

*(Convenience Translation of Consolidated Year End Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Section Three)*

**Ziraat Katılım Bankası Anonim Şirketi**

**Consolidated Interim Financial Statements  
As at and For Nine-Month Period Ended  
30 September 2017**

**With Auditors' Review Report Thereon**

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

3 November 2017

*This report includes "Auditors' Review Report"  
comprising 2 pages and; "Consolidated  
Financial Statements and Related Disclosures  
and Footnotes" comprising 77 pages.*

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

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

### *Introduction*

We have reviewed the accompanying consolidated statements of balance sheet of Ziraat Katılım Bankası A.Ş. (the "Bank") and its financial subsidiaries (together the "Group") as at 30 September 2017 and the consolidated statement of income, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial information for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of this interim financial information 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 Banking Regulation and Supervision Authority and Turkish Accounting Standard 34 "Interim Financial Reporting" except for the matters regulated by afore-mentioned 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, "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 and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with the Auditing Standards of Turkey. Consequently, a review of the interim financial information does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the financial position of Ziraat Katılım Bankası A.Ş. and its financial subsidiaries at 30 September 2017 and of the results of its operations and its cash flows for the nine-month-period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

### *Other Matter*

The consolidated financial statements of the Bank as at and for the year ended 31 December 2016 and as at and for the nine-month period ended 30 September 2016 were audited and reviewed by another auditor who expressed an unmodified opinion and an unmodified conclusion on 17 February 2017 and 9 November 2016, respectively.

### *Report on other legal and regulatory requirements*

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

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
A member firm of KPMG International Cooperative

Erdal Tıkmak, SMMM  
Partner

3 November 2017  
İstanbul, Turkey

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

As explained in Section 3.1, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

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

**THE CONSOLIDATED INTERIM FINANCIAL REPORT OF  
ZİRAAT KATILIM BANKASI A.Ş. AS OF 30 SEPTEMBER 2017**

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi  
Hayri Efendi Cad. Bahçekapı No: 12 34112 Fatih / İSTANBUL  
Phone: (212) 404 11 00  
Facsimile: (212) 404 10 81  
Website: www.ziraatkatilim.com.tr  
E-mail: bilgi@ziraatkatilim.com.tr

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

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

Subsidiaries financial statements have been consolidated in this consolidated interim financial report are as follows:

		Subsidiaries	Jointly Controlled Entities
1	Ziraat Katılım Varlık Kiralama A.Ş.	-	-
2	ZKB Varlık Kiralama A.Ş.	-	-

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

Hüseyin AYDIN  
Chairman of the Board

Metin ÖZDEMİR  
Member of the Board,  
CEO

Cemalettin BAŞLI  
Member of the Board,  
Member of the Audit  
Committee

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

Osman KARAKÜTÜK  
Treasury and Internal  
Operations Vice President

Osman ÇETİNER  
President  
of  
Financial Coordination

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  
Facsimile : 0 212 404 10 81

**SECTION ONE**  
**General Information about The Group**

	<b>Page No</b>
I. History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status	1
II. Shareholding structure, shareholders jointly or individually having direct or indirect, control over the management and supervisions of the Parent Bank and the disclosures on any related changes in the current period, if any and information about the Group that the Parent Bank belongs to	1
III. Explanations on the titles of chairman and members of the board of directors, members of audit committee, general managers and assistant general managers and their shareholdings in the Parent Bank	2
IV. Information about the persons and institutions that have qualified shares attributable to the Parent Bank	2
V. Explanations of the Parent Bank's services and field of operations	3
VI. Differences between the communicate on preparation of consolidated financial statements of Banks and Turkish accounting standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods	3
VII. Existing or potential, actual or legal obstacles to immediate transfer of shareholder's equity or repayment of debt between the Parent Bank and its subsidiaries	3

**SECTION TWO**  
**Consolidated Financial Statements**

I. Consolidated balance sheet (consolidated statement of financial position)	4
II. Consolidated statement of off-balance sheet commitments	6
III. Consolidated income statement	7
IV. Consolidated statement of profit and loss accounted for under equity	8
V. Consolidated statement of changes in shareholders' equity	9
VI. Consolidated statement of cash flows	11

**SECTION THREE**  
**Accounting Principles**

I. Explanations on basis of presentation	12
II. Explanations on usage strategy of financial assets and foreign currency transactions	13
III. Explanations on investments in associates, subsidiaries and joint ventures	13
IV. Explanations on forward transactions and option contracts and derivative instruments	15
V. Explanations on profit share income and expense	15
VI. Explanations on fees and commission income and expenses	15
VII. Explanations on financial assets	15
VIII. Explanations on impairment of financial assets	17
IX. Explanations on offsetting of financial assets and liabilities	17
X. Explanations on sale and repurchase agreements and lending of securities	17
XI. Explanations on assets held for sale and discontinued operations and related liabilities	18
XII. Explanations on goodwill and other intangible assets	18
XIII. Explanations on tangible assets	18
XIV. Explanations on leasing transactions	19
XV. Explanations on provisions and contingent liabilities	19
XVI. Explanations on liabilities relating to employee benefits	20
XVII. Explanations on taxation	21
XVIII. Explanations on additional disclosures on borrowings	23
XIX. Explanations on share certificates issued	23
XX. Explanations on acceptances	23
XXI. Explanations on government incentives	23
XXII. Explanations on cash and cash equivalents	23
XXIII. Explanations on segment reporting	23
XXIV. Explanations on other matters	23

**SECTION FOUR**  
**Explanations Related to the Financial Position and Risk Management**

I. Explanations on the shareholders' equity	24
II. Explanations on the consolidated currency risk	30
III. Equity share position risk on banking accounts	32
IV. Explanations on consolidated liquidity risk management and consolidated liquidity coverage ratio	32
V. Explanations on leverage ratio	38
VI. Explanations on securitization positions	38
VII. Explanations on risk management	38
VIII. Explanations on hedge transactions	40
IX. Explanations on consolidated operating segments	40

**SECTION FIVE**  
**Explanations and Notes Related to the Consolidated Financial Statements**

I. Explanations and notes related to consolidated assets	43
II. Explanations and notes related to consolidated liabilities	54
III. Explanations and notes related to the consolidated off-balance sheet accounts	62
IV. Explanations and notes related to the consolidated income statement	63
V. Explanations and notes related to the risk group of the Parent Bank	67
VI. Information on the Bank's domestic and foreign branches and foreign representatives of the bank	68
VII. Significant events and matters arising subsequent to balance sheet date	68

**SECTION SIX**  
**Other Explanations and Notes**

I. Other Explanations on the Group's Operations	68
II. Explanations on banks credit notes from credit rating agencies	68

**SECTION SEVEN**  
**Explanations on Review Report**

I. Explanations on the review report	68
II. Explanations and notes prepared by independent auditors	68

**SECTION EIGHT**  
**Explanations on Interim Activity Report**

I. Interim activity report that contains Bank's Chairman and General Manager assessments related to interim period annual	69
---	----

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

### SECTION ONE

#### GENERAL INFORMATION ABOUT THE GROUP

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

Ziraat Katılım Bankası A.Ş. 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 Parent 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 Parent Bank has begun its operations by opening its first branch in 29 May 2015. In the Ordinary General Meeting of the Parent Bank for the year 2016, held on 13 July 2017, paid in capital increased to TL 1,250,000 with TL 500,000 in cash and TL 3,000 internal resources. Governance body of the bank is in Istanbul.

Main operation field of the Parent 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 Parent 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.

All of the shares of the Parent of the Bank, T.C Ziraat Bankası A.Ş has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

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

As at 30 September 2017 and 31 December 2016, Parent Bank’s major shareholders and capital are as follows:

Shareholders	30 September 2017		31 December 2016	
	Paid Capital	%	Paid Capital	%
T.C. Ziraat Bankası A.Ş. (*)	1,250,000	99.9999996	747,000	99.9999996
Ziraat Sigorta A.Ş.	-	0.0000001	-	0.0000001
Ziraat Hayat ve Emeklilik A.Ş.	-	0.0000001	-	0.0000001
Ziraat Teknoloji A.Ş.	-	0.0000001	-	0.0000001
Ziraat Yatırım Menkul Değerler A.Ş.	-	0.0000001	-	0.0000001
<b>Total</b>	<b>1,250,000</b>	<b>100.00</b>	<b>747,000</b>	<b>100.00</b>

(\*) All of the shares of the Parent of the Bank, T.C Ziraat Bankası A.Ş has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

(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 PARENT BANK:

Name	Title
<b>Board of Directors</b>	
Hüseyin AYDIN	Chairman
Metin ÖZDEMİR	General Manager and Member of the BOD, Member of Remuneration Committee, President of Credit Committee, Member of Corporate Administration Committee
Yusuf DAĞCAN	Executive Vice President and Member of the BOD
Cemalettin BAŞLI	Member of BOD, Member of Credit Committee, Member of Audit Committee
Feyzi ÇUTUR	Member of BOD, Member of Credit Committee, Member of Audit Committee
Salim ALKAN	Member of BOD, President of Corporate Administration Committee, Member of Remuneration Committee, Associate Member of Credit Committee
<b>Assistant General Manager</b>	
Mehmet Said GÜL <sup>(*)</sup>	Information Technologies and Operations
Osman KARAKÜTÜK <sup>(**)</sup>	Treasury and Internal Operations
Tahir DEMİRKIRAN	Loan Allocation and Management
Temel Tayyar YEŞİL <sup>(***)</sup>	Marketing

<sup>(\*)</sup> As of 24 August 2017 was transferred to Assistant General Manager of Information Technologies and Operations.

<sup>(\*\*)</sup> As of 15 August 2017 was transferred to Assistant General Manager of Treasury and Internal Operations.

<sup>(\*\*\*)</sup> As of 18 July 2017 was transferred to Assistant General Manager of Marketing.

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

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

Name / Trade Name	Share Amount (Nominal)	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C.Ziraat Bankası A.Ş. <sup>(*)</sup>	1,250,000	99.9999996	1,250,000	-
Ziraat Sigorta A.Ş.	-	0.0000001	-	-
Ziraat Hayat ve Emeklilik A.Ş.	-	0.0000001	-	-
Ziraat Teknoloji A.Ş.	-	0.0000001	-	-
Ziraat Yatırım Menkul Değerler A.Ş.	-	0.0000001	-	-
<b>Total</b>	<b>1,250,000</b>	<b>100.00</b>	<b>1,250,000</b>	<b>-</b>

<sup>(\*)</sup> All of the shares of the Parent of the Bank, T.C Ziraat Bankası A.Ş has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

### GENERAL INFORMATION ABOUT THE GROUP (Continued)

#### V. EXPLANATIONS OF THE PARENT BANK’S SERVICES AND FIELD OF OPERATIONS

Operation field of Parent Bank is declared in the prime contract within the scope of Banking Law and other legislation codes. The Parent Bank collects funds with the scope of non-interest Banking Principles and provide all type of cash, non-cash funds within the scope of Islamic banking principles in any case. Moreover, the Parent Bank operates its 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.

The Parent Bank sorts out participation accounts discretely from other accounts in its account records. 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).

The Parent 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 cannot be less than 50% of participation rate to profit.

Parent 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 22 January 2016, Ziraat Katılım Varlık Kiralama A.Ş. (“Company”) was established to issue leasing certificates within the framework of the Communiqué on Leasing Certificates (III-61.1) issued by the Capital Markets Board (“CMB”) in the Official Gazette dated 7 June 2013 and numbered 28760 with the permission from the Banking Regulation and Supervision Board and the CMB with TL 50 equity which is owned by the Parent Bank. In 19 July 2017, ZKB Varlık Kiralama Anonim Şirketi was established with paid-in capital of TL 50 by Parent Bank. The company started its operations in 8 September 2017 after its registration is completed. The Parent Bank and subsidiaries consolidated with the Parent Bank are together referred as the “Group”.

As of 30 September 2017, Group operates with 795 personnel (31 December 2016: 655).

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

There is no difference for Ziraat Katılım Bank from consolidated financial statements of Banks and Turkish Accounting standards. Bank’s subsidiaries Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş. are consolidated within the scope of full consolidation.

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

None.



# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 SEPTEMBER 2017

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

### SECTION TWO

#### CONSOLIDATED FINANCIAL STATEMENTS

I.	CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	THOUSAND TURKISH LIRA					
			Reviewed Current Period (30/09/2017)			Audited Prior Period (31/12/2016)		
			TL	FC	Total	TL	FC	Total
	ASSETS							
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	189,840	1,242,987	1,432,827	633,389	567,909	1,201,298
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	39	4,579	4,618	7	1,152	1,159
2.1	Financial Assets Held for Trading		39	4,579	4,618	7	1,152	1,159
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		39	4,579	4,618	7	1,152	1,159
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1	Public Sector Debt Securities		-	-	-	-	-	-
2.2.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	(3)	1,729	197,492	199,221	6,561	461,893	468,454
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	518,734	7,375	526,109	407,515	7,168	414,683
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		514,015	7,375	521,390	402,796	7,168	409,964
VI.	LOANS AND RECEIVABLES	(5)	7,997,206	1,457,613	9,454,819	4,949,028	608,914	5,557,942
6.1	Loans and receivables		7,977,847	1,457,613	9,435,460	4,942,377	608,914	5,551,291
6.1.1	Loans to Risk Group of the Bank		97,897	336,010	433,907	505,998	52,926	558,924
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		7,879,950	1,121,603	9,001,553	4,436,379	555,988	4,992,367
6.2	Non-performing loans		33,322	-	33,322	10,483	-	10,483
6.3	Specific provisions (-)		13,963	-	13,963	3,832	-	3,832
VII.	INVESTMENTS HELD TO MATURITY (Net)	(6)	-	-	-	-	-	-
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(7)	-	-	-	-	-	-
8.1	Accounted with Equity Method		-	-	-	-	-	-
8.2	Unconsolidated Associates		-	-	-	-	-	-
8.2.1	Financial investments		-	-	-	-	-	-
8.2.2	Non-financial investments		-	-	-	-	-	-
IX.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	-	-	-	-	-	-
9.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
9.2	Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
X.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	-	-	-	-	-	-
10.1	Consolidated under equity method		-	-	-	-	-	-
10.2	Unconsolidated		-	-	-	-	-	-
10.2.1	Financial subsidiaries		-	-	-	-	-	-
10.2.2	Non-financial subsidiaries		-	-	-	-	-	-
XI.	RECEIVABLES FROM LEASING TRANSACTIONS	(10)	318,053	-	318,053	221,373	-	221,373
11.1	Finance Lease Receivables		397,241	-	397,241	265,785	-	265,785
11.2	Operating Lease Receivables		-	-	-	-	-	-
11.3	Other		-	-	-	-	-	-
11.4	Unearned Income ( - )		79,188	-	79,188	44,412	-	44,412
XII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSE	(11)	-	-	-	-	-	-
12.1	Fair Value Hedges		-	-	-	-	-	-
12.2	Cash Flow Hedges		-	-	-	-	-	-
12.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIII.	TANGIBLE ASSETS (Net)	(14)	45,732	-	45,732	43,643	-	43,643
XIV.	INTANGIBLE ASSETS (Net)	(15)	28,529	-	28,529	22,905	-	22,905
14.1	Goodwill		-	-	-	-	-	-
14.2	Other		28,529	-	28,529	22,905	-	22,905
XV.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-	-	-	-
XVI.	TAX ASSET	(16)	6,998	-	6,998	4,876	-	4,876
16.1	Current Tax Asset		-	-	-	-	-	-
16.2	Deferred Tax Asset		6,998	-	6,998	4,876	-	4,876
XVII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	3,561	-	3,561	-	-	-
17.1	Held for Sale		3,561	-	3,561	-	-	-
17.2	Held from Discontinued Operations		-	-	-	-	-	-
XVIII.	OTHER ASSETS	(17)	22,371	618	22,989	22,980	143	23,123
	TOTAL ASSETS		9,132,792	2,910,664	12,043,456	6,312,277	1,647,179	7,959,456

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 SEPTEMBER 2017

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

I.	CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	THOUSAND TURKISH LIRA					
			Reviewed Current Period (30/09/2017)			Audited Prior Period (31/12/2016)		
			TL	FC	Total	TL	FC	Total
	<b>LIABILITIES AND EQUITY</b>							
<b>I.</b>	<b>FUND COLLECTED</b>	<b>(1)</b>	<b>5,461,138</b>	<b>3,169,228</b>	<b>8,630,366</b>	<b>3,776,737</b>	<b>1,859,209</b>	<b>5,635,946</b>
1.1	Fund Collected Held By the Risk Group of the Bank		5,935	-	5,935	1,785	11	1,796
1.2	Other		5,455,203	3,169,228	8,624,431	3,774,952	1,859,198	5,634,150
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>(2)</b>	<b>-</b>	<b>348</b>	<b>348</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>(3)</b>	<b>1,160</b>	<b>1,552,338</b>	<b>1,553,498</b>	<b>-</b>	<b>1,185,762</b>	<b>1,185,762</b>
<b>IV.</b>	<b>MONEY MARKET BALANCES</b>	<b>(3)</b>	<b>8,064</b>	<b>-</b>	<b>8,064</b>	<b>133,668</b>	<b>-</b>	<b>133,668</b>
<b>V.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>		<b>253,642</b>	<b>-</b>	<b>253,642</b>	<b>101,459</b>	<b>-</b>	<b>101,459</b>
<b>VI.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>40,395</b>	<b>4,108</b>	<b>44,503</b>	<b>13,217</b>	<b>3,809</b>	<b>17,026</b>
<b>VII.</b>	<b>OTHER LIABILITIES</b>	<b>(4)</b>	<b>60,397</b>	<b>3,008</b>	<b>63,405</b>	<b>45,594</b>	<b>933</b>	<b>46,527</b>
<b>VIII.</b>	<b>FINANCE LEASE PAYABLES</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
8.1	Finance Lease Payables		-	-	-	-	-	-
8.2	Operating Lease Payables		-	-	-	-	-	-
8.3	Other		-	-	-	-	-	-
8.4	Deferred Finance Lease Expenses ( - )		-	-	-	-	-	-
<b>IX.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.1	Fair Value Hedges		-	-	-	-	-	-
9.2	Cash Flow Hedges		-	-	-	-	-	-
9.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>X.</b>	<b>PROVISIONS</b>	<b>(7)</b>	<b>114,808</b>	<b>3,178</b>	<b>117,986</b>	<b>62,750</b>	<b>1,824</b>	<b>64,574</b>
10.1	General Provisions		86,671	-	86,671	52,263	-	52,263
10.2	Restructuring Provisions		-	-	-	-	-	-
10.3	Employee Benefits Provisions		3,676	-	3,676	2,169	-	2,169
10.4	Insurance Technical Reserves (Net)		-	-	-	-	-	-
10.5	Other Provisions		24,461	3,178	27,639	8,318	1,824	10,142
<b>XI.</b>	<b>TAX LIABILITY</b>	<b>(8)</b>	<b>18,791</b>	<b>-</b>	<b>18,791</b>	<b>9,873</b>	<b>-</b>	<b>9,873</b>
11.1	Current Tax Liability		18,791	-	18,791	9,873	-	9,873
11.2	Deferred Tax Liability		-	-	-	-	-	-
<b>XII.</b>	<b>LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1	Held for Sale		-	-	-	-	-	-
12.2	Held from Discontinued Operations		-	-	-	-	-	-
<b>XIII.</b>	<b>SUBORDINATED LOANS</b>	<b>(10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIV.</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>(11)</b>	<b>1,352,832</b>	<b>21</b>	<b>1,352,853</b>	<b>764,728</b>	<b>(107)</b>	<b>764,621</b>
14.1	Paid-in Capital		1,250,000	-	1,250,000	747,000	-	747,000
14.2	Capital Reserves		(5,451)	21	(5,430)	(963)	(107)	(1,070)
14.2.1	Share Premium		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Marketable Securities Valuation Differences		(5,451)	21	(5,430)	(963)	(107)	(1,070)
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		-	-	-	-	-	-
14.2.10	Other Capital Reserves		-	-	-	-	-	-
14.3	Profit Reserves		9,691	-	9,691	-	-	-
14.3.1	Legal Reserves		1,308	-	1,308	-	-	-
14.3.2	Statutory Reserves		-	-	-	-	-	-
14.3.3	Extraordinary Reserves		3,843	-	3,843	-	-	-
14.3.4	Other Profit Reserves		4,540	-	4,540	-	-	-
14.4	Profit or Loss		98,592	-	98,592	18,691	-	18,691
14.4.1	Prior Years Profit/Loss		-	-	-	(11,982)	-	(11,982)
14.4.2	Net Period Profit/Loss		98,592	-	98,592	30,673	-	30,673
14.5	Minority Shares		-	-	-	-	-	-
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,311,227</b>	<b>4,732,229</b>	<b>12,043,456</b>	<b>4,908,026</b>	<b>3,051,430</b>	<b>7,959,456</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS OF 30 SEPTEMBER 2017

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

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	THOUSAND TURKISH LIRA					
		Reviewed Current Period (30/09/2017)			Audited Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>(1)</b>	<b>2,900,463</b>	<b>4,076,924</b>	<b>6,977,387</b>	<b>1,380,632</b>	<b>2,435,507</b>	<b>3,816,139</b>
<b>I. GUARANTEES AND WARRANTIES</b>		<b>2,807,351</b>	<b>2,868,977</b>	<b>5,676,328</b>	<b>1,341,334</b>	<b>2,166,635</b>	<b>3,507,969</b>
1.1 Letters of Guarantee		2,802,521	2,203,676	5,006,197	1,329,163	1,443,571	2,772,734
1.1.1 Guarantees Subject to State Tender Law		72,678	911,003	983,681	7,214	603,083	610,297
1.1.2 Guarantees Given for Foreign Trade Operations		2,566,947	-	2,566,947	1,208,028	-	1,208,028
1.1.3 Other Letters of Guarantee		162,896	1,292,673	1,455,569	113,921	840,488	954,409
1.2 Bank Acceptances		-	11,434	11,434	-	7,484	7,484
1.2.1 Import Letter of Acceptance		-	11,434	11,434	-	7,484	7,484
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		480	366,320	366,800	-	188,475	188,475
1.3.1 Documentary Letters of Credit		480	366,320	366,800	-	188,475	188,475
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing 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		4,350	281,867	286,217	12,000	520,131	532,131
1.7 Other Collaterals		-	5,680	5,680	171	6,974	7,145
<b>II. COMMITMENTS</b>	<b>(1)</b>	<b>93,112</b>	<b>31,116</b>	<b>124,228</b>	<b>39,298</b>	<b>9,200</b>	<b>48,498</b>
2.1 Irrevocable Commitments		93,112	31,116	124,228	39,298	9,200	48,498
2.1.1 Forward asset purchase commitments		25,353	31,116	56,469	4,023	9,200	13,223
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		57,608	-	57,608	34,817	-	34,817
2.1.7 Tax and Fund Liabilities from Export Commitments		1,443	-	1,443	458	-	458
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		8,708	-	8,708	-	-	-
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>-</b>	<b>1,176,831</b>	<b>1,176,831</b>	<b>-</b>	<b>259,672</b>	<b>259,672</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		-	1,176,831	1,176,831	-	259,672	259,672
3.2.1 Forward Foreign Currency Buy/Sell Transactions		-	1,176,831	1,176,831	-	259,672	259,672
3.2.1.1 Forward Foreign Currency Transactions-Buy		-	590,735	590,735	-	130,412	130,412
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	586,096	586,096	-	129,260	129,260
3.2.2 Other Forward Buy/Sell Transaction		-	-	-	-	-	-
3.3 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>11,279,684</b>	<b>885,144</b>	<b>12,164,828</b>	<b>6,580,645</b>	<b>334,443</b>	<b>6,915,088</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>333,135</b>	<b>230,827</b>	<b>563,962</b>	<b>197,945</b>	<b>103,513</b>	<b>301,458</b>
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		60,961	-	60,961	1,167	-	1,167
4.3 Checks Received for Collection		247,300	7,019	254,319	185,546	2,162	187,708
4.4 Commercial Notes Received for Collection		24,599	2,080	26,679	11,232	190	11,422
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		275	123,506	123,781	-	47,704	47,704
4.8 Custodians		-	98,222	98,222	-	53,457	53,457
<b>V. PLEDGES RECEIVED</b>		<b>10,946,549</b>	<b>654,317</b>	<b>11,600,866</b>	<b>6,382,700</b>	<b>230,930</b>	<b>6,613,630</b>
5.1 Marketable Securities		959,481	269,874	1,229,355	6,979	-	6,979
5.2 Guarantee Notes		695,327	33,133	728,460	572,824	22,136	594,960
5.3 Commodity		726,213	-	726,213	419,001	-	419,001
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		7,960,878	-	7,960,878	4,855,316	-	4,855,316
5.6 Other Pledged Items		604,650	351,310	955,960	528,580	208,794	737,374
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>14,180,147</b>	<b>4,962,068</b>	<b>19,142,215</b>	<b>7,961,277</b>	<b>2,769,950</b>	<b>10,731,227</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED INCOME STATEMENT FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

III. CONSOLIDATED INCOME STATEMENT					
INCOME AND EXPENSE ITEMS	Note (Section Five IV)	Reviewed	Reviewed	Reviewed	Reviewed
		Current Period 01/01-30/09/2017	Prior Period 01/01-30/09/2016	Current Period 01/07-30/09/2017	Prior Period 01/07-30/09/2016
<b>I. PROFIT SHARE INCOME</b>	(1)	<b>658,587</b>	<b>244,087</b>	<b>265,320</b>	<b>109,232</b>
1.1 Profit share on loans		593,069	223,756	241,624	99,897
1.2 Profit share on reserve deposits		10,909	2,604	4,511	1,123
1.3 Profit share on banks		-	353	-	-
1.4 Profit share on money market placements		-	-	-	-
1.5 Profit share on marketable securities portfolio		32,865	15,318	11,777	7,061
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		32,865	14,922	11,777	6,850
1.5.4 Investments held-to-maturity		-	396	-	211
1.6 Finance lease income		21,002	2,004	7,274	1,101
1.7 Other profit share income		742	52	134	50
<b>II. PROFIT SHARE EXPENSE</b>	(2)	<b>360,491</b>	<b>106,852</b>	<b>148,608</b>	<b>51,854</b>
2.1 Expense on profit sharing accounts		317,400	85,588	130,413	42,239
2.2 Profit share expense on funds borrowed		27,477	16,763	10,502	7,295
2.3 Profit share expense on money market borrowings		2,311	4,501	787	2,320
2.4 Expense on securities issued		13,303	-	6,906	-
2.5 Other profit share expense		-	-	-	-
<b>III. NET PROFIT SHARE INCOME (I - II)</b>		<b>298,096</b>	<b>137,235</b>	<b>116,712</b>	<b>57,378</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>22,240</b>	<b>8,240</b>	<b>8,473</b>	<b>3,348</b>
4.1 Fees and commissions received		32,077	11,911	12,593	5,017
4.1.1 Non-cash loans		24,679	7,831	9,765	3,317
4.1.2 Other		7,398	4,080	2,828	1,700
4.2 Fees and commissions paid		9,837	3,671	4,120	1,669
4.2.1 Non-cash loans		9	-	9	-
4.2.2 Other		9,828	3,671	4,111	1,669
<b>V. DIVIDEND INCOME</b>	(3)	-	-	-	-
<b>VI. NET TRADING INCOME</b>	(4)	<b>9,788</b>	<b>4,364</b>	<b>4,233</b>	<b>1,230</b>
6.1 Capital market transaction gains / (losses)		(131)	-	(123)	-
6.2 Gains/ (losses) from derivative financial instruments		(13,828)	3,748	(4,979)	1,136
6.3 Foreign exchange gains / (losses)		23,747	616	9,335	94
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>1,985</b>	<b>1,330</b>	<b>130</b>	<b>66</b>
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>332,109</b>	<b>151,169</b>	<b>129,548</b>	<b>62,022</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(6)	<b>62,414</b>	<b>34,987</b>	<b>20,464</b>	<b>12,002</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>143,104</b>	<b>99,077</b>	<b>52,116</b>	<b>37,800</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>126,591</b>	<b>17,105</b>	<b>56,968</b>	<b>12,220</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-	-	-
<b>XIII. GAIN / (LOSS) ON EQUITY METHOD</b>		-	-	-	-
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-	-	-
<b>XV. PROFIT/(LOSS) BEFORE TAXES FROM CONTINUED OPERATIONS (XI+...+XIV)</b>	(8)	<b>126,591</b>	<b>17,105</b>	<b>56,968</b>	<b>12,220</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (-)</b>	(9)	<b>(27,999)</b>	<b>(4,668)</b>	<b>(12,046)</b>	<b>(2,252)</b>
16.1 Current Tax Provision		(29,566)	(8,818)	(11,020)	(4,317)
16.2 Deferred Tax Provision		1,567	4,150	(1,026)	2,065
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	(10)	<b>98,592</b>	<b>12,437</b>	<b>44,922</b>	<b>9,968</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
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		-	-	-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
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		-	-	-	-
<b>XX. PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-	-	-
<b>XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-	-	-
21.1 Current tax provision		-	-	-	-
21.2 Deferred tax provision		-	-	-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-	-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(11)	<b>98,592</b>	<b>12,437</b>	<b>44,922</b>	<b>9,968</b>
23.1 Group profit/ loss		98,592	12,437	44,922	9,968
23.2 Minority shares profit/ loss		-	-	-	-
Earnings per share income/loss (full TL)		0,1100	0,0166	0,0379	0,0133

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

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY		
	Reviewed Current Period 01/01/2017- 30/09/2017	Audited Prior Period 01/01/2016- 30/09/2016
Consolidated Statement of Income and Expenses Accounted Under Equity		
I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FOR AVAILABLE SALE FINANCIAL ASSETS	(4,915)	3,264
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-	-
VII. THE EFFECT OF CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	-	-
IX. DEFERRED TAX OF VALUATION DIFFERENCES	555	(379)
X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	(4,360)	2,885
XI. PROFIT/LOSS	98,592	12,437
11.1 Change in fair value of marketable securities (transfer to profit/loss)	-	-
11.2 Reclassification of derivatives accounted for cash flow hedge purposes to income statement	-	-
11.3 Reclassification of hedge of net investments in foreign operations to income statement	-	-
11.4 Other	98,592	12,437
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	94,232	15,322

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

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																				
THOUSAND TURKISH LIRA		Note (Section Five V)	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit / (Loss)	Prior Period Net Profit / (Loss)	Valuation Differences of Securities	Revaluation Fund on Tangible and Intangible Assets	Non-paid up shares from partnerships	Hedge Funds	Revaluation Fund on Assets Held for Sale and Discontinued Operations	Total Equity Excluding Minority Shareholders	Minority Shareholders	Total Shareholders' Equity
Prior Period 1 January -30 September 2016																				
I.	Balances at the beginning of period		675,000	-	-	-	-	-	-	-	-	(11,982)	1,512	-	-	-	-	664,530	-	664,530
II.	Corrections according to Turkish Accounting Standard No.8																			
2.1	Corrections of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted beginning balance (I + II)		675,000	-	-	-	-	-	-	-	-	(11,982)	1,512	-	-	-	-	664,530	-	664,530
	Changes in the period																			
IV.	Increase / decrease related to mergers																			
V.	Valuation difference of available-for-sale securities																			
VI.	Hedging transactions (effective portion)												2,885					2,885		2,885
6.1	Cash flow hedge																			
6.2	Hedging of a net investment in foreign subsidiaries																			
VII.	Revaluation fund on tangible assets																			
VIII.	Revaluation fund on intangible assets																			
IX.	Capital bonus of associates, subsidiaries and joint ventures																			
X.	Foreign exchange differences																			
XI.	Changes related to sale of assets																			
XII.	Changes related to reclassification of assets																			
XIII.	Effect of changes in equities of associates																			
XIV.	Capital increase		72,000															72,000		72,000
14.1	Cash		72,000															72,000		72,000
14.2	Domestic sources																			
XV.	Issuances of share certificates																			
XVI.	Abolition profit of share certificates																			
XVII.	Capital reserves from inflation adjustments to paid-in capital																			
XVIII.	Others																			
XIX.	Current period net profit / loss										12,437							12,437		12,437
XX.	Profit distribution																			
20.1	Dividends																			
20.2	Transferred to reserves																			
20.3	Others																			
	Balances at the end of period (III+IV+V+.....+XVIII+XIX+XX)		747,000	-	-	-	-	-	-	-	12,437	(11,982)	4,397	-	-	-	-	751,852	-	751,852

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

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																			
THOUSAND TURKISH LIR Current Period 01 January 2017 – 30 September 2017	Note (Section Five)	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit / (Loss)	Prior Period Net Profit / (Loss)	Valuation Differences of Securities	Revaluation Fund on Tangible and Intangible Assets	Non-paid up shares from partnerships	Hedge Funds	Revaluation Fund on Assets Held for Sale and Discontinued Operations	Total Equity Excluding Minority Shareholders	Minority Shareholders	Total Shareholders' Equity
I. Balances at the beginning of the period		747,000	-	-	-	-	-	-	-	-	18,691	(1,070)	-	-	-	-	764,621	-	764,621
II. Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Increase / decrease related to mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Valuation difference of available-for-sale securities		-	-	-	-	-	-	-	-	-	-	(4,360)	-	-	-	-	(4,360)	-	(4,360)
IV. Hedging transactions (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedging of a net investment in foreign subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation fund on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation fund on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital bonus of associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes related to sale of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes related to reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of changes in equities of associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		503,000	-	-	-	-	-	-	-	-	(3,000)	-	-	-	-	-	500,000	-	500,000
12.1 Cash		500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500,000	-	500,000
12.2 Domestic sources		3,000	-	-	-	-	-	-	-	-	(3,000)	-	-	-	-	-	-	-	-
XIII. Issuances of share certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Abolition profit of share certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Current period net profit / loss		-	-	-	-	-	-	-	-	98,592	-	-	-	-	-	-	98,592	-	98,592
XVIII. Profit distribution		-	-	-	-	1,308	-	3,843	4,540	-	(15,691)	-	-	-	-	-	(6,000)	-	(6,000)
18.1 Dividends		-	-	-	-	-	-	-	-	-	(6,000)	-	-	-	-	-	(6,000)	-	(6,000)
18.2 Transferred to reserves		-	-	-	-	1,308	-	3,843	4,540	-	(9,691)	-	-	-	-	-	-	-	-
18.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)		1,250,000	-	-	-	1,308	-	3,843	4,540	98,592	-	(5,430)	-	-	-	-	1,352,853	-	1,352,853

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

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS		THOUSAND TURKISH LIRA	
	Note (Section Five)	Reviewed Current Period 1 January – 30 September 2017	Reviewed Prior Period 1 January – 30 September 2016
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating profit before changes in operating assets and liabilities		131,001	12,030
1.1.1 Profit share income received		602,694	184,256
1.1.2 Profit share expense paid		(333,397)	(93,498)
1.1.3 Dividend received		-	-
1.1.4 Fees and commissions received		32,077	11,912
1.1.5 Other income		538	7,419
1.1.6 Collections from previously written off loans		6,021	-
1.1.7 Payments to personnel and service suppliers		(63,950)	(47,436)
1.1.8 Taxes paid		(18,546)	(4,843)
1.1.9 Others		(94,436)	(45,780)
1.2 Changes in operating assets and liabilities		(1,383,782)	505,169
1.2.1 Net (increase)/decrease in held for trading financial assets		(3,464)	-
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		(676,312)	(420,335)
1.2.4 Net (increase) decrease in loans		(3,954,678)	(2,866,397)
1.2.5 Net (increase) decrease in other assets		(3,427)	(50,513)
1.2.6 Net increase (decrease) in bank deposits		68,255	-
1.2.7 Net increase (decrease) in other deposits		2,903,875	2,610,636
1.2.8 Net increase (decrease) in funds borrowed		362,820	980,681
1.2.9 Net increase (decrease) in due payables		-	-
1.2.10 Net increase (decrease) in other liabilities		(80,851)	251,097
<b>I. Net cash provided from banking operations</b>		<b>(1,252,781)</b>	<b>517,199</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities</b>		<b>(126,215)</b>	<b>(270,284)</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		(18,693)	(10,384)
2.4 Fixed assets sales		-	-
2.5 Cash paid for purchase of financial assets available for sale		(107,522)	(248,990)
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)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from financing activities</b>		<b>632,880</b>	<b>-</b>
3.1 Cash obtained from funds borrowed and securities issued		550,000	-
3.2 Cash used for repayment of funds borrowed and securities issued		(411,120)	-
3.3 Marketable Securities Issued		500,000	-
3.4 Dividends paid		(6,000)	-
3.5 Payments for finance leases		-	-
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>29,442</b>	<b>23,718</b>
<b>V. Net increase (decrease) in cash and cash equivalents (I + II + III + IV)</b>		<b>(716,674)</b>	<b>270,633</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>		<b>1,114,258</b>	<b>145,137</b>
<b>VII. Cash and cash equivalents at the end of the period</b>		<b>397,584</b>	<b>415,770</b>

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

**SECTION THREE**

**ACCOUNTING PRINCIPLES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no. 26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency (“BRSA”) and circulars and interpretations published by 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 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 publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué. The Parent 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 2017, balance sheet and off-balance sheet liabilities tables are comparatively given with 31 December 2016 balances and income statement, profit and loss accounted for under equity, cash flows and changes in shareholders’ equity tables are comparatively given with the accounting period ending on 30 September 2016.

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

The preparation of consolidated 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. Judgments and estimates are explained in related notes.

The amendments of TAS and TFRS which have entered into force as of 1 January 2017 have no material impact on the Parent’s bank accounting policies, financial position and performance. The amendments of TAS and TFRS will be effective as of 1 January 2018, except TFRS 9 Financial Instruments, will have no impact on the accounting policies, financial condition and performance of the Parent Bank. The Parent Bank has started works in order to comply with TFRS 9 Financial Instruments Standard which will be effective as of 1 January 2018.

The accounting policies and valuation principles applied in the preparation of these consolidated 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 consolidated 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

**ACCOUNTING PRINCIPLES (Continued):**

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

The Parent 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 Parent Bank resources consists of funds collected, funds borrowed and shareholders’ equity. Bank evaluates its resources with commodity transactions, lease certificates and credits in high-yield and short-term. The Parent Bank’s liquidity position considered as defraying all the maturing liabilities.

The procedures including foreign currency were recorded based on the buying rate of the counter ruling 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.

The Parent 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 Parent Bank.

The Parent Bank performs Balance Sheet and Equity Management by Asset-Liability Committee with the inclusion of risk limits by considering market structure and by aiming to maximize profit.

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

**a. Consolidation principles applied:**

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

**1. Consolidation principles for subsidiaries:**

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

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

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

#### ACCOUNTING PRINCIPLES (Continued)

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

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

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

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

30 September 2017				
Title	Address (City / Country)	Main Activities	Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)
Ziraat Katılım Varlık Kiralama A.Ş.	Istanbul/Turkey	Issuance of Lease Certificates	100	100
ZKB Varlık Kiralama A.Ş.	Istanbul/Turkey	Issuance of Lease Certificates	100	100

Ziraat Katılım Varlık Kiralama A.Ş. was established and registered to the trade registry in 22 January 2016 with the permission taken from “Banking Regulation and Supervision Agency” and “Capital Markets Board of Turkey”. Ziraat Katılım Varlık Kiralama A.Ş. has been founded to operate lease certificate according to rulings of Capital Markets Board of Turkey which was dated 7 June 2013 and numbered 28760 serial: 3 no: 61.1 published in Official Gazette. In 19 July 2017, ZKB Varlık Kiralama Anonim Şirketi was established with paid-in capital of TL 50 by Parent Bank. The company started its operations in 8 September 2017 after its registration is completed.

#### 2. Consolidation principles of associates and joint ventures:

There is no jointly controlled subsidiaries as of the date of 30 September 2017.

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

#### 4. Transactions with minority shareholders: None.

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

There is no subsidiaries and associates within the scope of The Parent’s Bank consolidation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

**ACCOUNTING PRINCIPLES (Continued)**

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

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

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

**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”.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

**ACCOUNTING PRINCIPLES (Continued)**

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

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

**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 amortized 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 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

**ACCOUNTING PRINCIPLES (Continued)**

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

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

Held to maturity assets are initially recognized at cost value.

**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.

The Parent Bank, loans and other receivables are classified 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 “Other Operating Income” 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 Parent Bank currently has a legally enforceable right to set off the recognized amounts or intends either to collect/settle on a net basis or to realize the asset and settle the liability simultaneously.

**X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

**ACCOUNTING PRINCIPLES (Continued)**

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

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 a 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 parent 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 2017, the Parent Bank has TL 3,561 held for sale and discontinued operations (31 December 2016: None).

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

As of the balance sheet date, the Group 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 Group 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.

**XIII. EXPLANATIONS ON TANGIBLE ASSETS**

Property and equipment is measured at its cost when initially recognized 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 depreciation rates are as follows;

Vehicles and Fixtures	: 2% – 25%
Operational Leasehold Improvements Cost (Leasehold Improvements)	: Leasing period – 5 years

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.

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period.

There is no tangible assets that are held for sale.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

**ACCOUNTING PRINCIPLES (Continued)**

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

*Group’s 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 2017, there is no financial leasing transaction.

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

*Group’s Transactions as a lessor*

The Parent Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Parent 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.

**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 Group provides provision in case of an existing liability (legal or implicit) as a result of an incident that took place in the past, there is possibility of disposal of assets that bring economic benefit and the liability is measurable. When a reliable estimate of the amount of obligation 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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

**ACCOUNTING PRINCIPLES (Continued)**

**XVI. EXPLANATIONS ON LIABILITIES RELATING TO EMPLOYEE BENEFITS**

**a. Defined contribution plans:**

Liabilities related to severance pay and right to leave calculated according to the regulations of the TAS 19 “Accounting Standard of Employee Benefits”, and liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value.

Under the Turkish legislation as supplemented by union agreements, Employment Termination Benefit payments are made in case of retirement or employment termination or resignation depending on the arise of the legal conditions. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, Employment Termination Benefit Provision 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).

The Parent bank benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. These assumptions are reviewed yearly. As of 30 September 2017, the Parent Bank’s employee termination benefit is TL 1,421 (31 December 2016: TL 780).

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. As of 30 September 2016 the Parent Bank unused vacation liability is TL 2,255 (31 December 2016: TL 1,389).

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

**b. T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations (TZHEMSAN) Liability**

Some of the Bank’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees’ Pension Fund (“Fund”) which was established by 20<sup>th</sup> provisional article of Social Security Law Act numbered 506. As of 30 September 2017 the number of beneficiaries of the Fund from the Bank (except the dependents) is 785.

Provisional article 23 of the Banking Act No: 5411 requires the Bank’s pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers’ decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension fund foundations would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

**ACCOUNTING PRINCIPLES (Continued)**

**XVI. EXPLANATIONS ON LIABILITIES RELATING TO EMPLOYEE BENEFITS (Continued):**

**a. T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations (TZHEMSAN) Liability (Continued)**

The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9,8%. Moreover, after the transfer to SSI, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

According to the 58<sup>th</sup> and the temporary 7<sup>th</sup> Article of the Banking Law, the sentence which states that the banks cannot transfer funds in order to fulfill the deficit of the Funds from 1 January 2008, has been postponed up to five years.

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

Besides, the phrase of “two years” in Clause (2), Article 1 of the temporary 20<sup>th</sup> provision of the law numbered 5510 is revised as “four years” with the law numbered 6283 amending on the Social Insurance and General Health Insurance Law, published in the Official Gazette numbered 28227, dated 8 March 2012.

Based on the Council of Ministers’ decree numbered 2014/6042 and issued in the Official Gazette numbered 28987 dated 30 April 2014, the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for one year.

Lastly, 51<sup>st</sup> article of Law No.6645 dated 23 April 2015, published on Official Gazette and the first paragraph of the transient 20<sup>th</sup> article of Law No.5510 related to the transfer of Bank and Insurance Funds to Social Security Institution; “Council of Ministers is the authority to determine the date of transfer of banks, insurance and reinsurance companies, boards of trade, chambers of industry and stock markets or the participants of funds established for their constitute union personnel and the ones that were endowed salary or income and their beneficiaries within the scope of transient 20<sup>th</sup> article of Law No.506. As from the transfer date, the participants are considered as insured within the scope of clause (a), first paragraph and 4<sup>th</sup> article of this Law.” Thus, with the amendment made, the Cabinet of Ministers has the authority to determine the date of transfer of the funds to the SSI without the time limit.

The technical balance sheet report as of 31 December 2016 which is prepared in accordance with the new law and the allowance determined as 9.80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

**XVII. EXPLANATIONS ON TAXATION**

**a. Current Tax**

“Corporate Tax Law” 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

**ACCOUNTING PRINCIPLES (Continued)**

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

**a. Current Tax (Continued)**

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 14<sup>th</sup> and paid by the 17<sup>th</sup> 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 25<sup>th</sup> 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.

**b. Deferred Tax**

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

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

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

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.

## **ZİRAAT KATILIM BANKASI A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

#### **ACCOUNTING PRINCIPLES (Continued):**

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

The Group records borrowings in accordance with TAS 39 “Financial Instruments: Recognition and Measurement”. Borrowings, are recognized using the internal rate of return method in the following periods after the initial recognition. The Parent Bank has no borrowing that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings. There are no debt securities issued by the parent bank. The Parent 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 parent bank takes place during this operation as a fund user.

#### **XIX. EXPLANATIONS ON SHARE CERTIFICATES ISSUED**

In the Ordinary General Meeting of the Parent Bank for the year 2016, held on 13 July 2017, paid in capital increased to TL 1,250,000 with TL 500,000 in cash and TL 3,000 internal resources.

#### **XX. EXPLANATIONS ON ACCEPTANCES**

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

#### **XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES**

There are no government incentives utilized by the group 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. Cash equivalents and balances regarding banks are valued by the period end counter foreign currency buying rate of the Bank.

For the purposes of the cash flow statement, “Cash” includes cash, effectives, 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 IX. of Section Four.

#### **XXIV. EXPLANATIONS ON OTHER MATTERS**

In the Ordinary General Meeting of the Parent Bank for the year 2016, held on 13 July 2017, paid in capital increased to TL 1,250,000 with TL 500,000 in cash and TL 3,000 internal resources.

In 19 July 2017, ZKB Varlık Kiralama Anonim Şirketi was established with paid-in capital of TL 50 by Parent Bank. The company started its operations in 8 September 2017 after its registration is completed.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

### SECTION FOUR

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

##### I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY

As of the 30 September 2017, current period equity balance of the Parent Bank is TL 1,240,868 (31 December 2016: TL 706,161) and capital adequacy standard ratio is 14,59% (31 December 2016: 12.46%).

##### Information Related To The Consolidated Components of Shareholders’ Equity:

	Current Period 30.09.2017	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1,250,000	
Share issue premiums	-	
Reserves	9,691	
Gains recognized in equity as per TAS	-	
Profit	98,592	
Current Period Profit	98,592	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Minority shares	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>1,358,283</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	5,430	
Improvement costs for operating leasing	16,097	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	22,823	
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>44,350</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>1,313,933</b>	

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

#### I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

	Current Period 30.09.2017	Amounts related to treatment before 1/1/2014 <sup>(9)</sup>
<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)	-	-
Shares of third parties on Tier II	-	-
Shares of third parties on Tier II (Temporary Article 3)	-	-
<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 deduct Components</b>	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	5,706	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>5,706</b>	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>1,308,227</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)	-	-
Shares of third parties on Tier II	-	-
Shares of third parties on Tier II (Temporary Article 3)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	32,150	-
<b>Tier II Capital Before Deductions</b>	<b>32,150</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>32,150</b>	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>1,340,377</b>	-

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

	Current Period 30.09.2017	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
<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 (-)	99,509	
<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	1,240,868	
Total risk weighted amounts	8,503,502	
<b>Capital Adequacy Ratios</b>		
Consolidated Core Capital Adequacy Ratio	15.45	
Consolidated Tier 1 Capital Adequacy Ratio	15.38	
Consolidated Capital Adequacy Ratio	14.59	
<b>BUFFERS</b>		
<b>Total Tier I Capital Ratio (%) (a+b+c)</b>	<b>1.25</b>	
a) Capital conservation buffer requirement	1.25	
b) Bank specific counter-cyclical buffer requirement (%)	0.00	
c) Systemic important bank bumper ratio (%)	0.00	
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	10.95	
<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)	32,150	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	32,150	
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 1 January 2018 and 1 January 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	-	

(\*) Amounts in this column represents the amounts of items that are subject to transition provisions.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

#### I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued):

	Prior Period 31.12.2016	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
<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	-	
Profit	30,673	
Current Period Profit	30,673	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>777,673</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	13,052	
Improvement costs for operating leasing	16,001	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	13,742	
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>42,795</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>734,878</b>	



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

#### I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

	Prior Period 31.12.2016	Amounts related to treatment before 1/1/2014 <sup>(9)</sup>
<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 (-)	9,162	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	<b>9,162</b>	
<b>Total Additional Tier I Capital</b>		
<b>Total Tier I Capital (Tier I Capital=Common Equity Additional Tier I Capital)</b>	<b>725,716</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)	17,287	
<b>Tier II Capital Before Deductions</b>	<b>17,287</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>-</b>	
<b>Total Tier II Capital</b>	<b>17,287</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>743,003</b>	

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

#### I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued):

	Prior Period 31.12.2016	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
<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 Immovable 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 (-)	36,842	
<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	706,161	
Total risk weighted amounts	5,666,714	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio	12.97	
Tier 1 Capital Adequacy Ratio	12.81	
Capital Adequacy Ratio	12.46	
<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	8.47	
<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)	17,287	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	17,287	
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 1 January 2018 and 1 January 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	-	

(\*) Amounts in this column represents the amounts of items that are subject to transition provisions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT  
(Continued)****II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK**

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

The Parent Bank’s policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Parent Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, Value at Risk (“VAR”) is calculated for foreign exchange position on 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”, “Repricing Gap Analysis” and “Structural Liquidity Gap Analysis” which takes into account historical repricing rates of foreign currency accounts, are prepared periodically in order to define liquidity and interest rate risks at US Dollar and Euro, which are mainly used by the Parent Bank in its operations. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders’ Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100JPY
25.09.2017	3.5370	4.1967	2.7827	0.5587	0.4359	3.6136	2.8376	0.4485	4.7501	0.9428	3.1320
26.09.2017	3.5440	4.1675	2.7615	0.5547	0.4304	3.6151	2.8315	0.4436	4.7345	0.9446	3.1240
27.09.2017	3.5649	4.1800	2.7743	0.5563	0.4324	3.6201	2.8536	0.4432	4.7504	0.9502	3.1330
28.09.2017	3.5557	4.1887	2.7579	0.5575	0.4322	3.6237	2.8244	0.4431	4.7621	0.9478	3.1230
29.09.2017	3.5492	4.1864	2.7480	0.5570	0.4296	3.6197	2.8159	0.4406	4.7238	0.9461	3.1200

- d) **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
3.4665	4.1300	2.7328	0.5498	0.4286	3.5653	2.7871	0.4382	4.5962	0.9240	3.100

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

#### II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (Continued):

##### Information on the foreign currency risk of the Group:

	EUR	USD	Other FC <sup>(****)</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	213,822	944,976	84,189	1,242,987
Banks <sup>(*)</sup>	148,250	29,209	20,033	197,492
Financial Assets at Fair Value Through Profit and Loss <sup>(***)</sup>	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	7,375	-	7,375
Loans	1,922,121	1,382,237	-	3,304,358
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	10	170	438	618
<b>Total Assets</b>	<b>2,284,203</b>	<b>2,363,967</b>	<b>104,660</b>	<b>4,752,830</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	122	1,163	-	1,285
Current and profit sharing accounts FC	1,000,591	2,065,205	102,147	3,167,943
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	666,377	885,961	-	1,552,338
Marketable securities issued	-	-	-	-
Miscellaneous payables	3,045	1,063	-	4,108
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	3,339	2,145	702	6,186
<b>Total liabilities</b>	<b>1,673,474</b>	<b>2,955,537</b>	<b>102,849</b>	<b>4,731,860</b>
<b>Net balance sheet position</b>	<b>610,729</b>	<b>(591,570)</b>	<b>1,811</b>	<b>20,970</b>
<b>Net off-balance sheet position</b>	<b>(586,096)</b>	<b>590,735</b>	<b>-</b>	<b>4,639</b>
Financial derivative assets	-	590,735	-	590,735
Financial derivative liabilities	(586,096)	-	-	(586,096)
<b>Non-cash Loans</b>	<b>1,473,104</b>	<b>1,359,550</b>	<b>36,323</b>	<b>2,868,977</b>
<b>Prior Period</b>				
Total Assets	1,473,863	1,513,755	56,584	3,044,202
Total Liabilities	1,422,716	1,573,932	54,888	3,051,536
<b>Net Balance Sheet Position</b>	<b>51,147</b>	<b>(60,177)</b>	<b>1,696</b>	<b>(7,334)</b>
<b>Net Off-Balance Sheet Position<sup>(**)</sup></b>	<b>(129,260)</b>	<b>130,412</b>	<b>-</b>	<b>1,152</b>
Financial Derivative Assets	-	130,412	-	130,412
Financial Derivative Liabilities	129,260	-	-	129,260
<b>Non-cash Loans</b>	<b>930,417</b>	<b>1,200,728</b>	<b>35,490</b>	<b>2,166,635</b>

(\*) TL 518,773 equivalent of USD loans and TL 1,327,972 equivalent of EUR loans are originated from foreign currency indexed loan.

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

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

(\*\*\*\*) Of the foreign currencies presented in the other foreign currency column of assets 94% is Gold, 3 % is GBP, and remaining 3% is other foreign currencies. Of the foreign currencies presented in the other foreign currency column of liabilities 95% is Gold, 3% is GBP and the remaining 2% is other foreign currencies

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

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

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

**Carrying value of share investments, for fair value and quoted securities, comparison with market value if market value is significantly different from fair value:**

The breakdown of the amount of capital liabilities on the basis of the relevant share investments, depending on the method of calculating the capital obligation selected by the bank from among the approaches allowed to be used in the Communiqué on Credit Risk Standard Method or Communiqué Related to Calculation of Credit Risk Based Approach Based on Internal Grading:

According to the standard method of credit risk, equity investments in banking accounts are TL 4,719 all of which are 100% risk weighted.

**IV. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND  
CONSOLIDATED LIQUIDITY COVERAGE RATIO**

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

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 Parent Bank performs “Remaining Maturity Analysis” for the observation of the maturity structure of the balance sheet, “Liquidity Gap” and “Structural Liquidity Gap Analysis” for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

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

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

**1) Liquidity Risk:**

- 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 Parent Bank’s 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. For this reason, the assets and liabilities of the Bank are in harmony with the profit share ratios.

The Parent 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.

- b) Payments, whether assets and liabilities are compatible with the rate of profit, whether 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 the Parent 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 Parent banks 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.

**2) 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.

The Parent 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.

The Parent 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.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

#### IV. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued)

##### Liquidity Coverage Ratio (Continued):

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.

Current Period	Consideration Ratio Not Applied Total Value <sup>(*)</sup>		Consideration Ratio Applied Total Value <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>	<b>1,648,587</b>	<b>1,024,475</b>	<b>1,648,587</b>	<b>1,024,475</b>
High quality liquid assets			1,648,587	1,024,475
<b>CASH OUTFLOWS</b>	<b>11,876,409</b>	<b>4,591,873</b>	<b>2,979,820</b>	<b>1,441,360</b>
Real person deposits and retail deposits	4,008,661	1,573,748	373,169	157,375
Stable deposit	553,940	-	27,697	-
Deposit with low stability	3,454,721	1,573,748	345,472	157,375
Unsecured debts except real person deposits and retail deposits	3,707,577	1,417,813	1,990,108	824,639
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	3,707,577	1,417,813	1,990,108	824,639
Secured debts				
Other cash outflows	4,160,171	1,600,312	616,543	459,346
Derivative liabilities and margin obligations	399,556	369,364	399,556	369,364
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	115,828	113,739	34,748	34,122
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	3,644,787	1,117,209	182,239	55,860
<b>TOTAL CASH OUTFLOW</b>	<b>-</b>	<b>-</b>	<b>2,979,820</b>	<b>1,441,360</b>
<b>CASH INFLOWS</b>	<b>2,043,237</b>	<b>1,101,889</b>	<b>1,760,633</b>	<b>1,089,958</b>
Secured receivables	-	-	-	-
Unsecured claims	1,644,831	725,578	1,362,227	713,647
Other cash inflows	398,406	376,311	398,406	376,311
<b>TOTAL CASH INFLOWS</b>	<b>2,043,237</b>	<b>1,101,889</b>	<b>1,760,633</b>	<b>1,089,958</b>
Applied maximum rate values	-	-	-	-
<b>TOTAL High quality liquid asset STOCK</b>	<b>-</b>	<b>-</b>	<b>1,648,587</b>	<b>1,024,475</b>
<b>TOTAL NET CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>1,221,471</b>	<b>393,764</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>135</b>	<b>260</b>

<sup>(\*)</sup> The monthly simple arithmetic average calculated consolidated liquidity coverage ratio of the last three months average.

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT  
(Continued)****IV. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND  
CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued)****Liquidity Coverage Ratio (Continued):**

Prior Period	Consideration Ratio Not Applied Total Value <sup>(*)</sup>		Consideration Ratio Applied Total Value <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>	<b>880,253</b>	<b>559,751</b>	<b>705,398</b>	<b>385,323</b>
High quality liquid assets			705,398	385,323
<b>CASH OUTFLOWS</b>	<b>6,260,670</b>	<b>2,337,819</b>	<b>1,527,873</b>	<b>635,354</b>
Real person deposits and retail deposits	2,293,909	791,038	222,430	79,104
Stable deposit	139,215	-	6,961	-
Deposit with low stability	2,154,694	791,038	215,469	79,104
Unsecured debts except real person deposits and retail deposits	2,028,558	788,795	1,129,676	446,343
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	2,028,558	788,795	1,129,676	446,343
Secured debts				
Other cash outflows	1,938,203	757,986	175,767	109,907
Derivative liabilities and margin obligations	69,556	62,399	69,556	62,399
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	51,114	50,912	15,334	15,274
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	1,817,533	644,675	90,877	32,234
<b>TOTAL CASH OUTFLOW</b>	<b>-</b>	<b>-</b>	<b>1,527,873</b>	<b>635,354</b>
<b>CASH INFLOWS</b>	<b>1,271,674</b>	<b>396,524</b>	<b>1,079,211</b>	<b>392,799</b>
Secured receivables	-	-	-	-
Unsecured claims	1,200,669	336,832	1,008,206	333,107
Other cash inflows	71,005	59,692	71,005	59,692
<b>TOTAL CASH INFLOWS</b>	<b>1,271,674</b>	<b>396,524</b>	<b>1,079,211</b>	<b>392,799</b>
Applied maximum rate values	-	-	-	-
<b>TOTAL High quality liquid asset STOCK</b>	<b>-</b>	<b>-</b>	<b>705,398</b>	<b>385,323</b>
<b>TOTAL NET CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>493,665</b>	<b>257,730</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>153</b>	<b>186</b>

<sup>(\*)</sup> The monthly simple arithmetic average calculated consolidated liquidity coverage ratio of the last three months average.



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

#### IV. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND CONSOLIDATED LIQUIDITY COVERAGE RATIO (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 <sup>(*)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	1,432,827	-	-	-	-	-	-	1,432,827
Banks	199,221							199,221
Financial Assets at Fair Value Through Profit and Loss	4,618	-	-	-	-	-	-	4,618
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	2,479	-	5,146	52,334	461,431	-	4,719	526,109
Loans Given		699,455	694,857	2,527,223	4,624,861	908,423		9,454,819
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets <sup>(*)</sup>	107,809	9,994	37	7,487	245,788	54,747	-	425,862
<b>Total Assets</b>	<b>1,746,954</b>	<b>709,449</b>	<b>700,040</b>	<b>2,587,044</b>	<b>5,332,080</b>	<b>963,170</b>	<b>4,719</b>	<b>12,043,456</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	1,287	5,065	-	-	-	-	-	6,352
Current and Participation Accounts	1,121,509	6,294,326	798,264	404,500	5,415	-	-	8,624,014
Funds Provided from Other Financial Instruments	-	191,267	225,267	997,831	139,133	-	-	1,553,498
Money Market Borrowings	-	8,064	-	-	-	-	-	8,064
Issued Marketable Securities	-	-	253,642	-	-	-	-	253,642
Sundry Creditors	-	-	-	-	-	-	44,503	44,503
Other Liabilities <sup>(*)</sup>	-	-	-	-	-	-	1,553,383	1,553,383
<b>Total Liabilities</b>	<b>1,122,796</b>	<b>6,498,722</b>	<b>1,277,173</b>	<b>1,402,331</b>	<b>144,548</b>	<b>-</b>	<b>1,597,886</b>	<b>12,043,456</b>
<b>Liquidity Gap</b>	<b>624,158</b>	<b>(5,789,273)</b>	<b>(577,133)</b>	<b>1,184,713</b>	<b>5,187,532</b>	<b>963,170</b>	<b>(1,593,167)</b>	<b>-</b>

<sup>(\*)</sup> 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 are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

#### IV. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued)

##### Breakdown of assets and liabilities according to their outstanding maturities (Continued):

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(*)</sup>	Total
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	1,201,298	-	-	-	-	-	-	1,201,298
Banks	468,454	-	-	-	-	-	-	468,454
Financial Assets at Fair Value Through Profit and Loss	-	401	758	-	-	-	-	1,159
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	4,719	-	38,459	88,862	282,643	-	-	414,683
Loans Given	-	660,696	303,334	1,354,397	2,733,895	505,620	-	5,557,942
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets <sup>(*)</sup>	-	5,246	-	2,061	88,803	118,614	101,196	315,920
<b>Total Assets</b>	<b>1,674,471</b>	<b>666,343</b>	<b>342,551</b>	<b>1,445,320</b>	<b>3,105,341</b>	<b>624,234</b>	<b>101,196</b>	<b>7,959,456</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	3,890	18,531	-	-	-	-	-	22,421
Current and Participation Accounts	829,114	3,749,936	715,251	317,985	1,239	-	-	5,613,525
Funds Provided from Other Financial Instruments	-	72,429	292,286	664,570	156,477	-	-	1,185,762
Money Market Borrowings	-	133,668	-	-	-	-	-	133,668
Issued Marketable Securities	-	-	101,459	-	-	-	-	101,459
Sundry Creditors	-	-	-	-	-	-	17,027	17,027
Other Liabilities <sup>(*)</sup>	-	-	-	-	-	-	885,594	885,594
<b>Total Liabilities</b>	<b>833,004</b>	<b>3,974,564</b>	<b>1,108,996</b>	<b>982,555</b>	<b>157,716</b>	-	<b>902,621</b>	<b>7,959,456</b>
<b>Liquidity Gap</b>	<b>841,467</b>	<b>(3,308,221)</b>	<b>(766,445)</b>	<b>462,765</b>	<b>2,947,625</b>	<b>624,234</b>	<b>(801,425)</b>	-

<sup>(\*)</sup> 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.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

##### V. EXPLANATIONS ON LEVERAGE RATIO

As of the 30 September 2017 Group’s leverage ratio is 6.4% calculated on the basis of three-month weighted average and ratio above the minimum rate (31 December 2016: 6.9%).

**Leverage ratio disclosure as follows:**

<b>Balance sheet assets</b>	<b>Current Period (*)</b>	<b>Prior Period (*)</b>
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	12,080,885	7,131,391
(Assets deducted from main capital)	(47,199)	(50,794)
Total risk amount of the balance sheet assets	12,033,686	7,080,597
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	1,814	1,737
Potential credit risk amount of derivative financial instruments and credit derivatives	4,680	1,191
Total risk amount of derivative financial instruments and credit derivative	6,494	2,928
<b>Security or secured financing transactions</b>		
Risk amount of security or secured financing transactions ( Except balance sheet)	152,560	65,628
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	152,560	65,628
<b>Off-balance sheet transactions</b>		
Gross nominal amount of off-balance sheet transactions	5,499,938	3,340,325
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	5,499,938	3,340,325
<b>Equity and total risk</b>		
Main capital	1,128,144	720,194
Total risk amount	17,692,678	10,489,478
<b>Leverage ratio</b>		
Leverage ratio	6.4%	6.9%

(\*) 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.

Within the scope of risk management, there are many risks that affect our bank’s financial performance significantly. These risks include the risk of credit risk, market risk, operational risk, liquidity risk and profit share ratio arising from banking accounts. Our risk management strategy is based on the mission and vision of our bank and is aimed to respond to our customers’ financial needs in the most appropriate way and to support their financial success. In this context, our business practices and our working model support prudent risk management practices.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

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

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

Internal bank risk appetite has been established and is periodically shared with top management in order to follow the specified risks. In addition, detailed risk management reports, including stress tests and scenario analyzes, where all risks are analyzed in detail, are reported to the Audit Committee.

Scenarios such as sudden changes in the curriculum, changes in country grades, changes in the loan portfolio are taken into account in the stress tests conducted.

The capital adequacy ratio is followed up by the simulation method on a daily basis although it is followed up within the monthly period which is the legal submission period. The liquidity coverage ratio of the bank is monitored daily by the risk management and is shared with the top management of the bank and the treasury unit.

In order to create a common risk culture in our bank, our bank employees are given risk management training and strategically important units have detailed explanations about the importance of risk management. Risk management policies and procedures, banking regulations based on significant risks, are available to all employees working in our bank.

Our bank is developing a system for risk measurement methods. In the present case, standard methods are generally used in the calculations and preparations are made for advanced methods with the growth of our bank. All risk processes are closely monitored.

**1. Explanations on Risk Management and Risk-weighted Assets:**

**a. Overview of Risk-weighted Assets**

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	8,168,130	5,513,200	653,450
2	Standardized approach (SA)	8,168,130	5,513,200	653,450
3	Internal rating-based (IRB) approach			
4	Counterparty credit risk	8,627	1,290	690
5	Standardized approach for counterparty credit risk (SA-CCR)	8,627	1,290	690
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	Market risk	41,535	20,700	3,323
17	Standardized approach (SA)	41,535	20,700	3,323
18	Internal model approaches (IMM)			
19	Operational Risk	285,210	131,473	22,817
20	Basic Indicator Approach	285,210	131,473	22,817
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>8,503,502</b>	<b>5,666,663</b>	<b>680,280</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

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

**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 Parent 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 complexness 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.

**Credit Risks under the IRB (based on internal ratings)**

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 prepared by BRSA and published in Official Gazette numbered 29511 dated 23 October 2015 and became effective as of 31 March 2016. The following tables which have to be presented on a quarterly basis have not been presented since the Bank uses the standard approach for the calculation of credit risks:

Qualitative information presented to the public disclosure regarding the IRBs

IRB - Credit risk amounts on the basis of Portfolio and Default Probability (“DP”)

IRB - The effect of the credit derivatives used as Credit Risk Reduction (“CRR”) on the Risk Weighted Amounts (“RWA”)

The conversion table of the RWA under the approach of IRB

IRB - Back testing every Default Probability (“DP”) on every risk class

IRB - Directed loans and the stock investments under simple risk weighted approach

**IX. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS**

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

The Parent Bank has operations in retail banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

#### IX. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)

Information on the business segments on a consolidated basis is as follows:

Current Period	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>					
<b>Profit Shares Income</b>	<b>89,280</b>	<b>503,789</b>	<b>43,774</b>	<b>21,744</b>	<b>658,587</b>
Profit Shares from Loans	89,280	503,789	-	-	593,069
Profit Shares from Banks	-	-	-	-	-
Profit Shares from Securities	-	-	32,865	-	32,865
Other Profit Shares	-	-	10,909	21,744	32,653
<b>Profit Shares Expense</b>	<b>130,419</b>	<b>186,767</b>	<b>43,305</b>	-	<b>360,491</b>
Profit Shares Expense on Participation Funds	130,419	186,767	214	-	317,400
Profit Shares Expense on Funds Borrowed	-	-	27,477	-	27,477
Profit Shares Expense on Money Market Transactions	-	-	2,311	-	2,311
Profit Shares Expense on Securities Issued	-	-	13,303	-	13,303
Other Profit Shares Expense	-	-	-	-	-
<b>Net Profit Shares Income/Expense</b>	<b>(41,139)</b>	<b>317,022</b>	<b>469</b>	<b>21,744</b>	<b>298,096</b>
<b>Net Fees and Commission Income/Expense</b>	<b>2,000</b>	<b>24,679</b>	-	<b>(4,439)</b>	<b>22,240</b>
Fees and Commissions Received	2,000	24,679	-	5,398	32,077
Fees and Commissions Paid	-	-	-	9,837	9,837
<b>Dividend Income</b>	-	-	-	-	-
<b>Trading Income/Loss (Net)</b>	-	-	<b>9,788</b>	-	<b>9,788</b>
<b>Other Operating Income</b>	-	-	-	<b>1,985</b>	<b>1,985</b>
<b>Provision for Loans or Other Receivables Losses</b>	<b>8,174</b>	<b>36,582</b>	-	<b>17,658</b>	<b>62,414</b>
<b>Other Operating Expense</b>	-	<b>227</b>	-	<b>142,877</b>	<b>143,104</b>
<b>Income Before Tax</b>	<b>(47,313)</b>	<b>304,893</b>	<b>10,257</b>	<b>(141,246)</b>	<b>126,591</b>
<b>Tax Provision</b>	-	-	-	<b>(27,999)</b>	<b>(27,999)</b>
<b>Net Profit/Loss</b>	<b>(47,313)</b>	<b>304,893</b>	<b>10,257</b>	<b>(169,245)</b>	<b>98,592</b>
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L	-	-	4,618	-	4,618
Banks and Other Financial Institutions	-	-	199,221	-	199,221
Financial Assets Available for Sale (Net)	-	-	526,109	-	526,109
Loans	1,275,848	7,736,476	442,495	-	9,454,819
Held to Maturity Investments (Net)	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets	-	-	-	1,858,689	1,858,689
<b>Total Segment Assets</b>	<b>1,275,848</b>	<b>7,736,476</b>	<b>1,172,443</b>	<b>1,858,689</b>	<b>12,043,456</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	5,461,138	3,169,228	-	-	8,630,366
Derivative Financial Liabilities Held for Trading	-	-	348	-	348
Funds Borrowed	-	-	1,553,498	-	1,553,498
Money Market Funds	-	-	8,064	-	8,064
Securities Issued (Net)	-	-	253,642	-	253,642
Provisions	-	-	-	117,986	117,986
Other Liabilities	-	-	-	126,699	126,699
Shareholders' Equity	-	-	-	1,352,853	1,352,853
<b>Total Segment Liabilities</b>	<b>5,461,138</b>	<b>3,169,228</b>	<b>1,815,552</b>	<b>1,597,538</b>	<b>12,043,456</b>
<b>OTHER SEGMENT ITEMS</b>					
Capital Investment	-	-	-	-	-
Amortization Expense	-	-	-	10,980	10,980
Restructuring Costs	-	-	-	-	-

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

#### IX. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued):

Prior Period (30 September 2016)	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>					
<b>Profit Shares Income</b>	<b>31,138</b>	<b>192,618</b>	<b>18,274</b>	<b>2,057</b>	<b>244,087</b>
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
<b>Profit Shares Expense</b>	<b>50,520</b>	<b>35,068</b>	<b>21,264</b>	-	<b>106,852</b>
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	-	-	-	-	-
<b>Net Profit Shares Income/Expense</b>	<b>(19,382)</b>	<b>157,550</b>	<b>(2,990)</b>	<b>2,057</b>	<b>137,235</b>
<b>Net Fees and Commission Income/Expense</b>	-	<b>7,831</b>	-	<b>409</b>	<b>8,240</b>
Fees and Commissions Received	-	7,831	-	4,080	11,911
Fees and Commissions Paid	-	-	-	3,671	3,671
<b>Dividend Income</b>	-	-	-	-	-
<b>Trading Income/Loss (Net)</b>	-	-	<b>4,364</b>	-	<b>4,364</b>
<b>Other Operating Income</b>	<b>1</b>	<b>2</b>	-	<b>1,327</b>	<b>1,330</b>
<b>Provision for Loans or Other Receivables Losses</b>	<b>3,024</b>	<b>25,836</b>	-	<b>6,127</b>	<b>34,987</b>
<b>Other Operating Expense</b>	-	<b>10</b>	-	<b>99,067</b>	<b>99,077</b>
<b>Income Before Tax</b>	<b>(22,405)</b>	<b>139,537</b>	<b>1,374</b>	<b>(101,401)</b>	<b>17,105</b>
<b>Tax Provision</b>	-	-	-	<b>(4,668)</b>	<b>(4,668)</b>
<b>Net Profit/Loss</b>	<b>(22,405)</b>	<b>139,537</b>	<b>1,374</b>	<b>(106,069)</b>	<b>12,437</b>
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L	-	-	1,159	-	1,159
Banks and Other Financial Institutions	-	-	468,454	-	468,454
Financial Assets Available for Sale (Net)	-	-	414,683	-	414,683
Loans	411,111	4,661,275	485,556	-	5,557,942
Held to Maturity Investments (Net)	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets	-	-	-	1,517,218	1,517,218
<b>Total Segment Assets</b>	<b>411,111</b>	<b>4,661,275</b>	<b>1,369,852</b>	<b>1,517,218</b>	<b>7,959,456</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	3,501,006	2,134,940	-	-	5,635,946
Derivative Financial Liabilities Held for Trading	-	-	-	-	-
Funds Borrowed	-	-	1,185,762	-	1,185,762
Money Market Funds	-	-	133,668	-	133,668
Securities Issued (Net)	-	-	101,459	-	101,459
Provisions	-	-	-	64,574	64,574
Other Liabilities	-	-	-	73,426	73,426
Shareholders' Equity	-	-	-	764,621	764,621
<b>Total Segment Liabilities</b>	<b>3,501,006</b>	<b>2,134,940</b>	<b>1,420,889</b>	<b>902,621</b>	<b>7,959,456</b>
<b>OTHER SEGMENT ITEMS</b>					
Capital Investment	-	-	-	-	-
Amortization Expense	-	-	-	8,822	8,822
Restructuring Costs	-	-	-	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

**SECTION FIVE****EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS****I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS****1.a) Information on cash and balances with Central Bank of the Republic of Turkey:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	18,328	13,019	18,396	14,154
Central Bank of the Republic of Turkey	170,342	1,229,968	614,993	553,755
Other	1,170	-	-	-
<b>Total</b>	<b>189,840</b>	<b>1,242,987</b>	<b>633,389</b>	<b>567,909</b>

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

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

As of the balance sheet date, according to CBRT’s Communiqué about Required Reserves No. 2016/4, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity, and for deposits up to 3-months maturity 10.5%; for deposits up to 6-months maturity 7.5%; for deposits up to 1-year maturity 5.5%; for deposits 1-year and longer maturity 4%; for TL liabilities other than deposits up to 1-year maturity 10.5%; for TL liabilities other than deposits between 1- and 3-years maturity 7%; for TL liabilities other than deposits more than 3-years maturity 4%; according to CBRT’s Communiqué about Required Reserves No. 2016/10 for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturity 12%; for FC deposit accounts with 1-year and longer maturity 8%, for FC liabilities other than deposits up to 1-year maturity 24%; for FC liabilities other than deposits up to 2-years maturity 19%; for FC liabilities other than deposits up to 3-years maturity 14%; for FC liabilities other than deposits up to 5-years maturity 6%; and for FC liabilities other than deposits more than 5-years maturity 4%.

**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	165,830	16	613,239	15
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(*)</sup>	4,512	1,229,952	1,754	553,740
<b>Total</b>	<b>170,342</b>	<b>1,229,968</b>	<b>614,993</b>	<b>553,755</b>

<sup>(\*)</sup> TL 621,436 in FC required reserves is the part of TL required reserves kept as FC (31 December 2016: TL 197,419).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

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

As of 30 September 2017, 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:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Assets Held-for-Trading				
Forward Transactions	39	4,579	7	1,152
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>39</b>	<b>4,579</b>	<b>7</b>	<b>1,152</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	1,729	177,120	6,561	227,676
Foreign Banks	-	20,372	-	234,217
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>1,729</b>	<b>197,492</b>	<b>6,561</b>	<b>461,893</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	7,893	173,569
Assets Blocked/Given as Collateral	10,000	13,311
<b>Total<sup>(*)</sup></b>	<b>17,893</b>	<b>186,880</b>

<sup>(\*)</sup> Rediscount amounts are not included in the table.

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

	Current Period	Prior Period
Debt Securities	524,227	410,212
Quoted in Stock Exchange	516,852	403,044
Not Quoted in Stock Exchange	7,375	7,168
Share Certificates	4,719	4,719
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange <sup>(*)</sup>	4,719	4,719
Provision for Impairment (-)	2,837	248
<b>Total<sup>(*)</sup></b>	<b>526,109</b>	<b>414,683</b>

<sup>(\*)</sup> As of 30 September 2017, not quoted in stock exchange includes Credit Guarantee fund amounting to TL 4,719.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

##### 5. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	433,907	-	480,455	-
Legal Entities	433,907	-	480,455	-
Individuals	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	-	-	-
<b>Loans Granted to Employees</b>	1,016	-	441	-
<b>Total (*)</b>	<b>434,923</b>	<b>-</b>	<b>480,896</b>	<b>-</b>

(\*) Include accrual amounts.

##### 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	475,628	-	-	-	-	-
Imports Loans	239,210	-	-	-	-	-
Enterprise Loans	6,371,897	-	-	65,459	-	-
Consumer Loans	1,274,679	-	-	1,169	-	-
Credit Cards	-	-	-	-	-	-
Loans Given to Financial Sector	442,772	-	-	-	-	-
Other	293,708	-	-	98	-	-
Specialized Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Profit Share Income	-	-	-	-	-	-
Accruals and Rediscount	260,630	-	-	10,210	-	-
<b>Total</b>	<b>9,358,524</b>	<b>-</b>	<b>-</b>	<b>76,936</b>	<b>-</b>	<b>-</b>

As of 30 September 2017, there are no loans and other receivables with revised contract terms (31 December 2016: None).

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

##### 5. Information related to loans (Continued):

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

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

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

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

##### 5. Information related to loans (Continued):

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

	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans - TL</b>	<b>4,895</b>	<b>1,269,937</b>	<b>1,274,832</b>
Real Estate Loans	3,092	1,164,954	1,168,046
Vehicle Loans	1,372	49,004	50,376
Consumer Loans	431	55,979	56,410
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>52</b>	<b>964</b>	<b>1,016</b>
Housing Loans	-	-	-
Vehicle Loans	-	20	20
Consumer Loans	52	944	996
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>	-	-	-
Installment based	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	-	-	-
<b>Overdraft Account-FC (Real Person)</b>	-	-	-
<b>Total(*)</b>	<b>4,947</b>	<b>1,270,901</b>	<b>1,275,848</b>

(\*) Dividend rediscount amounting to TL 5,624 not included in the table.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

##### 5. Information related to loans (Continued):

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

	Short-Term	Medium and Long-Term	Total
<b>Commercial Installment Loans-TL</b>	<b>24,675</b>	<b>145,520</b>	<b>170,195</b>
Business Loans	-	21,767	21,767
Vehicle Loans	24,675	123,753	148,428
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans- Indexed to FC</b>	<b>9,332</b>	<b>27,715</b>	<b>37,047</b>
Business Loans	-	-	-
Vehicle Loans	9,332	27,715	37,047
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>34,007</b>	<b>173,235</b>	<b>207,242</b>

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

	Current Period	Prior Period
Domestic Loans	9,164,620	5,344,762
Foreign Loans	-	-
Interest Income Accruals of Loans	270,840	206,529
<b>Total</b>	<b>9,435,460</b>	<b>5,551,291</b>

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

As of 30 September 2017, the subsidiaries has no loans granted to subsidiaries and participations (31 December 2016: None).

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

	Current Period	Prior Period
Loans and receivables with limited collectability	666	82
Loans and receivables with doubtful collectability	6,131	2,635
Uncollectible loans and receivables	7,166	1,115
<b>Total</b>	<b>13,963</b>	<b>3,832</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

##### 5. Information related to loans (Continued):

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

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

As of 30 September 2017 the Bank has no loans and other receivables included in non-performing receivables which are restructured or rescheduled (31 December 2016: None).

##### 2) Information on the movement of total non-performing loans:

	Group III	Group IV	Group V
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
<b>Ending balance of prior period</b>	<b>408</b>	<b>8,960</b>	<b>1,115</b>
Additions in the current period (+)	27,066	1,788	6
Transfers from other categories of non-performing loans (+)	-	20,530	10,186
Transfers to other categories of non-performing loans (-)	20,530	10,186	-
Collections in the current period (-)	1,501	4,520	-
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>5,443</b>	<b>16,572</b>	<b>11,307</b>
Specific provisions (-)	666	6,131	7,166
<b>Net balance at the balance sheet</b>	<b>4,777</b>	<b>10,441</b>	<b>4,141</b>

##### 3) Information on foreign currency non-performing loans:

As of 30 September 2017, the Bank has no receivable from foreign currency non-performing loans (31 December 2016: None).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

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

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
<b>Current Period (Net)</b>	<b>4,777</b>	<b>10,441</b>	<b>4,141</b>
Loans to Real Persons and Legal Entities (Gross)	5,443	16,234	11,307
Specific Provisions (-)	666	5,793	7,166
Loans to Real Persons and Legal Entities (Net)	4,777	10,441	4,141
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	338	-
Specific Provisions (-)	-	338	-
Other Loans and Receivables (Net)	-	-	-
<b>Current Period (Net)</b>	<b>326</b>	<b>6,325</b>	<b>-</b>
Loans to Real Persons and Legal Entities (Gross)	408	8,929	1,115
Specific Provisions (-)	82	2,604	1,115
Loans to Real Persons and Legal Entities (Net)	326	6,325	-
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	31	-
Specific Provisions (-)	-	31	-
Other Loans and Receivables (Net)	-	-	-

##### i) 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 Parent 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.

##### j) 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.

#### 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 2017, the Parent Bank has no comparative net values of held-to-maturity investments subject to repo transactions and given as a collateral/blocked (31 December 2016: None).

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

As of 30 September 2017, the Parent Bank has no held-to-maturity government bonds and treasury bills (31 December 2016: None).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

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

As of 30 September 2017, the Parent Bank has no held-to-maturity investment (31 December 2016: None).

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

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

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

As of 30 September 2017, there are no subsidiary of the bank (31 December 2016: None).

##### 8. Information on joint ventures (Net):

##### a) Information on unconsolidated associates:

As of 30 September 2017, there are no unconsolidated associates (31 December 2016: None).

##### b) Information on consolidated subsidiaries:

	Name	Address (City/Country)	Bank's share percentage – if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul / TURKEY	100.00	100.00
2	ZKB Varlık Kiralama A.Ş.	İstanbul / TURKEY	100.00	100.00

Ziraat Katılım Varlık Kiralama A.Ş. was established as of 22 January 2016 by approval of Banking Regulations and Supervision Agency and Capital Market Board on purpose of issuing lease certificate according to no. 28760 Gazette, Lease Certificate Announcement of Capital Market Board (III-61.1) dated 7 June 2013.

	Total Assets <sup>(*)</sup>	Shareholders Equity <sup>(*)</sup>	Total Fixed Assets <sup>(*)</sup>	Dividend or profit share income	Income from marketable securities	Current Period Income/Loss	Prior Period Income/loss	Fair Value	Needed shareholders Equity
1	253,830	52		14,143	-	1	1	-	-
2	50	50	-	-	-	-	-	-	-

(\*) Unaudited financial statements used.



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

##### 8. Information on joint ventures (Net) (Continued):

##### c) Information on consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the year	50	-
Movements during the year	50	50
Included in the scope of consolidation Purchases <sup>(*)</sup>	50	50
Bonus Share	-	-
Dividends from current year income	-	-
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Specific provision for impairment(-)	-	-
Balance at the end of the year	100	50
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

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

##### d) Sectorial information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Ziraat Katılım Varlık Kiralama A.Ş.	50	50
ZKB Varlık Kiralama A.Ş.	50	-

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

As of 30 September 2017, there are no subsidiaries that are quoted on the stock exchange (31 December 2016: None).

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

As of 30 September 2017, there are no entities under common control of the bank (31 December 2016: None).

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

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	1,794	1,732	30,000	29,769
1-5 years	251,737	216,749	115,828	106,645
Over 5 years	143,710	99,572	119,957	84,959
Total	397,241	318,053	265,785	221,373

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

As of 30 September 2017, the group has no derivative financial assets for hedging purposes (31 December 2016: None).

##### 12. Information on investment property:

As of 30 September 2017, the group has no investment property (31 December 2016: None).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

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

As of 30 September 2017, the group has TL 3,561 assets held for sale and tangibles corresponding discontinuing operations (31 December 2016: None).

	Current Period	Prior Period
Opening Balance	-	-
Changes in the Period (Net)	3,561	-
Depreciation Value	-	-
Provision for Loss in Value	-	-
Closing Balance	3,561	-

The Bank's assets held for sales are real estate properties.

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

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
<b>Prior Period End:</b>						
Cost	-	-	-	20,608	35,820	56,428
Accumulated Depreciation (-)	-	-	-	4,606	8,179	12,785
<b>Net Book Value</b>	-	-	-	16,002	27,641	43,643
<b>Current Period End:</b>						
Net Book Value at the Beginning of the Period	-	-	-	16,002	27,641	43,643
Change During the Period (Net)	-	-	-	95	1,994	2,089
Cost	-	-	-	3,513	7,546	11,059
Amortization Amount (Net) (-)	-	-	-	3,418	5,552	8,970
Depreciation (Net) (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	-	-	-	24,121	43,366	67,487
Accumulated Depreciation at Period End (-)	-	-	-	8,024	13,731	21,755
<b>Closing Net Book Value</b>	-	-	-	16,097	29,635	45,732

##### 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	33,922	5,393	28,529	26,357	3,452	22,905
<b>Total</b>	<b>33,922</b>	<b>5,393</b>	<b>28,529</b>	<b>26,357</b>	<b>3,452</b>	<b>22,905</b>

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

The Parent Bank's deferred tax asset is calculated as TL 10,083 (31 December 2016: TL 6,410) however it's reflected on the financial statements as TL 6,998 (31 December 2016: TL 4,876) by offsetting with deferred tax asset.

##### 17. Information on other assets:

As of 30 September 2017, other assets of Group not to exceed total balance sheet of 10%, exclude off-balance sheet liabilities.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

#### II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

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

##### a.1) Information on maturity structure of funds collected:

Current 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	149,619	-	-	-	-	-	-	-	149,619
II Real persons profit sharing accounts TL	-	251,799	1,950,685	25,241	-	26,323	118,102	-	2,372,150
III Other current accounts-TL	392,073	-	-	-	-	-	-	-	392,073
Public sector	51,091	-	-	-	-	-	-	-	51,091
Commercial sector	324,908	-	-	-	-	-	-	-	324,908
Other institutions	14,787	-	-	-	-	-	-	-	14,787
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	1,287	-	-	-	-	-	-	-	1,287
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	3	-	-	-	-	-	-	-	3
Foreign banks	1,284	-	-	-	-	-	-	-	1,284
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	352,368	1,948,616	86,865	-	100,182	60,548	-	2,548,579
Public sector	-	178,815	534,613	49,545	-	10,063	46,155	-	819,191
Commercial sector	-	167,603	1,192,618	35,796	-	20,091	12,472	-	1,428,580
Other institutions	-	5,950	216,320	1,524	-	70,028	1,921	-	295,743
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	5,065	-	-	-	-	-	5,065
V. Real persons current accounts-FC	139,976	-	-	-	-	-	-	-	139,976
VI. Real persons profit sharing accounts-FC	-	93,480	1,260,909	47,572	-	28,015	60,986	-	1,490,962
VII. Other current accounts-FC	401,716	-	-	-	-	-	-	-	401,716
Commercial residents in Turkey	401,558	-	-	-	-	-	-	-	401,558
Commercial residents in Abroad	158	-	-	-	-	-	-	-	158
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	54,321	945,363	37,799	-	-	-	-	1,037,483
Public sector	-	-	16,158	-	-	-	-	-	16,158
Commercial sector	-	52,543	722,765	37,799	-	-	-	-	813,107
Other institutions	-	-	206,440	-	-	-	-	-	206,440
Commercial and other institutions	-	1,778	-	-	-	-	-	-	1,778
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	39,412	-	53,269	1,357	-	969	2,801	-	97,808
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>1,122,796</b>	<b>751,968</b>	<b>6,158,842</b>	<b>198,834</b>	<b>-</b>	<b>155,489</b>	<b>242,437</b>	<b>-</b>	<b>8,630,366</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

#### II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

##### a.1) Information on maturity structure of funds collected (Continued):

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	117,874	-	-	-	-	-	-	-	117,874
II. Real persons profit sharing accounts TL	-	187,577	1,323,135	25,311	-	15,106	47,811	-	1,598,940
III. Other current accounts-TL	389,920	-	-	-	-	-	-	-	389,920
Public sector	79,305	-	-	-	-	-	-	-	79,305
Commercial sector	300,725	-	-	-	-	-	-	-	300,725
Other institutions	9,890	-	-	-	-	-	-	-	9,890
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	-	151,803	1,403,895	93,307	-	7,249	13,761	-	1,670,015
Public sector	-	103,874	463,565	32,036	-	-	-	-	599,475
Commercial sector	-	46,674	696,543	30,357	-	6,167	11,944	-	791,685
Other institutions	-	1,255	243,787	30,914	-	1,082	1,817	-	278,855
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	58,097	-	-	-	-	-	-	-	58,097
VI. Real persons profit sharing accounts-FC	-	62,655	605,255	38,679	-	26,531	51,688	-	784,808
VII. Other current accounts-FC	243,408	-	-	-	-	-	-	-	243,408
Commercial residents in Turkey	239,462	-	-	-	-	-	-	-	239,462
Commercial residents in Abroad	-	-	-	-	-	-	-	-	-
Banks and participation banks	3,946	-	-	-	-	-	-	-	3,946
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	3,946	-	-	-	-	-	-	-	3,946
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	27,383	588,263	104,768	-	-	-	-	720,414
Public sector	-	290	1,389	-	-	-	-	-	1,679
Commercial sector	-	27,090	475,748	104,768	-	-	-	-	607,606
Other institutions	-	3	92,595	-	-	-	-	-	92,598
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	18,531	-	-	-	-	-	18,531
IX. Precious metal funds	23,705	-	27,239	289	-	856	381	-	52,470
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>833,004</b>	<b>429,418</b>	<b>3,947,787</b>	<b>262,354</b>	<b>-</b>	<b>49,742</b>	<b>113,641</b>	<b>-</b>	<b>5,635,946</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

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

##### i) 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	Prior Period	Current Period	Prior Period
Real persons current and profit sharing accounts that are not subject to commercial activities	1,491,287	1,273,216	1,702,284	1,337,842
TL accounts	1,184,634	1,014,137	890,631	702,666
FC accounts	306,653	259,079	811,653	635,176
Foreign branches’ deposits under foreign authorities’ insurance	-	-	-	-
Off-shore banking regions’ under foreign authorities’ insurance	-	-	-	-

##### ii) Amounts which are not within the scope of insurance:

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

	Current Period	Prior 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	324	263
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:

##### Negative differences table regarding to derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative financial assets held for trading				
Forward transactions	-	348	-	-
Swap transactions	-	-	-	-
Futures transaction	-	-	-	-
Options transaction	-	-	-	-
Other	-	-	-	-
<b>Total</b>	-	<b>348</b>	-	-

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

##### 3. Information on Borrowings and Issued Securities:

##### a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	1,160	439,210	-	477,478
Foreign Banks, Institutions and Funds	-	1,113,128	-	708,284
<b>Total</b>	<b>1,160</b>	<b>1,552,338</b>	<b>-</b>	<b>1,185,762</b>

##### c) Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1,160	349,178	-	400,611
Medium and Long-Term	-	1,203,160	-	785,151
<b>Total</b>	<b>1,160</b>	<b>1,552,338</b>	<b>-</b>	<b>1,185,762</b>

##### c) Explanations Related to the Concentrations of the Group’s Major Liabilities: Concentrations of the Bank’s major liabilities, funder customer, segments or other criteria which are seen risk concentrations:

72% of the Group’s liabilities consist of current and share profit account.

##### d) Funds provided under repurchasing agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Domestic</b>	<b>8,064</b>	<b>-</b>	<b>133,668</b>	<b>-</b>
Financial Institutions	8,064	-	133,668	-
<b>Abroad</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial Institutions	-	-	-	-
<b>Total</b>	<b>8,064</b>	<b>-</b>	<b>133,668</b>	<b>-</b>

##### e) Information on securities issued :

As of 30 September 2017, Group has a TL 253,642 securities issued (31 December 2016: TL 101,459).

##### 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 Parent Bank has no hedging derivative financial liabilities.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

##### 7. Information on provisions:

##### a) Information on general provisions:

	Current Period	Prior Period
<b>General Provisions</b>	<b>86,671</b>	<b>52,263</b>
I.For Loans and Receivables in Group I (Total)	77,582	47,667
Profit Sharing Accounts’ Share	53,148	34,600
The Bank’s Share	24,434	13,067
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)	1,537	595
Profit Sharing Accounts’ Share	1,374	376
The Bank’s Share	163	219
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	7,157	1,457
Other	395	2,544

##### b) Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans and financial lease obligations:

As of 30 September 2017, principal amount of foreign exchange losses on foreign currency indexed loans and lease receivables amounting to TL 3,025 (31 December 2016: TL 174) have been netted off with the loans and lease receivables included in the balance sheet assets.

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

Specific provisions for indemnified non-cash loans amount to TL 97 (31 December 2016: TL 29).

##### d) Information on other provisions:

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

As of 30 September 2017, there are no free provisions for possible risks (31 December 2016: None).

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

According to article 14 of regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, other provisions amounting to TL 27,523 is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund (31 December 2016: TL 9,810).

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

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

##### e.1) Employment termination benefits and unused vacation rights

Under the Turkish Labor Law, the Parent 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 2017, the amount payable consists of one month’s salary limited to a maximum of TL 4,732 (full amount) (31 December 2016: TL 4,297 (full amount)) for each year of service.

In the Group’s financial statements according to TAS 19 - provisions were made for the employee benefits over the payables of non-discounted amounts as a return of services provided during the one accounting period.

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

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

	Current Period
Discount Rate (%)	4.10%
Entitled to pension possibility (%)	98%

##### e.2) Movements in the reserve for employment termination benefits during period are as follows:

	Current Period	Prior Period
Balance at the 1 January	780	-
Changes during the period	641	859
Paid during the period	-	-
Actuarial loss/(gain)	-	(79)
Balance at the end of the period	1,421	780

As of the date of 30 September 2017, Group has a TL 2,255 unused vacation liability (31 December 2016: TL 1,389).

##### e.3) Retirement Benefits

Based on the results of the actuarial report, which is calculated with the actuarial interest rate 9.80% as determined in the Law numbered 5754, published on the Official Gazette dated 8 May 2008 and numbered 26870, as of 31 December 2016, no technical deficit has been reported.

#### 8. Explanations on tax liability:

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

##### a.1) Information on tax provisions:

As of 30 September 2017, the Group’s corporate income tax liability is TL 7,582 after deducting temporary taxes paid during the period from the tax provisions (31 December 2016: TL 2,886).



## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

##### a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	7,582	2,886
Taxation on Income From Securities	6,888	3,389
Property Tax	125	88
Banking Insurance Transactions Tax (“BITT”)	3,587	2,312
Foreign Exchange Transactions Tax	-	-
Value Added Tax Payable	219	236
Other	60	841
<b>Total</b>	<b>18,461</b>	<b>9,752</b>

##### a.3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	1	6
Social Security Premiums - Employer	2	9
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	110	34
Unemployment Insurance - Employer	217	67
Other	-	-
<b>Total</b>	<b>330</b>	<b>116</b>

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

The Group’s deferred tax liability amounts to TL 3,085 (31 December 2016: TL 1,534) and this amount is net off against the deferred tax asset and accordingly deferred tax asset amounting to TL 6,998 (31 December 2016: TL 4,876) is presented in the financial statements.

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

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

#### 10. Explanations on subordinated debts:

The Group does not have any subordinated debts.

#### 11. Information on shareholders’ equity:

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

	Current Period	Prior Period
Common stock	1,250,000	747,000
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 Group does not have a registered capital system.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

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

Pursuant to the dividend distribution decision taken at the Ordinary General Assembly meeting of the Parent Bank on 13 July 2017, the Parent Bank has decided to allocate TL 11,439 as fiscal charge from the profit of balance sheet for the previous year amounting to TL 40,482. After reducing loss of previous year TL 11,983, 5% of net profit TL 14,150 is made for general legal reserve amounting to TL 708. Remaining portion of TL 6,000 is decided as additional bonus to the personnel. TL 600 is reserve money by 10% over this amount and the remaining TL 6,843 in the Parent Bank, to increase the paid capital by TL 500,000.

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

In the Ordinary General Meeting of the Parent Bank held on 13 July 2017, capital increased to TL 3,000 internal resources (31 December 2016: 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 Group’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 group has no any uncertainty related to profitability and liquidity for the previous period (31 December 2016: None).

**g) Information on preferred shares:**

As of 30 September 2017, the group has no preferred shares (31 December 2016: None).

**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	(5,451)	21	(963)	(107)
Revaluation Difference	(6,678)	21	(1,573)	(107)
Deferred Tax Effect	1,227	-	610	-
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(5,451)</b>	<b>21</b>	<b>(963)</b>	<b>(107)</b>

**i) Information on minority shareholder:**

None (31 December 2016: None).

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

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

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	-	-
Other Irrevocable Commitments	8,708	-
Payment Commitments for Cheques	57,608	34,817
Loan Granting Commitments	-	-
Asset Purchase Commitments	56,469	13,223
Tax and Fund Liabilities from Export Commitments	1,443	458
<b>Total</b>	<b>124,228</b>	<b>48,498</b>

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

Bank has no possible losses arising from the off-balance sheet items (31 December 2016: None).

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

	Current Period	Prior Period
Guarantee Letters	5,006,197	2,772,734
Letter of Credits	366,800	188,475
Bank Acceptances	11,434	7,484
Other Guarantees and Collaterals	291,897	539,276
<b>Total</b>	<b>5,676,328</b>	<b>3,507,969</b>

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

	Current Period	Prior Period
Letters of Temporary Guarantees	650,692	400,357
Letters of Certain Guarantees	2,283,526	1,031,833
Letters of Advance Guarantees	616,411	386,135
Letters of Guarantees given to Customs Offices	52,462	32,197
Other Letters of Guarantees	1,403,106	922,212
<b>Total</b>	<b>5,006,197</b>	<b>2,772,734</b>

##### b.3) Total non-cash loans:

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>1,403,107</b>	<b>922,212</b>
With Original Maturity of One Year or Less	813,584	-
With Original Maturity of More than One Year	589,523	922,212
<b>Other Non-Cash Loans</b>	<b>4,273,221</b>	<b>2,585,757</b>
<b>Total</b>	<b>5,676,328</b>	<b>3,507,969</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

### IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Profit share on loans (*)</b>	<b>560,413</b>	<b>32,656</b>	<b>208,346</b>	<b>15,410</b>
Short term loans	168,615	5,288	98,581	3,359
Medium and long term loans	391,477	27,368	109,765	12,051
Profit share on non-performing loans	321	-	-	-
Premiums received from resource utilization support fund	-	-	-	-

(\*) 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	-
Foreign Banks	-	-	-	-
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>353</b>	<b>-</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	32,697	168	14,794	128
Investments Held-to-Maturity	-	-	396	-
<b>Total</b>	<b>32,697</b>	<b>168</b>	<b>15,190</b>	<b>128</b>

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

None (30 September 2016: None).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	2,276	10,692	2,056	8,474
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	2,276	8,347	2,056	4,688
Foreign Banks	-	2,345	-	3,786
Head Office and Branches	-	-	-	-
Other Institutions	-	14,509	3,861	2,372
<b>Total</b>	<b>2,276</b>	<b>25,201</b>	<b>5,917</b>	<b>10,846</b>

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

None (30 September 2016: None).

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

As of 30 September 2017, profit share expense paid to securities issued is TL 13,303 (30 September 2016: None).

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

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

Current Period		Profit Sharing Accounts				
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Over 1 year	Total
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	214	-	-	-	214
Real Person's Non Commercial Participation Accounts	14,364	105,027	1,946	1,495	6,580	129,412
Public Sector Participation Accounts	7,724	30,744	3,458	63	2,305	44,294
Commercial Sector Participation Accounts	8,223	67,362	7,197	953	908	84,643
Other Institutions Participation Accounts	234	20,147	647	1,422	138	22,588
<b>Total</b>	<b>30,545</b>	<b>223,494</b>	<b>13,248</b>	<b>3,933</b>	<b>9,931</b>	<b>281,151</b>
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	1,007	-	-	-	1,007
Real Person's Non Commercial Participation Accounts	1,338	15,709	624	457	747	18,875
Public Sector Participation Accounts	10	187	-	-	-	197
Commercial Sector Participation Accounts	855	11,071	1,932	-	-	13,858
Other Institutions Participation Accounts	50	1,958	-	-	-	2,008
Public Sector Participation Accounts	304	-	-	-	-	304
<b>Total</b>	<b>2,557</b>	<b>29,932</b>	<b>2,556</b>	<b>457</b>	<b>747</b>	<b>36,249</b>
<b>General Total</b>	<b>33,102</b>	<b>253,426</b>	<b>15,804</b>	<b>4,390</b>	<b>10,678</b>	<b>317,400</b>

##### 3. Information on dividend income:

None (30 September 2016: None).

##### 4. a) Information on trading income/loss (Net):

	Current Period	Prior Period
<b>Income</b>	<b>1,845,696</b>	<b>479,667</b>
Foreign exchange gains	1,835,651	475,592
Gain on derivative financial instruments	10,044	4,075
Gain on capital market transactions	1	-
<b>Losses (-)</b>	<b>1,835,908</b>	<b>475,303</b>
Foreign exchange losses	1,811,904	474,976
Losses on derivative financial instruments	23,872	327
Losses on capital market transactions	132	-
<b>Net</b>	<b>9,788</b>	<b>4,364</b>

##### b) Information on profit/loss on derivative financial operations:

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(13,828)	3,748
<b>Total</b>	<b>(13,828)</b>	<b>3,748</b>

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

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

There are no significant matters covering the recent developments which have significant effect on the Group's income.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

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

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	10,152	837
III. group loans and receivables	650	802
IV. group loans and receivables	5,455	1
V. group loans and receivables	4,047	34
General provision expenses	34,483	27,381
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	52	-
Financial Assets at fair value through profit and loss	-	-
Investment securities available for sale	52	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
Other (*)	17,727	6,769
<b>Total</b>	<b>62,414</b>	<b>34,987</b>

(\*) According to article 14 of regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, other amounting to TL 17,658 is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

##### 7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	63,950	47,436
Reserve for Employee Termination Benefits	641	580
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	9,039	7,148
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	1,941	1,678
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	43,780	30,914
Operational Leasing Expenses	13,618	8,532
Maintenance Expenses	2,906	174
Advertisement Expenses	11,946	9,244
Other Expenses	15,310	12,964
Loss on Sales of Assets	-	-
Other (*)	23,753	11,321
<b>Total</b>	<b>143,104</b>	<b>99,077</b>

(\*) The balance which forms the other item part, TL 14,583 (30 September 2016: TL 5,694) represents SDIF Premium amount and audit and consultancy fees and TL 6,581 (30 September 2016: TL 4,318) represents taxes, fees and funds and other services expenses.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

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

As of 30 September 2017, the Group does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period	Prior Period
Net Profit Share Income	298,096	137,235
Other Operating Expenses (-)	143,104	99,077
Provision for Loan or Other Receivables Losses (-)	62,414	34,987
Other Operating Income	1,985	1,330
Net Fees and Commissions Income	22,240	8,240
Dividend Income	-	-
Trading Income/Expense (Net)	9,788	4,364
<b>Income/(Loss) from Continuing Operations</b>	<b>126,591</b>	<b>17,105</b>

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

As of 30 September 2017, the Group's total tax provision expense amounting to TL 27,999 (30 September 2016: TL 2,416) consists of TL 29,566 (30 September 2016: TL 8,818) of current tax expense and TL 1,567 (30 September 2016: TL 4,150) of deferred tax expense.

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

The Group's net operating income after tax amounts to TL 98,592 (30 September 2016: 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 Parent Bank, mainly utilizes its resources from domestic current and profit shares, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, 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.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

#### V. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE PARENT 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	-	-	558,924	-	-	-
Balance at end of period	-	-	433,907	-	-	-
Profit share and commission income	-	-	5,353	-	-	-

##### 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	-	-	337,726	-	-	-
Balance at end of period	-	-	558,924	-	-	-
Profit share and commission income	-	-	8,595	-	-	-

- d) Current and profit sharing account held by the Parent 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						
Beginning of the period	-	-	1,796	891	-	-
Balance at the beginning of period	-	-	5,935	1,796	-	-
Profit share expense	-	-	1,846	4	-	-

- 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	-	-	259,672	159,609	-	-
Closing Balance	-	-	1,176,831	259,672	-	-
Total Profit/Loss	-	-	4,200	986	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-



## **ZİRAAT KATILIM BANKASI A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

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

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

The group has paid TL 1,988 to top management (30 September 2016: TL 1,978).

#### **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.

### **SECTION SIX**

#### **OTHER EXPLANATIONS AND NOTES**

##### **I. OTHER EXPLANATIONS ON THE GROUP’S OPERATIONS**

None.

##### **II. EXPLANATIONS ON THE BANK’S CREDIT NOTES FROM CREDIT RATING AGENCIES**

None.

### **SECTION SEVEN**

#### **EXPLANATIONS ON REVIEW REPORT**

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

As of 30 September 2017, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member of KPMG International Cooperative, a Swiss entity) and Review Report dated 3 November 2017 is presented preceding the financial statements.

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

None.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

**SECTION EIGHT**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT**

**I. Chairman’s Assessment**

It appears that consumer spending trends in the world’s largest economies seem to have increased with the increase in employment in developed countries and the decline in unemployment rates, as well as the effect of lower fuel prices on the household-population budget. The increase in asset prices, the improvement in profit margins and the increasing tendency of consumption, are reviving in global economic activity as industrial production indices are rising.

In the third quarter of 2017, the Federal Reserve (“FED”) signaled that it will continue to tighten its monetary policy and raise interest rates by the end of the year. In the last quarter, US inflation continued to fall below the FED target and the US dollar has also depreciated slightly against other currencies. The FED has announced that it will start to reduce the amount of bilateral notes by reducing its portfolio of bonds bought after the financial crisis of 2008. In addition, the FED is declaring that it expects to increase interest rates three more times next year. President Trump’s plan to increase consumption rates in the US by lowering tax rates is another factor that strengthens the hand of FED’s tight monetary policy. It is expected that these developments will strengthen the dollar and reflect negatively on the developing countries. However, it is thought that negative effects will be limited to the developing countries in the framework of minimizing the balance sheet and realizing the interest rate increase at moderate level.

In the Eurozone, the economic recovery in the first half of the year continued in the third quarter of the year. Pioneering economic indicators, such as the revival seen in industrial production, the Purchasing Managers’ Index (“PMI”), and the moderate rise in inflation are promising in terms of the economic program implemented in the Eurozone. In this context, the European Central Bank (“ECB”) stated that the extreme loose monetary policy has been achieved; signaling that it will begin to normalize its monetary policy. Despite this, ECB president Draghi notes that the inflation rate of 2% in the Eurozone needs more time to reach its target. On the other hand, besides Brexit, the election results in Germany show a slight increase in the political risk premium in Europe. In this context, although some weakening sentiment is seen in the euro, the strong trend of the European economy supports positive expectations about the European economy in the last quarter of the year. It is expected that the strengthening of the European economy will provide positive growth performance to the Turkish foreign demand channel.

In the third quarter of 2017, capital inflows to developing countries continued and fund inflows to my country increased. The 10-year bond yields in the US have been the main factors in the continuation of the flow of funds to the developing countries (“GOI”), as the low course of the 10-year bond rates and the interest rates are in balance, and the FED is going to raise interest rates in anticipation and lowering the balance sheet. On the other hand, the Turkish economy, which has grown well above expectations, has been affected positively by this decline in geopolitical risks as compared to other developing countries. The continuation of the low course of US 10-year bond yields and continued fund inflows to Turkey, as well as other developing countries within the global liquidity conditions, provide financing for the current account deficit.

In the second quarter of the year, the Turkish economy grew by 5.1% in anticipation of the measures taken by the economy management, showing a rather positive performance compared to other developing countries. Reconstructing the developing countries in the current conjuncture is one of the important dynamics that supports growth. Domestic demand and public spending are at the forefront in the composition of the growth of the second quarter of 2017. As a result of the continuing recovery in the euro area in the second half of 2017, Turkey’s exports are expected to increase remarkably beyond the Medium Term Program targets and on a global basis, and international organizations and analysts are revising their growth forecasts positively.

## **ZİRAAT KATILIM BANKASI A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

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

##### **I. Chairman’s Assessment (Continued)**

Oil prices, which averaged around USD 50 in 2017, continued to have a positive impact on Turkey’s import bills in the third quarter of the year compared to the past years. In addition, the increase in demand for Turkish products with economic recovery in European Union countries has started to affect the export figures of Turkey positively. This situation was also reflected in Turkey’s current account deficit and current account deficits were within the targets.

The Central Bank of the Republic of Turkey (“CBRT”) continued to implement strict monetary policy in the third quarter of the year in the context of inflation risking high levels of pricing behavior. In this context, the CBRT has effectively used the effective funding channel to establish price stability. Inflation is expected to decline from the end of the year.

In the third quarter of 2017, the Turkish banking sector continued its steady growth with its high asset quality and strong equity structure. Credit Guarantee Fund has provided support for the growth of our economy through the loans granted and the acceleration in individual loans and loans from our banks.

In the Participation Banking sector, we have identified effective resource allocation as a strategic priority. In addition to increasing the share of participation banking in the banking sector, we also aim to increase domestic and foreign savings by increasing the market share of our country’s participation banking in international markets.

Ziraat Participation Bank continued its growth performance in the third quarter of 2017 and achieved positive results. Ziraat Participation Bank carries the title of Turkey’s first public participation bank and aims to respond to the needs of its customers in the best way by developing new products in line with the principles of “Participation Banking”.

**Hüseyin AYDIN**  
**Chairman**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

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

**II. Assessment of General Manager**

Despite the fluctuations in global financial markets, when we look at the economic indicators in Turkey; The Turkish economy continued its strong outlook on stability in the third quarter of 2017 with the impact of large-scale effective fiscal incentives and high-rate economic spending, such as the new Credit Guarantee Fund (“KGF”). With the new reforms planned, it is anticipated that at the end of 2017, the current indicator will grow above the target of the Medium Term Program.

**Ziraat Katılım Continues Growth Without Cutting Speed**

Ziraat Katılım completed the third quarter of the year with a net profit of TL 98,6 Million. Our total assets exceeded TL 12 Billion by an increase of 51% compared to the end of 2016 and the collected funds increased by 53% compared to the same period and reached TL 8,6 Billion. While the amount of the used cash funds reached to TL 9,5 billion with an increase of 70%, the sum of the cash and non-cash financing provided by Ziraat Katılım in the real sector was TL 15,1 billion.

We continue to maintain our services in 56 branches and 34 provinces in Turkey.

**We are Focused on Customer Satisfaction**

With its customer satisfaction-oriented approach, our Bank has developed special services for customers in every field of banking, and responds to the calls of our customers 24/7 with the customer communication center instantly. Our mobile banking application, Katılım Mobil has been expanded with the presentation of transactions that are in use by our individual customers to our corporate customers. We are moving forward with our year-end goal, which is needed to enable our digital channels to harmonize with our customers with disabilities. Thanks to our Digital Channels, our customers can easily process transactions from anywhere in our country at any time.

**We will continue to support our SMEs**

We believe that by the end of the year at the end of the year, SMEs will move forward on the increasing course, with the help of broad supportive measures such as the Credit Guarantee Fund, which facilitates access to finance. Our commercial point of departure is our exit point. SMEs are evaluated within our most important customer portfolio. While setting our marketing activities, we create our priorities within this strategy. As a result, our growth in the SME customer portfolio continues at a rapid pace. We finance the procurement of goods and services of our SMEs mainly by means of usury method with flexible refund options created in line with the wishes of our customers.

Ziraat Katılım plays a role in the sector in terms of the closure of the individual saving opportunity in our country. We continue to offer financing on favorable terms for our clients’ needs. In addition, customer financing to meet the needs of the individual financing product FİLİKA was renovated and presented for the customers’ use.

As Ziraat Katılım, part of our mission is to increase the current share of the sector with the principles of participation banking. We continued to make contributions to the real sector by providing broader opportunities for investors in the area of rental certificates. In order for our country to be an effective player in the international financial markets, it is necessary to increase the volume of the interest-free finance system with products that can be securitized in the direction of capital markets. On 12 October 2017, the demand for TL 100 million rent certificate, which we have realized through our activities with Ziraat Yatırım Menkul Değerler A.Ş., shows that the confidence in the Ziraat Katılım in the markets continues increasingly. From the date when we started the activity, the export certificate of lease realized by qualified investors within the scope of the export tender received from the Capital Markets Board reached TL 950 million in total.

In the upcoming period, Ziraat Katılım will continue to add value to the country’s economy by offering its customers “More to share” with the mission of improving participation banking.

**Metin ÖZDEMİR**  
**General Manager**

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

##### III. Shareholding Structure

Ziraat Katılım Bank's paid in capital is TL 1,250,000,000 and this capital divided into 1,250,000,000 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.	1,249,999,996	1,249,999,996
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

There is no change in the articles of association in the third quarter of the year 2017.

##### V. Main Financial Indicators

In the Bank assets, indicators take shares as follows; loans volume is TL 9,454,819 thousand with 78%, liquid assets and banks volume is TL 1,632,048 thousand with 14%, security volume is TL 530,727 thousand with 4% and other assets volume is TL 425,862 thousand with 4%.

ASSETS (THOUSAND TL)	30 September 2017	31 December 2016	Change (%)
Liquid Assets and Banks	1,632,048	1,669,752	(2)
Securities	530,727	415,842	28
Loans	9,454,819	5,557,942	70
Other Assets	425,862	315,920	35
<b>Total Assets</b>	<b>12,043,456</b>	<b>7,959,456</b>	<b>51</b>

In the Bank liabilities, indicators take shares as follows; deposit volume is TL 8,630,366 thousand with 72%, shareholders equity volume is TL 1,352,853 thousand with 11%, other liabilities volume is TL 244,685 thousand with 2% and resources out of deposit volume is TL 1,815,552 thousand with 15%.

LIABILITIES (THOUSAND TL)	30 September 2017	31 December 2016	Change (%)
Deposits	8,630,366	5,635,946	53
Resources Out of Deposit	1,815,552	1,319,430	18
Other Liabilities	244,685	239,459	108
Shareholders' Equity	1,352,853	764,621	77
<b>Total Liabilities</b>	<b>12,043,456</b>	<b>7,959,456</b>	<b>51</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

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

<b>SELECTED PROFIT AND LOSS ITEMS (THOUSAND TL)</b>	<b>30 September 2017</b>	<b>30 September 2016</b>	<b>Change (%)</b>
Dividend Income	658,587	244,087	170
Dividend Expense	360,491	106,852	237
Net Dividend Income/Expense	298,096	137,235	117
Net Fees and Commissions Income/Expense	22,240	8,240	170
Other Operating Income	1,985	1,330	49
Other Operating Expenses	143,104	99,077	44
Provision for Loan and Other Receivables	62,414	34,987	78
Profit/Loss Before Tax	126,591	17,105	640
Tax Provision	(27,999)	(4,668)	(500)
Net Profit/Loss	98,592	12,437	693
<b>RATIOS (%)</b>	<b>30 September 2017</b>	<b>31 December 2016</b>	<b>Change (%)</b>
Capital Adequacy Ratio	14.59	12.46	17.1
Shareholders' Equity/Total Assets	11.2	9.6	16.7
Total Loans/Total Assets	78.5	69.8	12.5
Non-performing Loans (Gross) / Total Loans	0.4	0.2	100.0
Demand Deposit/Total Deposit	13.0	14.8	(12.2)
FC Assets/FC Liabilities	61.5	54.0	13.9
Liquid Assets/Total Assets	13.6	21.0	(35.2)

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017

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

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

##### VI. Information on Consolidated Subsidiary

###### ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.:

Ziraat Katılım Varlık Kiralama A.Ş. was established to export lease certificate with a capital of TL 50,000 which is all paid by Ziraat Katılım. It was published in the Official Gazette dated 7 June 2013 and numbered 28760 of the CMB with the permission of the Banking Regulation and Supervision Board and the Capital Markets Board on 22 January 2016.

Headquarter of the Company is in Fatih/İSTANBUL.

As of 30 September 2017, the company has no staff.

Ziraat Katılım Varlık Kiralama A.Ş. issued on 12 May 2017 TL 100,000,000 of the rent receivables with the nominal value of TL 100,000,000, 90 days maturity and 10 August 2017 redemption date with the "TRDZKVK81713" ISIN and coupon payments of TL 2,934,249.90 has been completed on.

Ziraat Katılım Varlık Kiralama A.Ş. issued on 1 June 2017 TL 100,000,000 of the rent receivables with the nominal value of TL 100,000,000, 89 days maturity and 29 August 2017 redemption date with the "TRDZKVK81721" ISIN and coupon payments of TL 2,926,029.91 has been completed on.

"TRDZKVKK1710" ISIN-accredited rental certificates of Ziraat Katılım Varlık Kiralama A.Ş. with a nominal value of TL 150,000,000, a maturity of 91 days and redemption date of 9 December 2017 were approved by the Directorate General of the Exchange on 10 May 2017 and were issued on 10 August 2017 and from 14 August 2017, started to be traded on the Borrowing Instruments Market In the Forex Trading Market, only among qualified investors.

"TRDZKVKA1712" ISIN-accredited rental certificates of Ziraat Katılım Varlık Kiralama A.Ş. with a nominal value of TL 100,000,000, a maturity of 104 days and redemption date of 11 December 2017 were approved by the Directorate General of the Exchange on 4 May 2017 and were issued on 29 August 2017 and from 5 August 2017 started to be traded on the Borrowing Instruments Market In the Forex Trading Market, only among qualified investors.

ISIN Code of the Issued Capital Markets Instruments	TRDZKVKK1710
Type of the Issued Capital Markets Instruments	Lease Certificate
Form of Sale	Sale to Qualified Investors without Public Offering
Nominal Value of Issue	TL 150,000,000
Nominal Value Sold	TL 150,000,000
Price of Issue	TL 1
Maturity of the Issued Capital Markets Instruments	9 December 2017 – 91 days
Redemption Plan of the Issued Capital Markets Instruments	Principal and return payment in one at maturity
Return/Dividend Ratio of the Issued Capital Markets Instruments	Annual Simple Interest Ratio 12.10% Return Ratio 3.01671%
ISIN Code of the Issued Capital Markets Instruments	TRDZKVKA1712
Type of the Issued Capital Markets Instruments	Lease Certificate
Form of Sale	Sale to Qualified Investors without Public Offering
Nominal Value of Issue	TL 100,000,000
Nominal Value Sold	TL 100,000,000
Price of Issue	TL 1
Maturity of the Issued Capital Markets Instruments	11 December 2017 – 104 days
Redemption Plan of the Issued Capital Markets Instruments	Principal and return payment in one at maturity
Return/Dividend Ratio of the Issued Capital Markets Instruments	Annual Simple Interest Ratio 12% Return Ratio 3.41918%

###### ZKB VARLIK KİRALAMA A.Ş.:

In 19 July 2017, ZKB Varlık Kiralama Anonim Şirketi was established with paid-in capital of TL 50,000 by Parent Bank. The company started its operations in 8 September 2017 after its registration is completed.

## **ZİRAAT KATILIM BANKASI A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

#### **VII. 2017 Third Quarter Operations**

Having increased the number of contracted projects in line with our growth target in qualified residential projects, our Bank has continued to offer loans to residents who want to own real estate in advantageous conditions thanks to the new partnerships established with the leading construction companies in the sector in the second quarter of the year.

Starting from 5 June 2017, the “Ziraat Portfolio Short Term Rent Participation Fund”, which is the founder of Ziraat Portföy Yönetimi A.Ş., started to be traded only through the branches in the first stage of our Bank.

Our bank continued to work on the protocol for institutional collections during the second quarter.

Our branches opened in the third quarter of 2017 were presented to the service of our customers.

Kastamonu branch was started to the customer acceptance on the date of 6 October 2017.

Uşak branch was started to the customer acceptance on the date of 13 October 2017.

On 19 July 2017, the ZKB Varlık Yönetimi A.Ş. was established with a capital of TRY 50,000, which was fully paid by the Bank. The registration process was started on 8 September 2017.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

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

**VIII. Expectations After the Interim Period**

In the third quarter of 2017; financial markets, the tight monetary policy initiated by the Federal Reserve ("FED"), the European Central Bank's ("ECB") declaration of normalization in the monetary policy, and the price changes in the currencies of emerging countries. The FED explained that developments in the US economy would need to reduce liquidity support to the markets, and that bilateralism would begin to narrow down this year. In the third quarter of the year, accelerating recovery in emerging economies, which have great influence in the European economy and in the world economy, positively affected commodity prices. Recently, the growth rates in the Chinese economy have begun to accelerate slowly, which has been a factor supporting commodity prices. On the other hand, the ECB has announced that it will reduce the amount of bond purchases in the coming year, but continues to support the global economy by continuing to purchase bonds and keeping interest rates at a low level. Nevertheless, it is also stated that the expansionary monetary policies implemented by the central banks, due to the high level of indebtedness in the global economy and the imbalance in income distribution, can not achieve sustained growth in the long run. Therefore, it seems that different economic models are needed to provide sustainable growth based on competitive production and strong consumption, which will also include settlement of debt problems of countries.

Despite the economic downturn in the US economy in the third quarter of 2017, the FED signaled that it will continue to tighten its monetary policy and once again raise interest rates towards the end of the year. However, as data such as recently announced PMI and factory orders remained below expectations in the US, inflation also fell below the FED target of 2%. It is expected that President Trump's commitment to tax rates will encourage inflation by increasing consumption patterns. In this direction, the Fed signaled that it would raise interest rates during the year, as well as announced that it would reduce its bond portfolio of USD 4,2 trillion from the market after 2008. However, it has declared that the downsizing of the balance sheet will be a gradual process. The FED plans to start the downsizing process in October and plans to withdraw USD 10 billion per month at the beginning and USD 10 billion every three months in the following months to withdraw from the market at USD 50 billion per month by the end of the year. In addition to qualitative tightening, the Fed has declared that it expects to increase interest rates three times in 2018. It is estimated that this policy, which the FED is predicting to implement, could lead to a capital outflow from the Emerging Countries ("EC"), and that these countries may lose value in their currencies.

The economic recovery in the Euro Zone in the last quarter of last year continued in the third quarter of this year, The ECB has signaled that it will change monetary policy. In particular, leading economic indicators such as the Procurement Managers' Index ("PMI"), which are long overdue and above 55, are also confirming the continued economic vitality in the Euro Area. Recovery in inflation is still ongoing, and concerns about possible deflation seem to have decreased considerably. For this reason, it is promising in terms of the economic program implemented in the Euro Area, especially the ECB's expansionary monetary policy. In this context, the European Central Bank ("ECB") has begun to signal that monetary policy is going to normalize, stating that the desired outcome is being approached in the extreme monetary policy that is applied. Despite this, ECB president Draghi notes that the inflation rate of 2% in the Eurozone needs more time to reach its target. As economic recovery continues in Europe, the election results in Germany as well as in Brexit indicate that there is some increase in the political risk premium in Europe. Nevertheless, the strong course of the European economy supports positive expectations of the European economy in the last quarter of the year. However, the ECB is not expected to raise interest rates this year, although it signals the recovery in the Euro Zone and the ECB will give up on excessive loose monetary policy.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2017**

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

---

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

**VIII. Expectations after the Interim Period (Continued)**

In the second half of 2017, the US dollar began to depreciate globally as a consequence of Trump’s failure to meet the election promise of an expanding fiscal policy and as a result of US economic data coming under expectation. While the US 10-year bond interest rates were at low levels, the flow of funds to emerging countries continued with the FED’s avoidance of hawkish discourse. In this context, in the third quarter of the year, the value of currencies of developing country markets also increased. However, in the last quarter of the year, the FED signaled an increase in interest rates and announced that it would start to reduce the balance sheet, and the possibility of capital outflows from the emerging countries and the possible depreciation of the currencies of these countries appeared.

In the third quarter of 2017, global economic conditions continued in favor of emerging economies, which also positively affected Turkish markets. As capital inflows from abroad continue to flow into Turkey, historical peak levels are seen especially in capital markets. Besides, while there is a limited withdrawal in the bond interest rates, the appreciation in TL has come to the fore. The Central Bank of the Republic of Turkey (“CBRT”) contributed to the strengthening of the TL by applying strict monetary policy during this period. In addition, measures such as the Credit Guarantee Fund (“CGF”) taken by the economy administration to increase the economy continued to give positive results and Turkey managed to achieve a growth rate well above the world average in the second quarter of the year. In the upcoming period, while the recovery in the Eurozone is expected to increase Turkey’s exports, it is anticipated that the increase in exports will continue to strengthen the TL and provide additional contribution to the growth of the Turkish economy. In this context, it is more likely that Turkey will achieve a growth rate beyond the Medium Term Program targets.

In the second quarter of the year, the Turkish economy achieved a 5.1% growth rate with the measures taken by the economy management and performed a performance in line with expectations. Turkey owes its sustained high growth rate in the first quarter of the year to the second quarter, the soundness of its basic building blocks, the knowledge and experience of the economy and the economic measures that support growth like the CGF. Expansion in private sector investment and consumption is expected to increase in 2017, although public spending contributes to growth. On the other hand, the ongoing recovery in the euro zone in the third quarter of the year seems to have contributed to growth by positively affecting Turkey’s exports. It is probable that Turkey’s recovery in the Euro Zone will continue to contribute to Turkey’s export growth and Turkey will close the year with a growth rate well above expectations, supported by emerging markets in the global economy. In the third quarter of 2017, oil prices, which averaged around USD 50, continued to have a positive impact on Turkey’s import bill during this period, with low prices in the average of past years. Turkey imports a large portion of commodities such as oil and natural gas and the expenditures made for these products have a large share in Turkey’s import bills. The low prices of these products reflected positive foreign trade openness as well as current account deficit figures. With the economic recovery in the Euro Area continuing in the third quarter of 2017, it is expected that Turkey will increase its exports to this region in the last quarter of the year and it is expected that Turkey will contribute to the current account balance in this situation.

The high depreciation seen in TL and high food prices, especially from this year onwards, resulted in double-digit inflation in the first half of 2017. However, due to the tight monetary policy imposed by the CBRT, the increase in the cost of effective funding has enabled TL to strengthen, while inflation has also been favorable for a while. In the continuation of the year, the prices of food continue to be relatively quiet as well as some withdrawal may occur in the inflation according to TL’s condition.

Explaining that in the third quarter of 2017 the FED will begin to reduce its balance sheet this year and increase the amount of liquidity it will draw from the market in the next period. It has begun to adversely affect emerging country currencies. ECB President Draghi said that in recent years the incentives for the revival of the economy have begun to give fruit, giving way to signals that monetary policy will normalize in the coming period. The decisions taken by developed central banks led to an increase in the interest rates of these countries, causing slowdown in capital inflows in developing countries and the depreciation of the currencies of these countries began to be seen. In this context, while the TL lost some value, the interest rates also increased. Turkey, which grew by more than 5% in the second quarter of the year with the support of the economy administration, is expected to continue the same growth performance for the remainder of the year.