

**ZİRAAT KATILIM BANKASI A.Ş.**

**PUBLICLY ANNOUNCED UNCONSOLIDATED  
FINANCIAL STATEMENTS  
TOGETHER WITH REVIEW REPORT  
FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2016**

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



## AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor's review report originally issued in Turkish, See Note I of Section Three)

To the Board of Directors of Ziraat Katılım Bankası A.Ş.;

### *Introduction*

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



### *Conclusion*

Based on our review nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Ziraat Katılım Bankası A.Ş. 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 Reporting Legislation.

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

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

### *Additional Paragraph for Convenience Translation:*

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

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

Haluk Yalçın, SMMM  
Partner

İstanbul, 9 November 2016

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

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

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

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- EXPLANATIONS ON REVIEW REPORT
- INTERIM PERIOD ANNUAL REPORT

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

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Hüseyin AYDIN  
Chairman of the Board

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Osman ARSLAN  
Member of the Board,  
CEO

---

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

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Metin ÖZDEMİR  
Member of the Board,  
Member of the Audit Committee

---

HAKAN AYDOĞAN  
Financial Coordination and  
Human Resources Deputy  
General Manager

---

Osman ÇETİNER  
Vice President  
of Financial Reporting

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname/Position : Tuncay KAMIŞ / Financial Reporting Manager

Telephone : 0 212 404 13 35

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

**ZİRAAT KATILIM BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY - 30 SEPTEMBER 2016**

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

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**SECTION ONE**

**GENERAL INFORMATION ABOUT THE BANK**

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

Ziraat Participation Bank is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 October 2014 which was published in the Official Gazette numbered as 29146 at 15 October 2014 with a capital of TL 675,000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 14 May 2015. The Bank has begun its operations by opening its first branch in 29 May 2015. Governance body of the bank is in Istanbul.

Main operation field of the Bank is gathering funds by the accounts named as "Private Current Accounts" and "Participation Accounts to Profit and Loss" from domestic and abroad additional to its own capital and lending these funds to the economy, carrying up every kind of financing operations within the scope of legal legislation, promoting investment operations of real and corporate bodies that are making agricultural, industrial and commercial operations, participating in these operations, making up joint ventures and carrying out all these services and operations within the scope of participation banking fundamentals.

The Bank can carry out every kind of banking, economic, trade and financial operation within the limits of permissions given by the "Banking Regulation and Supervision Agency" ("BRSA") within the scope of Participation Banking fundamentals.

**II. SHAREHOLDING STRUCTURE, SHAREHOLDERS JOINTLY OR INDIVIDUALLY HAVING DIRECT OR INDIRECT, CONTROL OVER THE MANAGEMENT AND SUPERVISION OF THE BANK AND THE DISCLOSURES ON ANY RELATED CHANGES IN THE CURRENT PERIOD, IF ANY AND INFORMATION ABOUT THE GROUP THAT THE BANK BELONGS TO:**

As of 30 September 2016, Bank's capital of TL 747,000 is divided into 747,000,000 shares in which one share is valued as TL 1. 746,999,996 shares of total belongs to T.C. Ziraat Bankası, one share belongs to Ziraat Sigorta A.Ş., one share belongs to Ziraat Hayat ve Emeklilik A.Ş., one share belongs to Ziraat Teknoloji A.Ş. and one share belongs to Ziraat Yatırım Menkul Kıymetler A.Ş..

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**ZİRAAT KATILIM BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY - 30 SEPTEMBER 2016**

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

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

**III. EXPLANATIONS ON THE TITLES OF CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, GENERAL MANAGERS AND ASSISTANT GENERAL MANAGERS AND THEIR SHAREHOLDINGS IN THE BANK:**

Name	Title
<b>Board of Directors</b>	
Hüseyin AYDIN	Chairman
Osman ARSLAN	General Manager and Member of the BOD
Yusuf DAĞCAN	Executive Vice President and Member of the BOD
Cemalettin BAŞLI	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Salim ALKAN	Member
<b>Member of Audit Committee</b>	
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
<b>Assistant General Manager</b>	
Hakan AYDOĞAN	Financial Coordination and Human Resources
Mustafa AKIN	Marketing
Tahir DEMİRKIRAN (*)	Loan Allocation and Management

(\*) With the decision of the Board of the Directors, numbered as 1/5 at 12 January 2016, Tahir DEMİRKIRAN was transferred to "Loan Allocation and Administration Deputy General Manager".

Chairman and members of the Board of Directors have no Bank's share capital.

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

Name / Trade Name	Share Amount (Nominal)	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C.Ziraat Bankası A.Ş.	746,999,996	99.9999996	746,999,996	-
Ziraat Sigorta A.Ş.	1	0.0000001	1	-
Ziraat Hayat ve Emeklilik A.Ş.	1	0.0000001	1	-
Ziraat Teknoloji A.Ş.	1	0.0000001	1	-
Ziraat Yatırım Menkul Değerler A.Ş.	1	0.0000001	1	-
<b>Total</b>	<b>747,000,000</b>	<b>100.00</b>	<b>747,000,000</b>	<b>-</b>

As of 30 September 2016, the main shareholder of the bank is the Undersecretariat of Treasury, which is also the only shareholder of Ziraat Bank A.Ş.

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

**ZİRAAT KATILIM BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY - 30 SEPTEMBER 2016**

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

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

**V. EXPLANATIONS OF THE BANK'S SERVICES AND FIELD OF OPERATIONS:**

Operation field of Bank was declared in the prime contract within the scope of Banking Law and other legislation codes. The bank collects funds with the scope of Banking Principles and provide all type of cash, non-cash funds within the scope of Islamic banking principles in any case. Moreover, the Bank operates it's participation banking operations to the extent permitted by the Legal Code, for the benefit of the society within the principles of the participation banking such as for the purpose of society.

Bank sorts out participation accounts discretely from the other accounts in its account records in terms of their maturity. Participation accounts are opened in 5 maturity groups as maturity to one month, maturity to three months (three months included), maturity to six months (six months included), maturity to one year (one year included) and maturity to one year or more (with dividend payment of one month, 3 months, six months and annually).

Bank can determine the rates of participating in profit and loss by operating participation accounts discretely as of currency type, amount and maturity groups but participation rate to loss can not be less than 50% of participation rate to profit.

Bank branches provides Islamic insurance within the principles of participation banking (takaful insurance) as an agent of Ziraat Hayat ve Emeklilik A.Ş. and Ziraat Sigorta A.Ş. to their client.

As of 30 September 2016, Bank operates with its 41 branches and 627 workers domestically.

Bank has no branches abroad.

**VI. CURRENT OR LIKELY ACTUAL LEGAL BARRIERS TO IMMEDIATE TRANSFER OF  
EQUITY OR REPAYMENT OF DEBTS BETWEEN PARENT BANK AND ITS  
SUBSIDIARIES:**

None.



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

**ZİRAAT KATILIM BANKASI A.Ş.  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AS OF 30 SEPTEMBER 2016**

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

**SECTION TWO**

**THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS**

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	THOUSAND OF TURKISH LIRA					
		Current Period (30/09/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
<b>ASSETS</b>							
<b>I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	(1)	144,487	558,690	703,177	29,239	137,837	167,076
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	(2)	68	1,076	1,144	2,870	1	2,871
2.1 Financial Assets Held for Trading		68	1,076	1,144	2,870	1	2,871
2.1.1 Public Sector Debt Securities							
2.1.2 Securities Representing a Share in Capital							
2.1.3 Derivative Financial Assets Held for Trading		68	1,076	1,144	2,870	1	2,871
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							
<b>III. BANKS</b>	(3)	2,923	257,880	260,803	17,979	94,586	112,565
<b>IV. MONEY MARKET PLACEMENTS</b>							
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	368,611	6,270	374,881	120,973	6,049	127,022
5.1 Securities Representing a Share in Capital		4,719		4,719	4,719		4,719
5.2 Public Sector Debt Securities							
5.3 Other Marketable Securities		363,892	6,270	370,162	116,254	6,049	122,303
<b>VI. LOANS AND RECEIVABLES</b>	(5)	3,934,722	597,197	4,531,919	1,442,395	247,709	1,690,106
6.1 Loans and receivables		3,931,513	597,197	4,528,710	1,442,395	247,709	1,690,104
6.1.1 Loans to Risk Group of the Bank		425,240	179,605	604,843	323,118	14,608	337,726
6.1.2 Public sector debt securities							
6.1.3 Other		3,506,273	417,592	3,923,867	1,119,277	233,101	1,352,378
6.2 Non-performing loans		4,047		4,047	2		2
6.3 Specific provisions (-)		838		838			
<b>VII. INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	7,896		7,896			
<b>VIII. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)						
8.1 Accounted with Equity Method							
8.2 Unconsolidated Associates							
8.2.1 Financial investments							
8.2.2 Non-financial investments							
<b>IX. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	50		50			
9.1 Unconsolidated financial subsidiaries		50		50			
9.2 Unconsolidated non-financial subsidiaries							
<b>X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	(9)						
10.1 Consolidated under equity method							
10.2 Unconsolidated							
10.2.1 Financial subsidiaries							
10.2.2 Non-financial subsidiaries							
<b>XI. RECEIVABLES FROM LEASING TRANSACTIONS</b>	(10)	94,400		94,400	8,854		8,854
11.1 Finance Lease Receivables		106,179		106,179	11,217		11,217
11.2 Operating Lease Receivables							
11.3 Other							
11.4 Unearned Income ( - )		11,779		11,779	2,363		2,363
<b>XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSE</b>	(11)						
12.1 Fair Value Hedges							
12.2 Cash Flow Hedges							
12.3 Hedges for Investments Made in Foreign Countries							
<b>XIII. TANGIBLE ASSETS (Net)</b>	(14)	42,024		42,024	38,788		38,788
<b>XIV. INTANGIBLE ASSETS (Net)</b>	(15)	22,283		22,283	20,996		20,996
14.1 Goodwill							
14.2 Other		22,283		22,283	20,996		20,996
<b>XV. REAL ESTATES FOR INVESTMENT PURPOSE (Net)</b>	(12)						
<b>XVI. TAX ASSET</b>	(16)	3,120		3,120	3,272		3,272
16.1 Current Tax Asset					3,272		3,272
16.2 Deferred Tax Asset		3,120		3,120			
<b>XVII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(13)						
17.1 Held for Sale							
17.2 Held from Discontinued Operations							
<b>XVIII. OTHER ASSETS</b>	(17)	39,582	64	39,646	5,860	25	5,885
<b>TOTAL ASSETS</b>		4,660,166	1,421,177	6,081,343	1,691,228	486,207	2,177,435

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

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

**ZİRAAT KATILIM BANKASI A.Ş.  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AS OF 30 SEPTEMBER 2016**

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	THOUSAND OF TURKISH LIRA					
		Current Period (30/09/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
<b>LIABILITIES AND EQUITY</b>							
<b>I. FUND COLLECTED</b>	<b>(1)</b>	<b>2,534,986</b>	<b>1,340,344</b>	<b>3,875,330</b>	<b>735,731</b>	<b>520,574</b>	<b>1,256,305</b>
1.1 Fund Collected Held By the Risk Group of the Bank		2,944	106	3,050	889	2	891
1.2 Other		2,532,042	1,340,238	3,872,280	734,842	520,572	1,255,414
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>(2)</b>	-	-	-	-	-	-
<b>III. FUNDS BORROWED</b>	<b>(3)</b>	<b>101,363</b>	<b>1,048,188</b>	<b>1,149,551</b>	-	<b>163,905</b>	<b>163,905</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>174,748</b>	-	<b>174,748</b>	<b>48,536</b>	-	<b>48,536</b>
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
<b>VI. MISCELLANEOUS PAYABLES</b>		<b>7,567</b>	<b>638</b>	<b>8,205</b>	<b>15,246</b>	<b>4,513</b>	<b>19,759</b>
<b>VII. OTHER LIABILITIES</b>	<b>(4)</b>	<b>58,962</b>	<b>4,372</b>	<b>63,334</b>	<b>5,955</b>	<b>284</b>	<b>6,239</b>
<b>VIII. FINANCE LEASE PAYABLES</b>	<b>(5)</b>	-	-	-	-	-	-
8.1 Finance Lease Payables		-	-	-	-	-	-
8.2 Operating Lease Payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred Finance Lease Expenses ( - )		-	-	-	-	-	-
<b>IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	<b>(6)</b>	-	-	-	-	-	-
9.1 Fair Value Hedges		-	-	-	-	-	-
9.2 Cash Flow Hedges		-	-	-	-	-	-
9.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>X. PROVISIONS</b>	<b>(7)</b>	<b>49,666</b>	<b>1,028</b>	<b>50,694</b>	<b>14,960</b>	<b>39</b>	<b>14,999</b>
10.1 General Provisions		40,957	-	40,957	13,939	-	13,939
10.2 Restructuring Provisions		-	-	-	-	-	-
10.3 Employee Benefits Provisions		1,868	-	1,868	-	-	-
10.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
10.5 Other Provisions		6,841	1,028	7,869	1,021	39	1,060
<b>XI. TAX LIABILITY</b>	<b>(8)</b>	<b>7,629</b>	-	<b>7,629</b>	<b>3,162</b>	-	<b>3,162</b>
11.1 Current Tax Liability		7,629	-	7,629	2,510	-	2,510
11.2 Deferred Tax Liability		-	-	-	652	-	652
<b>XII. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	<b>(9)</b>	-	-	-	-	-	-
12.1 Held for Sale		-	-	-	-	-	-
12.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XIII. SUBORDINATED LOANS</b>	<b>(10)</b>	-	-	-	-	-	-
<b>XIV. SHAREHOLDERS' EQUITY</b>	<b>(11)</b>	<b>751,868</b>	<b>(16)</b>	<b>751,852</b>	<b>664,609</b>	<b>(79)</b>	<b>664,530</b>
14.1 Paid-in Capital		747,000	-	747,000	675,000	-	675,000
14.2 Capital Reserves		4,413	(16)	4,397	1,591	(79)	1,512
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Marketable Securities Valuation Differences		4,413	(16)	4,397	1,591	(79)	1,512
14.2.4 Tangible Assets Revaluation Reserves		-	-	-	-	-	-
14.2.5 Intangible Assets Revaluation Reserves		-	-	-	-	-	-
14.2.6 Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
14.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-
14.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
14.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
14.2.1 Other Capital Reserves		-	-	-	-	-	-
14.3 Profit Reserves		-	-	-	-	-	-
14.3.1 Legal Reserves		-	-	-	-	-	-
14.3.2 Statutory Reserves		-	-	-	-	-	-
14.3.3 Extraordinary Reserves		-	-	-	-	-	-
14.3.4 Other Profit Reserves		-	-	-	-	-	-
14.4 Profit or Loss		455	-	455	(11,982)	-	(11,982)
14.4.1 Prior Years Profit/Loss		(11,982)	-	(11,982)	-	-	-
14.4.2 Net Period Profit/Loss		12,437	-	12,437	(11,982)	-	(11,982)
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,686,789</b>	<b>2,394,554</b>	<b>6,081,343</b>	<b>1,488,199</b>	<b>689,236</b>	<b>2,177,435</b>

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

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

**ZİRAAT KATILIM BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS  
AS OF 30 SEPTEMBER 2016**

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

II.	STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (30/09/2016)			Prior Period (31/12/2015)		
			TL	FC	Total	TL	FC	Total
<b>A</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>(1)</b>	<b>1,119,677</b>	<b>1,662,753</b>	<b>2,782,430</b>	<b>151,050</b>	<b>411,327</b>	<b>562,377</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>		<b>1,056,212</b>	<b>1,368,218</b>	<b>2,424,430</b>	<b>82,420</b>	<b>317,140</b>	<b>399,560</b>
1.1	Letters of Guarantee		1,052,966	833,693	1,886,659	82,420	286,028	368,448
1.1.1	Guarantees Subject to State Tender Law		1,637	475,015	476,652	80	107,915	107,995
1.1.2	Guarantees Given for Foreign Trade Operations		941,327	-	941,327	77,238	-	77,238
1.1.3	Other Letters of Guarantee		110,002	358,678	468,680	5,102	178,113	183,215
1.2	Bank Acceptances		-	838	838	-	-	-
1.2.1	Import Letter of Acceptance		-	838	838	-	-	-
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	114,283	114,283	-	31,112	31,112
1.3.1	Documentary Letters of Credit		-	114,283	114,283	-	31,112	31,112
1.3.2	Other Letters of Credit		-	-	-	-	-	-
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	Other Guarantees		3,075	406,170	409,245	-	-	-
1.7	Other Collaterals		171	13,234	13,405	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>		<b>63,465</b>	<b>91,930</b>	<b>155,395</b>	<b>3,208</b>	-	<b>3,208</b>
2.1	Irrevocable Commitments		63,465	91,930	155,395	3,208	-	3,208
2.1.1	Forward asset purchase commitments		40,128	91,930	132,058	-	-	-
2.1.2	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3	Loan Granting Commitments		-	-	-	-	-	-
2.1.4	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.5	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6	Payment commitment for checks		23,073	-	23,073	3,181	-	3,181
2.1.7	Tax and Fund Liabilities from Export Commitments		264	-	264	27	-	27
2.1.8	Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.9	Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.10	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Other Irrevocable Commitments		-	-	-	-	-	-
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		-	<b>202,605</b>	<b>202,605</b>	<b>65,422</b>	<b>94,187</b>	<b>159,609</b>
3.1	Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1	Fair value hedge		-	-	-	-	-	-
3.1.2	Cash flow hedge		-	-	-	-	-	-
3.1.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2	Held for trading transactions		-	202,605	202,605	65,422	94,187	159,609
3.2.1	Forward Foreign Currency Buy/Sell Transactions		-	202,605	202,605	65,422	94,187	159,609
3.2.1.1	Forward Foreign Currency Transactions-Buy		-	101,796	101,796	65,422	15,920	81,342
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	100,809	100,809	-	78,267	78,267
3.2.2	Other Forward Buy/Sell Transaction		-	-	-	-	-	-
3.3	Other		-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>4,692,634</b>	<b>268,982</b>	<b>4,961,616</b>	<b>663,443</b>	<b>44,080</b>	<b>707,523</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>151,673</b>	<b>69,898</b>	<b>221,571</b>	<b>31,043</b>	<b>10,939</b>	<b>41,982</b>
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		14	-	14	-	-	-
4.3	Checks Received for Collection		143,485	3,722	147,207	28,019	2,069	30,088
4.4	Commercial Notes Received for Collection		8,174	88	8,262	3,024	9	3,033
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	56,606	56,606	-	6,603	6,603
4.8	Custodians		-	9,482	9,482	-	2,258	2,258
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>4,540,961</b>	<b>199,084</b>	<b>4,740,045</b>	<b>632,400</b>	<b>33,141</b>	<b>665,541</b>
5.1	Marketable Securities		5,335	-	5,335	1,803	-	1,803
5.2	Guarantee Notes		463,888	18,232	482,120	43,667	303	43,970
5.3	Commodity		292,044	-	292,044	86,792	-	86,792
5.4	Warranty		-	-	-	-	-	-
5.5	Properties		3,351,425	-	3,351,425	482,182	-	482,182
5.6	Other Pledged Items		428,269	180,852	609,121	17,956	32,838	50,794
5.7	Pledged Items-Depository		-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>			<b>5,812,311</b>	<b>1,931,735</b>	<b>7,744,046</b>	<b>814,493</b>	<b>455,407</b>	<b>1,269,900</b>

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

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

**ZİRAAT KATILIM BANKASI A.Ş.  
UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD  
OF 1 JANUARY - 30 SEPTEMBER 2016**

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

III. INCOME STATEMENT						
INCOME AND EXPENSE ITEMS		Note (Section)	Current Period	Prior Period	Current Period	Prior Period
		Five IV)	01/01-30/09/2016	16/02-30/09/2015	01/07-30/09/2016	01/07-30/09/2015
I.	PROFIT SHARE INCOME	(1)	244,087	47,426	109,232	23,646
1.1	Profit share on loans		223,756	22,464	99,897	18,827
1.2	Profit share on reserve deposits		2,604	1	1,123	1
1.3	Profit share on banks		353	7,462	-	1,434
1.4	Profit share on money market placements		-	-	-	-
1.5	Profit share on marketable securities portfolio		15,318	17,499	7,061	3,384
1.5.1	Held-for-trading financial assets		-	-	-	-
1.5.2	Financial assets at fair value through profit and loss		-	-	-	-
1.5.3	Available-for-sale financial assets		14,922	2,230	6,850	1,518
1.5.4	Investments held-to-maturity		396	15,269	211	1,866
1.6	Finance lease income		2,004	-	1,101	-
1.7	Other profit share income		52	-	50	-
II.	PROFIT SHARE EXPENSE	(2)	106,852	4,877	51,854	4,735
2.1	Expense on profit sharing accounts		85,588	4,791	42,239	4,649
2.2	Profit share expense on funds borrowed		16,763	1	7,295	1
2.3	Profit share expense on money market borrowings		4,501	85	2,320	85
2.4	Expense on securities issued		-	-	-	-
2.5	Other profit share expense		-	-	-	-
III.	NET PROFIT SHARE INCOME (I - II)		137,235	42,549	57,378	18,911
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		8,240	(519)	2,847	(314)
4.1	Fees and commissions received		11,911	132	5,017	128
4.1.1	Non-cash loans		7,831	79	3,317	77
4.1.2	Other		4,080	53	1,700	51
4.2	Fees and commissions paid		3,671	651	1,669	442
4.2.1	Non-cash loans		-	1	-	1
4.2.2	Other		3,671	650	1,669	441
V.	DIVIDEND INCOME		-	-	-	-
VI.	NET TRADING INCOME	(3)	4,364	1,477	1,230	1,439
6.1	Capital market transaction gains / (losses)		-	-	-	-
6.2	Gains/ (losses) from derivative financial instruments	(4)	3,748	(1,373)	1,136	(1,383)
6.3	Foreign exchange gains / (losses)		616	2,850	94	2,822
VII.	OTHER OPERATING INCOME	(5)	1,330	19	66	19
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)		151,169	43,526	62,022	20,055
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	34,987	5,935	12,002	3,604
X.	OTHER OPERATING EXPENSES (-)	(7)	99,077	35,155	37,800	15,952
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		17,105	2,436	12,220	499
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-	-	-
XIII.	GAIN / (LOSS) ON EQUITY METHOD		-	-	-	-
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-	-	-
XV.	PROFIT/(LOSS) BEFORE TAXES FROM CONTINUED OPERATIONS (XI+...+XIV)	(8)	17,105	2,436	12,220	499
XVI.	TAX PROVISION FOR CONTINUED OPERATIONS (-)	(9)	(4,668)	(2,191)	(2,252)	(1,371)
16.1	Current Tax Provision		(8,818)	(2,092)	(4,317)	(1,269)
16.2	Deferred Tax Provision		4,150	(99)	2,065	(102)
XVII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	12,437	245	9,968	(872)
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
18.1	Income on assets held for sale		-	-	-	-
18.2	Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-	-	-
18.3	Income on other discontinued operations		-	-	-	-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
19.1	Loss from assets held for sale		-	-	-	-
19.2	Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-	-	-
19.3	Loss from other discontinued operations		-	-	-	-
XX.	PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-	-	-
XXI.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-	-	-
21.1	Current tax provision		-	-	-	-
21.2	Deferred tax provision		-	-	-	-
XXII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-	-	-
XXIII.	NET PROFIT/LOSS (XVII+XXII)	(11)	12,437	245	9,968	(872)
Earnings per share income/loss (full TL)			0.01665	0.00036	0.01334	(0.00129)

The accompanying notes are an integral part of these financial statements.

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

**ZİRAAT KATILIM BANKASI A.Ş.UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS  
ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE PERIOD OF  
1 JANUARY - 30 SEPTEMBER 2016**

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

IV.STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		Current Period	Prior Period
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		30/09/2016	30/09/2015
I.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	3,264	2,619
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	CURRENCY EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
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 Differences )	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	-	-
IX.	DEFERRED TAX RELATED TO VALUATION DIFFERENCES	(379)	(524)
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	2,885	2,095
XI.	CURRENT YEAR PROFIT/LOSS	-	-
11.1	Net change in fair value of marketable securities (transfer to profit/loss)	-	-
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	-	-
XII.	TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	2,885	2,095

The accompanying notes are an integral part of these financial statements.

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

**ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2016**

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

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																	
Prior Period	Note (Section Five)	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordi reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund.	Total equity
30 September 2015																	
I. Balances at beginning of the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Corrections According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 The Effect of Corrections of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 The Effect of Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	2,095	-	-	-	-	2,095
VI. Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Foreign Net Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. The Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. The Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. The Effect of Change in Associate's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital Increase		675,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	675,000
14.1 Cash		675,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	675,000
14.2 Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Inflation Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Period net Profit/(Loss)		-	-	-	-	-	-	-	-	245	-	-	-	-	-	-	245
XX. Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)		675,000	-	-	-	-	-	-	-	245	-	2,095	-	-	-	-	677,340

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

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

**ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2016**

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

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																		
Current Period		Note (Section Five)	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordi- nary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total equity
30 September 2016																		
I.	Balances at beginning of the period		675,000	-	-	-	-	-	-	-	-	(11,982)	1,512	-	-	-	-	664,530
	Changes During the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	2,885	-	-	-	-	2,885
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Joint vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72,000
12.1	Cash		72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72,000
12.2	From Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-	-	-	-	12,437	-	-	-	-	-	-	12,437
XVIII.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)			747,000	-	-	-	-	-	-	-	12,437	(11,982)	4,397	-	-	-	-	751,852

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

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

**ZİRAAT KATILIM BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD  
OF 1 JANUARY - 30 SEPTEMBER 2016**

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

VI. STATEMENT OF CASH FLOWS		Note (Section Five)	Current Period 01/01-30/09/2016	Prior Period 16/02 – 30/09/2015
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating profit before changes in operating assets and liabilities		12,030	3,015
1.1.1	Profit share income received		184,256	41,155
1.1.2	Profit share expense paid		(93,498)	(3,413)
1.1.3	Dividend received		-	-
1.1.4	Fees and commissions received		11,912	132
1.1.5	Other income		7,419	1,199
1.1.6	Collections from previously written off loans		-	-
1.1.7	Payments to personnel and service suppliers		(47,436)	(16,399)
1.1.8	Taxes paid		(4,843)	(1,723)
1.1.9	Others		(45,780)	(17,936)
1.2	Changes in operating assets and liabilities		505,169	214,471
1.2.1	Net (increase)/decrease in held for trading financial assets		-	-
1.2.2	Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3	Net (increase)/decrease in due from banks and other financial institutions		(420,335)	(70,175)
1.2.4	Net (increase)/decrease in loans		(2,866,397)	(1,113,762)
1.2.5	Net (increase)/decrease in other assets		(50,513)	(17,219)
1.2.6	Net increase/(decrease) in bank deposits		-	-
1.2.7	Net increase/(decrease) in other deposits		2,610,636	699,701
1.2.8	Net increase/(decrease) in funds borrowed		980,681	-
1.2.9	Net increase/(decrease) in due payables		-	-
1.2.10	Net increase/(decrease) in other liabilities		251,097	715,926
<b>I.</b>	<b>Net cash provided from banking operations</b>		<b>517,199</b>	<b>217,486</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net cash provided from investing activities</b>		<b>(270,284)</b>	<b>(160,386)</b>
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries		(50)	-
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-	-
2.3	Fixed assets purchases		(10,384)	(17,678)
2.4	Fixed assets sales		-	-
2.5	Cash paid for purchase of financial assets available for sale		(248,990)	(122,840)
2.6	Cash obtained from sale of financial assets available for sale		-	-
2.7	Cash paid for purchase of investment securities		(7,896)	-
2.8	Cash obtained from sale of investment securities		-	-
2.9	Other		(2,964)	(19,868)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net cash provided from financing activities</b>		<b>-</b>	<b>-</b>
3.1	Cash obtained from funds borrowed and securities issued		-	-
3.2	Cash used for repayment of funds borrowed and securities issued		-	-
3.3	Marketable Securities Issued		-	-
3.4	Dividends paid		-	-
3.5	Payments for finance leases		-	-
3.6	Other		-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>23,718</b>	<b>10,080</b>
<b>V.</b>	<b>Net (decrease)/increase in cash and cash equivalents (I + II + III + IV)</b>		<b>270,633</b>	<b>67,180</b>
<b>VI.</b>	<b>Cash and cash equivalents at the beginning of the period</b>		<b>145,137</b>	<b>-</b>
<b>VII.</b>	<b>Cash and cash equivalents at the end of the period</b>		<b>415,770</b>	<b>67,180</b>

The accompanying notes are an integral part of these financial statements.



**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**ZİRAAT KATILIM BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY - 30 SEPTEMBER 2016**

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

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**SECTION THREE**

**ACCOUNTING PRINCIPLES**

**I. BASIS OF PRESENTATION**

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

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

As of the date of 30 September 2016, balance sheet and off-balance sheet liabilities tables are comparatively given with December 31, 2015 audited balances and income statement, profit and loss accounted for under equity, cash flows and changes in shareholders' equity tables are comparatively given with 30 September 2015 balances.

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

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

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

**Additional paragraph for convenience translation into English:**

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

**II. EXPLANATIONS ON USAGE STRATEGY OF FINANCIAL ASSETS AND FOREIGN CURRENCY TRANSACTIONS**

The Bank's main field of operations are; to provide all kinds of domestic and foreign currency cash, non-cash loans, make transactions in domestic and foreign capital markets, collect current and participation accounts. As of reporting date, an important part of Bank resources consists of shareholders equity. Bank evaluates it's resources with commodity transactions, lease certificates and credits in high-yield and short-term. Bank's liquidity position considered as defraying all the maturing liabilities.

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**ACCOUNTING PRINCIPLES (Continued)**

**II. EXPLANATIONS ON USAGE STRATEGY OF FINANCIAL ASSETS AND FOREIGN CURRENCY TRANSACTIONS (Continued)**

The procedures including foreign currency were recorded based on the buying rate of the counter rulling at the transaction date. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates announced by the Central Bank of Turkey converting them into Turkish Lira and valuation differences of foreign currencies have been recognized in the income statement under the net foreign exchange income/expense account.

Bank is monitoring risks of liquidated receivables, doubtful fees, commission and other receivables with loans have the characteristics of loss and participation accounts make loan available risk belong to bank that are monitored in other receivables accounts with equities and make loans available special current accounts that are foreign currency and balance receivables, on the date of transition exchange to TL. Foreign currency credits make loans that are participation accounts and foreign exchange loans, risk that is belong to participation accounts appreciate with current accounts to exchange differences monitoring on the foreign exchange transactions profit or loss.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial instruments are reflected in the income statement. There are no foreign currency differences capitalized by the Bank.

**III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES**

Based on the TAS 27 "Turkish Accounting Standard for Consolidated and Separate Financial Statements", Turkish Lira denominated investments in associates and subsidiaries are accounted at cost value and are reflected to the unconsolidated financial statements after deducting the provision for impairment, if any. As of 22 January 2016, Ziraat Katılım Varlık Kiralama A.Ş joint stock company was established by bank as subsidiaries.

**IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS**

The Bank's derivative financial instruments consist of forward foreign currency buy/sell agreements.

The Bank's derivative transactions mostly include currency and precious metal swaps and foreign currency forward contracts in line with TAS 39 "Financial Instruments: Recognition and Measurement". The Bank has no embedded derivative instruments separated from the articles of association.

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 payables and receivables arising from derivative transactions are recorded in off-balance sheet accounts at their agreement amounts.

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**ACCOUNTING PRINCIPLES (Continued)**

**V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE**

Profit share 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 profit share income accrual is calculated for non-performing loans. Realized profit share accruals calculated for non-performing loans and recognized as income are reversed and profit share income related to these loans is recognized as profit only when collected.

The Bank calculates expense accrual in accordance with the unit value calculation method on sharing accounts and reflects these amounts in "Funds Collected" account on the balance sheet.

**VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES**

Commission income from banking, agency, intermediary services is recognized as income on the date collected. Whereas, commission income from individual, corporate and entrepreneurial cash and non-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.

Commissions and fees received from cash loans and relating to the future periods are recorded to the "Unearned Revenues" account under "Other Liabilities" on the balance sheet.

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

Financial instruments comprise financial assets and liabilities and derivative instruments. Financial assets mainly constitute the Bank's commercial activities and operations. Sales and purchase transactions of financial assets are accounted for using the settlement date basis and financial assets are classified as investments held-to-maturity, loans and receivables, financial assets available for sale or held-for-trading at initial recognition.

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

Financial assets at fair value through profit or loss have two sub categories: "trading financial assets" and "financial assets through at fair value through profit/loss at initial recognition".

Trading financial assets either acquired for generating profit from short-term fluctuations in the price or dealer's margin, are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Financial assets held for trading are initially recognized at transaction prices which are assumed to reflect the fair value and subsequently measured at fair value. Gain or loss resulted from valuation of these financial assets are transferred to profit or loss accounts.

The Bank has no financial assets at fair value through profit or loss other than trading financial assets.

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**ACCOUNTING PRINCIPLES (Continued)**

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

**b. Financial assets available for sale:**

Available-for-sale financial assets refer to 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 profit share income accrual or impairment provision. Furthermore, amortized cost using the internal rate of return method and cost value is compared and the difference is booked as profit share 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 internal rate of return method or appropriate valuation methods.

**c. Loans and receivables:**

Bank loans and receivables represent financial other than those held for trading or held for sale in a short period are not derivative financial instruments.

Loans and receivables are initially recognized at cost, and subsequently recognized at the amortized cost calculated using the internal rate of return method. Individual and corporate loans tracked in cash loans are recognized at their original amounts according to Uniform Chart of Accounts (UCA) and accounts determined in its prospects in line with their content.

Foreign currency indexed retail and commercial loans are converted to Turkish Lira at the rate on the lending date and they are followed under Turkish Lira ("TL") accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the profit/loss accounts.

**d. Held to maturity financial assets:**

Investments held to maturity are composed of financial assets that holding with keeping intention until maturity with the fulfilled relevant conditions and have fixed or determinable payments and fixed maturity other than loans and receivables.

Investments held to maturity are subsequently measured at amortized cost with internal rate of return, and they are accounted in the profit and loss table as profit share income gained by securities.

Held to maturity assets are initially recognized at cost value.

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**ACCOUNTING PRINCIPLES (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.

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

The provisions released in the same year are accounted by crediting the provision expenses account and the released parts of the previous years' provisions are recorded to the "collections from prior years expense" account.

**IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES**

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

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

As of the balance sheet date, there are no securities lending transactions. Central Bank of the Republic of Turkey ("CBRT") made some changes on orders for open market transactions ("OMT") and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds.

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**ACCOUNTING PRINCIPLES (Continued)**

**XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS  
AND RELATED LIABILITIES**

Tangible assets acquired in consideration of receivables are accounted 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. Fixed assets resulted from the Bank's receivables reflected in the held for sale account if they have concrete selling plan.

Assets which meet the criteria to be classified as held for sale are measured by the book value or the fair value from which the cost of sales is deducted, whichever is lower and no more amortization is made for such assets; and these assets are shown separately on the balance sheet. In order to classify an asset as an held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions.

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

As of 30 September 2016, the bank has no assets held for sale and tangibles corresponding discontinuing operations.

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

As of the balance sheet date, the bank has no goodwill within the financial statements.

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

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

The Bank recognizes its software costs incurred under the intangible assets - intangible rights account and the qualifying expenses are added to software's initial costs and amortized over 3-15 years considering the useful life.

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**ACCOUNTING PRINCIPLES (Continued)**

**XIII. EXPLANATIONS ON TANGIBLE ASSETS**

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.

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.

Applied annual depreciation rates are as follows;

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

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

There is no tangible assets that are held for sale.

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

*Transactions as a Lessee*

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of these amounts is the lower of fair value of the leased asset or the present value of the lease payments. The direct costs incurred during a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period.

Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets and if a diminution in recoverable value of the leased asset is identified, a provision for impairment is recognized. As of 30 September 2016, the Bank does not contain any financial leasing transactions.

Bank records financial lease payments made for branches as equal expense amounts within the lease period.

*Transactions as a Lessor*

The Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Bank presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

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**ACCOUNTING PRINCIPLES (Continued)**

**XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES**

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

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

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

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.

There is no lawsuit for and against as of the date of balance sheet.

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

**a. Employment Termination and Vacation Benefits:**

Liabilities related to severance pay and right to leave calculated according to the regulations of the TAS 19 "Accounting Standard of Employee Benefits".

Under the Turkish legislation, Employment Termination Benefit payments are made in case of retirement or employment termination or resignation. 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 calculation is 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).

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

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



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**ACCOUNTING PRINCIPLES (Continued)**

**XVII. EXPLANATIONS ON TAXATION**

**a. Current Tax**

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

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

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

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

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

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

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**ACCOUNTING PRINCIPLES (Continued)**

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

**b. Deferred Tax**

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

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

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

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

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

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

**XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS**

The Bank records borrowings in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". Borrowings, are recognized using the effective internal rate of return method in the following periods after the initial recognition. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings. There are no debt securities issued by the Bank. The Bank has issued borrowings as sukuk issuances, this through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş., these sukuk issuances are provided to the qualified investors without being released through an IPO and the bank takes place during this operation as a fund user.

**XIX. EXPLANATIONS ON SHARE CERTIFICATES ISSUED**

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

**XX. EXPLANATIONS ON ACCEPTANCES**

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

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**ACCOUNTING PRINCIPLES (Continued)**

**XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES**

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

**XXII. EXPLANATION ON 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.

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

**XXIII. EXPLANATION ON SEGMENT REPORTING**

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

**XXIV. EXPLANATIONS ON OTHER MATTERS**

There are no necessary other issues except that accounting policy above-stated.

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**SECTION FOUR**

**INFORMATION ON FINANCIAL STRUCTURE**

**I. EXPLANATIONS ON SHAREHOLDERS' EQUITY**

As of the 30 September 2016, current period equity balance of the bank is TL 727,297 and capital adequacy standard ratio is 14.36%. As of 31 December 2015 equity balance of the bank is TL 636,430 and capital adequacy standard ratio is 47.41% calculated within the scope of abrogated regulations.

**Information Related To The Components of Shareholders' Equity:**

	Current Period 30.09.2016	Amounts related to treatment before 1/1/2014(*)
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	747,000	
Share issue premiums	-	
Reserves	-	
Gains recognized in equity as per TAS	4,397	
Profit	12,437	
<b>Current Period Profit</b>	<b>12,437</b>	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>763,834</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	11,982	
Improvement costs for operating leasing	15,305	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	13,369	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>40,656</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>723,178</b>	

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)**

	Current Period 30.09.2016	Amounts related to treatment before 1/1/2014(*)
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	8,913	
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 (-)	3,120	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	<b>12,033</b>	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>711,145</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	16,652	
<b>Tier II Capital Before Deductions</b>	<b>16,652</b>	
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>16,652</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>727,797</b>	

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)**

	<b>Current Period 30.09.2016</b>	<b>Amounts related to treatment before 1/1/2014(*)</b>
<b>Total of Original Capital and Supplementary Capital ( Total Capital)</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law		
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	-	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
<b>TOTAL CAPITAL</b>		
Total Capital	727,797	
Total risk weighted amounts	5,066,969	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio	14.27	
Tier I Capital Adequacy Ratio	14.04	
Capital Adequacy Ratio	14.36	
<b>BUFFERS</b>		
Total Tier I Capital Ratio (%)	3.13	
Capital conservation buffer requirement	0.63	
Bank specific counter-cyclical buffer requirement	2.50	
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	9.77	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
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	-	
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	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	40,952	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	16,652	
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	-	
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)**

**Information related to the debt instruments which will be included in the calculation of equity:**

None.

**Information on reconciliation between balance sheet balances and the items of the total capital and equity table:**

The difference between Total Capital and Equity in the unconsolidated balance sheet mainly arises from the general provisions. In the calculation of Total Capital, general provision up to 1.25% of the 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 related deferred tax liabilities, net book value of immovable properties 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.

	Prior Period
<b>COMMON EQUITY TIER 1 CAPITAL</b>	
Paid-in Capital to be Entitled for Compensation after All Creditors	675,000
Share Premium	-
Share Cancellation Profits	-
Reserves	-
Income recognized under equity in accordance with TAS	1,512
Profit	(11,982)
Current Period's Profit	(11,982)
Prior Period's Profit	-
Free Provisions for Possible Risks	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>664,530</b>
<b>Deductions from Common Equity Tier 1 Capital</b>	<b>-</b>
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 (-)	-
Leasehold Improvements on Operational Leases (-)	11,885
Goodwill and intangible asset and the related deferred tax liability (-)	8,398
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 (-)	-
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>20,283</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>644,247</b>

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)**

	<b>Prior Period</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>	
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 )	-
<b>Additional Tier 1 Capital before Deductions</b>	-
<b>Deductions from Additional Tier 1 Capital</b>	-
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 (-)	-
<b>Total Deductions from Additional Tier 1 Capital</b>	-
<b>Total Additional Tier 1 Capital</b>	-
<b>Deductions From Tier 1 Capital</b>	<b>12,598</b>
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	12,598
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-
<b>Tier 1 Capital</b>	<b>631,648</b>
<b>TIER 2 CAPITAL</b>	
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	4,782
<b>Tier 2 Capital Before Deductions</b>	<b>4,782</b>
<b>Deductions From Tier 2 Capital</b>	
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 (-)	-
<b>Total Tier 2 Capital</b>	-
<b>TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS</b>	<b>4,782</b>



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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)**

	<b>Prior Period</b>
<b>Shareholder's Equity</b>	<b>636,430</b>
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovable 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 (-)	-
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 (-)	-
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(-)	-
<b>TOTAL CAPITAL</b>	<b>636,430</b>
<b>Amounts below deduction thresholds</b>	-
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%	-
Mortgage servicing rights	-
Deferred tax assets arising from temporary differences (net of related tax liability) (-)	-

**Summary information on capital adequacy standard ratio:**

	<b>Prior Period</b>
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	106,819
Capital Requirement for Market Risk (CRMAR)	576
Capital Requirement for Operational Risk (CROR)	-
Shareholders' Equity	636,430
Shareholders' Equity/((CRCR+CRMAR+CROR)*12.5)*100	47.41
Tier 1 Capital/((CRCR+CRMAR+CROR)*12.5)*100	47.05
Common Equity Tier 1 Capital/((CRCR+CRMAR+CROR)*12.5)*100	47.99

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. EXPLANATIONS ON THE CURRENCY RISK**

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

The Bank's policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, VAR is calculated for daily foreign exchange position and reported to the related departments.

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

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

None.

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

"Liquidity Gap Analysis" are prepared periodically in order to define liquidity and interest rate risks at US Dollar and Euro, which are mainly used by the Bank in its operations. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders' Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100JPY
26.09.2016	2.9745	3.3488	2.2486	0.4451	0.3452	3.0433	2.2358	0.3633	3.8428	0.7852	2.9320
27.09.2016	2.9790	3.3339	2.2573	0.4432	0.3417	3.0344	2.2245	0.3617	3.8524	0.7859	2.9390
28.09.2016	2.9795	3.3327	2.2559	0.4429	0.3431	3.0312	2.2249	0.3640	3.8549	0.7865	2.9280
29.09.2016	2.9905	3.3557	2.2684	0.4461	0.3457	3.0600	2.2597	0.3683	3.8655	0.7879	2.9120
30.09.2016	2.9933	3.3603	2.2666	0.4470	0.3456	3.0550	2.2535	0.3706	3.8694	0.7897	2.9250

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100JPY
2.9608	3.3148	2.2244	0.4409	0.3430	3.0061	2.2407	0.3565	3.8772	0.7813	2.8709

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

**Information on the foreign currency risk of the Bank:**

	EUR	USD	Other FC <sup>(1)</sup>	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	140,202	418,434	54	558,690
Banks	133,428	110,316	14,136	257,880
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	6,270	-	6,270
Loans	704,950	792,912	-	1,497,862
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures)	-	-	-	-
Investments Held-to-Maturity	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	4	60	-	64
<b>Total Assets</b>	<b>978,584</b>	<b>1,327,992</b>	<b>14,190</b>	<b>2,320,766</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	1,373	30,084	-	31,457
Current and profit sharing accounts FC	457,661	837,348	13,878	1,308,887
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	511,195	536,993	-	1,048,188
Marketable securities issued	-	-	-	-
Miscellaneous payables	52	586	-	638
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	1,628	3,522	250	5,400
<b>Total liabilities</b>	<b>971,909</b>	<b>1,408,533</b>	<b>14,128</b>	<b>2,394,570</b>
<b>Net balance sheet position</b>	<b>6,675</b>	<b>(80,541)</b>	<b>62</b>	<b>(73,804)</b>
<b>Net off-balance sheet position</b>	<b>(100,809)</b>	<b>101,796</b>	<b>-</b>	<b>987</b>
Financial derivative assets	-	101,796	-	101,796
Financial derivative liabilities	100,809	-	-	100,809
<b>Non-cash Loans</b>	<b>466,518</b>	<b>897,130</b>	<b>4,570</b>	<b>1,368,218</b>
<b>Prior Period</b>				
Total Assets	376,882	371,246	5,087	753,215
Total Liabilities	312,219	372,411	4,606	689,236
<b>Net Balance Sheet Position</b>	<b>64,663</b>	<b>(1,165)</b>	<b>481</b>	<b>63,979</b>
<b>Net Off-Balance Sheet Position</b>	<b>(63,676)</b>	<b>1,329</b>	<b>-</b>	<b>(62,347)</b>
Financial Derivative Assets	-	15,920	-	15,920
Financial Derivative Liabilities	63,676	14,591	-	78,267
<b>Non-cash Loans</b>	<b>170,200</b>	<b>146,940</b>	<b>-</b>	<b>317,140</b>

(1) TL 292,092 equivalent of USD loans and TL 608,573 equivalent of EUR loans are originated as foreign currency indexed loan.

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

(3) Derivative Financial Assets held for trading and liabilities are not included in the table.

(4) Of the foreign currencies presented in the other foreign currency column of assets 67% is Gold, 23% is GBP, 6% is DKK and the remaining 4% is other foreign currencies. Of the foreign currencies presented in the other foreign currency column of liabilities 66% is Gold, 24% is GBP, 5% is DKK and the remaining 5% is other foreign currencies.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**III. EQUITY SHARE POSITION RISK ON BANKING ACCOUNTS**

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	4,719	4,719	-

**IV. EXPLANATIONS ON LIQUIDITY RISK**

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

Generally participation accounts concentration weighted for 1 month in both banking and participation banking sectors , collecting funds are longer than maturity perceived as an element of risk , in order to reduce the risk, attention showed to the liquidity of maturity group which is due for one month.

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

The Bank calculates and reports the liquidity adequacy ratio to BRSA on weekly unconsolidated basis in accordance with "Regulation for Regulation on Banks' Liquidity Coverage Ratio Calculation" issued in Official Gazette numbered 28948 and dated 21 March 2014. The liquidity coverage of the Bank is over the limit values specified in the mentioned regulation.

Also on the purpose of the liquidity risk management, risk limits and threshold determined as a part of risk appetite and daily monitored.

**a) Basis for the current liquidity risk of the Bank and whether the necessary measures taken, limitations imposed by the Bank's Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:**

The Banks fund resources consist of mainly participation funds. The bank is gathering funds in the name of participation accounts that the principal and predetermined yield are not guaranteed to paid back to the holder of account, and participation rates to profit or loss that results from funds to be operated are reflected to the related accounts. Therefore, the assets and the liabilities of the bank and the dividend ratios correspond to each other.

The bank, TL and FC liquidity meets its needs mostly from the funds collected, internal and external sources that can be used in an emergencies in order to meet the liquidity requirements are monitored periodically, borrowing limits of the markets organized by the Bank and other banks, liquidity levels that can be met. The Bank manages liquidity risk within the regulations of Liquidity Risk and Liquidity and Financial Emergency Management.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**IV. EXPLANATIONS ON LIQUIDITY RISK (Continued)**

- b) Payments, whether assets and liabilities are compatible with the rate of profit, wheather the measurement of the probable effects of the actual inconsistency on profitability is done or not:**

Payments, assets and liabilities and profit rates are monitored regularly by the management to track whether it is compatible or not and there is no dissonance whatsoever.

- c) The banks internal and external sources to meet the short and long-term liquidity needs, unused significant liquidity sources:**

Although Bank's assets average maturity is longer than collected funds, most of the securities, available for sale and held to maturity, make periodic coupon payment which is no longer than six months and monthly credit receivables payments provide cash flow to the Bank.

- d) Evaluation of the banks cash flow rates and its sources:**

The Bank's main source is the participation funds, these funds are evaluated at other participation banks and loan placements. The banks most important cash inflows are receivables from banks and financial institutions and regular cash inflows from these institutions are seen as a factor that reduce the liquidity risk. Also monthly installment payments for loans are used to meet the Bank's resource needs.

**Liquidity Coverage Ratio:**

Liquidity coverage ratio, established in order to hold and provide premium liquidity asset stock which is adequately fulfill the Bank's net cash outflow, calculated within the scope of "Calculation of The Liquidity Coverage Ratio" regulation that was published by BRSA. Liquidity coverage ratio directly affected by Bank's asset, liability and potential cash inflow and outflow which is derived from off-balance sheet transactions with the level of liquid assets that can be realizable at any time and not mentioned to any collaterals.

Bank's premium liquidity asset stock; consists of debt securities which is not subjected to any collateral or repurchase agreement transaction and basically export from the Republic of Turkey's Treasury along with cash assets and care of Central Bank of the Republic of Turkey's accounts.

Bank's principal funding source represented by participation funds. Repurchase agreement transaction provided by funds and debts which comes from financial institutions take a part within the external participation fund debt items.

Managing liquidity risk effectively can be possible with preventing the concentrated liquidity asset and liability items. Participation fund, constitutes Bank's main fund source, is provided from numerous customers.

Derivative transactions are included in calculation of the liquidity coverage ratio over the cash flows within the 30 day basis time slots.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**IV. EXPLANATIONS ON LIQUIDITY RISK (Continued)**

Current Period	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>	<b>733,090</b>	<b>521,952</b>	<b>571,808</b>	<b>360,905</b>
High quality liquid assets	-	-	571,808	360,905
<b>CASH OUTFLOWS</b>	<b>4,743,998</b>	<b>2,014,427</b>	<b>1,181,081</b>	<b>585,969</b>
Real person deposits and retail deposits	1,684,726	615,410	167,385	61,541
Stable deposit	21,756	-	1,088	-
Deposit with low stability	1,662,970	615,410	166,297	61,541
Unsecured debts except real person deposits and retail deposits	1,548,685	800,910	897,145	458,728
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	1,548,685	800,910	897,145	458,728
Secured debts	-	-	-	-
Other cash outflows	1,510,587	598,107	116,551	65,700
Derivative liabilities and margin obligations	32,003	26,501	32,003	26,501
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	42,474	42,474	12,742	12,742
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	1,436,110	529,132	71,806	26,457
<b>TOTAL CASH OUTFLOW</b>	<b>-</b>	<b>-</b>	<b>1,181,081</b>	<b>585,969</b>
<b>CASH INFLOWS</b>	<b>1,171,518</b>	<b>492,271</b>	<b>1,005,848</b>	<b>478,870</b>
Secured receivables	-	-	-	-
Unsecured claims	1,138,867	465,553	973,197	452,152
Other cash inflows	32,651	26,718	32,651	26,718
<b>TOTAL CASH INFLOWS</b>	<b>1,171,518</b>	<b>492,271</b>	<b>1,005,848</b>	<b>478,870</b>
<b>Applied maximum rate values</b>				
<b>TOTAL High quality liquid asset STOCK</b>	<b>-</b>	<b>-</b>	<b>571,808</b>	<b>360,905</b>
<b>TOTAL NET CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>300,138</b>	<b>156,703</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>193</b>	<b>241</b>

(\*) The monthly simple arithmetic average calculated consolidated liquidity coverage ratio of the last three months average, the weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average

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**IV. EXPLANATIONS ON LIQUIDITY RISK (Continued)**

Prior Period	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>	<b>231,296</b>	<b>118,093</b>	<b>206,286</b>	<b>93,083</b>
High quality liquid assets	-	-	206,286	93,083
<b>CASH OUTFLOWS</b>	<b>1,135,164</b>	<b>469,911</b>	<b>423,172</b>	<b>145,558</b>
Real person deposits and retail deposits	471,661	198,665	47,145	19,862
Stable deposit	417	91	21	5
Deposit with low stability	471,244	198,574	47,124	19,857
Unsecured debts except real person deposits and retail deposits	613,116	228,781	345,055	98,510
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	613,116	228,781	345,055	98,510
Secured debts	-	-	-	-
Other cash outflows	50,387	42,465	30,972	27,186
Derivative liabilities and margin obligations	27,640	25,435	27,640	25,435
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	18,589	12,872	3,124	1,543
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	4,158	4,158	208	208
<b>TOTAL CASH OUTFLOW</b>	<b>-</b>	<b>-</b>	<b>423,172</b>	<b>145,558</b>
<b>CASH INFLOWS</b>	<b>709,241</b>	<b>85,223</b>	<b>672,931</b>	<b>82,498</b>
Secured receivables	-	-	-	-
Unsecured claims	680,858	82,714	644,548	79,989
Other cash inflows	28,383	2,509	28,383	2,509
<b>TOTAL CASH INFLOWS</b>	<b>709,241</b>	<b>85,223</b>	<b>672,931</b>	<b>82,498</b>
<b>Applied maximum rate values</b>				
<b>TOTAL High quality liquid asset STOCK</b>	<b>-</b>	<b>-</b>	<b>206,286</b>	<b>93,083</b>
<b>TOTAL NET CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>105,793</b>	<b>65,561</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>199</b>	<b>175</b>

(\*) The monthly simple arithmetic average calculated consolidated liquidity coverage ratio of the last three months average, the weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**IV. EXPLANATIONS ON LIQUIDITY RISK (Continued)**

**Breakdown of assets and liabilities according to their outstanding maturities:**

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	703,177	-	-	-	-	-	-	703,177
Banks	260,803	-	-	-	-	-	-	260,803
Financial Assets at Fair Value Through Profit and Loss	-	1,144	-	-	-	-	-	1,144
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	4,719	-	25,349	112,612	232,201	-	-	374,881
Loans Given	-	784,625	370,293	958,040	2,062,572	353,179	3,210	4,531,919
Investments Held-to-Maturity	-	7,896	-	-	-	-	-	7,896
Other Assets	-	9,349	64	836	62,939	21,211	107,124	201,523
<b>Total Assets</b>	<b>968,699</b>	<b>803,014</b>	<b>395,706</b>	<b>1,071,488</b>	<b>2,357,712</b>	<b>374,390</b>	<b>110,334</b>	<b>6,081,343</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	1,524	29,952	-	-	-	-	-	31,476
Current and Participation Accounts	520,723	2,512,305	710,789	98,716	1,321	-	-	3,843,854
Funds Provided from Other Financial Instruments	-	99,023	471,909	536,297	42,322	-	-	1,149,551
Money Market Borrowings	-	174,748	-	-	-	-	-	174,748
Issued Marketable Securities	-	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	-	8,205	8,205
Other Liabilities *	-	-	-	-	-	-	873,509	873,509
<b>Total Liabilities</b>	<b>522,247</b>	<b>2,816,028</b>	<b>1,182,698</b>	<b>635,013</b>	<b>43,643</b>	<b>-</b>	<b>881,714</b>	<b>6,081,343</b>
<b>Liquidity Gap</b>	<b>446,452</b>	<b>(2,013,014)</b>	<b>(786,992)</b>	<b>436,475</b>	<b>2,314,069</b>	<b>374,390</b>	<b>(771,380)</b>	<b>-</b>

(\*) Fixed assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets and shareholders equity in the liabilities are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions.



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**IV. EXPLANATIONS ON LIQUIDITY RISK (Continued)**

**Breakdown of assets and liabilities according to their outstanding maturities:**

	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Undistributed(*)</b>	<b>Total</b>
<b>Prior Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	167,076	-	-	-	-	-	-	167,076
Banks	95,425	17,140	-	-	-	-	-	112,565
Financial Assets at Fair Value Through Profit and Loss	-	2,871	-	-	-	-	-	2,871
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	4,719	-	-	-	122,303	-	-	127,022
Loans Given	-	442,977	161,820	466,791	551,230	67,287	1	1,690,106
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	6,475	-	71,320	77,795
<b>Total Assets</b>	<b>267,220</b>	<b>462,988</b>	<b>161,820</b>	<b>466,791</b>	<b>680,008</b>	<b>67,287</b>	<b>71,321</b>	<b>2,177,435</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	145	31,850	-	-	-	-	-	31,995
Current and Participation Accounts	153,163	822,467	189,454	53,956	5,270	-	-	1,224,310
Funds Provided from Other Financial Instruments	-	49,029	85,697	29,179	-	-	-	163,905
Money Market Borrowings	-	48,536	-	-	-	-	-	48,536
Issued Marketable Securities	-	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	-	19,759	19,759
Other Liabilities *	-	-	-	-	-	-	688,930	688,930
<b>Total Liabilities</b>	<b>153,308</b>	<b>951,882</b>	<b>275,151</b>	<b>83,135</b>	<b>5,270</b>	<b>-</b>	<b>708,689</b>	<b>2,177,435</b>
<b>Liquidity Gap</b>	<b>113,912</b>	<b>(488,894)</b>	<b>(113,331)</b>	<b>383,656</b>	<b>674,738</b>	<b>67,287</b>	<b>(637,368)</b>	<b>-</b>

(\*) Fixed assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets and shareholders equity in the liabilities are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**V. EXPLANATIONS ON LEVERAGE RATIO**

As of 30 September 2016, leverage ratio of the Bank calculated from the arithmetic average of the last three months is 8.9%. This ratio is above the required minimum rate.

**Leverage ratio disclosure as follows:**

	<b>Current Period (*)</b>	<b>Prior Period (*)</b>
<b>Balance sheet assets</b>		
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	5,637,539	1,939,123
(Assets deducted from main capital)	(52,204)	(39,101)
Total risk amount of the balance sheet assets	5,585,335	1,900,022
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	1,486	2,789
Potential credit risk amount of derivative financial instruments and credit derivatives	1,073	779
Total risk amount of derivative financial instruments and credit derivative	2,559	3,568
<b>Security or secured financing transactions</b>		
Risk amount of security or secured financing transactions ( Except balance sheet)	52,095	1,304
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	52,095	1,304
<b>Off-balance sheet transactions</b>		
Gross nominal amount of off-balance sheet transactions	2,309,638	368,050
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	2,309,638	368,050
<b>Equity and total risk</b>		
Main capital	706,971	637,696
Total risk amount	7,949,627	2,305,292
<b>Leverage ratio</b>		
Leverage ratio	8.9	27.66

(\*) Amounts in the table are obtained on the basis of three-month weighted average.

**VI. EXPLANATIONS ON SECURITIZATION POSITIONS**

None.

**VII. EXPLANATIONS ON RISK MANAGEMENT**

Notes and explanations in this section have been prepared in accordance with the "Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks" that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for the calculation of capital adequacy by the Bank, tables that need to be prepared within the scope of Internal Ratings Based (IRB) have not been presented.

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

**Explanations on Risk Management and Risk-weighted Assets**

**Overview of Risk-weighted Assets**

	Overview of RWA	Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	<b>Credit risk (excluding counterparty credit risk) (CCR)</b>	<b>4,922,288</b>	<b>1,335,241</b>	<b>393,783</b>
2	Standardised approach (SA)	4,922,288	1,335,241	393,783
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	1,258	788	101
5	Standardised approach for counterparty credit risk (SA-CCR)	1,258	788	101
6	Internal model method (IMM)	-	-	-
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 (*)	-	-	-
10	Investments made in collective investment companies - %1250 weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	RB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	<b>Market risk</b>	<b>11,950</b>	<b>6,412</b>	<b>956</b>
17	Standardised approach (SA)	11,950	6,412	956
18	Internal model approaches (IMM)	-	-	-
19	<b>Operational Risk (*)</b>	<b>131,473</b>	-	<b>10,518</b>
20	Basic Indicator Approach	131,473	-	10,518
21	Standart Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>5,066,969</b>	<b>1,342,441</b>	<b>405,358</b>

(\*) Due to the fact that the bank was established in the year 2015, operational risk is not calculated for 31.12.2015.

**VIII. EXPLANATIONS ON HEDGE TRANSACTIONS**

It is essential to be bordered with limits compatible with risk profile of risk levels and risk toleration so as to prevent to considerably affect from the negativeness that can occur while Bank conducts its operations.

Risk limits are determined and approved by the Board of Directors by taking CEO, Audit Committee and Executives' offers.

Risk limits are determined compatible with risk levels, operations, size of products and services and complexity of the Bank. Limits are reviewed regularly, adapted according to changes in market conditions, Bank strategy and risk appetite and monitored cyclically.

In addition, derivative transactions are made by the Bank, TL and FC liquidity risks are limited due to the committed transactions.

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**IX. EXPLANATIONS ON OPERATING SEGMENTS**

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

The Bank has operations in retail banking, corporate and entrepreneurial banking, treasury and investment banking areas.

**Table for Segment Reporting:**

Current Period	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/Undis- tributed	Total
<b>OPERATING INCOME/EXPENSE</b>					
Profit Shares Income	31,138	192,618	18,274	2,057	244,087
Profit Shares from Loans	31,138	192,618	-	-	223,756
Profit Shares from Banks	-	-	353	-	353
Profit Shares from Securities	-	-	15,318	-	15,318
Other Profit Shares	-	-	2,603	2,057	4,660
Profit Shares Expense	50,520	35,068	21,264	-	106,852
Profit Shares Expense on Participation Funds	50,520	35,068	-	-	85,588
Profit Shares Expense on Funds Borrowed	-	-	16,763	-	16,763
Profit Shares Expense on Money Market Transactions	-	-	4,501	-	4,501
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	-	-
Net Profit Shares Income/Expense	(19,382)	157,550	(2,990)	2,057	137,235
Net Fees and Commission Income/Expense	-	7,831	-	409	8,240
Fees and Commissions Received	-	7,831	-	4,080	11,911
Fees and Commissions Paid	-	-	-	3,671	3,671
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	4,364	-	4,364
Other Operating Income	1	2	-	1,327	1,330
Provision for Loans or Other Receivables Losses	3,024	25,836	-	6,127	34,987
Other Operating Expense	-	10	-	99,067	99,077
Income Before Tax	(22,405)	139,537	1,374	(101,401)	17,105
Tax Provision	-	-	-	(4,668)	(4,668)
Net Profit/Loss	(22,405)	139,537	1,374	(106,069)	12,437
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L	-	-	1,144	-	1,144
Banks and Other Financial Institutions	-	-	260,803	-	260,803
Financial Assets Available for Sale (Net)	-	-	374,881	-	374,881
Loans	411,111	3,511,170	609,638	-	4,531,919
Held to Maturity Investments (Net)	-	-	7,896	-	7,896
Associates, Subsidiaries and Joint Ventures	-	-	50	-	50
Other Assets	-	-	-	904,650	904,650
<b>TOTAL SEGMENT ASSETS</b>	<b>411,111</b>	<b>3,511,170</b>	<b>1,254,412</b>	<b>904,650</b>	<b>6,081,343</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	2,593,150	1,282,180	-	-	3,875,330
Derivative Financial Liabilities Held for Trading	-	-	-	-	-
Funds Borrowed	-	-	1,149,551	-	1,149,551
Money Market Funds	-	-	174,748	-	174,748
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	50,694	50,694
Other Liabilities	-	-	-	79,168	79,168
Shareholders' Equity	-	-	-	751,852	751,852
<b>TOTAL SEGMENT LIABILITIES</b>	<b>2,593,150</b>	<b>1,282,180</b>	<b>1,324,299</b>	<b>881,714</b>	<b>6,081,343</b>
<b>OTHER SEGMENT ITEMS</b>					
Capital Investment	-	-	-	-	-
Amortization Expense	-	-	-	8,822	8,822
Restructuring Costs	-	-	-	-	-

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

**Table for Segment Reporting:**

<b>Prior Period</b>	<b>Retail Banking</b>	<b>Corporate/ Entrepreneurial Banking</b>	<b>Treasury/ Investment Banking</b>	<b>Other/Undistributed</b>	<b>Total</b>
<b>OPERATING INCOME/EXPENSE</b>	-	-	-	-	-
<b>Profit Shares Income</b>	<b>13</b>	<b>3,624</b>	<b>20,144</b>	-	<b>23,781</b>
Profit Shares from Loans	13	3,624	-	-	3,637
Profit Shares from Banks	-	-	6,028	-	6,028
Profit Shares from Securities	-	-	14,116	-	14,116
Other Profit Shares	-	-	-	-	-
<b>Profit Shares Expense</b>	<b>142</b>	-	-	-	<b>142</b>
Profit Shares Expense on Participation Funds	142	-	-	-	142
Profit Shares Expense on Funds Borrowed	-	-	-	-	-
Profit Shares Expense on Money Market Transactions	-	-	-	-	-
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	-	-
<b>Net Profit Shares Income/Expense</b>	<b>(129)</b>	<b>3,624</b>	<b>20,144</b>	-	<b>23,639</b>
<b>Net Fees and Commission Income/Expense</b>	<b>2</b>	<b>2</b>	<b>(207)</b>	<b>(2)</b>	<b>(205)</b>
Fees and Commissions Received	2	2	-	-	4
Fees and Commissions Paid	-	-	207	2	209
<b>Dividend Income</b>	-	-	-	-	-
<b>Trading Income/Loss (Net)</b>	-	-	<b>38</b>	-	<b>38</b>
<b>Other Operating Income</b>	-	-	-	-	-
<b>Provision for Loans or Other Receivables Losses</b>	<b>7</b>	<b>2,324</b>	-	-	<b>2,331</b>
<b>Other Operating Expense</b>	-	-	-	<b>19,203</b>	<b>19,203</b>
<b>Income Before Tax</b>	<b>(134)</b>	<b>1,302</b>	<b>19,975</b>	<b>(19,205)</b>	<b>1,938</b>
<b>Tax Provision</b>	-	-	-	<b>820</b>	<b>820</b>
<b>Net Profit/Loss</b>	-	-	-	<b>1,118</b>	<b>1,118</b>
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L	-	-	2,871	-	2,871
Banks and Other Financial Institutions	-	-	112,565	-	112,565
Financial Assets Available for Sale (Net)	-	-	127,022	-	127,022
Loans	117,840	1,572,266	-	-	1,690,106
Held to Maturity Investments (Net)	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets	-	-	-	244,871	244,871
<b>Total Segment Assets</b>	<b>117,840</b>	<b>1,572,266</b>	<b>242,458</b>	<b>244,871</b>	<b>2,177,435</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	619,412	636,893	-	-	1,256,305
Derivative Financial Liabilities Held for Trading	-	-	-	-	-
Funds Borrowed	-	-	163,905	-	163,905
Money Market Funds	-	-	48,536	-	48,536
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	14,999	14,999
Other Liabilities	-	-	-	29,160	29,160
Shareholders' Equity	-	-	-	664,530	664,530
<b>Total Segment Liabilities</b>	<b>619,412</b>	<b>636,893</b>	<b>212,441</b>	<b>708,689</b>	<b>2,177,435</b>
<b>OTHER SEGMENT ITEMS</b>					
Capital Investment	-	-	-	-	-
Amortization Expense	-	-	-	4,284	4,284
Restructuring Costs	-	-	-	-	-

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**SECTION FIVE**

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

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

**1. a) Information on cash and balances with Central Bank of the Republic of Turkey:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	15,028	11,637	5,164	3,459
Central Bank of the Republic of Turkey	129,308	547,053	24,075	134,378
Other	151	-	-	-
<b>Total</b>	<b>144,487</b>	<b>558,690</b>	<b>29,239</b>	<b>137,837</b>

**1.a.1) Information on required reserves:**

Banks, which were established in Turkey and opened with the aim of opening branches in Turkey, were tied to the Communiqué on Required Reserves of Central Bank of the Republic of Turkey's numbered 2015/19. The items on the Communiqué, based on the accounting standards and recording forms of the banks and the firms, except for the liabilities to the CBRT, Undersecretariat of Treasury, domestic banks and the Turkey headquarters and branches of the banks established by international agreements; forms the liabilities that require to maintain reserves.

As of the balance sheet date, commercial bank that are operating in Turkey, in accordance with the Communiqué on Required Reserves of Central Bank of the Republic of Turkey's numbered 2015/19, are required to maintain required reserves for Turkish Lira liabilities; as for current accounts, as for deposit at notice, as maturity to one month and as maturity to three months 10,5%, as for maturity to six months 7,5%, as for maturity to one year 5,5%, as for maturity to one year or more 4%, and as for borrower funds 10,5%, as for non-deposit TL liabilities to one year 10,5%, as for non-deposit TL liabilities to 1-3 years %7, as for non-deposit TL liabilities to three years and more 4%, for foreign currency bank deposits; as for current accounts, as maturity to one month and as maturity to three months, as for maturity to six months and as for maturity to one year 13%, as for maturity to one year or more 9%, and as for borrower funds 13%, as for other FC liabilities to one year 25%, as for other FC liabilities to two years %20, as for other FC liabilities to three years 15%, as for other FC liabilities to five years 7%, as for other FC liabilities to five years and more 5%.

According to the press release of CBRT made as of October 21, 2014; CBRT started paying interest on reserve balances held in TL starting from November 2014 and according to the press release named 'Press Release About Paying Interest to Foreign Currency Reserve Balances and Current Accounts numbered 2015/35, CBRT started paying interest on reserve balances held in USD, on reserve options and on current accounts starting from May 5, 2015.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	128,138	13	24,075	12
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1)</sup>	1,170	547,040	-	134,366
<b>Total</b>	<b>129,308</b>	<b>547,053</b>	<b>24,075</b>	<b>134,378</b>

<sup>(1)</sup> TL 333,278 of the current period's FC required reserve is the part of the TL required reserves that are held in FC.

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

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

There is no information on financial assets at fair value through profit and loss given or blocked as collateral or subject to repurchase agreements.

**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	68	1,076	2,870	1
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>68</b>	<b>1,076</b>	<b>2,870</b>	<b>1</b>

**3. Information on banks and other financial institutions:**

	Current Period		Current Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	2,923	252,350	17,979	69,565
Foreign Banks	-	5,530	-	25,021
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>2,923</b>	<b>257,880</b>	<b>17,979</b>	<b>94,586</b>

**4. a) Explanation regarding 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	225,086	-
Assets Blocked/Given as Collateral	20,106	50,246
<b>Total</b>	<b>245,192</b>	<b>50,246</b>

**b) Information on financial assets available for sale:**

	Current Period	Prior Period
Debt Securities	370,210	122,413
Quoted in Stock Exchange	363,892	116,254
Not Quoted in Stock Exchange	6,318	6,159
Share Certificates	4,719	4,719
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	4,719	4,719
Provision for Impairment (-)	48	110
<b>Total</b>	<b>374,881</b>	<b>127,022</b>

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

**5. Information related to loans:**

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	<b>604,843</b>	<b>-</b>	<b>337,726</b>	<b>-</b>
Legal Entities	604,843	-	337,726	-
Individuals	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loans Granted to Employees</b>	<b>257</b>	<b>-</b>	<b>62</b>	<b>-</b>
<b>Total</b>	<b>605,100</b>	<b>-</b>	<b>337,788</b>	<b>-</b>

**b) Information on the first and second group loans and other receivables including restructured or rescheduled 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	Other		Loans and other receivables with revised contract terms	Other
<b>Cash Loans</b>						
Exports Loan	121,021	-	-	-	-	-
Imports Loans	285,886	-	-	-	-	-
Enterprise Loans	2,749,957	-	-	6,692	-	-
Consumer Loans	564,785	-	-	5,520	-	-
Credit Cards	-	-	-	-	-	-
Loans Given to Financial Sector	609,639	-	-	-	-	-
Other	108,846	-	-	-	-	-
Other Receivables	-	-	-	994	-	-
Profit Share Income	-	-	-	-	-	-
Accruals and Rediscount	75,370	-	-	-	-	-
<b>Total</b>	<b>4,515,504</b>	<b>-</b>	<b>-</b>	<b>13,206</b>	<b>-</b>	<b>-</b>

As of 30 September 2016, there are no loans and other receivables with revised contract terms.



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(Continued)**

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

<b>No. of extensions</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
1 or 2 Times Extended	-	-
3 - 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-
<b>Total</b>	-	-

<b>Extension Periods</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
0 - 6 Months	-	-
6 Months – 12 Months	-	-
1 - 2 Years	-	-
2 - 5 Years	-	-
5 Years and Over	-	-
<b>Total</b>	-	-

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

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

	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans - TL</b>	<b>2,267</b>	<b>567,784</b>	<b>570,051</b>
Housing Loans	1,315	515,172	516,487
Vehicle Loans	838	27,481	28,319
Consumer Loans	114	25,131	25,245
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Retail Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>32</b>	<b>222</b>	<b>254</b>
Housing Loans	-	-	-
Vehicle Loans	15	19	34
Consumer Loans	17	203	220
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	-	-	-
<b>Overdraft Account-FC (Real Person)</b>	-	-	-
<b>Total <sup>(1)</sup></b>	<b>2,299</b>	<b>568,006</b>	<b>570,305</b>

<sup>(1)</sup> Dividend rediscount amounting to TL 2,674 not included in the table.

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(Continued)**

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

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

	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>2,062</b>	<b>75,526</b>	<b>77,588</b>
Business Loans		25,519	25,519
Vehicle Loans	2,062	50,007	52,069
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,062</b>	<b>75,526</b>	<b>77,588</b>

**e) Breakdown of domestic and international loans:**

	<b>Current Period</b>	<b>Prior Period</b>
Domestic Loans	4,453,340	1,675,697
Foreign Loans	-	-
Interest Income Accruals of Loans	75,370	14,407
<b>Total</b>	<b>4,528,710</b>	<b>1,690,104</b>

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

**f) Loans Granted to Subsidiaries and Participations:**

As of 30 September 2016, the bank has no loans granted to subsidiaries and participations.

**g) Specific Provisions Provided Against Loans:**

	Current Period	Prior Period
Loans and receivables with limited collectability	801	-
Loans and receivables with doubtful collectability	1	-
Uncollectible loans and receivables	36	-
<b>Total</b>	<b>838</b>	<b>-</b>

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

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

As of 30 September 2016 the bank has no loans and other receivables included in non-performing receivables which are restructured or rescheduled.

**2) Information on the movement of total 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
<b>Ending balance of prior period</b>	<b>2</b>	<b>-</b>	<b>-</b>
Additions in the current period (+)	4,008	1	36
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections in the current period (-)	-	-	-
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>4,010</b>	<b>1</b>	<b>36</b>
Specific provisions (-)	801	1	36
<b>Net balance at the balance sheet</b>	<b>3,209</b>	<b>-</b>	<b>-</b>

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

**3) Non-performing loans and other receivables in foreign currencies:**

As of 30 September 2016, the Bank has no foreign currency non-performing loans originated from foreign currency indexed loans.

**4) Gross and net non-performing loans and other receivables per customer categories:**

	<b>III. Group: Loans and receivables with limited collectibility</b>	<b>IV. Group: Loans and receivables with doubtful collectability</b>	<b>V. Group: Uncollectible loans and receivables</b>
<b>Current Period (Net)</b>	<b>3,209</b>	<b>-</b>	<b>-</b>
Loans to individuals and corporates (Gross)	4,010	1	36
Specific provision (-)	801	1	36
Loans to individuals and corporates (Net)	3,209	-	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loans to individuals and corporates (Gross)	-	-	-
Specific provision (-)	-	-	-
Loans to individuals and corporates (Net)	-	-	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

**j) Information on liquidating policy of uncollectible loans and other receivables:**

Execution proceedings are carried out for the collection of receivables from loan services of the Bank's. During this process, tangible guarantees constituting guarantees of receivables of the Bank and assets of the debtor(s) are realized while receivables of the Bank are also tried to be collected and liquidated by means of administrative procedures.

**k) Explanations on write-off policy:**

The Bank writes off the receivables from its records with the actualized circumstances of deaths of the debtor and/or the related people, refusals of the heritage by the heritors within the legal time limits, becoming legally and effectively impossible of the collection of the receivable, and the given financial accountability decision on the related personnel of the considered receivable.

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(Continued)**

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

As of 30 September 2016, the Bank has no comparative net values of held-to-maturity investments subject to repo transactions and given as a collateral/blocked.

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

As of 30 September 2016, Parent Bank has no held-to-maturity government bonds.

**c) Information on held-to-maturity investments:**

	<b>Current Period</b>	<b>Prior Period</b>
Debt Securities	<b>7,896</b>	-
Quoted on a Stock Exchange	-	-
Unquoted	7,896	-
Impairment Provision (-)	-	-
<b>Total</b>	<b>7,896</b>	-

**d) Movements of held-to-maturity investments:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Beginning Balance</b>	-	-
Foreign Currency Differences on Monetary Assets	-	-
Purchases During the Year	7,896	-
Disposals through Sales and Redemptions	-	-
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	<b>7,896</b>	-

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(Continued)**

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

**7. Information on subsidiaries (Net):**

As of 30 September 2016, there are no subsidiary of the bank.

**8. Information on joint ventures (net):**

**a) Information on unconsolidated associates::**

As of 30 September 2016, there are no unconsolidated associates.

**b) Information on consolidated subsidiaries:**

	<b>Name</b>	<b>Adress (City/Country)</b>	<b>Bank's share percentage – if different voting percentage (%)</b>	<b>Risk share percentage of other shareholders (%)</b>
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul / TURKEY	100	100

<sup>(1)</sup> Ziraat Katılım Varlık Kiralama A.Ş. was established as of January 22, 2016.

	<b>Total Assets <sup>(1)</sup></b>	<b>Shareholders Equity <sup>(1)</sup></b>	<b>Total Fixed Assets <sup>(1)</sup></b>	<b>Dividend or profit share income <sup>(1)</sup></b>	<b>Income from marketable securities <sup>(1)</sup></b>	<b>Current Period Income/Loss <sup>(1)</sup></b>	<b>Prior period income/loss <sup>(1)</sup></b>	<b>Fair Value <sup>(1)</sup></b>	<b>Needed shareholders Equity</b>
1	101,418	51	-	3,860	-	1	-	-	-

<sup>(1)</sup> Unaudited financial statements used.

**c) Information on consolidated subsidiaries:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at the beginning of the year</b>	-	-
<b>Movements during the year</b>	<b>50</b>	-
Purchases	50	-
Bonus Share	-	-
Dividends from current year income	-	-
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Specific provision for impairment(-)	-	-
<b>Balance at the end of the year</b>	<b>50</b>	-
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

<sup>(1)</sup> Paid Capital Increases made during the period are classified under "Purchases" account.

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

	<b>Current Period</b>	<b>Prior Period</b>
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	50	-

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

**e) Subsidiaries that are quoted on the stock exchange:**

None.

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

As of 30 September 2016, there are no entities under common control of the bank.

**10. Information on finance lease receivables:**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	1,117	895	-	-
1-4 years	82,946	71,389	2,723	2,109
Over 4 years	22,116	22,116	8,494	6,745
<b>Total</b>	<b>106,179</b>	<b>94,400</b>	<b>11,217</b>	<b>8,854</b>

**11. Information on derivative financial assets for hedging purposes:**

As of 30 September 2016, the bank has no derivative financial assets for hedging purposes.

**12. Information on investment property:**

As of 30 September 2016, the bank has no investment property.

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

As of 30 September 2016, the bank has no assets held for sale and tangibles corresponding discontinuing operations.



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

**14. Explanations on property and equipment:**

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
<b>Prior Period End:</b>						
Cost	-	-	-	13,021	27,683	40,704
Accumulated Depreciation (-)	-	-	-	1,136	780	1,916
<b>Net Book Value</b>	-	-	-	<b>11,885</b>	<b>26,903</b>	<b>38,788</b>
<b>Current Period End:</b>						
Net Book Value at the Beginning of the Period	-	-	-	11,885	26,903	38,788
Change During the Period (Net)	-	-	-	5,896	5,558	11,454
Amortisman Bedeli (Net) (-)	-	-	-	2,476	5,742	8,218
Depreciation (Net) (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	-	-	-	18,917	33,241	52,158
Accumulated Depreciation at Period End (-)	-	-	-	3,612	6,522	10,134
<b>Closing Net Book Value</b>	-	-	-	<b>15,305</b>	<b>26,719</b>	<b>42,024</b>

**15. Information on intangible assets:**

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	25,135	2,852	22,283	22,173	1,177	20,996
<b>Total</b>	<b>25,135</b>	<b>2,852</b>	<b>22,283</b>	<b>22,173</b>	<b>1,177</b>	<b>20,996</b>

**16. Information on deferred tax asset:**

The Bank's deferred tax asset is calculated as TL 4,433 however it's reflected on the financial statements as TL 3,120 by offsetting with deferred tax liability.

**17. Information on other assets:**

As of 30 September 2016, other assets of banks not exceed total balance sheet of 10%, exclude off-balance sheet liabilities.

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

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

**1. a) Information on funds collected:**

**1) Information on maturity structure of funds collected:**

<b>Current Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>Up to 3 Months</b>	<b>Up to 6 months</b>	<b>Up to 9 months</b>	<b>Up to 1 year</b>	<b>1 year and over</b>	<b>Accumulated profit sharing accounts</b>	<b>Total</b>
I. Real persons current accounts-TL	81,207	-	-	-	-	-	-	-	81,207
II. Real persons profit sharing accounts TL	-	158,331	984,090	20,071	-	11,347	38,495	-	1,212,334
III. Other current accounts-TL	245,513	-	-	-	-	-	-	-	245,513
Public sector	30,736	-	-	-	-	-	-	-	30,736
Commercial sector	184,289	-	-	-	-	-	-	-	184,289
Other institutions	30,488	-	-	-	-	-	-	-	30,488
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	29,451	836,580	81,184	-	36,482	12,240	-	995,937
Public sector	-	-	236,237	44,039	-	33,791	-	-	314,067
Commercial sector	-	28,794	386,693	12,114	-	32	11,702	-	439,335
Other institutions	-	657	213,650	25,031	-	2,659	538	-	242,535
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts- FC	59,859	-	-	-	-	-	-	-	59,859
VI. Real persons profit sharing accounts-FC	-	56,901	507,162	31,352	-	17,283	33,608	-	646,306
VII. Other current accounts-FC	131,620	-	-	-	-	-	-	-	131,620
Commercial residents in Turkey	130,096	-	-	-	-	-	-	-	130,096
Commercial residents in Abroad	-	-	-	-	-	-	-	-	-
Banks and participation banks	1,524	-	-	-	-	-	-	-	1,524
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	1,524	-	-	-	-	-	-	-	1,524
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	72,209	416,306	1,883	-	1,507	1,396	-	493,301
Public sector	-	1,236	24,310	-	-	-	-	-	25,546
Commercial sector	-	41,019	266,813	1,883	-	-	1,396	-	311,111
Other institutions	-	2	88,620	-	-	1,507	-	-	90,129
Commercial and other institutions	-	-	36,563	-	-	-	-	-	36,563
Banks and participation banks	-	29,952	-	-	-	-	-	-	29,952
IX. Precious metal funds	4,052	-	4,880	46	-	73	206	-	9,257
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>522,247</b>	<b>316,892</b>	<b>2,749,018</b>	<b>134,536</b>	<b>-</b>	<b>66,692</b>	<b>85,945</b>	<b>-</b>	<b>3,875,330</b>

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

**1. a) Information on funds collected:**

**2) Information on maturity structure of funds collected:**

Prior Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	29,651	-	-	-	-	-	-	-	29,651
II. Real persons profit sharing accounts TL		39,096	275,312	7,636	-	3,161	19,375	-	344,580
III. Other current accounts-TL	48,147	-	-	-	-	-	-	-	48,147
Public sector	3,675	-	-	-	-	-	-	-	3,675
Commercial sector	43,391	-	-	-	-	-	-	-	43,391
Other institutions	1,081	-	-	-	-	-	-	-	1,081
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	107,385	188,489	3,154	-	4,082	10,243	-	313,353
Public sector	-	90,197	46,839	-	-	-	-	-	137,036
Commercial sector	-	15,662	98,519	2,520	-	4,082	10,243	-	131,026
Other institutions	-	1,526	43,131	634	-	-	-	-	45,291
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	40,876	-	-	-	-	-	-	-	40,876
VI. Real persons profit sharing accounts-FC	-	20,332	151,365	13,350	-	5,166	13,828	-	204,041
VII. Other current accounts-FC	33,578	-	-	-	-	-	-	-	33,578
Commercial residents in Turkey	33,432	-	-	-	-	-	-	-	33,432
Commercial residents in Abroad	-	-	-	-	-	-	-	-	-
Banks and participation banks	146	-	-	-	-	-	-	-	146
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	146	-	-	-	-	-	-	-	146
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	45,050	194,316	791	-	-	-	-	240,157
Public sector	-	-	1,423	-	-	-	-	-	1,423
Commercial sector	-	45,050	156,819	791	-	-	-	-	202,660
Other institutions	-	-	4,224	-	-	-	-	-	4,224
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	31,850	-	-	-	-	-	-	31,850
IX. Precious metal funds	1,058	-	840	13	-	11	-	-	1,922
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>153,310</b>	<b>211,863</b>	<b>810,322</b>	<b>24,944</b>	<b>-</b>	<b>12,420</b>	<b>43,446</b>	<b>-</b>	<b>1,256,305</b>

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

**2) Exceeding Amounts of Insurance Limit:**

**a) Information's on current and profit share accounts within the scope of Saving Deposit/Saving Deposit Insurance Fund:**

	Under the guarantee of saving deposit insurance	Exceeding the limit of saving Deposit	Under the guarantee of saving deposit insurance	Exceeding the limit of saving Deposit
	Current Period	Current Period	Current Period	Current Period
Real persons current and profit sharing accounts that are not subject to commercial activities	1,002,894	1,006,593	274,733	345,526
TL accounts	785,943	507,598	212,912	161,862
FC accounts	216,951	498,995	61,821	183,664
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

**3) Amounts which are not within the scope of insurance:**

**a) Current and Profit Share Accounts of the real persons who are not within the scope of Saving Deposits Insurance Fund:**

	Current Period	Current Period
Foreign branches' profit sharing accounts and other accounts		
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	205	136
Profit sharing account and other accounts within the scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

**2. Information on derivative financial liabilities held for trading:**

**a) Negative differences table regarding to derivative financial liabilities held for trading:**

None.

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(Continued)**

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	101,363	321,509	-	94,308
Foreign Banks, Institutions and Funds	-	726,679	-	69,597
<b>Total</b>	<b>101,363</b>	<b>1,048,188</b>	<b>-</b>	<b>163,905</b>

**b) Information on maturity structure of borrowings:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	101,363	531,446	-	134,686
Medium and Long-Term	-	516,742	-	29,219
<b>Total</b>	<b>101,363</b>	<b>1,048,188</b>	<b>-</b>	<b>163,905</b>

**c) Concentrations of the Bank's major liabilities, funder customer, segments or other criteria which are seen risk concentrations:**

64% of liabilities consist of current and share profit account.

**d) Information on funds that is provided open market operations :**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Domestic</b>	<b>174,748</b>	<b>-</b>	<b>48,536</b>	<b>-</b>
Financial Institutions	174,748	-	48,536	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
<b>Abroad</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
<b>Total</b>	<b>174,748</b>	<b>-</b>	<b>48,536</b>	<b>-</b>

**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 component do not exceed 10% of total balance sheet.

**5. Information on Financial Lease Obligations:**

None.

**6. Information on hedging derivative financial liabilities:**

The bank does not have hedging derivative financial liabilities.

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

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

**7. Information on provisions:**

**a) Information on general provisions:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>General Provisions</b>	<b>40,957</b>	<b>13,939</b>
I.For Loans and Receivables in Group I (Total)	36,164	12,813
Profit Sharing Accounts' Share	24,057	9,134
The Bank's Share	12,107	3,679
Other	-	-
I.Additional Provision for Loans and Receivables with Extended Maturities	-	-
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
II.Loans and Receivables in Group II (Total)	267	26
Profit Sharing Accounts' Share	248	23
The Bank's Share	19	3
Other	-	-
II.Additional Provision for Loans and Receivables with Extended Maturities	-	-
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
Provisions for Non Cash Loans	4,080	759
Other	446	341

**b) Information on provisions related with foreign currency evaluation difference of foreign  
currency indexed loans and Financial Lease Obligations:**

Provisions related with foreign currency evaluation difference of foreign currency indexed loans and financial lease obligation is TL 499.

**c) Information on special provisions related with uncompensated and non-liquidated non-  
cash loans:**

Specific provisions for unindemnified non-cash loans amount to TL 10.

**d) Information on other provisions:**

**1) Information on free provisions for possible risks:**

None.

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

The balance which forms the other provisions part, amount of TL 6,918 represents seperated provisions from profit share amount of the participation account.

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(Continued)**

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

**e) Information on provisions for employee benefits:**

**1) Employment termination benefits and unused vacation rights**

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service, excluding resignation or misconduct, whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire. As of the date of 30 September 2016, the amount payable consists of one month's salary limited to a maximum of TL 4,297 (full amount) (31 December 2015 – TL 4,092) for each year of service.

The Bank uses actuarial method in the calculation and recognition of severance pay with in the standard of TAS 19 – "Turkish Accounting Standard on Employee Benefits".

The Bank used its own parameters in the calculation of the total liabilities which were calculated with the actuary assumptions.

	<b>Current Period</b>
Discoount Rate (%)	3.47
Entitled to pension possibility (%)	97

**Movements in the reserve for employment termination benefits during period are as follows:**

	<b>Current Period</b>
<b>Balance at the beginning of the period</b>	-
Changes during the period	615
Paid during the period	35
<b>Balance at the end of the period</b>	<b>580</b>

As of the date of 30 September 2016, Bank has a TL 1,288 short-run employees' rights provision.

**8. Explanations on tax liability:**

**a) Explanations on current tax liability:**

**1) Information on tax provisions:**

As of 30 September 2016, the Bank's corporate income tax liability is TL 2,685 after deducting temporary taxes paid during the period from the tax provisions.

**2) Information on taxes payable:**

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Tax Payable	2,685	-
Taxation on Income From Securities	2,395	678
Property Tax	85	48
Banking Insurance Transactions Tax (BITT)	1,527	713
Foreign Exchange Transactions Tax	-	-
Value Added Tax Payable	84	-
Other	733	522
<b>Total</b>	<b>7,509</b>	<b>1,961</b>

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

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

**3) Information on premiums:**

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums - Employee	10	206
Social Security Premiums - Employer	14	299
Bank Social Aid Pension Fund Premium - Employee	-	-
Bank Social Aid Pension Fund Premium - Employer	-	-
Pension Fund Membership Fees and Provisions - Employee	-	-
Pension Fund Membership Fees and Provisions - Employer	-	-
Unemployment Insurance - Employee	32	15
Unemployment Insurance - Employer	64	29
Other	-	-
<b>Total</b>	<b>120</b>	<b>549</b>

**b) Information on deferred tax liabilities, if any:**

The Bank's deferred tax liability amounts to TL 1,313 and this amount is net off against the deferred tax asset and accordingly deferred tax asset amounting to TL 3,120 is presented in the financial statements.

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

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

**10. Explanations on subordinated debts:**

The Bank does not have any subordinated debts.

**11. Information on shareholders' equity:**

**a) Presentation on paid-in capital:**

	<b>Current Period</b>	<b>Prior Period</b>
Common stock	747,000	675,000
Preferred stock	-	-

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

The Bank does not have a registered capital system.



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

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

There is no share capital increases made by the bank in the current period.

**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:**

There is no capital commitment for the last financial year and the end of the following interim period.

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

The Bank has no any uncertainty related to profitability and liquidity for the previous period.

**g) Information on preferred shares:**

As of 30 September 2016, the Bank has no preferred stocks.

**h) Information on marketable securities value increase fund:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
From Available for Sale Marketable Securities	4,413	(16)	1,591	(79)
Revaluation Difference	5,170	(16)	1,989	(99)
Deferred Tax Effect	(757)	-	(398)	20
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>4,413</b>	<b>(16)</b>	<b>1,591</b>	<b>(79)</b>

**i) Information on minority shareholder:**

None.

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(Continued)**

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

**1. Information on off-balance sheet liabilities::**

**a) Nature and amount of irrevocable loan commitments:**

	<b>Current Period</b>	<b>Current Period</b>
Commitments for Credit Card Expenditure Limits	-	-
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	23,073	3,181
Loan Granting Commitments	-	-
Asset Purchase Commitments	132,058	-
Tax and Funds Liabilities Arising From Export Commitments	264	27
<b>Total</b>	<b>155,395</b>	<b>3,208</b>

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

The 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:**

	<b>Current Period</b>	<b>Prior Period</b>
Guarantee Letters	1,886,659	368,448
Letter of Credits	114,283	31,112
Bank Acceptances	838	-
Other Contingencies	422,650	-
<b>Total</b>	<b>2,424,430</b>	<b>399,560</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Letters of Temporary Guarantees	290,449	23,994
Letters of Certain Guarantees	845,488	141,398
Letters of Advance Guarantees	282,042	19,840
Letters of Guarantees given to Customs Offices	28,760	28
Other Letters of Guarantees	439,920	183,188
<b>Total</b>	<b>1,886,659</b>	<b>368,448</b>

**3) Total non-cash loans:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>439,921</b>	<b>183,188</b>
With Original Maturity of One Year or Less	-	-
With Original Maturity of More than One Year	439,921	183,188
<b>Other Non-Cash Loans</b>	<b>1,984,509</b>	<b>216,372</b>
<b>Total</b>	<b>2,424,430</b>	<b>399,560</b>

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

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

**1. a) Information on profit share received from loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Profit share on loans <sup>(1)</sup></b>	<b>208,346</b>	<b>15,410</b>	<b>21,710</b>	<b>754</b>
Short term loans	98,581	3,359	20,563	590
Medium and long term loans	109,765	12,051	1,147	164
Profit share on non-performing loans	-	-	-	-
Premiums received from resource utilization support fund	-	-	-	-

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

**b) Information on profit share received from banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	353	-	7,348	114
Foreign Banks	-	-	-	-
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>353</b>	<b>-</b>	<b>7,348</b>	<b>114</b>

**c) Information on profit share income from securities portfolio:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	-	-	-	-
Financial Assets at Fair Value through Profit and Loss	-	-	-	-
Financial Assets Available-for-Sale	14,794	128	2,160	70
Investments Held-to-Maturity	396	-	15,269	-
<b>Total</b>	<b>15,190</b>	<b>128</b>	<b>17,429</b>	<b>70</b>

**d) Information on profit share income received from associates and subsidiaries:**

None.

**2. a) Information on profit share expense on borrowing:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	2,056	8,474	-	-
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	2,056	4,688	1	-
Foreign Banks	-	3,786	-	-
Head Office and Branches	-	-	-	-
Other Institutions	3,861	2,372	-	-
<b>Total</b>	<b>5,917</b>	<b>10,846</b>	<b>1</b>	<b>-</b>

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**EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (Continued)**

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

**b) Information on profit share expense given to associates and subsidiaries:**

None.

**c) Information on profit share expense paid to securities issued:**

None.

**d) Distribution of profit share on funds based on maturity of funds:**

Current Period	Participation Accounts						Total
	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	Over 1 Year	
Turkish Lira							
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	4,593	31,891	763	-	386	1,683	39,316
Public Sector Participation Accounts	442	5,783	2,124	-	1,133	-	9,482
Commercial Sector Participation Accounts	2,149	12,019	549	-	532	742	15,991
Other Institutions Participation Accounts	89	7,864	742	-	91	8	8,794
<b>Total</b>	<b>7,273</b>	<b>57,557</b>	<b>4,178</b>	<b>-</b>	<b>2,142</b>	<b>2,433</b>	<b>73,583</b>
Foreign Currency							
Funds Collected from Banks via Current and Participation Accounts	1,108	9,342	246	-	222	278	11,196
Real Person's Non Commercial Participation Accounts	336	325	145	-	-	-	806
Public Sector Participation Accounts	-	-	-	-	-	-	-
Commercial Sector Participation Accounts	-	-	-	-	-	-	-
Other Institutions Participation Accounts	-	-	-	-	-	-	-
Public Sector Participation Accounts	3	-	-	-	-	-	3
<b>Total</b>	<b>1,447</b>	<b>9,667</b>	<b>391</b>	<b>-</b>	<b>222</b>	<b>278</b>	<b>12,005</b>
<b>Grand Total</b>	<b>8,720</b>	<b>67,224</b>	<b>4,569</b>	<b>-</b>	<b>2,364</b>	<b>2,711</b>	<b>85,588</b>

**3. Information on trading income/loss (Net):**

	Current Period	Prior Period
<b>Income</b>	<b>479,667</b>	<b>20,497</b>
Foreign exchange gains	475,592	19,631
Gain on derivative financial instruments	4,075	866
Gain on capital market transactions	-	-
<b>Losses (-)</b>	<b>475,303</b>	<b>19,020</b>
Foreign exchange losses	474,976	16,781
Losses on derivative financial instruments	327	2,239
Losses on capital market transactions	-	-
<b>Net</b>	<b>4,364</b>	<b>1,477</b>

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Effect of the change in exchange rates on profit/loss	3,748	(1,373)
Effect of the change in interest rates on profit/loss	-	-
<b>Total</b>	<b>3,748</b>	<b>(1,373)</b>

**5. Information on other operating income:**

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

Aside from no significant matters covering the recent developments which have significant effect on the Bank's income, a significant part of the operating revenue (TL 824) consists of the previous periods maintained reserves amount which has been cancelled and recorded as revenue later.

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

	<b>Current Period</b>	<b>Prior Period</b>
Specific Provisions for Loans and Other Receivables	837	-
III. group loans and receivables	802	-
IV. group loans and receivables	1	-
V. group loans and receivables	34	-
General provision expenses	-	-
Provision expenses for possible losses	27,381	5,710
Impairment provision of marketable securities	-	-
Financial Assets at fair value through profit and loss	-	-
Investment securities available for sale	-	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
Other <sup>(*)</sup>	6,769	225
<b>Total</b>	<b>34,987</b>	<b>5,935</b>

<sup>(\*)</sup> The balance which forms the other item part, amount of TL 5,143 represents the separated profit share amount of the participation accounts.

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(Continued)**

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

**7. a) Information on other operating expenses:**

	<b>Current Period</b>	<b>Prior Period</b>
Personnel expenses	47,436	16,399
Reserve for Employee Termination Benefits	580	-
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	7,148	780
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	1,678	1,387
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	30,914	12,807
Operational Leasing Expenses	8,532	2,180
Maintenance Expenses	174	149
Advertisement Expenses	9,244	7,448
Other Expenses	12,964	3,030
Loss on Sales of Assets	-	-
Other (*)	11,321	3,782
<b>Total</b>	<b>99,077</b>	<b>35,155</b>

(\*) The balance which forms the other item part, TL 5,694 represents TMSF Premium amount and audit and consultancy fees.

**8. Information on profit/loss from continued and discontinued operations before taxes:**

As of 30 September 2016, the bank does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	<b>Current Period</b>	<b>Prior Period</b>
Net Profit Share Income	137,235	42,549
Other Operating Expenses (-)	99,077	35,155
Provision for Loan or Other Receivables Losses (-)	34,987	5,935
Other Operating Income	1,330	19
Net Fees and Commissions Income	8,240	(519)
Dividend Income	-	-
Trading Income/Expense (Net)	4,364	1,477
<b>Income/(Loss) from Continuing Operations</b>	<b>17,105</b>	<b>2,436</b>

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

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

**9. Information on tax provision for continued and discontinued operations:**

As of 30 September 2016, the Bank's total tax provision expense amounting to TL 4,668 consists of TL 8,818 of current tax expense and 4,150 TL of deferred tax expense.

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

The Bank's net operating income after tax amounts to TL 12,437.

**11. Information on net profit/loss:**

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

The Bank utilizes its resources gathered from equity capital, domestic current and participation accounts as loans securities and interbank operations. Additionally, the bank generates an income from other banking operations.

**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.

**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:**

None.

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

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

- 1) a) Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses for the period:

**Current Period**

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	337,726	-	-	-
Balance at end of period	-	-	604,843	-	-	-
Profit share and commission income	-	-	8,595	-	-	-

**Prior Period**

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	337,726	-	-	-
Profit share and commission income	-	-	2,218	-	-	-

- b) Current and profit sharing account held by the Bank's risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	-	-	891	-	-	-
Balance at the end of period	-	-	3,050	891	-	-
Profit share expense	-	-	4	-	-	-



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

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

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss	-	-	-	-	-	-
Opening Balance	-	-	159,609	-	-	-
Closing Balance	-	-	202,605	159,609	-	-
<b>Total Profit/Loss</b>	-	-	<b>986</b>	-	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

**3) Information on remunerations provided to top management:**

The Bank has paid TL 1,978 to top management.

**VI. INFORMATION ON THE BANK'S DOMESTIC AND FOREIGN BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK**

None.

**VII. SIGNIFICANT EVENTS AND MATTERS ARISING SUBSEQUENT TO BALANCE SHEET DATE**

None.

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**SECTION SIX**

**OTHER EXPLANATIONS AND NOTES**

**I. OTHER EXPLANATIONS ON THE BANK’S OPERATIONS**

None.

**SECTION SEVEN**

**EXPLANATIONS ON REVIEW REPORT**

**I. EXPLANATIONS ON THE LIMITED REVIEW REPORT**

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

**II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS**

None.

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**SECTION EIGHT (\*)**

**EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT**

**I. Chairman's Assessment**

In the third quarter of the year 2016, FED authorities stated that the U.S economy started to gather strength and emphasized that strong signals are coming from the employment market and based upon those facts it will be appropriate to raise the interest rate gradually. This following development caused U.S Dollar to gain value over the other currencies, especially over the emerging market's currencies.

Because of the possibility of the interest rate hike of Federal Reserve System, there has been an exit from the developed country bonds and therefore negative interest process of developed country bonds' interest rates became positive again. Nevertheless, recession seen in the EU and Japan economies continues and caused wage incentives and monetary policies come to the fore again. English citizens' votes for the Brexit (England's exit from The European Union) in the referendum become a factor that increase the concerns in the England economy. Within this scope, in order to support the consumption and the financial markets, at the beginning of the third quarter Bank of England (BOE) stated that the interest on policy will be decreased by 25 basis point to 0.25%. Thus the interest rates are deducted to the lowest level in England's history. While the decision of England's exit from the EU was considered negatively by the global financial market, this situation is expected to cause further effect to the banking sector. Additionally the decrease of the profitability and the appearance of lately financial complications of some of the high scaled German banks which can affect the global economy has been a major factor that could pressure the global economy foremost the banking sector. Despite a slight recovery has been seen on the commodity prices, interest rate hike made by the Federal Reserve System and the weakness of the demand on the global economy gives less support to a permanent recuperation.

In the third quarter of 2016, as a result of the extraordinary situation, which was experienced in July, slightly affected the main economic indicators in Turkey but the rest of the year still remains promising. Meanwhile the unemployment rate was became to the two-digits again, it is expected to be reduced to one digit by the projected acceleration of the economic growth at the last quarter of the year. Stabilization is tend in the rising food prices this year despite the increase seen in the previous year, made a significant recovery from the perspective of the inflation. In accordance with the deducted course of the inflation and the simplification strategies made to the monetary policy Central Bank of the Republic of Turkey (CBRT) continued the interest rate cut in the third quarter of the year 2016.

Despite the geopolitical tension and declining global economy, in the second quarter of the year 2016 Turkey's economy grew 3.1%. Nevertheless, growth rate is quite below from the expectations. When the composition of the economic growth is observed, it can be seen that economic growth mainly consists of the consumption expenditures of the inhabitants and the final consumption expenditure of the government. On the other hand, as for the net export side an important affect to the growth could not be seen. Manufacturing industry keeps growing but in the second quarter of the year 2016 the growth slowed down compared to the first quarter. After the precautions and economic supportive steps taken from the government towards the extraordinary political situation occurred in July, it is expected that previously reduced funding cost rates to support raising in the rest of the year.

In the third quarter of the year 2016, stabilization tend in the rising food prices and the stable position of the Turkish Lira, made a significant decline to the inflation as expected. In the third quarter of the year, recovery was seen in the core inflation compared to the year before but nevertheless it was slightly above the expectations.

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**EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)**

**I. Chairman's Assessment (Continued)**

In the second half of the year 2015, Central Bank of the Republic of Turkey (CBRT) stated that there will be a simplification in the monetary policy within this scope with considering the inflation data CBRT made a 250 basis point discount on the loan interest rate. Because of the reducing funding costs of the banks, CBRT's interest rate cuts are expected to have a positive effect and contribute Turkey's growth both for the investments and consumption expenditures.

In the year 2016, because of the geopolitical risks and the political crisis between Russia and Turkey goals for tourism sector and export could not be reached. Nevertheless, foreign trade deficit kept shrinking during the year and main reason of this shrinkage the price has been the drop on oil and commodity prices. Besides due to the economic slowdown seen in the developed countries, there has been a fund transfer from the developed countries to the developing countries, and with the effect of the capital inflow from other countries there has been a significant improvement on the current account deficit of our country. There has not been any significant capital outflow from Turkey as a result of the extraordinary political developments.

As a result of maintaining the fiscal discipline and the proceeding to the interest expenditure recovery for the first nine months of 2016, an over the expectations performance has been reached within the budget realization. However, it is expected that the budget deficit will slightly increase in order to support the expenditures and subventions of the government to gain economic growth.

Banking sector is consistently growing providing the financial resources and saving channels needed for the economic growth of Turkey with the sector's high asset quality, raised return on equity rate and strong equity capital structure.

Ziraat Participation Bank, which was the first public bank to carry this title, after being established and being operated for more than a year, reached a performance above the expectations by following a rapid branching policy. As of the third quarter of the year 2016, the bank gained new customers to the Participation Banking sector by following a rapid branching policy at many points in our country. Aiming to extend its range of products with new solutions, Ziraat Participation Bank gains intend on answering to their both domestic and abroad clients' needs over the next period. Ziraat Participation Bank plans on extending the Bank's branch network, while maintaining the Bank's strong financial structure within the principles of "Participation Banking" and adding contribution to the Bank's service quality and to Turkey's economy.

**Hüseyin AYDIN**

**Chairman**

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**EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)**

**II. Assessment of General Manager**

In the third quarter of the year 2016 in global markets, contrary to the expectations Federal Reserve System gave messages on one hand as interest rate hike on the other hand delaying on the process influenced developing countries negatively. As for domestic borders, we have risen powerful from 15 July coup attempt period by our nation's courage and penetration also with our government administrators' effective interferences. In spite of the credit note deduction by credit rating association Moody's, foreign investors have still been showing confidence in Turkey's main economic indicators. Even though our country had economic growth lower than the targeted rate in the last period, recovery is foreseen with the necessary precautions taken beginning from the last quarter of the year. In this period, stimulatory measures which aims to increase investments and production are put in the practice and steps are created to relax the financial markets. Positive responses are received of this measures from the point of markets and progresses are made towards stated targets in the context of Middle Ranged Program.

As of the third quarter of the year 2016, our total assets as Ziraat Katilim exceeded the level of TL 6 billion corresponded with our targets. We sustained our support to our domestic economy and real sector by having TL 4.5 billion cash, TL 2.5 billion non-cash reaching the level in total of TL 7 billion of fund using. In the same period, our fund scale of TL 3.8 billion consists of the collection by reaching broad customer range and significant amount of these funds are widespread base funds. In spite of ongoing infrastructure investments, Ziraat Katilim which has finished its first activity in June 2016 with profitability maintained its profitable and consistent growing in the third quarter with TL 124.4 billion profit.

We maintained our new product development operations consistent with our strategy of contributing to Participation Banking improvement. Within this scope we accomplished our first profit and loss project. As part of our operations which is to enable the access to financial SME's, we started World Bank based fund using.

Towards to our mission of Participant Banking reaching broader masses we have reached 41 branches within the country. Branching operations will be continued upcoming periods in the regions where suitable opportunities stands out. We also care about off-branch banking and in addition to our operating internet branch we want to provide complete service to our customers in digital world with engaging our mobile banking application.

As Ziraat Katilim as of May 2016 after the procedure of exportation the lease certificate total of TL 100 million with the exportation of the second lease certificate with the same amount in August we continued our operations to increase money and capital market scales.

In the third quarter of the year 2016, our new retail banking products "Financial Limited Debit Card" and "State Subsidy Housing Account" are available to our clients' use. With the individual financing supporting product "Financial Limited Debit Card" our clients can have up to 48 months maturity term for their product and service purchase and unlike the similar products this card has no allocation and card fees. With the "State Subsidy Housing Account" our clients who wants to acquire their first residence will have a contribution from the state by opening an account at Ziraat Katilim Bank.

Ziraat Participation Bank will continue to support the real economy and add value to Turkey in every condition with the understanding of "Growth Through Sharing".

**Osman ARSLAN**

**General Manager**

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**EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)**

**III. Shareholding Structure**

Ziraat Katılım Bank's paid in capital is TL 747,000,000 and this capital divided into 747,000,000 shares that each one of all worth 1.00 Turkish Lira. Members of the Board of Auditors, the General Manager and Assistant General Managers do not hold shares in the Bank.

Title	Share Amount (TL)	Number of Shares
T.C. Ziraat Bankası A.Ş.	746,999,996	746,999,996
Ziraat Sigorta A.Ş.	1	1
Ziraat Hayat ve Emeklilik A.Ş.	1	1
Ziraat Teknoloji A.Ş.	1	1
Ziraat Yatırım Menkul Değerler A.Ş.	1	1

**IV. Changes in the Articles of Association**

During the recording period there has not been any changes on the prime contract.

**V. Main Financial Indicators**

In the Bank assets, indicators take shares as follows; loans volume is TL 4,531,919 thousand with 75.0%, liquid assets and banks volume is TL 963,980 thousand with 16%, security volume is TL 383,921 thousand with 6% and other assets volume is TL 201,523 thousand with 3%.

ASSETS (THOUSAND TL)	September 2016	December 2015	Variance (%)
Liquid Assets and Banks	963,980	279,641	245
Securities	383,921	129,893	197
Loans	4,531,919	1,690,106	168
Other Assets	201,523	77,795	159
<b>Total Assets</b>	<b>6,081,343</b>	<b>2,177,435</b>	<b>179</b>

In the Bank liabilities, indicators take shares as follows; deposit volume is TL 3,875,330 thousand with 64%, shareholders equity volume is TL 751,852 thousand with 12%, other liabilities volume is TL 129,862 thousand with 2.0% and resources out of deposit volume is TL 1,324,299 thousand with 22%.

LIABILITIES (THOUSAND TL)	September 2016	December 2015	Variance (%)
Deposits	3,875,330	1,256,305	209
Resources Out of Deposit	1,324,299	212,441	523
Other Liabilities	129,862	44,159	194
Shareholders' Equity	751,852	664,530	13
<b>Total Liabilities</b>	<b>6,081,343</b>	<b>2,177,435</b>	<b>179</b>

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**EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)**

**V. Main Financial Indicators (Continued)**

<b>SELECTED PROFIT AND LOSS ITEMS (THOUSAND TL)</b>	<b>September 2016</b>	<b>September 2015</b>	<b>Variance (%)</b>
Dividend Income	244,087	47,426	415
Dividend Expense	106,852	4,877	2,091
Net Dividend Income/Expense	137,235	42,549	223
Net Fees and Commissions Income/Expense	8,240	(519)	1,688
Trading Income/Expense (Net)	1,330	19	6,900
Other Operating Expenses	99,077	35,155	182
Provision for Loans and Other Receivables	34,987	5,935	490
Profit/Loss Before Tax	17,105	2,436	602
Tax Provision	(4,668)	(2,191)	113
Net Profit/Loss	12,437	245	4,976
<b>RATIOS (%)</b>	<b>September 2016</b>	<b>December 2015</b>	
Capital Adequacy Ratio	14.4	47.4	
Shareholders' Equity/Total Assets	12.4	30.5	
Total Loans/Total Assets	74.5	77.6	
Non-Performing Loans (Gross) / Total Loans	0.1	0.0	
Demand Deposit/Total Deposit	13.5	0.0	
FC Assets/FC Liabilities	59.4	12.2	
Liquid Assets/Total Assets	15.9	70.5	

**VI. 2016 III. Interim Period Operations**

From the third quarter of the year 2016, our new retail banking products "Financial Limited Debit Card" and "State Subsidy Housing Account" are available to our clients' use. Our risk balance in the personal loans has reached TL 570 Million. Our Bank has signed the protocols of 5 large housing projects. Thus the total project agreement amount has raised to 33 and started to fulfill the financing needs of our customers with the related projects. Our Bank's membered office number has increased to 592 and terminal number on the field has increased to 675 and starting from August, cash register amount on the field has reached to 15.

Newly opened branches which were opened after the second quarter of the year 2016:

Balgat/Ankara branch was started to the customer acceptance on the date of 14 July 2016.  
Mevlana/Konya branch was started to the customer acceptance on the date of 19 July 2016.  
Kestel/Bursa branch was started to the customer acceptance on the date of 1 August 2016.  
Manisa branch was started to the customer acceptance on the date of 29 August 2016.  
Sivas branch was started to the customer acceptance on the date of 7 October 2016.

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**EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)**

**VII. Expectations After the 2016's III. Interim Period**

In the third quarter of the year 2016, financial markets took shape with the steps of the monetary policy of the Federal Reserve System and European Central Bank and with the steps of the oil-producing countries' oil production. Carrying on with the recovery of the US economy, Federal Reserve System seems to have a possibility to go through with an interest rate hike. Therefore, bond yields of the developed countries which are testing their historical depths are rising and making the interest rate hike of the Federal Reserve System going up again. After the strong price reduction of oil prices at the start of the year, continuance of the recovery seen in US economy and oil producing countries' coming to an agreement on reducing the production amount, made the equilibrium point of the price per barrel of oil back to over USD 50 again. However because of the global economic growth expectations are still revised as downside, even if the oil production amount is reduced, recovery chance for the oil prices are still lowering. Signals of slowing down of the global economy are giving a negative impact to the commodity prices, thus to the commodity producing countries. Despite the economic problems seen at the start of the year in China economy is seemed to covered up a few towards the last quarter of year, growth rates are below the yearly average and the economic problems in the country are still in progress. On the other hand Central Bank of Japan (BOJ) and European Central Bank (ECB) are increasing liquidity both on their hinterland and on global economy by keeping on with the bond purchase program and by keeping the interest rates low. However it is put on the words that expansionary monetary policy of the central banks because of the high debt level of the global economy and the unfair distribution of income will not be providing a long term sustainable growth. Therefore different economical models consumption providing sustainable growth based on competitive production and strong including the country debts' solution are needed.

In the second quarter of the year 2016, US economy has grown rapidly more than expected due to the recovery on the labor market. However, the US economy is far from catching up on the growth rate gained in the previous years because of the growth under 1.5% gained in the last three quarters. Despite this, Yellen, Federal Reserve System Chair of the Board of the Governors, recorded that an acceleration of the economic growth is expected in the second half of the year 2016 and in the last quarter of the year 2016 there may be enough economic circumstances for an interest rate hike. Due to the possible interest rate hike of the Federal Reserve System, US Dollar index keeps going up and in the meantime on the US Government 10 year bond yields side rapid increases are expected. As US Dollar gains value there is a negative effect for the export rate of the USA but Federal Reserve System authorities state that it is tolerable on the interest rate hike side. Especially catching up with the targeted core inflation rate and the consumer price index escalating up to 1.5% level supports Federal Reserve System authorities' argument. If the current geopolitical risks will not be taken into account, recovery on the labor market and catching up with the targeted inflation rate would give the Federal Reserve System a proper environment to make an interest rate hike in the last quarter of the year 2016.

While English citizens' votes for the Brexit (England's exit from The European Union) in the referendum has become a factor that increase the risk perception for the global economy, EU bond yields are at their historical low levels. Also Switzerland and Germany, who has a voice over the global economy, 10 year bond yields became negative. European Central Bank (ECB) did not change the deposit interest and left the asset purchase program amount at monthly EUR 80 billion at their third quarter meeting. However, Draghi, President of the European Central Bank, stated that when the effects of Brexit starts to occur they can evaluate additional wage incentives. On the other hand, after the vote for the Brexit, Bank of England (BoE) decreased the political interest rate by 25 basis point to 0.25%. Therefore in England interest rates are now at their historical low level. The Bank has raised the asset purchase target GBP 60 Billion to GBP 435 Billion in order to inject money to the market. Therefore because of the conclusion of the Brexit, European Central Bank (ECB) and Bank of England (BoE) had to take additional precautions.



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**EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)**

**VII. Expectations After the 2016's III. Interim Period (Continued)**

Yet the Federal Reserve System giving signals about an interest rate hike for the last quarter of the year, made the interest rates in the world escalate again and by conclusion Germany 10 year bond yields turned positive again. On the other hand decrease of the profitability seen in some of the largest banks in Germany and revealed diminution plans of these banks, concerns about these banks are increased. It is told that having a global sized hinterland and very high amount of derivative products, possible troubles of these banks during the next periods could have the possibility to affect the whole global economy deeply.

In conclusion, due to the desired economic boost not happening in Europe it is assumed that in this countries the wage incentives will continue and interests will stay low for an extended period of time.

At the beginning of the year 2016 the expectation of the negative effect in global demand due to the sighted deceleration tendency in China economy along with the hard sales happening in commodity prices, the World economy also is effected negatively by this conditions. Even though the support of Chinese government to economy is still proceeded, the expansion figures become distanced of the level of supporting global economy. In the second quarter even though the expansion figures of Chinese economy announced as 6.6% in content of expectations, it is the lowest expansion figures since the 2009 financial crisis. The biggest reason of the economic expansion downfall is shown as the loss of power in the industry sector. Even though manufacturing industry data's announced in the last period indicates recovery, it is not encouraging from the point of recapturing sustainable high growth numbers. In the upcoming year, reasons such as the deceleration signals in the global economy and the production of rock gas and oil from US with new technology, after the first quarter of the year moderate recovery is seen in the oil prices which drop below USD 25 per barrel. In the meantime the shrinking demand in global economy is not deep as it is feared being the main factor, organization of petroleum exporting countries deciding in principle to freeze production is the other factor affecting oil prices positively. However, the factors which are recovery in global demand not being in the desired level and the possible interest rate hike of FED in the last quarter of the year are seen as possible elements of oppression to oil prices.

Third quarter of the year in Turkish economy as well as the developments generating from the dynamics of the economy, some extraordinary political developments played a significant role. Negative effects of the extraordinary situation that happened in July lasted a short time, as no significant loss of value in TL happening, there were no significant sales pressure happened in assets held in TL as well. The negative effects of encountered events to our country is defeated shortly with the systematic and hierarchy based functioning of publics' executive organs ongoing and the order of constitutional state operating. However, political developments aside, there has been some loss of value in TL in the end of the third quarter due to the increasing possibility of FED's interest rate hike and even it was limited fond outflows are seen. Also in the third quarter of the year, Central Bank of the Republic of Turkey (CBRT) continued interest rate cuts considering economic developments and downtrend in inflation. While the recovery is continued in foreign trade deficit and current account deficit, budget realization passed the objective as well.

Turkey which has grown beyond expectations in the first quarter of the year 2016, in the second quarter although it has grown lower than expected, Turkey achieved 3.1% level of growth. Countries such as China and India which has significant population aside, existence of the growth rates which are negative in lots of developing countries and in developed countries being very low shows that even Turkey's below expectations growth rate is encouraging from the aspect of Turkey's economy.

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**EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)**

**VII. Expectations After the 2016's III. Interim Period (Continued)**

In spite of the extraordinary political developments happening in our country, geopolitical risks happening in our borderline and the problems happening in global economy, due to some conditions such as economic administration making fast decisions, our economies building blocks being solid in contrary to other countries and lastly the experience of political authority on economic administration, Turkey economy can defeat any negative shock easily. Besides the interest cut of Central Bank of the Republic of Turkey (CBRT), the precautions taken by government to boost economy in the third quarter of the year are expected to accelerate the economic growth at the rest of the year.

Oil and natural gas which have significant share in Turkey's imports, having a hard fall in their prices has made a significant contribution on Turkey's foreign trade deficit shrink. Even though there has been some recovery seen in oil and natural gas prices beginning of the first quarter of the year, this condition did not have a serious impact on Turkey's import invoice. On the other hand the moderate increase in oil and natural gas prices, increased the demand for basic consumption goods produced in Turkey from oil producing countries which are Turkey's main import markets therefore Turkey's import is also affected positively from this situation. Despite the decreasing tourism receipts by the impact of political crisis happened with Russia and extraordinary political developments happened at the third quarter of the year, Turkey's current accounts deficit had its lowest level of the last five years with the ongoing capital entry from foreign countries.

In the third quarter of the year 2016 continuance of the low course on food prices and Turkish Lira being stable despite the interest rate cuts, caused an inflation drop parallel to the expectations. At the core inflation side, despite a recovery has been seen as against last year, the index stood a little above than expected. In the next period there may be pressure on the inflation rate due to frozen oil production amount of OPEC therefore increase of the energy prices. Besides the possible expected interest rate hike of the Federal Reserve System could invoke a risk over the value of Turkish Lira.

In the third quarter of the year 2016 due to both problems experienced in the global economy and political developments like the Brexit, interest rate cuts are seen in all over the world. As of the Central Bank of the Republic of Turkey (CBRT), taking in consideration the interest rate cuts and the decrease trend of the inflation, continued to interest rate cuts in the third quarter of the year 2016. After the statement of going into simplification with the monetary policy performed during the second half of the year 2015, Central Bank of the Republic of Turkey (CBRT) made an interest rate cut for the loan rate by 250 basis points.

In the last quarter of the year 2016, while the possibility of the interest rate hike of the Federal Reserve System increases, due to both geopolitical risks and the political developments, an increase for the risks of the global economy has been seen. After the lowest levels seen on the developed countries bond yields, statements made from the Federal Reserve System increased the bond yields rate of the both US and the other developing countries. On the other hand the decision of OPEC about freezing the oil production amount caused a limited increase of the oil prices. It is a fact that gaining higher growth rates for the next periods for Turkey is possible with the decrease of the geopolitical risks and despite decreasing growth rates seen in the world but expecting a 3.2% growth rate for Turkey at the end of the year.

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