
Interest Income	20.581	16.425	25,3
Interest Expense	9.989	8.505	17,4
Net Interest Income	10.592	7.920	33,7
Net Fees and Commission Income	1.075	888	21,1
Other Operations Income	2.349	1.775	32,3
Other Operations Expense	4.802	4.427	8,5
Provision for Losses on Loans Or Other Receivables	2.617	1.209	116,5
Income Before Taxes From Continuing Operations	6.559	4.755	37,9
Provision For Taxes On Income From Continuing Operations	1.422	1.080	31,7
Net Profit/Losses	5.137	3.675	39,8
RATIOS (%)	30 September 2016	31 December 2015	
Capital Adequacy Ratio	14,57	14,56	
Equity / Total Assets	11,0	10,2	
Total Loans / Total Assets	64,2	62,0	
Loans under follow-up (Gross) / Total Loans	1,8	1,7	
FC Assets / FC Liabilities	101,9	97,2	
Liquid Assets / Total Assets	13,0	13,5	
	30 September 2016	30 September 2015	
Net Profit (Loss) / Average Total Assets (ROA)	2,1	1,7	
Net Profit (Loss) / Average Equities (ROE)	19,6	16,7	
Interest Incomes / Interest Expenses	206,0	193,1	

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON INTERIM REPORT (Continued)

V. 2016 III. Interim Activities

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

VI. Risk Management

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

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

VII. Other Important Activities

- On the third quarter of 2016 the bank has made a total worth of 9,7 billion TL, 412.822 consumer loans.
- Regardless of the seasonal stationarity of the Capital Markets, on the third quarter of 2016 the Corporate Loans Segment of the Bank reached the level of 76,2 billion TL and non-cash loans reached a level of 61,1 billion TL. Thus the total worth of Corporate Loans Segment reached to 137,3 billion TL.
- On the third quarter of 2016, the Bank increased its portfolio to the level of 23,9 billion TL by the usage of 3,5 billion TL mortgage loans, in terms of consumer loans the Bank reached a level of 24,1 billion TL by the usage of 5,3 billion TL. Thus the Bank continues its leadership on the sector in the segment of consumer installment loans.
- As of third quarter of 2016, The loans for financing of the agricultural sector reached a level of 41,4 billion TL and the amount of customers which held loans reached 655.004.
- On the third quarter of 2016, the customers, which use internet banking, have increased to 8.608.118 and the customers, which use mobile banking, have increased to 1.645.468.
- As of 19 September 2016 the subsidiary located in Bosnia Herzegovina, Ziraat Bank BH dd, Sanski Most branch started to its operations.
- As of 18 July 2016 Marneuli-Georgia sub-branch started to its operations.
- The considerable aid on the economy of the Parent Bank in terms of financing the foreign trade still continues. On the third quarter of 2016, approximately 9 billion USD worth of foreign trade volume is attained and 81% of this volume belongs to the Corporate Segment Customers.
- On the first three quarters of 2016, 9,09 billion TL worth of subsidy has been mediated by the Bank for 4.795.046 producers across Turkey.
- As of third quarter, The Bank’s market share of credit card number is 6,24%, 3.6 million and market share of monthly turnover is 3,28%.
- The Bank sustained its leadership on its sector by the actualization on the amount of bank cards by 25,1 million with a revenue market share of 19,21%.
- In total of 37.593.011 transactions have been made from the headquarters and the centralization ratio increased by 99%.
- Within the scope of channel optimization operations, in order to reduce operational costs an operational branch segmentation project was carried out.
- Throughout the year 2016, 24.545 personnel has been trained and on average 10,93 hours of education has been realized per personnel.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON INTERIM REPORT (Continued)

VIII. Expectations Regarding After III. Interim Period of 2016

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

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

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

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

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

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

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016

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

EXPLANATIONS ON INTERIM REPORT (Continued)

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

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

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

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

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

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

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

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