

(Convenience Translation of Consolidated Interim 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 the Nine-Month Period Ended
30 September 2018**

With Auditors' Review Report Thereon

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

9 November 2018

*This report includes "Auditors' Review Report"
comprising 2 pages and; "Consolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 98 pages.*



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REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To the Board of Directors of Ziraat Katılım Bankası Anonim Şirketi

Introduction

We have reviewed the consolidated balance sheet of Ziraat Katılım Bankası Anonim Şirketi ("the Bank") and its financial subsidiaries (together the "Group") as at 30 September 2018 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and 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 Board and Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by afore-mentioned legislations. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not presented fairly, in all material respects, the consolidated financial position of Ziraat Katılım Bankası Anonim Şirketi and its financial subsidiaries as at 30 September 2018, and its consolidated financial performance and its consolidated cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

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


Erdal İnkırmak, SMMM
Partner

9 November 2018
İstanbul, Turkey

Additional paragraph for convenience translation to English:

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

**THE CONSOLIDATED INTERIM FINANCIAL REVIEW REPORT OF
ZİRAAT KATILIM BANKASI A.Ş. AS OF 30 SEPTEMBER 2018**

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi
Hayri Efendi Cad. Bahçekapı No:12 34112 Fatih / İSTANBUL
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The consolidated financial report for nine months includes the following sections in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency:

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

Subsidiaries financial statements have been consolidated in this annual consolidated financial report are as follows;

SUBSIDIARIES

ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.
ZKB VARLIK KİRALAMA 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 reviewed.

Hüseyin AYDIN
Chairman of the Board

Metin OZDEMİR
Member of the Board,
General Manager

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

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

Osman KARAKÜTÜK
Vice President of Treasury
and Internal Operating

Gürkan ÇAKIR
Head of Financial
Coordination Department

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

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ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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 Participation Bank is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 November 2014 which was published in the Official Gazette numbered as 29146 at 15 November 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 accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on 29 April 2016, the paid-in capital of the Bank has been increased in cash by TL 72.000 from TL 675.000 to 747.000. In accordance with the decision of the Parent Bank’s Ordinary General Assembly Meeting held on 13 June 2017, the paid-in capital of the Parent Bank has been increased by the amount of cash by TL 500.000 and by increasing the amount of internal resources by TL 3.000 to TL 1.250.000.

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 within the scope of Participation Banking fundamentals.

All of the shares of the of the Parent 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 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 of 30 September 2018 and 31 December 2017, main shareholders and capital amounts as follows:

Name of Shareholders	30 September 2018		31 December 2017	
	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş. (*)	1.250.000	99,9999996	1.250.000	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
Total	1.250.000	100,00	1.250.000	100,00

(*) All of the shares of the Parent of the Parent 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 AS AT 30 SEPTEMBER 2018

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

GENERAL INFORMATION ABOUT THE GROUP (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 BELONGS TO (Continued)

Name	Title
Board of Directors	
Hüseyin AYDIN	Chairman
Metin ÖZDEMİR	General Manager and Member of the BOD, Member of Pricing Committee, President of Credit Committee, Member of Corporate Management Committee
Yusuf DAĞCAN	Executive Vice President and Member of the BOD
Cemalettin BAŞLI	Member of the BOD, Member of Credit Committee, Member of Audit Committee
Feyzi ÇUTUR	Member of the BOD, Member of Credit Committee, Member of Audit Committee
Salim ALKAN	Member of the BOD, President of Corporate Management Committee, Member of Pricing Committee, Substitute Member of Credit Committee
Assistant General Managers	
Mehmet Said GÜL	Information Technologies and Operating
Osman KARAKÜTÜK	Treasury and Internal Operations
Tahir DEMİRKIRAN	Loan Allocation and Management
Temel Tayyar YEŞİL	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. ^(*)	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	-	-
Total	1.250.000	100,00	1.250.000	-

(*) All of the shares of the Parent of the Parent 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 AS AT 30 SEPTEMBER 2018

(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 was declared in the prime contract within the scope of Banking Law and other legislation codes. The Parent Bank collects funds with the scope of Islamic 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.

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

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 30 June 2018, the Parent Bank operates with its 76 branches (31 December 2017: 63 domestic branches) and 949 (31 December 2017: 890) workers domestically.

The Parent Bank has no branches abroad.

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 between consolidated financial statements prepared in accordance with BRSA regulation on the preparation of consolidated financial statements and consolidated financial statements prepared in accordance with Turkish Accounting Standards for the Bank. The Bank’s subsidiary Ziraat Katılım Varlık Kiralama A.Ş which is established on 22 January 2016 and ZKB Varlık Kiralama A.Ş. which is established in 8 September 2017 are consolidated within the scope of full consolidation.

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

None.

SECTION TWO

THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance sheet (statement of financial position)
- II. Consolidated Statement of off-balance sheet commitments
- III. Consolidated Statement of profit or loss
- IV. Consolidated Statement of profit or loss and other comprehensive income
- V. Consolidated Statements of changes in shareholders' equity
- VI. Consolidated Statement of cash flows

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT 30 SEPTEMBER 2018

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

I. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	THOUSAND OF TURKISH LIRA		
		Current Period (30/09/2018)		
		TL	FC	Total
ASSETS				
I. FINANCIAL ASSETS (NET)		1.441.489	2.103.306	3.544.795
1.1 Cash and Cash Equivalents		437.996	2.087.524	2.525.520
1.1.1 Cash and Balances with Central Bank	(1)	186.547	1.609.188	1.795.735
1.1.2 Banks	(2)	251.449	478.336	729.785
1.1.3 Money Markets		-	-	-
1.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-
1.2.1 Government Debt Securities		-	-	-
1.2.2 Equity Instruments		-	-	-
1.2.3 Other Financial Assets		-	-	-
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(3)	1.004.548	12.224	1.016.772
1.3.1 Government Debt Securities		-	-	-
1.3.2 Equity Instruments		4.897	-	4.897
1.3.3 Other Financial Assets		999.651	12.224	1.011.875
1.4 Financial Assets Measured at Amortised Cost	(4)	-	-	-
1.4.1 Government Debt Securities		-	-	-
1.4.2 Other Financial Assets		-	-	-
1.5 Derivative Financial Assets	(5)	17	3.558	3.575
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		17	3.558	3.575
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6 Non-Performing Financial Assets		-	-	-
1.7 Expected Loss Provision (-)	(6)	1.072	-	1.072
II. LOANS (NET)	(7)	12.346.619	5.620.934	17.967.553
2.1 Loans		11.833.274	5.503.193	17.336.467
2.1.1 Measured at Amortised Cost		11.833.274	5.503.193	17.336.467
2.1.2 Fair Value Through Profit or Loss		-	-	-
2.1.3 Fair Value Through Other Comprehensive Income		-	-	-
2.2 Lease Receivables		554.195	117.741	671.936
2.2.1 Financial Lease Receivables		666.832	131.278	798.110
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		112.637	13.537	126.174
2.3 Factoring Receivables		-	-	-
2.3.1 Measured at Amortised Cost		-	-	-
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non-Performing Loans		82.435	-	82.435
2.5 Expected Credit Loss (-)		123.285	-	123.285
2.5.1 12 Month Expected Credit Losses (Stage I)		36.354	-	36.354
2.5.2 Significant Increase in Credit Risk (Stage II)		38.034	-	38.034
2.5.3 Credit-Impaired Losses (Stage III / Special Provision)		48.897	-	48.897
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(8)	4.259	-	4.259
3.1 Held for Sale Purpose		4.259	-	4.259
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS	(9)	-	-	-
4.1 Investments in Associates (Net)		-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Consolidated Associates		-	-	-
4.2 Subsidiaries (Net)		-	-	-
4.2.1 Consolidated Financial Subsidiaries		-	-	-
4.2.2 Consolidated Non-Financial Subsidiaries		-	-	-
4.3 Joint Ventures (Net)		-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Consolidated Joint Ventures		-	-	-
V. PROPERTY AND EQUIPMENT (Net)	(10)	48.552	-	48.552
VI. INTANGIBLE ASSETS (Net)	(11)	72.903	-	72.903
6.1 Goodwill		-	-	-
6.2 Other		72.903	-	72.903
VII. INVESTMENT PROPERTY (Net)	(12)	-	-	-
VIII. CURRENT TAX ASSET	(13)	-	-	-
IX. DEFERRED TAX ASSET	(14)	49.259	-	49.259
X. OTHER ASSETS	(15)	37.760	3.528	41.288
TOTAL ASSETS		14.000.841	7.727.768	21.728.609

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

ZİRAAT KATILIM BANKASI A.Ş.

**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT 31 DECEMBER 2017**

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

I. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)		Note (Section Five I)	THOUSAND OF TURKISH LIRA		
			Prior Period (31/12/2017)		Total
ASSETS			TL	FC	
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	305.803	1.337.886	1.643.689
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(5)	33	4	37
2 1	Financial Assets Held for Trading		33	4	37
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		33	4	37
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	(2)	3.320	275.261	278.581
IV.	MONEY MARKET PLACEMENTS		-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(3)	516.461	7.712	524.173
5 1	Securities Representing a Share in Capital		4.719	-	4.719
5 2	Public Sector Debt Securities		-	-	-
5 3	Other Marketable Securities		511.742	7.712	519.454
VI.	LOANS AND RECEIVABLES	(7)	9.656.012	1.718.732	11.374.744
6 1	Loans and receivables		9.639.259	1.718.732	11.357.991
6 1 1	Loans to Risk Group of the Bank		400.452	358.536	758.988
6 1 2	Public sector debt securities		-	-	-
6 1 3	Other		9.238.807	1.360.196	10.599.003
6 2	Non-performing loans		34.841	-	34.841
6 3	Specific provisions (-)		18.088	-	18.088
VII.	INVESTMENTS HELD TO MATURITY (Net)	(4)	-	-	-
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(9)	-	-	-
8 1	Accounted with Equity Method		-	-	-
8 2	Consolidated Associates		-	-	-
8 2 1	Financial investments		-	-	-
8 2 2	Non-financial investments		-	-	-
IX.	INVESTMENTS IN SUBSIDIARIES (Net)	(9)	-	-	-
9 1	Consolidated financial subsidiaries		-	-	-
9 2	Consolidated non-financial subsidiaries		-	-	-
X.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	-	-	-
10 1	Consolidated under equity method		-	-	-
10 2	Consolidated		-	-	-
10 2 1	Financial subsidiaries		-	-	-
10 2 2	Non-financial subsidiaries		-	-	-
XI.	RECEIVABLES FROM LEASING TRANSACTIONS		372.944	-	372.944
11 1	Finance Lease Receivables		479.451	-	479.451
11 2	Operating Lease Receivables		-	-	-
11 3	Other		-	-	-
11 4	Unearned Income (-)		106.507	-	106.507
XII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSE		-	-	-
12 1	Fair Value Hedges		-	-	-
12 2	Cash Flow Hedges		-	-	-
12 3	Hedges for Investments Made in Foreign Countries		-	-	-
XIII.	TANGIBLE ASSETS (Net)	(10)	47.235	-	47.235
XIV.	INTANGIBLE ASSETS (Net)	(11)	63.280	-	63.280
14 1	Goodwill		-	-	-
14 2	Other		63.280	-	63.280
XV.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-
XVI.	TAX ASSET		14.093	-	14.093
16 1	Current Tax Asset	(13)	-	-	-
16 2	Deferred Tax Asset	(14)	14.093	-	14.093
XVII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(8)	3.561	-	3.561
17 1	Held for Sale		3.561	-	3.561
17 2	Held from Discontinued Operations		-	-	-
XVIII.	OTHER ASSETS	(15)	27.580	122	27.702
TOTAL ASSETS			11.010.322	3.339.717	14.350.039

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

ZİRAAT KATILIM BANKASI A.Ş.

**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT 30 SEPTEMBER 2018**

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

I. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)		THOUSAND OF TURKISH LIRA			
		Note (Section Five II)	Current Period (30/09/2018)		Total
			TL	FC	
LIABILITIES AND EQUITY					
I. FUNDS COLLECTED	(1)	8.534.183	7.908.962	16.443.145	
II. FUNDS BORROWED	(2)	11.326	1.794.132	1.805.458	
III. MONEY MARKETS DEBTS	(3)	40.997	-	40.997	
IV. SECURITIES ISSUED (Net)	(4)	905.628	-	905.628	
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(5)	-	-	-	
VI. DERIVATIVE FINANCIAL LIABILITIES	(6)	-	16.534	16.534	
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	16.534	16.534	
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	
VII. FINANCE LEASE PAYABLES	(7)	-	282	282	
7.1 Finance Lease Payables		-	286	286	
7.2 Operating Lease Payables		-	-	-	
7.3 Other		-	-	-	
7.4 Deferred Finance Lease Expenses (-)		-	4	4	
VIII. PROVISIONS	(8)	97.218	22.569	119.787	
8.1 Restructuring Provisions		-	-	-	
8.2 Reserve for Employee Benefits		16.622	-	16.622	
8.3 Insurance Technical Provisions (Net)		-	-	-	
8.4 Other Provisions		80.596	22.569	103.165	
IX. CURRENT TAX LIABILITY	(9)	62.154	-	62.154	
X. DEFERRED TAX LIABILITY	(10)	-	-	-	
XI. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	
11.1 Held for Sale Purpose		-	-	-	
11.2 Related to Discontinued Operations		-	-	-	
XII. SUBORDINATED DEBT INSTRUMENTS	(12)	-	-	-	
12.1 Loans		-	-	-	
12.2 Other Debt Instruments		-	-	-	
XIII. OTHER LIABILITIES	(13)	666.024	28.214	694.238	
XIV. SHAREHOLDERS' EQUITY	(14)	1.640.406	(20)	1.640.386	
14.1 Paid-in capital		1.250.000	-	1.250.000	
14.2 Capital Reserves		-	-	-	
14.2.1 Share Premium		-	-	-	
14.2.2 Share Cancellation Profits		-	-	-	
14.2.3 Other Capital Reserve		-	-	-	
14.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		-	-	-	
14.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(35.892)	(20)	(35.912)	
14.5 Profit Reserves		158.593	-	158.593	
14.5.1 Legal Reserves		9.961	-	9.961	
14.5.2 Status Reserves		-	-	-	
14.5.3 Extraordinary Reserves		138.256	-	138.256	
14.5.4 Other Profit Reserves		10.376	-	10.376	
14.6 Income or (Loss)		267.705	-	267.705	
14.6.1 Prior Periods' Income or (Loss)		25.660	-	25.660	
14.6.2 Current Period Income or (Loss)		242.045	-	242.045	
TOTAL LIABILITIES AND EQUITY		11.957.936	9.770.673	21.728.609	

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

ZİRAAT KATILIM BANKASI A.Ş.

**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT 31 DECEMBER 2017**

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

II. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	THOUSAND OF TURKISH LIRA		
		Prior Period (31/12/2017)		
		TL	FC	Total
LIABILITIES AND EQUITY				
I. FUND COLLECTED	(1)	6.345.837	3.678.649	10.024.486
1.1 Fund Collected Held By the Risk Group of the Bank		8.156	3	8.159
1.2 Other		6.337.681	3.678.646	10.016.327
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(6)	-	6.280	6.280
III. FUNDS BORROWED	(2)	419.374	1.629.936	2.049.310
IV. MONEY MARKET BALANCES	(3)	32.462	-	32.462
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	557.804	-	557.804
VI. MISCELLANEOUS PAYABLES		27.253	8.462	35.715
VII. OTHER LIABILITIES	(13)	69.368	1.202	70.570
VIII. FINANCE LEASE PAYABLES	(7)	-	-	-
8.1 Finance Lease Payables		-	-	-
8.2 Operating Lease Payables		-	-	-
8.3 Other		-	-	-
8.4 Deferred Finance Lease Expenses (-)		-	-	-
IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING		-	-	-
9.1 Fair Value Hedges		-	-	-
9.2 Cash Flow Hedges		-	-	-
9.3 Hedges for Investments Made in Foreign Countries		-	-	-
X. PROVISIONS	(8)	138.685	3.605	142.290
10.1 General Provisions		99.082	-	99.082
10.2 Restructuring Provisions		-	-	-
10.3 Employee Benefits Provisions		4.719	-	4.719
10.4 Insurance Technical Reserves (Net)		-	-	-
10.5 Other Provisions		34.884	3.605	38.489
XI. TAX LIABILITY		27.441	-	27.441
11.1 Current Tax Liability	(9)	27.441	-	27.441
11.2 Deferred Tax Liability	(10)	-	-	-
XII. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-
12.1 Held for Sale		-	-	-
12.2 Held from Discontinued Operations		-	-	-
XIII. SUBORDINATED LOANS	(12)	-	-	-
XIV. SHAREHOLDERS' EQUITY	(14)	1.403.692	(11)	1.403.681
14.1 Paid-in Capital		1.250.000	-	1.250.000
14.2 Capital Reserves		(14.901)	(11)	(14.912)
14.2.1 Share Premium		-	-	-
14.2.2 Share Cancellation Profits		-	-	-
14.2.3 Marketable Securities Valuation Differences		(14.901)	(11)	(14.912)
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		158.902	-	158.902
14.4.1 Prior Years Profit/Loss		-	-	-
14.4.2 Net Period Profit/Loss		158.902	-	158.902
TOTAL LIABILITIES AND EQUITY		9.021.916	5.328.123	14.350.039

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ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS AT 30 SEPTEMBER 2018

(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 OF TURKISH LIRA		
		Current Period (30/09/2018)		
		TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)	(1)	4.524.527	10.858.981	15.383.508
I. GUARANTEES AND WARRANTIES		4.211.065	7.497.956	11.709.021
1.1 Letters of Guarantee		4.186.284	5.479.236	9.665.520
1.1.1 Guarantees Subject to State Tender Law		306.556	2.134.159	2.440.715
1.1.2 Guarantees Given for Foreign Trade Operations		3.726.457	-	3.726.457
1.1.3 Other Letters of Guarantee		153.271	3.345.077	3.498.348
1.2 Bank Acceptances		-	4.674	4.674
1.2.1 Import Letter of Acceptance		-	4.674	4.674
1.2.2 Other Bank Acceptances		-	-	-
1.3 Letters of Credit		20.299	756.250	776.549
1.3.1 Documentary Letters of Credit		20.299	756.250	776.549
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		-	1.249.585	1.249.585
1.7 Other Collaterals		4.482	8.211	12.693
II. COMMITMENTS	(1)	313.462	98.595	412.057
2.1 Irrevocable Commitments		313.462	98.595	412.057
2.1.1 Forward asset purchase commitments		41.697	98.595	140.292
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		100.699	-	100.699
2.1.7 Tax and Fund Liabilities from Export Commitments		4.996	-	4.996
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		166.070	-	166.070
2.2 Revocable Commitments		-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-
2.2.2 Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	-	3.262.430	3.262.430
3.1 Hedging Derivative Financial Instruments		-	-	-
3.1.1 Fair value hedge		-	-	-
3.1.2 Cash flow hedge		-	-	-
3.1.3 Foreign Net Investment Hedges		-	-	-
3.2 Trading Derivative Financial Instruments		-	3.262.430	3.262.430
3.2.1 Forward Foreign Currency Buy/Sell Transactions		-	3.262.430	3.262.430
3.2.1.1 Forward Foreign Currency Transactions-Buy		-	1.627.558	1.627.558
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	1.634.872	1.634.872
3.2.2 Other Forward Buy/Sell Transaction		-	-	-
3.3 Other		-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		18.727.235	2.428.338	21.155.573
IV. ITEMS HELD IN CUSTODY		1.106.849	708.611	1.815.460
4.1 Customer Fund and Portfolio Balances		-	-	-
4.2 Investment Securities Held in Custody		628.521	-	628.521
4.3 Checks Received for Collection		440.473	41.720	482.193
4.4 Commercial Notes Received for Collection		32.145	6.809	38.954
4.5 Other Assets Received for Collection		-	-	-
4.6 Assets Received for Public Offering		-	-	-
4.7 Other Items Under Custody		5.710	325.187	330.897
4.8 Custodians		-	334.895	334.895
V. PLEDGES RECEIVED		17.620.386	1.719.727	19.340.113
5.1 Marketable Securities		1.037.624	485.329	1.522.953
5.2 Guarantee Notes		1.419.234	203.545	1.622.779
5.3 Commodity		1.291.991	419.003	1.710.994
5.4 Warranty		-	-	-
5.5 Properties		11.517.491	-	11.517.491
5.6 Other Pledged Items		2.354.046	611.850	2.965.896
5.7 Pledged Items-Depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		23.251.762	13.287.319	36.539.081

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ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS AT 31 DECEMBER 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 OF TURKISH LIRA		
		Current Period (31/12/2017)		
		TL	FC	Total
A OFF-BALANCE SHEET COMMITMENTS (I+II+III)	(1)	3.274.276	4.234.096	7.508.372
I. GUARANTEES AND WARRANTIES		3.173.375	2.938.163	6.111.538
1 1 Letters of Guarantee		3 169 925	2 152 205	5 322 130
1 1 1 Guarantees Subject to State Tender Law		111 858	696 422	808 280
1 1 2 Guarantees Given for Foreign Trade Operations		2 910 565	-	2 910 565
1 1 3 Other Letters of Guarantee		147 502	1 455 783	1 603 285
1 2 Bank Acceptances		-	4 784	4 784
1 2 1 Import Letter of Acceptance		-	4 784	4 784
1 2 2 Other Bank Acceptances		-	-	-
1 3 Letters of Credit		-	447 193	447 193
1 3 1 Documentary Letters of Credit		-	447 193	447 193
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		3 450	329 962	333 412
1 7 Other Collaterals		-	4 019	4 019
II. COMMITMENTS	(1)	100.901	31.855	132.756
2 1 Irrevocable Commitments		100 901	31 855	132 756
2 1 1 Forward asset purchase commitments		30 056	31 855	61 911
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		64 845	-	64 845
2 1 7 Tax and Fund Liabilities from Export Commitments		1 966	-	1 966
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		4 034	-	4 034
2 2 Revocable Commitments		-	-	-
2 2 1 Revocable Loan Granting Commitments		-	-	-
2 2 2 Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	-	1.264.078	1.264.078
3 1 Hedging Derivative Financial Instruments		-	-	-
3 1 1 Fair value hedge		-	-	-
3 1 2 Cash flow hedge		-	-	-
3 1 3 Foreign Net Investment Hedges		-	-	-
3 2 Trading Derivative Financial Instruments		-	1 264 078	1 264 078
3 2 1 Forward Foreign Currency Buy/Sell Transactions		-	1 264 078	1 264 078
3 2 1 1 Forward Foreign Currency Transactions-Buy		-	629 444	629 444
3 2 1 2 Forward Foreign Currency Transactions-Sell		-	634 634	634 634
3 2 2 Other Forward Buy/Sell Transaction		-	-	-
3 3 Other		-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		12.684.779	946.613	13.631.392
IV. ITEMS HELD IN CUSTODY		447.409	252.379	699.788
4 1 Customer Fund and Portfolio Balances		-	-	-
4 2 Investment Securities Held in Custody		119 399	-	119 399
4 3 Checks Received for Collection		307 270	2 778	310 048
4 4 Commercial Notes Received for Collection		20 465	4 592	25 057
4 5 Other Assets Received for Collection		-	-	-
4 6 Assets Received for Public Offering		-	-	-
4 7 Other Items Under Custody		275	97 500	97 775
4 8 Custodians		-	147 509	147 509
V. PLEDGES RECEIVED		12.237.370	694.234	12.931.604
5 1 Marketable Securities		1 189 468	331 670	1 521 138
5 2 Guarantee Notes		864 266	35 828	900 094
5 3 Commodity		830 495	27	830 522
5 4 Warranty		-	-	-
5 5 Properties		8 755 047	-	8 755 047
5 6 Other Pledged Items		598 094	326 709	924 803
5 7 Pledged Items-Depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		15.959.055	5.180.709	21.139.764

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
INCOME AND EXPENSE ITEMS	Note (Section Five IV)	THOUSAND OF TURKISH LIRA	
		Current Period 01/01/2018-30/09/2018	Current Period 01/07/2018-30/09/2018
I. PROFIT SHARE INCOME	(1)	1 366 554	574 232
1 1 Profit share on loans		1 221 688	515 101
1 2 Profit share on reserve deposits		25 152	10 063
1 3 Profit share on banks		-	-
1 4 Profit share on money market placements		-	-
1 5 Profit share on marketable securities portfolio		75 268	31 650
1 5 1 Fair Value Through Profit or Loss		-	-
1 5 2 Fair Value Through Other Comprehensive Income		75 268	31 650
1 5 3 Measured at Amortised Cost		-	-
1 6 Finance lease income		38 190	15 376
1 7 Other profit share income		6 256	2 042
II. PROFIT SHARE EXPENSE	(2)	839 930	367 150
2 1 Expense on profit sharing accounts		698 513	302 563
2 2 Profit share expense on funds borrowed		42 412	13 614
2 3 Profit share expense on money market borrowings		19 282	14 085
2 4 Expense on securities issued		79 717	36 884
2 5 Other profit share expense		6	4
III. NET PROFIT SHARE INCOME (I - II)		526 624	207 082
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		38 642	15 852
4 1 Fees and commissions received		54 197	21 301
4 1 1 Non-cash loans		41 730	17 359
4 1 2 Other		12 467	3 942
4 2 Fees and commissions paid		15 555	5 449
4 2 1 Non-cash loans		42	40
4 2 2 Other		15 513	5 409
V. PERSONNEL EXPENSE (-)		89 631	31 037
VI. DIVIDEND INCOME	(3)	177	-
VII. TRADING INCOME /(LOSS) (Net)	(4)	32 079	20 174
7 1 Capital market transaction gains / (losses)		(1 495)	(621)
7 2 Gains/ (losses) from derivative financial instruments		24 439	1 320
7 3 Foreign exchange gains / (losses)		9 135	19 475
VIII. OTHER OPERATING INCOME	(5)	54 814	18 420
IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		562 705	230 491
X. EXPECTED CREDIT LOSS (-)	(6)	136 882	72 879
XI. OTHER OPERATING EXPENSES (-)	(7)	122 073	42 361
XII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		303 750	115 251
XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIV. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XV. INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XVI. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(8)	303 750	115 251
XVII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(61 705)	(24 512)
17 1 Current Tax Provision		(83 458)	(38 132)
17 2 Deferred Tax Income Effect (+)		(191)	(1 582)
17 3 Deferred Tax Expense Effect (-)		21 944	12 038
XVIII. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	(10)	242 045	90 739
XIX. INCOME FROM DISCONTINUED OPERATIONS		-	-
19 1 Income on assets held for sale		-	-
19 2 Income on sale of associates, subsidiaries and jointly controlled entities (joint vent)		-	-
19 3 Income on other discontinued operations		-	-
XX. EXPENSES FOR DISCONTINUED OPERATIONS (-)		-	-
20 1 Expenses for Non-current Assets Held for Sale		-	-
20 2 Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent)		-	-
20 3 Expenses for Other Discontinued Operations		-	-
XXI. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)		-	-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
22 1 Current tax provision		-	-
22 2 Deferred Tax Expense Effect (+)		-	-
22 3 Deferred Tax Income Effect (-)		-	-
XXIII. CURRENT PERIOD PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-
XXIV. NET INCOME/(LOSS)(XVIII+XXIII)	(11)	242 045	90 739
Earning/(Loss) per share (in TL full)		0 1936	0 0726

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
INCOME AND EXPENSE ITEMS	Note (Section Five IV)	Reviewed	Reviewed
		Prior Period 01/01-30/09/2017	Prior Period 01/07-30/09/2017
I. PROFIT SHARE INCOME	(1)	658.587	265.320
1.1 Profit share on loans		593.069	241.624
1.2 Profit share on reserve deposits		10.909	4.511
1.3 Profit share on banks		-	-
1.4 Profit share on money market placements		-	-
1.5 Profit share on marketable securities portfolio		32.865	11.777
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	11.777
1.5.4 Investments held-to-maturity		-	-
1.6 Finance lease income		21.002	7.274
1.7 Other profit share income		742	134
II. PROFIT SHARE EXPENSE	(2)	360.491	148.608
2.1 Expense on profit sharing accounts		317.400	130.413
2.2 Profit share expense on funds borrowed		27.477	10.502
2.3 Profit share expense on money market borrowings		2.311	787
2.4 Expense on securities issued		13.303	6.906
2.5 Other profit share expense		-	-
III. NET PROFIT SHARE INCOME (I - II)		298.096	116.712
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		22.240	8.473
4.1 Fees and commissions received		32.077	12.593
4.1.1 Non-cash loans		24.679	9.765
4.1.2 Other		7.398	2.828
4.2 Fees and commissions paid		9.837	4.120
4.2.1 Non-cash loans		9	9
4.2.2 Other		9.828	4.111
V. DIVIDEND INCOME	(3)	-	-
VI. NET TRADING INCOME	(4)	9.788	4.233
6.1 Capital market transaction gains / (losses)		(131)	(123)
6.2 Gains/ (losses) from derivative financial instruments		(13.828)	(4.979)
6.3 Foreign exchange gains / (losses)		23.747	9.335
VII. OTHER OPERATING INCOME	(5)	1.985	130
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		332.109	129.548
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	62.414	20.464
X. OTHER OPERATING EXPENSES (-)	(7)	143.104	52.116
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		126.591	56.968
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. GAIN / (LOSS) ON EQUITY METHOD		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) BEFORE TAXES FROM CONTINUED OPERATIONS (XI+...+XIV)	(8)	126.591	56.968
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (-)	(9)	(27.999)	(12.046)
16.1 Current Tax Provision		(29.566)	(11.020)
16.2 Deferred Tax Provision		1.567	(1.026)
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV+XVI)	(10)	98.592	44.922
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
18.3 Income on other discontinued operations		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
XX. PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX+XXI)		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)	98.592	44.922
Earnings per share income/loss (full TL)		0.1100	0.0379

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

ZİRAAT KATILIM BANKASI A.Ş.**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	
THOUSAND OF TURKISH LIRA	
	Current Period 01/01/2018-30/09/2018
I. CURRENT PERIOD INCOME/LOSS	242.045
II. OTHER COMPREHENSIVE INCOME	(21.000)
2.1 Not Reclassified Through Profit or Loss	-
2.1.1 Property and Equipment Revaluation Increase/Decrease	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.2 Reclassified Through Profit or Loss	(21.000)
2.2.1 Foreign Currency Translation Differences	-
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(26.941)
2.2.3 Cash Flow Hedge Income/Loss	-
2.2.4 Foreign Net Investment Hedge Income/Loss	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	5.941
III. TOTAL COMPREHENSIVE INCOME (I+II)	221.045

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ZİRAAT KATILIM BANKASI A.Ş.**CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	
THOUSAND OF TURKISH LIRA	Prior Period 01/01/2017-30/09/2017
I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FOR AVAILABLE SALE FINANCIAL ASSETS	(4.915)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS I	-
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
X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	(4.360)
XI. PROFIT/LOSS	98.592
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 statement of profit or loss	-
11.3 Reclassification of hedge of net investments in foreign operations to statement of profit or loss	-
11.4 Other	98.592
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	94.232

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ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2018
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

	CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY											Total Shareholders' Equity			
	Paid-in Capital	Share Premium	Share certificate cancellation	Other Capital Reserves	Accumulated Revaluation Increase/Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedges Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves		Prior Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest
CURRENT PERIOD															
1 January-30 June 2018															
I.	1.250.000	-	-	-	-	-	-	-	(14.912)	-	9.691	158.902	-	-	1.403.681
II.	-	-	-	-	-	-	-	-	-	-	-	25.660	-	-	25.660
2.1	-	-	-	-	-	-	-	-	-	-	-	25.660	-	-	25.660
2.2	-	-	-	-	-	-	-	-	-	-	-	184.562	-	-	184.562
III.	1.250.000	-	-	-	-	-	-	-	(14.912)	-	9.691	-	-	-	1.429.341
IV.	-	-	-	-	-	-	-	-	(21.000)	-	-	-	-	-	221.045
V.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1.250.000	-	-	-	-	-	-	-	(35.912)	-	148.902	(158.902)	-	-	(10.000)
	-	-	-	-	-	-	-	-	-	-	148.902	(148.902)	-	-	(10.000)
	-	-	-	-	-	-	-	-	-	-	158.593	25.660	242.045	-	1.640.386

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																
THOUSAND TURKISH LIRA	Share certificate cancellation profits	Share Premium	Effect of inflation accounting on paid-in capital and other capital reserves	Statutory reserves	Legal reserves	Extraord reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Valuation Differences of Securities	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Total Equity Excluding Minority Shareholder	Minority Shares	Total Shareholders' Equity
I. Prime Period 1 January - 30 September 2017																
Balances at the beginning of the period			747,000						18,691	(1,070)				764,621		764,621
Changes in the period																
II. Increases / decrease related to mergers																
III. Valuation difference of available-for-sale securities																
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			500,000						(3,000)					500,000		500,000
XIII. Cash			(500,000)											(500,000)		(500,000)
XIV. Domestic sources			3,000						(3,000)					3,000		3,000
XV. Issuance of share certificates																
XVI. Addition profit of share certificates																
XVII. Capital reserves from inflation adjustments to paid-in capital																
XVIII. Others																
XIX. Current period net profit / loss					1,308	3,843	4,540	98,592	(15,691)					98,592		98,592
XX. Profit distribution									(6,000)					(6,000)		(6,000)
XXI. Dividends									(9,691)					(9,691)		(9,691)
XXII. Transferred to reserves																
XXIII. Others																
Balances at the end of the period (I+II+III+...+XXIII)			1,250,000		1,308	3,843	4,540	98,592		(5,430)				1,352,853		1,352,853

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS		
	Note (Section Five)	THOUSAND OF TURKISH LIRA
		Current Period 01/01/2018 - 30/09/2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities)		(179.982)
1.1.1 Profit share income received		1.244.720
1.1.2 Profit share expense paid		(778.135)
1.1.3 Dividend received		177
1.1.4 Fees and commissions received		54.197
1.1.5 Other income		9.178
1.1.6 Collections from previously written off loans		15.751
1.1.7 Payments to personnel and service suppliers		(97.498)
1.1.8 Taxes paid		(45.325)
1.1.9 Others		(583.047)
1.2 Changes in operating assets and liabilities		415.910
1.2.1 Net (increase)/ decrease in held for trading financial assets		(3.607)
1.2.2 Net (increase)/ decrease in fair value through profit/loss financial assets		(256.524)
1.2.3 Net (increase)/ decrease in due from banks and other financial institutions		(5.992.370)
1.2.4 Net (increase)/ decrease in loans		(14.273)
1.2.5 Net (increase)/ decrease in other assets		36.148
1.2.6 Net increase/ (decrease) in bank deposits		6.334.537
1.2.7 Net increase/ (decrease) in other deposits		-
1.2.8 Net increase/ (decrease) in funds borrowed		(265.494)
1.2.9 Net increase/ (decrease) in due payables		-
1.2.10 Net increase/ (decrease) in other liabilities		577.493
I. Net cash provided from banking operations		235.928
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities		(498.479)
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries		-
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-
2.3 Fixed assets purchases		(26.880)
2.4 Fixed assets sales		-
2.5 Cash paid for purchase of financial assets available for sale		(471.599)
2.6 Cash obtained from sale of financial assets available for sale		-
2.7 Cash paid for purchase of investment securities		-
2.8 Cash obtained from sale of investment securities		-
2.9 Other		-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from financing activities		361.691
3.1 Cash obtained from funds borrowed and securities issued		2.114.000
3.2 Cash used for repayment of funds borrowed and securities issued		(1.745.892)
3.3 Marketable Securities Issued		-
3.4 Dividends paid		-
3.5 Payments for finance leases		(12.249)
3.6 Other		5.832
IV. Effect of change in foreign exchange rate on cash and cash equivalents		242.831
V. Net increase (decrease) in cash and cash equivalents (I+II+III+IV)		341.971
VI. Cash and cash equivalents at the beginning of the period		601.801
VII. Cash and cash equivalents at the end of the period		943.772

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS		
	Note (Section Five)	THOUSAND OF TURKISH LIRA
		Prior Period 01/01/2017 - 30/09/2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities)		144.304
1.1.1 Profit share income received		602.694
1.1.2 Profit share expense paid		(320.094)
1.1.3 Dividend received		-
1.1.4 Fees and commissions received		32.077
1.1.5 Other income		538
1.1.6 Collections from previously written off loans		6.021
1.1.7 Payments to personnel and service suppliers		(63.950)
1.1.8 Taxes paid		(18.546)
1.1.9 Others		(94.436)
1.2 Changes in operating assets and liabilities		(1.397.035)
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)
1.2.4 Net (increase)/ decrease in loans		(3.954.678)
1.2.5 Net (increase)/ decrease in other assets		(3.427)
1.2.6 Net increase/ (decrease) in bank deposits		68.255
1.2.7 Net increase/ (decrease) in other deposits		2.903.919
1.2.8 Net increase/ (decrease) in funds borrowed		515.003
1.2.9 Net increase/ (decrease) in due payables		-
1.2.10 Net increase/ (decrease) in other liabilities		(246.331)
I. Net cash provided from banking operations		(1.252.731)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities		(126.265)
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)
2.4 Fixed assets sales		-
2.5 Cash paid for purchase of financial assets available for sale		(107.522)
2.6 Cash obtained from sale of financial assets available for sale		-
2.7 Cash paid for purchase of investment securities		-
2.8 Cash obtained from sale of investment securities		-
2.9 Other		-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from financing activities		632.880
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		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		29.442
V. Net increase/ (decrease) in cash and cash equivalents (I+II+III+IV)		(716.674)
VI. Cash and cash equivalents at the beginning of the period		1.114.258
VII. Cash and cash equivalents at the end of the period		397.584

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2018**

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

**SECTION THREE
ACCOUNTING PRINCIPLES**

I. BASIS OF PRESENTATION

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

The format and content of the publicly announced 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.

Unless otherwise specified, all balances in the consolidated financial statements and footnotes are expressed in thousand Turkish Lira (“TL”) excluding financial assets and liabilities presented at fair value.

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.

Additional paragraph for convenience translation into English:

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

CHANGES IN ACCOUNTING POLICIES

As of 1 January 2018 the Parent Bank has applied IFRS 9 Financial Instruments (“IFRS 9”) published by POA according to “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750 for the first time in attached consolidated financial statements. Prior period financial statements and notes were not restated in accordance with the transition provisions of IFRS 9. Therefore, the impact of the first application of standard has been reflected to Prior years' profit or loss and attached financial statements are presented separately rather than comparatively. IFRS 9 has been in effect as of 1 January 2018, the impact on opening balances are presented in Note XXIV of Section Three.

IFRS 15 Revenue from Contracts with Customers and other TAS/IFRS changes have not significant impact on Parent Bank's accounting policies, financial position and performance.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2018**

(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’s resources consists of funds collected, funds borrowed and shareholders equity. Bank evaluates these resources on lease certificates and loans.

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

The Bank carries out the balance sheet and equity management within the risk limits by the Asset and Liability Committee determined by the Board of Directors in order to keep the liquidity, exchange rate and credit risks within certain limits and to maximize the profitability in consideration of the market conditions within the possibilities.

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

a. Consolidation principles applied:

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

1. Consolidation principles for subsidiaries:

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

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

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders’ equity in scope of the materiality principle.

Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from the date control on their activities are transferred to the Group. Subsidiaries will be excluded from the scope of consolidation at the date that control is over. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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ACCOUNTING PRINCIPLES (Continued)

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

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been 100% 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 2018				
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	Rent Certificate Issue	100	100
ZKB Varlık Kiralama A.Ş.	Istanbul/Turkey	Rent Certificate Issue	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. ZKB Varlık Kiralama Anonim Şirketi was established on 19 July 2017 with TL 50 capital amount paid by the Main Shareholder Bank. It began to operate after the registration on 8 September 2017.

2. Consolidation principles of associates and joint ventures:

As of the date of 30 September 2018, there is no jointly controlled subsidiaries.

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.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

Derivative financial instruments of the Parent Bank are classified under “IFRS 9 Financial Instruments” (“IFRS 9”), “Derivative Financial Assets at Fair Value through Profit or Loss” or “Derivative Financial Assets at Fair Value through Other Comprehensive Income”.

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as “Derivative Financial Assets at Fair Value Through Profit or Loss”, if the fair value is negative, the amount is classified as “Derivative Financial Liabilities at Fair Value Through Profit or Loss”. The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions.

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ACCOUNTING PRINCIPLES (Continued)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENT (Continued)

The fair value of derivative instruments is calculated by taking into account the market value of the derivatives or by using the discounted cash flow model.

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 incomes are recognized in accordance with internal rate of return method. 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

As TFRS 9 has been put into effect on 1 January 2018, the Parent Bank’s accounting policy for financial instruments is summarized as follows.

Financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Recognition and Derecognition. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than “Financial Assets at Fair Value Through Profit or Loss”, transaction costs are added to fair value or deducted from fair value. They are included in the balance sheet of the Parent Bank, if the Parent Bank is a legal party to these instruments.

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

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

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

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition.

All gains and losses arising from these valuations are reflected in the income statement.

The Parent Bank does not have any financial assets classified as “Financial Assets at Fair Value Through Profit or Loss”.

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ACCOUNTING PRINCIPLES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

b. Financial assets at fair value through other comprehensive income

In addition to Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and profit share at certain dates, they are classified as fair value through other comprehensive income.

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

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

Regarding the banking operations of Parent Bank, there exist ineffective shares of Kredi Garanti Fonu. The related investments are classified under financial assets at fair value through other comprehensive income and are carried out at book value. The reason to explain the necessary action is the inability to reliably measure the subject asset type at fair value.

c. Financial assets at amortized cost:

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

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

The Parent Bank does not have any financial assets classified as “Financial Assets at Amortized Cost”.

Loans:

Loans are financial assets that are originated by the Parent Bank by providing goods and services to the borrower. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the “Internal Rate of Return Method”.

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

Parent Bank’s loans are recorded under the “Measured at Amortized Cost” account.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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ACCOUNTING PRINCIPLES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

Impairment for expected loss

As of 1 January 2018, the Parent Bank recognize provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9.

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

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

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

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

12 Month Expected Credit Losses (Stage 1), Lifetime Expected Credit Losses (Stage 2 and 3), is applied when a significant increase in credit risk occurs. These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

12 month expected credit losses (stage 1)

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. For such assets impairment for credit risk is recorded in the amount of 12-month expected credit losses. It is valid for all assets unless there is a significant deterioration in the quality of the loan. The expected 12 month loss values (within 12 months after the reporting date or within a shorter period if the life of a financial instrument is shorter than 12 months) are part of the estimation of loss of life expectancy.

Significant increase in credit risk (stage 2)

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses.

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ACCOUNTING PRINCIPLES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)

Credit-impaired losses (stage 3 / special provision)

Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and profit share revenue is calculated on the net carrying amount.

The collective valuation of financial instruments is based on homogeneous group assets resulting from portfolio segmentation based on similar credit risk and product characteristics. This section presents an overview of the risk parameter estimation methods for the damage assessment approach that is expected on a common basis for each stage.

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

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

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 of the Parent Bank. Central Bank of the Republic of Turkey (“CBRT”) made some changes on orders for open market transactions (“OMT”) and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds.

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ACCOUNTING PRINCIPLES (Continued)

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

Property and equipment held-for-sale consist of tangible assets that were acquired due to non-performing loans and receivables of the Parent Bank, and are accounted in the financial statements in accordance with the regulations of "Turkish Financial Reporting Standard for Assets Held for Sale and Discontinued Operations (TFRS 5)".

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

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

A discontinued operation is a part of a bank's business classified as sold or held-for-sale. The results of the discontinued operations are disclosed separately in the income statement. The Parent Bank has no discounted operations.

As of 30 September 2018, the Parent Bank's held for sale assets is TL 4.259 (31 December 2017: TL 3.561).

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.

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ACCOUNTING PRINCIPLES (Continued)

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 Lease Improvement Costs (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.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Group's transactions as a lessee

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

Group's transactions as a lessor

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.

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ACCOUNTING PRINCIPLES (Continued)

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provisions other than the expected loss 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.

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment termination and vacation benefits

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

According to the related regulation, the Group is obliged to pay termination benefits depending on the arise of the legal conditions for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or (for the female employees) who have voluntarily quit within one year after the date of their marriage. 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). Employment Termination Benefit is calculated based on actuarial assumptions.

The Group’s liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value. 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. As of 30 September 2018, the Parent Bank’s employee termination benefit is TL 3.501 (31 December 2017: TL 2.330).

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 2018 unused vacation liability of the Parent Bank is TL 3.371 (31 December 2017: TL 2.389).

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

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ACCOUNTING PRINCIPLES (Continued)

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

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 20th provisional article of Social Security Law Act numbered 506. As of 30 June 2018 the number of beneficiaries of the Fund from the Bank (except the dependents), is 710. 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.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 “Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws” (“Renewed Law”), which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect.

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 9,80%. 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 58th And the temporary 7th 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.

However related transfer period has been prolonged for the banks, insurance and reinsurance companies, chamber of commerce, chamber of industries, stock exchanges or their Funds founded for their organization’s personnel and monthly payment or income earners and their rightful owners, as a part of the temporary 20th Statute of the law numbered 506, to transfer to the Social Security Institution (SSI) for 2 years by the Cabinet decision, which was published on the Official Gazette dated 9 April 2011 and numbered 27900.

In addition, by the Law numbered 6283 “Emendating Social Security and General Health Insurance Act”, which was published on the Official Gazette dated 8 March 2012 and numbered 28227, this period of 2 years has been raised to 4 years.

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ACCOUNTING PRINCIPLES (Continued)

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

b. T.C. Ziraat Bankası and T. Halk Bankası employee pension fund foundations (TZHEMSAN) liability (Continued)

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

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

The technical balance sheet report as of 31 December 2017 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

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

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

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

According to 5.1.e. article of Corporation Tax Law which is important tax exemption that is applied by banks, corporations' 50% of revenues that occur from selling of their real estates, are in assets, that belong to the corporations at least two years (730 days), 75% of revenues that occur from selling their founding bonds that are belong to the corporations as long as time of participation stocks, redeemed shares and option to call are exempted from Corporation Tax (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%).

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ACCOUNTING PRINCIPLES (Continued)

XVII. EXPLANATIONS ON TAXATION (Continued)

a. Current tax (Continued)

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

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

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

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

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

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.

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.

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ACCOUNTING PRINCIPLES (Continued)

XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS

Borrowings, are recognized using the effective internal rate of return method in the following periods after the initial recognition. The Group has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings. There are no debt securities issued by the Bank. The Parent Bank has issued borrowings as sukuk issuances, this through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş. and ZKB 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

None.

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 Group, are disclosed in Note XII. of Section Four.

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ACCOUNTING PRINCIPLES (Continued)

XXIV. EXPLANATIONS ON OTHER MATTERS

Adoption of TFRS 9 financial instruments:

TFRS 9 “Financial Instruments”, which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and general hedge accounting.

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent solely payments of principal and interest.

Explanations on the impact of TFRS 9 implementation of the Parent Bank are below.

Reconciliation of statement of financial position balances to TFRS 9

ASSETS	31.12.2017	TFRS-9 Reclassification impact	TFRS-9 Remeasurement impact	01.01.2018
FINANCIAL ASSETS (NET)	2.446.480	(792)	531	2.446.219
Cash and Cash Equivalents	1.922.270	-	-	1.922.270
Cash and Balances with Central Bank	1.643.689	-	-	1.643.689
Banks	278.581	-	-	278.581
Money Markets	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	524.173	-	-	524.173
Financial Assets Measured at Amortised Cost	-	-	-	-
Derivative Financial Assets	37	-	-	37
Non-Performing Financial Assets	-	-	-	-
Expected Loss Provision (-)	-	792	(531)	261
LOANS (NET)	11.747.688	(98.291)	62.130	11.711.527
Loans	11.747.688	(98.291)	62.130	11.711.527
Measured at Amortized Cost	11.730.935	-	-	11.730.935
Non-Performing Loans	34.841	-	-	34.841
Expected Loss Provision (-)	18.088	98.291	(62.130)	54.249
12 Month Expected Credit Losses (Stage I)	-	97.427	(66.180)	31.247
Significant Increase in Credit Risk (Stage II)	-	864	1.593	2.457
Credit-Impaired Losses (Stage III - Special Provision)	18.088	-	2.457	20.545
PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	3.561	-	-	3.561
Investments in Associates (Net)	-	-	-	-
Subsidiaries (Net)	-	-	-	-
Joint Ventures (Net)	-	-	-	-
PROPERTY AND EQUIPMENT (Net)	47.235	-	-	47.235
INTANGIBLE ASSETS (Net)	63.280	-	-	63.280
INVESTMENT PROPERTY (Net)	-	-	-	-
OTHER ASSETS	41.795	-	7.472	49.267
TOTAL ASSETS	14.350.039	(99.083)	70.133	14.321.089

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ACCOUNTING PRINCIPLES (Continued)

XXIV. EXPLANATIONS ON OTHER MATTERS (Continued)

Reconciliation of statement of financial position balances to TFRS 9 (Continued)

	31.12.2017	TFRS-9 Reclassification impact	TFRS-9 Remeasurement impact	01.01.2018
LIABILITIES AND EQUITY				
FUNDS COLLECTED	10.024.595	-	-	10.024.595
FUNDS BORROWED	2.607.114	-	-	2.607.114
MONEY MARKETS DEBTS	32.462	-	-	32.462
SECURITIES ISSUED (Net)	-	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
DERIVATIVE FINANCIAL LIABILITIES	6.280	-	-	6.280
FINANCE LEASE PAYABLES	-	-	-	-
PROVISIONS	142.291	(99.083)	44.473	87.681
General Provisions	99.083	(99.083)	-	-
Employee Benefits Provisions	4.719	-	-	4.719
Other Provisions	38.489	-	44.473	82.962
Current Tax Liability	27.440	-	-	27.440
Deferred Tax Liability	-	-	-	-
OTHER LIABILITIES	106.285	-	-	106.285
SHAREHOLDERS' EQUITY	1.403.681	-	25.660	1.429.341
Paid-in capital	1.250.000	-	-	1.250.000
Capital Reserves	(14.912)	-	-	(14.912)
Other Capital Reserve	-	-	-	-
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	(14.912)	-	-	(14.912)
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	-	-	-	-
Tangible Assets Revaluation Reserves	-	-	-	-
Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)	-	-	-	-
Profit Reserves	9.691	-	-	9.691
Legal Reserves	1.308	-	-	1.308
Statutory Reserves	-	-	-	-
Extraordinary Reserves	3.843	-	-	3.843
Other Profit Reserves	4.540	-	-	4.540
Profit or Loss	158.902	-	25.660	184.562
Prior Years Profit/Loss	-	-	25.660	25.660
Net Period Profit/Loss	158.902	-	-	158.902
TOTAL LIABILITIES AND EQUITY	14.350.039	(99.083)	70.133	14.321.089

Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9:

	Book value before TFRS 9 31 December 2017	Remeasurements	Book value after TFRS 9 1 January 2018
Loans	116.379	(62.130)	54.249
Stage 1 ^(*)	97.427	(66.180)	31.247
Stage 2 ^(*)	864	1.593	2.457
Stage 3	18.088	2.457	20.545
Financial Assets ^(**)	792	(531)	261
Non-cash Loans	9.701	2.320	12.021
Stage 1 and 2	8.111	2.030	10.141
Stage 3	1.590	290	1.880
Total	126.872	(60.341)	66.531

^(*) Represents general provisions for stage 1 and 2 loans before TFRS 9.

^(**) Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Fair Value Through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets.

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CCOUNTING PRINCIPLES (Continued)

XXIV. EXPLANATIONS ON OTHER MATTERS (Continued)

Explanations on prior period accounting policies not available for the current period

“IFRS 9 Financial Instruments” standard came into effect instead of “TAS 39 Financial Instruments: Recognition and Measurement” as of 1 January 2018. Accounting policies lost their validity with the transition of IFRS 9 are given below:

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

Financial Assets at the Fair Value Through Profit or Loss have two sub categories: “Trading Financial Assets” and “Financial Assets at Fair Value Through Profit/Loss”.

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 Group has no financial assets at fair value through profit or loss.

b. Available-for-sale financial assets:

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.

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ACCOUNTING PRINCIPLES (Continued)

XXIV. EXPLANATIONS ON OTHER MATTERS (Continued)

Explanations on prior period accounting policies not valid for the current period (Continued)

c. Loans and receivables:

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

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

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

d. Held-to-maturity financial assets:

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

Investments held to maturity are subsequently measured at amortized cost with internal rate of return, and they are accounted 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.

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SECTION FOUR

EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY

As of 30 September 2018 current period capital amount of the Group is TL 2.139.662 (31 December 2017: TL 1.259.583), and capital adequacy standard ratio is 14,27% (31 December 2017: 13,06%).

Information Related To The Components of Consolidated Shareholders’ Equity:

	Current Period 30.09.2018	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.250.000	
Share issue premiums	-	
Reserves	148.217	
Gains recognized in equity as per TAS	9.995	
Profit	267.705	
Current Period Profit	242.045	
Prior Period Profit	25.660	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	1.675.917	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	321	
Improvement costs for operating leasing	17.234	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	72.903	
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	-	
Communique 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	475	
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	-	
Total Deductions From Common Equity Tier 1 Capital	90.933	
Total Common Equity Tier 1 Capital	1.584.984	

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

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

	Current Period 30.09.2018	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL		
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)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
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 Consolidated 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 Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1.584.984	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	500.000	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	55.885	
Tier II Capital Before Deductions	555.885	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank’s Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
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 (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	555.885	
Total Capital (The sum of Tier I Capital and Tier II Capital)	2.140.869	

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Current Period 30.09.2018	Amounts related to treatment before 1/1/2014(*)
Total of Original Capital and Supplementary Capital (Total Capital)		
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 (-)	1.207	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	
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 (-)	-	
TOTAL CAPITAL		
Total Capital	2.139.662	
Total risk weighted amounts (*****)	14.849.648	
Capital Adequacy Ratios (****)		
Core Capital Adequacy Ratio	10,67	
Tier I Capital Adequacy Ratio	10,67	
Capital Adequacy Ratio	14,27	
BUFFERS		
Total additional Common Equity Tier I Capital requirement ratio (a+b+c)	1,88	
a) Capital conservation buffer requirement	1,88	
b) Bank specific counter-cyclical buffer requirement	0,00	
c) Systemic significant bank buffer ratio	0,00	
The ratio of Additional Common Equity Tier I 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	6,17	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of consolidated 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 consolidated 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 mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	55.885	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	55.885	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
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

(**) Legal capital amount used in capital adequacy calculation which has been taken into consideration as not included BHFOR effect is TL 1.920.334

(***) With the decision of the Banking Regulation and Supervision Agency dated 25 January 2018 and numbered 7701, the amount of TL 500.000 transferred to the Bank accounts for capital increase has been taken into consideration in the contribution capital account until the completion of the capital increase procedure

(****) In the calculation of Capital Adequacy Ratios and Buffers, as per the BRSA's letter dated 12 August 2018, the valuation differences on securities classified under securities at fair value through other comprehensive income and acquired before 12 August 2018 are not taken into account. Within this scope, Total Common Equity Tier I Capital and Total Tier I Capital are TL 1.584.984, and Total Capital is TL 2.139.662

(*****) As per the BRSA announcement on 13 August 2018, the higher of arithmetic averages of the Central Bank of Turkey's spot purchase exchange rates for 252 working days before the reporting date and the spot purchase exchange rate used in preparation of financial statements as of 30 June 2018, is considered in the calculation of Turkish Lira equivalent of credit risk exposures in foreign currencies

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

Information of the borrowing instruments to be included in equity calculation:

None.

Required explanations for the reconciliation between table of equity components and balance sheet:

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from expected credit loss provisions arising from loans classified under stage I and stage II and subordinated loans. In the calculation of Total Capital, up to 1,25% of general provision from stage 1 and stage 2 over the credit risk amount and subordinated loans with nominal amounts are taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

	Prior Period 31.12.2017	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
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	158.902	
Current Period Profit	158.902	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	1.418.593	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	14.912	
Improvement costs for operating leasing	15.987	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	50.624	
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	-	
Total Deductions From Common Equity Tier 1 Capital	81.523	
Total Common Equity Tier 1 Capital	1.337.070	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Prior Period 31.12.2017	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL		
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)	-	
Additional Tier I Capital before Deductions		
Deductions from Additional Tier I Capital		
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 Consolidated 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 Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	12.656	
Net deferred tax asset/liability which is not deducted from Common Equity Tier I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	12.656	
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1.324.414	
TIER II CAPITAL		
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)	36.348	
Tier II Capital Before Deductions	36.348	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
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 (-)	-	
Total Deductions from Tier II Capital		
Total Tier II Capital	36.348	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1.360.762	

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

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

	Prior Period 31.12.2017	Amounts related to treatment before 1/1/2014(*)
Total of Original Capital and Supplementary Capital (Total Capital)		
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 (-)	101.179	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
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	-	
TOTAL CAPITAL		
Total Capital	1.259.583	
Total risk weighted amounts	9.643.523	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	13,87	
Tier 1 Capital Adequacy Ratio (%)	13,73	
Capital Adequacy Ratio (%)	13,06	
BUFFERS		
Bank specific total common equity tier 1 capital ratio (a+b+c)	1,25	
a)Capital conservation buffer requirement	1,25	
b)Bank specific counter-cyclical buffer requirement	0,00	
c)Systemic significant bank buffer 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 (%)	9,36	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of consolidated 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 consolidated 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 mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	36.348	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	36.348	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
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

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

Required explanations for the reconciliation between table of equity components and balance sheet:

	Balance Sheet Value	Adjustment Effect	Value in capital calculation form
Paid-in capital	1.250.000	-	1.250.000
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	(321)	(321)
Accumulated revaluation and/or remeasurement gain/loss of the financial assets at fair value through other comprehensive income	(35.912)	45.907	9.995
Profit reserves	158.592	(10.375)	148.217
Profit or loss	267.705	-	267.705
Prior Periods' Income or (Loss)	25.660	-	25.660
Profit or loss for the current period	242.045	-	242.045
Deductions from capital	-	(90.612)	(90.612)
Common Equity Tier 1 Capital	-	-	1.584.984
Tier 1 Capital	-	-	1.584.984
General provisions	-	55.885	55.885
Debt instruments and share issue premiums deemed suitable by the BRSA (*)	-	500.000	500.000
Tier II Capital	-	555.885	555.885
Deductions to be defined by the BRSA (-)	-	1.207	1.207
Total Capital	1.640.385	-	2.139.662

(*) With the decision of the Banking Regulation and Supervision Agency dated 25 January , 2018 and numbered 7701, the amount of TL 500,000 transferred to the Parent Bank accounts for capital increase has been taken into consideration in the contribution capital account until the completion of the capital increase procedure.

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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 daily foreign exchange position and reported to the related departments. VAR based currency risk limit is also followed which was approved by Board of Directors.

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

- 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 USD and Euro, which are mainly used by the Parent Bank in its operations. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders' Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

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

	ABD Doları	Avro	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100Yen
24 09 2018	6,1316	7,2257	4,4310	0,9641	0,6941	6,3729	4,6940	0,7503	8,0407	1,6343	5,3970
25 09 2018	6,1654	7,2638	4,4488	0,9692	0,6974	6,3829	4,7130	0,7566	8,0987	1,6434	5,4060
26 09 2018	6,0818	7,1414	4,3920	0,9530	0,6864	6,2689	4,6419	0,7457	8,0009	1,6209	5,3260
27 09 2018	5,9730	6,9726	4,2903	0,9305	0,6738	6,1101	4,5254	0,7306	7,8179	1,5921	5,2200
28 09 2018	5,9920	6,9569	4,3129	0,9285	0,6704	6,1214	4,5886	0,7319	7,7949	1,5972	5,2220

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

ABD Doları	Avro	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 Yen
6,2703	7,3096	4,4965	0,9755	0,6964	6,4664	4,7628	0,7560	8,1651	1,6712	5,5418

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(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:

Current Period	EUR	USD	Other FC****)	Total
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and balances with Central Bank of the Republic of Turkey	408.334	981.808	219.046	1.609.188
Banks	319.065	24.671	134.600	478.336
Financial assets at fair value through profit and loss (***)	-	-	-	-
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	-	12.224	-	12.224
Loans (*)	4.935.949	2.756.562	-	7.692.511
Subsidiaries, associates, entities under common control (joint ventures)	-	-	-	-
Financial assets measured at amortized cost	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets (net)	-	-	-	-
Intangible assets (net)	-	-	-	-
Other assets	3	725	2.800	3.528
Total assets	5.663.351	3.775.990	356.446	9.795.787
Liabilities				
Current account and funds collected from Banks via participation accounts	317	753	-	1.070
Current and profit sharing accounts FC	3.111.898	4.445.400	350.594	7.907.892
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	870.156	923.976	-	1.794.132
Marketable securities issued	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	31.941	18.925	199	51.065
Total liabilities	4.014.312	5.389.054	350.793	9.754.159
Net balance sheet position	1.649.039	(1.613.064)	5.653	41.628
Net off-balance sheet position (**)	(1.678.844)	1.682.181	-	3.337
Financial derivative assets	-	1.682.181	-	1.682.181
Financial derivative liabilities	(1.678.844)	-	-	(1.678.844)
Non-cash loans	3.765.101	3.627.207	105.648	7.497.956
Prior Period				
Total assets	2.527.292	2.684.690	158.015	5.369.997
Total liabilities	1.881.951	3.284.917	154.986	5.321.854
Net balance sheet position	645.341	(600.227)	3.029	48.143
Net off-balance sheet position	(634.634)	629.444	-	(5.190)
Financial derivative assets	-	629.444	-	629.444
Financial derivative liabilities	634.634	-	-	634.634
Non-cash loans	1.604.487	1.294.816	38.860	2.938.163

(*) TL 670.540 equivalent of USD loans, and TL 1.401.037 equivalent of EUR loans are originated as foreign currency indexed loans.

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

(***) In accordance with the principles of the “Regulation on Measurement and Practices of Banks’ Net Overall FC Position / Shareholders’ Equity Ratio on a Consolidated and Unconsolidated Basis”, Foreign Currency Expense Accruals of Derivative Financial Assets amounting to TL 3.575 and Derivative Financial Liabilities amounting to TL 16.534 are not included.

(****) Of the foreign currencies presented in the other foreign currency column of assets 95% is Gold, 2% is GBP and remaining 3% is other foreign currencies. Of the foreign currencies presented in the other foreign currency column of liabilities 96% is Gold, 2% is GBP and the remaining 2% is other foreign currencies.

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**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 7.275 all of which are 100% risk weighted (31 December 2017: TL 7.181).

**IV. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT
AND LIQUIDITY COVERAGE RATIO**

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

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 consolidated 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.

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

**IV. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT
AND LIQUIDITY COVERAGE RATIO (Continued)**

1) LIQUIDITY RISK:

- a) Basis for the current liquidity risk of the Parent 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 Banks fund resources consist of mainly participation funds. The bank is gathering funds in the name of participation accounts that the principal and predetermined yield are not guaranteed to paid back to the holder of account, and participation rates to profit or loss that results from funds to be operated are reflected to the related accounts.

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

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.

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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

IV. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

2) 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 (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	2.505.104	1.698.577	2.505.104	1.698.577
High quality liquid assets	-	-	2.505.104	1.698.577
CASH OUTFLOWS	21.906.755	10.399.415	5.636.002	3.052.261
Real person deposits and retail deposits	7.139.660	3.288.412	651.427	328.841
Stable deposit	1.250.767	-	62.538	-
Deposit with low stability	5.888.893	3.288.412	588.889	328.841
Unsecured debts except real person deposits and retail deposits	6.838.631	3.252.859	3.705.726	1.683.434
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	6.838.631	3.252.859	3.705.726	1.683.434
Secured debts	-	-	-	-
Other cash outflows	7.928.464	3.858.144	1.278.849	1.039.986
Derivative liabilities and margin obligations	864.698	835.783	864.698	835.783
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	235.668	212.341	72.746	63.702
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	6.828.098	2.810.020	341.405	140.501
TOTAL CASH OUTFLOW	-	-	5.636.002	3.052.261
CASH INFLOWS	4.112.365	1.875.196	3.507.457	1.800.480
Secured receivables	-	-	-	-
Unsecured claims	3.243.304	1.046.470	2.638.396	971.754
Other cash inflows	869.061	828.726	869.061	828.726
TOTAL CASH INFLOWS	4.112.365	1.875.196	3.507.457	1.800.480
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	2.505.104	1.698.577
TOTAL NET CASH OUTFLOWS	-	-	2.128.545	1.251.781
LIQUIDITY COVERAGE RATIO (%)	-	-	118	136

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

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

**IV. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT
AND LIQUIDITY COVERAGE RATIO (Continued)**

2) Liquidity Coverage Ratio (Continued):

Prior Period	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	2.018.345	1.283.032	2.018.345	1.283.032
High quality liquid assets	-	-	2.018.345	1.283.032
CASH OUTFLOWS	13.514.181	5.333.357	3.430.342	1.768.038
Real person deposits and retail deposits	4.591.572	1.821.619	420.669	182.162
Stable deposit	769.765	-	38.488	-
Deposit with low stability	3.821.807	1.821.619	382.181	182.162
Unsecured debts except real person deposits and retail deposits	4.153.603	1.651.717	2.238.483	966.394
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	4.153.603	1.651.717	2.238.483	966.394
Secured debts	-	-	-	-
Other cash outflows	4.769.006	1.860.021	771.190	619.482
Derivative liabilities and margin obligations	526.520	520.140	526.520	520.140
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	130.168	129.394	39.054	38.818
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	4.112.318	1.210.487	205.616	60.524
TOTAL CASH OUTFLOW	-	-	3.430.342	1.768.038
CASH INFLOWS	2.225.933	1.091.482	1.865.202	1.080.505
Secured receivables	-	-	-	-
Unsecured claims	1.700.461	584.029	1.339.730	573.052
Other cash inflows	525.472	507.453	525.472	507.453
TOTAL CASH INFLOWS	2.225.933	1.091.482	1.865.202	1.080.505
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	2.018.345	1.283.032
TOTAL NET CASH OUTFLOWS	-	-	1.565.140	687.533
LIQUIDITY COVERAGE RATIO (%)	-	-	129	187

(*) The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

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

IV. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND 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 (*)	Total
Current Period								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	213.987	1.581.748	-	-	-	-	-	1.795.735
Banks	729.785	-	-	-	-	-	-	729.785
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	12.945	19.050	100.720	879.160	-	4.897	1.016.772
Loans Given	-	2.558.060	1.012.706	4.388.201	8.529.230	1.479.356	-	17.967.553
Financial Assets Measured at Amortised Cost	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	218.764	218.764
Total Assets	943.772	4.152.753	1.031.756	4.488.921	9.408.390	1.479.356	223.661	21.728.609
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	1.080	20.326	20.088	-	-	-	-	41.494
Current and Participation Accounts	1.740.970	11.248.471	1.936.525	1.451.183	24.502	-	-	16.401.651
Funds Provided from Other Financial Instruments	-	466.361	817.602	350.276	171.219	-	-	1.805.458
Money Market Borrowings	-	40.997	-	-	-	-	-	40.997
Issued Marketable Securities	-	306.993	598.635	-	-	-	-	905.628
Other Liabilities ^(*)	-	-	-	-	-	-	2.533.381	2.533.381
Total Liabilities	1.742.050	12.083.148	3.372.850	1.801.459	195.721	-	2.533.381	21.728.609
Liquidity Gap	(798.278)	(7.930.395)	(2.341.094)	2.687.462	9.212.669	1.479.356	(2.309.720)	-

(*) Certain 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 equity instruments, tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and non-performing loans, other liabilities such as provisions which are not considered as payables and shareholders' equity are included under "undistributed".

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

IV. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

Breakdown of assets and liabilities according to their outstanding maturities:

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	323.220	1.320.469	-	-	-	-	-	1.643.689
Banks	278.581	-	-	-	-	-	-	278.581
Financial Assets at Fair Value Through Profit and Loss	37	-	-	-	-	-	-	37
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	2.462	-	2.406	61.297	453.289	-	4.719	524.173
Loans Given	-	1.444.299	841.762	2.870.892	5.212.023	1.005.768	-	11.374.744
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets	155.975	8.934	515	3.174	280.271	80.050	-	528.919
Total Assets	760.275	2.773.702	844.683	2.935.363	5.945.583	1.085.818	4.719	14.350.143
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	339	5.007	-	-	-	-	-	5.346
Current and Participation Accounts	1.650.828	6.769.575	1.248.662	346.236	3.948	-	-	10.019.249
Funds Provided from Other Financial Instruments	-	628.415	539.900	1.244.308	194.491	-	-	2.607.114
Money Market Borrowings	-	32.462	-	-	-	-	-	32.462
Issued Marketable Securities	-	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	-	35.716	35.716
Other Liabilities ^(*)	-	-	-	-	-	-	1.650.256	1.650.256
Total Liabilities	1.651.167	7.435.459	1.788.562	1.590.544	198.439	-	1.685.972	14.350.143
Liquidity Gap	(890.892)	(4.661.757)	(943.879)	1.344.819	5.747.144	1.085.818	(1.681.253)	-

(*) Certain 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 equity instruments, tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and non-performing loans, other liabilities such as provisions which are not considered as payables and shareholders' equity are included under "undistributed".

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

V. EXPLANATIONS ON LEVERAGE RATIO

As of 30 September 2018, leverage ratio of the Group calculated from the arithmetic average of the last three months is 4,8% (31 December 2017: 6,6%). This ratio is above the required minimum rate.

Leverage ratio disclosure as follows:

Balance sheet assets	Current Period (*)	Prior Period
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	20.952.730	13.721.862
(Assets deducted from main capital)	(108.044)	(81.514)
Total risk amount of the balance sheet assets	20.844.686	13.640.348
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	3.392	630
Potential credit risk amount of derivative financial instruments and credit derivatives	16.524	6.357
Total risk amount of derivative financial instruments and credit derivative	19.916	6.987
Security or secured financing transactions		
Risk amount of security or secured financing transactions (Except balance sheet)	32.593	160.316
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	32.593	160.316
Off-balance sheet transactions		
Gross nominal amount of off-balance sheet transactions	11.298.035	6.207.549
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	11.298.035	6.207.549
Equity and total risk		
Main capital	1.535.238	1.318.315
Total risk amount	32.195.228	20.015.200
Leverage ratio		
Leverage ratio	4,8	6,6

(*) 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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 the Parent 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.

The Parent 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

	Overview of RWA	Risk Weighted Amount		Minimum capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	14.147.706	9.308.304	1.131.816
2	Standardized approach (SA)	14.147.706	9.308.304	1.131.816
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	30.104	5.091	2.408
5	Standardized approach for counterparty credit risk (SA-CCR)	30.104	5.091	2.408
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	180.446	44.918	14.436
17	Standardized approach (SA)	180.446	44.918	14.436
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk (*)	491.392	285.210	39.311
20	Basic Indicator Approach	491.392	285.210	39.311
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	Total (1+4+7+8+9+10+11+12+16+19+23+24)	14.849.648	9.643.523	1.187.971

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(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 Parent 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 Parent Bank, TL and FC liquidity risks are limited due to the committed transactions.

2. 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, semi-annually and annually basis have not been presented since the Bank use the standard approach as of 30 September 2018 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 – Backtesting every Default Probability (“DP”) on every risk class

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

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

IX. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

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

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

Table for Segment Reporting:

Current Period 1 January – 30 September 2018	Retail Banking	Corporate/ Entrepreneuri al Banking	Treasury/ Investment Banking	Other/Undistri buted	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	139.301	1.082.387	100.420	44.446	1.366.554
Profit Shares from Loans	139.301	1.082.387	-	-	1.221.688
Profit Shares from Banks	-	-	-	-	-
Profit Shares from Securities	-	-	75.268	-	75.268
Other Profit Shares	-	-	25.152	44.446	69.598
Profit Shares Expense	353.761	340.433	145.730	6	839.930
Profit Shares Expense on Participation Funds	353.761	340.433	4.319	-	698.513
Profit Shares Expense on Funds Borrowed	-	-	42.412	-	42.412
Profit Shares Expense on Money Market Transactions	-	-	19.282	-	19.282
Profit Shares Expense on Securities Issued	-	-	79.717	-	79.717
Other Profit Shares Expense	-	-	-	6	6
Net Profit Shares Income/Expense	(214.460)	741.954	(45.310)	44.440	526.624
Net Fees and Commission Income/Expense	6.798	41.730	-	(9.886)	38.642
Fees and Commissions Received	6.798	41.730	-	5.669	54.197
Fees and Commissions Paid	-	-	-	15.555	15.555
Personnel Expense	-	-	-	89.631	89.631
Dividend Income	-	-	177	-	177
Trading Income/Loss (Net)	-	-	32.079	-	32.079
Other Operating Income	-	-	-	54.814	54.814
Provision for Loans or Other Receivables Losses	12.295	105.495	-	19.092	136.882
Other Operating Expense	-	188	-	121.885	122.073
Income Before Tax	(219.957)	678.001	(13.054)	(141.240)	303.750
Tax Provision	-	-	-	(61.705)	(61.705)
Net Profit/Loss	(219.957)	678.001	(13.054)	(202.945)	242.045
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	-	-	-
Banks and Other Financial Institutions	-	-	729.785	-	729.785
Financial Assets Available for Sale (Net)	-	-	1.016.772	-	1.016.772
Loans	1.686.817	14.391.900	1.888.836	-	17.967.553
Held to Maturity Investments (Net)	-	-	-	-	-
Derivative Financial Assets	-	-	3.575	-	3.575
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets	-	-	-	2.010.924	2.010.924
Total Segment Assets	1.686.817	14.391.900	3.638.968	2.010.924	21.728.609
SEGMENT LIABILITIES					
Funds Collected	11.566.067	4.877.078	-	-	16.443.145
Derivative Financial Liabilities Held for Trading	-	-	16.534	-	16.534
Funds Borrowed	-	-	1.805.458	-	1.805.458
Money Market Funds	-	-	40.997	-	40.997
Securities Issued (Net)	-	-	905.628	-	905.628
Provisions	-	-	-	119.787	119.787
Other Liabilities	-	-	-	756.674	756.674
Shareholders' Equity	-	-	-	1.640.386	1.640.386
Total Segment Liabilities	11.566.067	4.877.078	2.768.617	2.516.847	21.728.609

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

IX. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)

Table for Segment Reporting:

Prior Period 1 January – 30 September 2017	Retail Banking	Corporate/ Entrepreneur ial Banking	Treasury/ Investment Banking	Other/Undistr ibuted	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	89.280	503.789	43.774	21.744	658.587
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
Profit Shares Expense	130.419	186.767	43.305	-	360.491
Profit Shares Expense on Participation Funds	130.419	186.767	214	-	317.400
Profit Shares Expense on Funds Borrowed	-	-	40.780	-	40.780
Profit Shares Expense on Money Market Transactions	-	-	2.311	-	2.311
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	-	-
Net Profit Shares Income/Expense	(41.139)	317.022	469	21.744	298.096
Net Fees and Commission Income/Expense	2.000	24.679	-	(4.439)	22.240
Fees and Commissions Received	2.000	24.679	-	5.398	32.077
Fees and Commissions Paid	-	-	-	9.837	9.837
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	9.788	-	9.788
Other Operating Income	-	-	-	1.985	1.985
Provision for Loans or Other Receivables Losses	8.174	36.582	-	17.658	62.414
Other Operating Expense	-	227	-	142.877	143.104
Income Before Tax	(47.313)	304.892	10.257	(141.245)	126.591
Tax Provision	-	-	-	(27.999)	(27.999)
Net Profit/Loss	(47.313)	304.892	10.257	(169.244)	98.592
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	37	-	37
Banks and Other Financial Institutions	-	-	278.581	-	278.581
Financial Assets Available for Sale (Net)	-	-	524.173	-	524.173
Loans	1.367.454	8.891.170	1.116.120	-	11.374.744
Held to Maturity Investments (Net)	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets	-	-	-	2.172.504	2.172.504
Total Segment Assets	1.367.454	8.891.170	1.918.911	2.172.504	14.350.039
SEGMENT LIABILITIES					
Funds Collected	6.370.882	3.653.604	-	-	10.024.486
Derivative Financial Liabilities Held for Trading	-	-	6.280	-	6.280
Funds Borrowed	-	-	2.049.310	-	2.049.310
Money Market Funds	-	-	32.462	-	32.462
Securities Issued (Net)	-	-	557.804	-	557.804
Provisions	-	-	-	142.290	142.290
Other Liabilities	-	-	-	133.726	133.726
Shareholders' Equity	-	-	-	1.403.681	1.403.681
Total Segment Liabilities	6.370.882	3.653.604	2.645.856	1.679.697	14.350.039

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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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	19.591	31.118	18.236	22.888
Central Bank of the Republic of Turkey	166.806	1.577.395	287.567	1.314.998
Other	150	675	-	-
Total	186.547	1.609.188	305.803	1.337.886

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 8%; for deposits up to 6-months maturity 5%; for deposits up to 1-year maturity 3%; for deposits 1-year and longer maturity 1,5%; for TL liabilities other than deposits up to 1-year maturity 8%; for TL liabilities other than deposits between 1- and 3-years maturity 4,5%; for TL liabilities other than deposits more than 3-years maturity 1,5%; 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 20%; for FC liabilities other than deposits up to 2-years maturity 15%; for FC liabilities other than deposits up to 3-years maturity 10%; 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	156.561	5.892	282.078	18
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves (1)	10.245	1.571.503	5.489	1.314.980
Total	166.806	1.577.395	287.567	1.314.998

(1) TL 592.235 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2017: TL 659.896).

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(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 banks and other financial institutions:

	Current Period		Current Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	251.449	302.706	3.320	210.669
Foreign Banks	-	175.630	-	64.592
Foreign Head Office and Branches	-	-	-	-
Total	251.449	478.336	3.320	275.261

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

	Current Period
Assets Subject to Repurchase Agreements	34.053
Assets Blocked/Given as Collateral	19.000
Total (*)	53.053

(*) Accruals and provisions for impairment are not included.

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

	Prior Period
Assets Subject to Repurchase Agreements	33.531
Assets Blocked/Given as Collateral	459.837
Total (*)	493.368

(*) Accruals and provisions for impairment are not included.

b) Information on financial assets at fair value through other comprehensive income:

	Current Period
Debt Securities	1.053.176
Quoted in Stock Exchange	1.037.953
Not Quoted in Stock Exchange	15.223
Share Certificates	4.897
Quoted in Stock Exchange	-
Not Quoted in Stock Exchange (*)	4.897
Provision for Impairment (-)	41.301
Total	1.016.772

(*) Not quoted on a stock exchange includes Credit Guarantee fund amounting to TL 4.897.

Information on available for sale financial assets:

	Prior Period
Debt Securities	527.845
Quoted in Stock Exchange	520.133
Not Quoted in Stock Exchange	7.712
Share Certificates	4.719
Quoted in Stock Exchange	-
Not Quoted in Stock Exchange (*)	4.719
Provision for Impairment (-)	8.391
Total	524.173

(*) Not quoted on a stock exchange includes Credit Guarantee fund amounting to TL 4.719.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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. Financial assets measured at amortized cost:

a) Explanations on comparative net values of information regarding the repurchase and sale transactions and blocked / blocked receivables:

As of 30 September 2018, the Group has no financial assets at fair value through profit or loss subject to repo transactions or given as collateral/blocked (31 December 2017: None).

b) Information on government debt securities measured at amortized cost:

As of 30 September 2018, the Group has no government debt securities measured at amortized cost.

b.1) Information on government debt securities held to maturity:

As of 31 December 2017, the Group has no government debt securities held to maturity.

c) Information on financial assets measured at amortized cost:

As of 30 September 2018, the Group has no financial assets measured at amortized cost.

c.1) Information on financial assets held to maturity:

As of 31 December 2017, the Group has no financial assets held to maturity.

5. Information on derivative financial assets

a) Information on derivative assets at fair value through profit or loss:

	Current Period	
	TL	FC
Derivative Financial Assets Held-for-Trading		
Forward Transactions	17	3.558
Swap Transactions	-	-
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	17	3.558

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

	Prior Period	
	TL	FC
Derivative Financial Assets Held-for-Trading		
Forward Transactions	33	4
Swap Transactions	-	-
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	33	4

6. Expected Loss Provisions:

As of 30 September 2018, the amount of expected loss provisions (Stage 1) for financial assets shown in the balance sheet is TL 1.072.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	1.591.439	-	759.146	-
<i>Corporate Shareholders</i>	1.591.439	-	759.146	-
<i>Real Person Shareholders</i>	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	1.982	-	1.112	-
Total (*)	1.593.421	-	760.258	-

(*) Includes rediscount amounts.

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

Cash Loans	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled	
			Loans with revised contract terms	Refinancing
Loans				
Export Loans	1.077.938	2.982	-	-
Import Loans	167.242	2.910	-	-
Commercial Loans	10.133.628	835.124	-	25.425
Consumer Loans	1.675.704	2.561	-	-
Credit Cards	-	-	-	-
Loans Given to Financial Sector	1.888.836	-	-	-
Other	-	-	-	-
Other Receivables	550.884	32.690	-	-
Profit Share Income Accruals	823.897	115.251	-	1.395
Total	16.318.129	991.518	-	26.820

The loan amounting to TL 12.508, which is structured through refinancing, is presented under standard loans and other receivables.

As of 30 September 2018, the Parent Bank has no loans and other receivables with revised contract terms (31 December 2017: None).

	Standard Loans	Loans Under close monitoring
General Provision		
12 Month Expected Credit Losses	36.354	-
Significant Increase in Credit Risk	-	38.034

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information related to loans (Continued):

No. of extensions	Standard Loans	Loans Under close monitoring
1 or 2 Times Extended	12.508	26.820
3 - 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-
Total	12.508	26.820

Extension Periods	Standard Loans	Loans Under close monitoring
0 - 6 Months	-	9.862
6 Months – 12 Months	-	819
1 - 2 Years	6.439	7.789
2 - 5 Years	6.069	8.350
5 Years and Over	-	-
Total	12.508	26.820

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information related to loans (Continued):

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

Current Period	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	3.907	1.672.389	1.676.296
Real Estate Loans	1.141	1.513.023	1.514.164
Vehicle Loans	1.737	94.402	96.139
Consumer Loans	1.029	64.964	65.993
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	153	1.816	1.969
Housing Loans	-	-	-
Vehicle Loans	-	97	97
Consumer Loans	153	1.719	1.872
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	4.060	1.674.205	1.678.265

(*) Dividend rediscount amounting to TL 8.552 is not included in the table.

ZİRAAT KATILIM BANKASI A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2018**

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

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

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

7. Information related to loans (Continued):

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

Prior Period	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	2.911	1.358.103	1.361.014
Real Estate Loans	1.016	1.242.469	1.243.485
Vehicle Loans	1.433	56.849	58.282
Consumer Loans	462	58.785	59.247
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	42	1.070	1.112
Housing Loans	-	-	-
Vehicle Loans	-	19	19
Consumer Loans	42	1.051	1.093
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	2.953	1.359.173	1.362.126

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information related to loans (Continued):

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

Current Period	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	41.775	181.988	223.763
Business Loans	1.241	30.504	31.745
Vehicle Loans	40.534	151.484	192.018
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	63.374	63.374
Business Loans	-	-	-
Vehicle Loans	-	63.374	63.374
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	640	18.461	19.101
Business Loans	-	-	-
Vehicle Loans	640	18.461	19.101
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	42.415	263.823	306.238

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information related to loans (Continued):

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

Prior Period	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	29.835	175.252	205.087
Business Loans	-	23.544	23.544
Vehicle Loans	29.835	151.708	181.543
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans- Indexed to FC	7.847	43.694	51.541
Business Loans	-	-	-
Vehicle Loans	7.847	43.694	51.541
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	37.682	218.946	256.628

e) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	16.395.924	10.917.553
Foreign Loans	-	75.606
Profit Share Income Accruals of Loans	940.543	364.832
Total	17.336.467	11.357.991

f) Loans Granted to Subsidiaries and Participations:

As of 30 September 2018, the Parent Bank has no loans granted to subsidiaries and participations (31 December 2017: None).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information related to loans (Continued):

g) Credit-Impaired Losses (Stage 3 / Specific Provision):

	Current Period
Loans and receivables with limited collectability	16.065
Loans and receivables with doubtful collectability	6.720
Uncollectible loans and receivables	26.112
Total	48.897

Specific provision provided for loans:

	Prior Period
Loans and receivables with limited collectability	1.449
Loans and receivables with doubtful collectability	2.866
Uncollectible loans and receivables	13.773
Total	18.088

h) Information on lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	3.746	3.746	1.550	1.508
1-5 year	605.699	525.186	290.718	248.978
More than 5 years	188.665	143.004	187.183	122.458
Total	798.110	671.936	479.451	372.944

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

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

As of 30 September 2018 the Parent Bank has no loans and other receivables included in non-performing receivables which are restructured or rescheduled.

i.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
Ending balance of prior period	7.584	9.562	17.695
Additions in the current period (+)	58.887	2.040	2.418
Transfers from other categories of non-performing loans (+)	-	17.887	17.121
Transfers to other categories of non-performing loans (-)	17.887	17.121	-
Collections in the current period (-)	11.389	683	3.679
Write offs (-)	-	-	-
Sold (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	37.195	11.685	33.555
Specific provisions (-)	16.065	6.720	26.112
Net balance at the balance sheet	21.130	4.965	7.443

i.3) Information on foreign currency non-performing loans:

As of 30 September 2018, the amount of receivable from foreign currency non-performing loans TL 10.386 (31 December 2017: None).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information related to loans (Continued):

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

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
Current Period (Net)	21.130	4.965	7.443
Loans to Real Persons and Legal Entities (Gross)	37.195	11.685	33.555
Specific Provisions (-)	16.065	6.720	26.112
Loans to Real Persons and Legal Entities (Net)	21.130	4.965	7.443
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	6.135	6.696	3.922
Loans to Real Persons and Legal Entities (Gross)	7.584	9.146	17.695
Specific Provisions (-)	1.449	2.450	13.773
Loans to Real Persons and Legal Entities (Net)	6.135	6.696	3.922
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	416	-
Specific Provisions (-)	-	416	-
Other Loans and Receivables (Net)	-	-	-

Information on accruals, valuation differences and related provisions calculated for non performing loans for Banks which are providing expected credit loss according to TFRS 9:

	Group III: Loans with limited collectability	Group IV: Loans with doubtful collectability	Group V: Uncollectible loans
Period End Balance			
Profit Share Accrual and Valuation Differences Provision	1.588	625	2.902

k) 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.

l) Explanations on write-off policy:

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

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on assets related to trading investments and discontinued operations:

As of 30 September 2018, the amount of assets due to trading is TL 4.259 (31 December 2017: TL 3.561).

	Current Period	Prior Period
Beginning Balance (Net)	3.561	-
Changes During the Period (Net)	698	3.561
Amount of depreciation	-	-
Provision for Impairment	-	-
Period End Balance (Net)	4.259	3.561

As of 30 September 2018, the Bank has no discontinued operations (31 December 2017: None).

9. EQUITY INVESTMENTS

a) Information about investments in associates (Net):

As of 30 September 2018, the Parent Bank has no investments in associates (31 December 2017: None).

b) Information on subsidiaries (Net):

b1) Information on consolidated subsidiaries:

As of 30 September 2018, the Parent Bank has no consolidated associates (31 December 2017: None).

b2) Information on consolidated subsidiaries:

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

	Total Assets	Sharehold ers Equity	Total Fixed Assets	Dividend or profit share income	Income from marketable securities	Current Period Income/ Loss	Prior period income/loss	Fair Value	Needed shareholders Equity
1 ^(*)	906.909	63	-	79.775	-	11	1	-	-
2 ^(*)	58	(14)	-	-	-	(52)	-	-	-

(*) Unaudited financial statements used.

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

(*) Paid capital increases during the period are shown under "Purchases".

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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)

9. EQUITY INVESTMENTS (Continued)

B3) Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	100	100

b.4) Subsidiaries that are quoted on the stock exchange:

As of 30 September 2018, the Parent Bank has no subsidiaries are quoted on the stock exchange (31 December 2017: None).

c) Information on entities under common control (joint ventures):

As of 30 September 2018, there are no entities under common control of the Parent Bank (31 December 2017: None).

10. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End:						
Cost	-	-	-	25.251	47.138	72.389
Accumulated Depreciation (-)	-	-	-	9.264	15.890	25.154
Net Book Value	-	-	-	15.987	31.248	47.235
Current Period End:						
Net Book Value at the Beginning of the Period	-	-	-	15.987	31.248	47.235
Change During the Period (Net)	-	-	-	1.233	84	1.317
Cost	-	-	-	5.441	7.343	12.785
Amortization (Net) (-)	-	-	-	4.208	7.259	11.468
Provision for Impairment (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	-	-	-	30.692	54.481	85.174
Accumulated Depreciation at Period End (-)	-	-	-	13.472	23.149	36.622
Closing Net Book Value	-	-	-	17.220	31.332	48.552

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

11. 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	83.882	10.979	72.903	69.787	6.507	63.280
Total	83.882	10.979	72.903	69.787	6.507	63.280

- a) In case an intangible asset that is significant for the financial statements as a whole, its book value, definition and remaining depreciation period: None.
- b) Information on intangible assets acquired under government incentives and recorded with fair value at initial recognition: None.
- c) The method in which intangible assets acquired under government incentives and recorded with fair value at initial recognition are valued after the first registration date: None.
- d) Book value of intangible assets with restrictions on use or pledged: None.
- e) Amount of commitments given for acquisition of intangible asset: None.
- f) Intangible assets based on revalued asset type: None.
- g) Total amount of research and development expenses recorded in the period, if any: None.
- h) Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are consolidated: Not applied to the financial statements with consolidation.
- i) Information on goodwill: None.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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)

12. Information on the investment properties:

As of 30 September 2018, the Parent Bank has no investment properties (31 December 2017: None).

13. Information on the current period assets related to tax:

As of 30 September 2018, the Parent Bank has no assets related to tax (31 December 2017: None).

14. Information on deferred tax asset:

The Parent Bank's deferred tax asset is calculated as TL 51.451 (31 December 2017: TL 16.094) however it's reflected on the financial statements as TL 49.259 (31 December 2017: TL 14.093) by offsetting with deferred tax liability.

14. Information on other assets:

As of 30 September 2018, other assets of Group does not exceed total balance sheet of 10%, exclude off-balance sheet liabilities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	223.970	-	-	-	-	-	-	223.970
II. Real persons profit sharing accounts TL	-	360.061	3.174.246	33.991	35.184	165.967	-	3.769.449
III. Other current accounts-TL	343.236	-	-	-	-	-	-	343.236
Public sector	16.432	-	-	-	-	-	-	16.432
Commercial sector	301.578	-	-	-	-	-	-	301.578
Other institutions	24.838	-	-	-	-	-	-	24.838
Commercial and other institutions	377	-	-	-	-	-	-	377
Banks and participation banks	11	-	-	-	-	-	-	11
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-
Domestic banks	10	-	-	-	-	-	-	10
Foreign banks	-	-	-	-	-	-	-	-
Participation banks	1	-	-	-	-	-	-	1
Others	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	406.683	2.838.779	673.945	206.191	72.005	-	4.197.603
Public sector	-	301.249	537.061	473.854	52.894	-	-	1.365.058
Commercial sector	-	99.482	1.736.620	152.747	46.401	9.427	-	2.044.677
Other institutions	-	5.952	524.684	47.344	106.896	62.578	-	747.454
Commercial and other institutions	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	40.414	-	-	-	-	40.414
V. Real persons current accounts-FC	342.627	-	-	-	-	-	-	342.627
VI. Real persons profit sharing accounts-FC	-	156.851	2.490.118	45.096	57.898	333.711	-	3.083.674
VII. Other current accounts-FC	720.632	-	-	-	-	-	-	720.632
Commercial residents in Turkey	714.807	-	-	-	-	-	-	714.807
Commercial residents in Abroad	4.755	-	-	-	-	-	-	4.755
Banks and participation banks	1.070	-	-	-	-	-	-	1.070
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-
Foreign banks	1.070	-	-	-	-	-	-	1.070
Participation banks	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts-FC	-	93.911	2.788.993	176.862	237.875	129.141	-	3.426.782
Public sector	-	495	45.372	-	-	-	-	45.867
Commercial sector	-	93.416	2.734.669	176.814	237.875	129.141	-	3.371.915
Other institutions	-	-	8.603	48	-	-	-	8.651
Commercial and other institutions	-	-	349	-	-	-	-	349
Banks and participation banks	-	-	-	-	-	-	-	-
IX. Precious metal funds	111.585	-	213.464	4.789	2.051	3.283	-	335.172
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-
Total I+II+.....+IX+X+XI	1.742.050	1.017.506	1.1505.600	934.683	539.199	704.107	-	16.443.145

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

Prior Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	169.913	-	-	-	-	-	-	169.913
II Real persons profit sharing accounts TL	-	339.006	2.206.716	26.540	29.403	67.732	-	2.669.397
III Other current accounts-TL	431.162	-	-	-	-	-	-	431.162
Public sector	99.145	-	-	-	-	-	-	99.145
Commercial sector	317.559	-	-	-	-	-	-	317.559
Other institutions	14.432	-	-	-	-	-	-	14.432
Commercial and other institutions	23	-	-	-	-	-	-	23
Banks and participation banks	3	-	-	-	-	-	-	3
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-
Domestic banks	3	-	-	-	-	-	-	3
Foreign banks	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
IV Profit sharing accounts-TL	-	288.729	2.247.646	321.549	156.951	60.491	-	3.075.366
Public sector	-	166.212	581.393	196.370	25.827	-	-	969.802
Commercial sector	-	117.818	1.472.701	118.790	13.825	10.444	-	1.733.578
Other institutions	-	4.699	188.545	6.389	117.299	50.047	-	366.979
Commercial and other institutions	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	5.007	-	-	-	-	5.007
V. Real persons current accounts-FC	162.883	-	-	-	-	-	-	162.883
VI. Real persons profit sharing accounts-FC	-	150.266	1.350.227	36.220	41.553	61.061	-	1.639.327
VII. Other current accounts-FC	824.647	-	-	-	-	-	-	824.647
Commercial residents in Turkey	816.850	-	-	-	-	-	-	816.850
Commercial residents in Abroad	7.462	-	-	-	-	-	-	7.462
Banks and participation banks	335	-	-	-	-	-	-	335
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-
Foreign banks	263	-	-	-	-	-	-	263
Participation banks	72	-	-	-	-	-	-	72
Others	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	37.478	848.801	18.769	-	-	-	905.048
Public sector	-	1.948	15.379	-	-	-	-	17.327
Commercial sector	-	35.503	580.639	18.744	-	-	-	634.886
Other institutions	-	27	244.731	25	-	-	-	244.783
Commercial and other institutions	-	-	8.052	-	-	-	-	8.052
Banks and participation banks	-	-	-	-	-	-	-	-
IX. Precious metal funds	62.451	-	77.863	2.277	1.310	2.842	-	146.743
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	1.651.056	815.479	6.731.253	405.355	229.217	192.126	-	10.024.486

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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) 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	2.828.188	2.166.684	4.907.000	2.609.688
TL accounts	2.074.096	1.651.791	1.919.448	1.187.518
FC accounts	754.092	514.893	2.987.552	1.422.170
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	566	431
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	-	-

3. Information on funds borrowed:

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	410.436	-
From Domestic Banks and Institutions	916.954	1.218.831	566.742	523.098
From Foreign Banks, Institutions and Funds	-	575.301	-	1.106.838
Total	916.954	1.794.132	977.178	1.629.936

b) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	916.954	1.041.396	977.178	291.782
Medium and Long-term	-	752.736	-	1.338.154
Total	916.954	1.794.132	977.178	1.629.936

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

76% of liabilities consist of current and share profit account.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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)

4. Funds provided under repurchasing agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic	40.997	-	32.462	-
Financial Institutions	40.997	-	32.462	-
Abroad	-	-	-	-
Financial Institutions	-	-	-	-
Total	40.997	-	32.462	-

5. Information on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	-	-	-	-
Asset based securities	905.628	-	557.804	-
Stocks	-	-	-	-
Total	905.628	-	557.804	-

As of 30 September 2018, the Group has TL 905.628 securities issued (31 December 2017: TL 557.804).

5. Information on financial liabilities at fair value through profit and loss:

None.

6. Information on derivative financial liabilities:

	Current Period	
	TL	FC
Derivative financial assets held for trading		
Forward transactions	-	16.534
Swap transactions	-	-
Futures transaction	-	-
Options transaction	-	-
Other	-	-
Total	-	16.534

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

	Prior Period	
	TL	FC
Derivative financial assets held for trading		
Forward transactions	-	6.280
Swap transactions	-	-
Futures transaction	-	-
Options transaction	-	-
Other	-	-
Total	-	6.280

7. Information on Financial Lease Obligations:

	Current Period	
	Gross	Net
Less than 1 Year	329	324
Between 1-5 Years		
More than 5 Years		
Total	329	324

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on provisions:

a) Information on general provisions:

	Prior Period
General Provisions	99.082
I.For Loans and Receivables in Group I (Total)	89.433
Profit Sharing Accounts' Share	62.132
The Bank's Share	27.301
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)	714
Profit Sharing Accounts' Share	603
The Bank's Share	111
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	8.111
Other	824

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

There is no provisions related with foreign currency evaluation difference of foreign currency indexed loans and financial lease obligation (31 December 2017: TL 6.045).

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

Specific provisions for unindemnified non-cash loans amount to TL 2.349 (31 December 2017: TL 177).

d) Information on other provisions:

d.1) Information on free provisions for possible risks:

None (31 December 2017: None).

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

According to article 19 of Communiqué “Principles and Procedures for the Classification of the Loans and Reserves to be provided for These Loans”, other provisions amounting to TL 75.018 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 2017: TL 36.398).

The Bank has provided specific provisions amounting to TL 2.349 for non-cash loans that are not indemnified, amounting TL 23.677 for the expected credit loss for stage 1 and 2 non-cash loans and amounting TL 2.121 for other provisions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on provisions (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 2018, the amount payable consists of one month's salary limited to a maximum of TL 5.434 (full TL) (31 December 2017: TL 4.732 (full TL)) for each year of service.

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

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

	Current Period
Discount Rate (%)	4,77

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

	Current Period	Prior Period
Balance at the 1 January	2.330	780
Changes during the period	1.171	1.550
Paid during the period	-	-
Actuarial loss/(gain)	-	-
Balance at the end of the period	3.501	2.330

As of 30 September 2018, the Bank has a TL 3.371 short-run employees' rights provision (31 December 2017: TL 2.389).

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 2017, no technical deficit has been reported.

As of the balance sheet date, the Bank's liability for the benefits to be transferred to SGK is the estimated amount of payment that will be required to be made during the transfer to SGK. The actuarial parameters and the results used in the measurement of this amount reflect the provisions of Law No. 5754 on the pension and health benefits to be transferred to the SGK (9,80% real discount rate, etc.) published in the Official Gazette dated 8 May 2008 and numbered 26870.

The basic actuarial assumptions used are as follows:

	Current Period	Prior Period
Discount rates		
- Pension benefits will be transferred to SSI	9,80%	9,80%
- Health benefits will be transferred to SSI	9,80%	9,80%

d.4) Additional Bonus Provision to be paid to Personnel

The Parent Bank has allocated a provision amounting to TL 6.500 based on the bonus to be paid by the resolution of the General Assembly.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9. Explanations on tax liability:

a) Information on tax provisions:

As of 30 September 2018, the Group's corporate income tax liability is TL 33.963 after deducting temporary taxes paid during the period from the tax provisions (31 December 2017: TL 12.990).

b) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	33.963	12.990
Taxation on Income From Securities	14.853	7.251
Property Tax	175	132
Banking Insurance Transactions Tax (BITT)	11.094	5.074
Foreign Exchange Transactions Tax	-	-
Value Added Tax Payable	482	571
Other	1.409	1.140
Total	61.976	27.158

c) Information on premiums:

	Current Period	Prior Period
Social Security Premiums – Employee	-	-
Social Security Premiums – Employer	1	2
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	59	92
Unemployment Insurance – Employer	118	183
Other	-	-
Total	178	277

10. Information on deferred tax liabilities, if any:

The Group's deferred tax liability amounts to TL 2.192 (31 December 2017: TL 2.001) and this amount is net off against the deferred tax asset and accordingly deferred tax asset amounting to TL 49.259 (31 December 2017: TL 14.093) is presented in the financial statements.

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

The Group does not have any payables for assets held for sale and discontinued operations (31 December 2017: None).

12. Explanations on subordinated debts:

The Group does not have any subordinated debts (31 December 2017: None).

13. If the other liabilities of the balance exceed 10% of the balance sheet total, the names and amounts of the sub-accounts constituting at least 20% of them:

The amount of other liabilities of balance sheet does not exceed 10% of total amount of balance sheet.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

14. Information on shareholders' equity:

a) Presentation on paid-in capital:

	Current Period	Prior Period
Common stock	1.250.000	1.250.000
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:

According to decision taken at the 2017 Ordinary General Assembly held on 17 April 2018, it has been decided to allocate financial obligations amounting to TL 46.907 from the TL 199.974 accounting profit and allocate TL 7.653 general legal reserves which is 5% of TL 153.067 net profit for the period, and it has been decided to allocate TL 10,000 of the rest of the amount to personnel as additional bonus and TL 1.000 (10% of this amount) to provision and remaining TL 134.414 to Bank.

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

None.

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

None.

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

There is no capital commitment for the last financial year and the end of the following interim period (31 December 2017: None).

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 prior period (31 December 2017 : None).

g) Information on preferred shares:

As of 30 September 2018, the Group has no preferred shares (31 December 2017: None).

h) InfRevaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income:

	Current Period	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-
Revaluation Difference	-	-
Foreign Exchange Difference	-	-
From Available for Sale Marketable Securities	(35.892)	(20)
Revaluation Difference	(45.887)	(20)
Deferred Tax Effect	9.995	-
Foreign Exchange Difference	-	-
Total	(35.892)	(20)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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)

Information on marketable securities value increase fund:

	Prior Period	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-
Revaluation Difference	-	-
Foreign Exchange Difference	-	-
From Available for Sale Marketable Securities	(14.901)	(11)
Revaluation Difference	(18.955)	(11)
Deferred Tax Effect	4.054	-
Foreign Exchange Difference	-	-
Total	(14.901)	(11)

i) Explanations on minority shares:

None (31 December 2017: None).

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	140.292	61.911
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	100.699	64.845
Loan Granting Commitments	4.996	1.966
Asset Purchase Commitments	-	-
Tax and Fund Liabilities from Export Commitments	166.070	4.034
Total	412.057	132.756

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

The amount of provision for possible losses arising from the off-balance sheet items is TL 2.349.

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

	Current Period	Prior Period
Guarantee Letters	9.665.520	5.322.130
Letter of Credits	4.674	4.784
Bank Acceptances	776.549	447.193
Other Contingencies	1.262.278	337.431
Total	11.709.021	6.111.538

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

	Current Period	Prior Period
Letters of Temporary Guarantees	570.811	603.757
Letters of Certain Guarantees	4.041.065	2.715.331
Letters of Advance Guarantees	1.555.296	399.756
Letters of Guarantees given to Customs Offices	75.489	45.753
Other Letters of Guarantees	3.422.859	1.557.533
Total	9.665.520	5.322.130

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS (Continued)

1. Information on off-balance sheet liabilities (Continued):

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

b.3) Total non-cash loans:

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	3.422.867	1.557.532
With Original Maturity of One Year or Less	133.831	775.726
With Original Maturity of More than One Year	3.289.036	781.806
Other Non-Cash Loans	8.286.154	4.554.006
Total	11.709.021	6.111.538

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
Profit share on loans (*)	1.109.317	112.371	560.413	32.656
Short term loans	355.635	26.636	168.615	5.288
Medium and long term loans	751.474	85.735	391.477	27.368
Profit share on non-performing loans	2.208	-	321	-
Premiums received from resource utilization support fund	-	-	-	-

(*) Includes fees and commissions income on cash loans

b) Information on profit share received from banks:

None (30 June 2017: None).

c) Information on profit share income from securities portfolio:

	Current Period	
	TL	FC
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	75.083	185
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	-	-
Total	75.083	185

Information on profit share income from securities portfolio:

	Prior Period	
	TL	FC
Financial Assets Held for Trading	-	-
Financial Assets Available-for-Sale	32.697	168
Investments Held-to-Maturity	-	-
Total	32.697	168

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

None (30 September 2017: None).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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)

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	7.174	16.278	2.276	10.692
Central Bank of the Republic of Turkey	6.488	-	-	-
Domestic Banks	686	12.530	2.276	8.347
Foreign Banks	-	3.748	-	2.345
Head Office and Branches	-	-	-	-
Other Institutions	-	18.960	-	14.509
Total	7.174	35.238	2.276	25.201

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

None. (30 September 2017: None).

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

As of 30 September 2018, profit share expense paid to securities issued is TL 79.717 (30 September 2017: TL 13.303).

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

Current Period	Participation Accounts					Total
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Over 1 year	
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	4.319	-	-	-	4.319
Real Person's Non Commercial Participation Accounts	28.848	215.118	2.862	2.372	9.424	258.624
Public Sector Participation Accounts	5.839	42.018	14.971	7.128	2.277	72.233
Commercial Sector Participation Accounts	15.578	171.614	12.154	4.223	1.368	204.937
Other Institutions Participation Accounts	1.175	42.071	4.386	12.815	556	61.003
Total	51.440	475.140	34.373	26.538	13.625	601.116
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	3.524	34.487	1.054	970	5.830	45.865
Public Sector Participation Accounts	18	737	-	-	-	755
Commercial Sector Participation Accounts	1.629	38.443	1.238	3.245	1.430	45.985
Other Institutions Participation Accounts	-	2.532	-	-	-	2.532
Public Sector Participation Accounts	2.260	-	-	-	-	2.260
Total	7.431	76.199	2.292	4.215	7.260	97.397
Grand Total	58.871	551.339	36.665	30.753	20.885	698.513

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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 (Continued):

Prior Period Account Name	Participation Accounts					
	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month
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
Total	30.545	223.494	13.248	3.933	9.931	281.151
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
Total	2.557	29.932	2.556	457	747	36.249
Grand Total	33.102	253.426	15.804	4.390	10.678	317.400

3. Information on dividend income:

As of 30 September 2018, the Parent Bank's divided income is TL 177. (30 June 2017: None)

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

	Current Period	Prior Period
Income	8.351.171	1.845.696
Foreign exchange gains	8.272.905	1.835.651
Gain on derivative financial instruments	78.214	10.044
Gain on capital market transactions	52	1
Losses (-)	8.319.092	1.835.908
Foreign exchange losses	8.263.770	1.811.904
Losses on derivative financial instruments	53.775	23.872
Losses on capital market transactions	1.547	132
Net	32.079	9.788

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	24.439	(13.828)
Total	24.439	(13.828)

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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)

5. Information on other operating income:

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

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

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

	Current Period
Expected Credit Loss	117.577
12 month expected credit loss (stage 1)	42.199
Significant increase in credit risk (stage 2)	42.668
Non-performing loans (stage 3)	32.710
Marketable Securities Impairment Expense	16
Financial Assets at Fair Value through Profit or Loss	-
Available-for-sale Financial Assets Fair Value Through Other Comprehensive Income	16
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other (*)	19.289
Total	136.882

(*) According to article 19 of Communiqué "Principles and Procedures for the Classification of the Loans and Reserves to be provided for These Loans", other amounting to TL 19.092 is reserved to use for expected credit loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

	Prior Period
Specific Provisions for Loans and Other Receivables	10.152
III. group loans and receivables	650
IV. group loans and receivables	5.455
V. group loans and receivables	4.047
General provision expenses	34.483
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
Total	62.414

(*) According to article 19 of Communiqué "Principles and Procedures for the Classification of the Loans and Reserves to be provided for These Loans", 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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)

7. Information on other operating expenses:

	Current Period
Personnel expenses (**)	89.631
Reserve for Employee Termination Benefits	1.170
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	-
Depreciation Expenses of Tangible Fixed Assets	11.468
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	4.472
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	58.907
Operational Leasing Expenses	18.121
Maintenance Expenses	3.898
Advertisement Expenses	12.234
Other Expenses	24.654
Loss on Sales of Assets	-
Other (*)	46.056
Total	211.704

(*) The balance which forms the other item part, TL 14.777 represents Saving Deposit Insurance Fund (“SDIF”) Premium amount and audit and consultancy fees and TL 12.006 represents taxes, fees and funds and other services expenses.

(**) “Personnel Expenses”, which is not included in “Other Operating Expenses” in the income statement, is included in this table.

	Prior Period
Personnel expenses	63.950
Reserve for Employee Termination Benefits	641
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	-
Depreciation Expenses of Tangible Fixed Assets	9.039
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	1.941
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
Operational Leasing Expenses	13.618
Maintenance Expenses	2.906
Advertisement Expenses	11.946
Other Expenses	15.310
Loss on Sales of Assets	-
Other (*)	23.753
Total	143.104

(*) The prior balance which forms the other item part, TL 14.583 represents SDIF Premium amount and audit and consultancy fees and TL 6.581 represents taxes, fees and funds and other services expenses.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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 2018, the Group does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period
Net Profit Share Income	526.624
Net Fees and Commissions Income	38.642
Personnel Expenses	89.631
Dividend Income	177
Trading Income/Expense (Net)	32.079
Other Operating Income	54.814
Expected Loss Provision (-)	136.882
Other Operating Expenses (-)	122.073
Income/(Loss) from Continuing Operations	303.750

	Prior Period
Net Profit Share Income	298.096
Net Fees and Commissions Income	22.240
Dividend Income	-
Trading Income/Expense (Net)	9.788
Other Operating Income	1.985
Loan and other receivables impairment provision (-)	62.414
Other Operating Expenses (-)	143.104
Income/(Loss) from Continuing Operations	126.591

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

As of 30 September 2018, the Parent Bank's total tax provision expense amounting to TL 61.705 (30 September 2017: TL 27.999) consists of TL 83.458 (30 September 2017: TL 29.566) of current tax expense and TL 21.753 (30 September 2017: TL 1.567) of deferred tax expense.

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

The Parent Bank's net operating income after tax amounts to TL 242.045 (30 September 2017: TL 98.592).

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 (30 September 2017: None).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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 CONSOLIDATED RISK GROUP OF THE PARENT BANK

1) a) Information on the volume of transactions relating to the Parent 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	-	-	758.988	-	-	-
Balance at end of period	-	-	1.850.100	-	-	-
Profit share and commission income	-	-	21.680	-	-	-

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	-	-	558.924	-	-	-
Balance at end of period	-	-	758.988	-	-	-
Profit share and commission income	-	-	5.353	-	-	-

b) 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						
Balance at the beginning of period	-	-	8.159	1.796	-	-
Balance at the end of period	-	-	36.455	8.159	-	-
Profit share expense	-	-	1.672	1.846	-	-

c) Information on loans received from the Bank's risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Loans						
Balance at the beginning of period	557.814	101.459	-	-	-	-
Balance at the end of period	905.628	557.814	-	-	-	-
Profit share expense	79.717	13.303	-	-	-	-

2) Information on forward transactions, option agreements and similar transactions between the Parent 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	-	-	1.264.078	259.672	-	-
Closing Balance	-	-	3.262.436	1.264.078	-	-
Total Profit/Loss	-	-	3.313	2.844	-	-
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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 CONSOLIDATED RISK GROUP OF THE PARENT BANK (Continued)

3) Information on remunerations provided to top management:

The Group has paid TL 2.681 (30 September 2017: TL 1.988) to top management.

VI. SIGNIFICANT EVENTS AND MATTERS ARISING SUBSEQUENT TO CONSOLIDATED BALANCE SHEET DATE

At the 2018 Extraordinary General Assembly held on 20 September 2018, it was decided to increase the paid-in capital of TL 500.000 in cash. The capital increase was registered on 23 October 2018 and announced in the Official Gazette dated 30 October 2018.

It is decided to acquire Ziraat Finansal Kiralama A.Ş. by transferring method with the decision of the Board of Directors dated 18 October 2018. Merging works are still continuing to transfer Ziraat Finansal Kiralama A.Ş..

VII. EXPLANATIONS AND NOTES RELATED TO DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR AFFILIATES AND FOREIGN REPRESENTATIVES OF THE PARENT BANK

1) Domestic and foreign branches and representative offices of the Bank:

	Number	Number of Employee			
Domestic branches (*)	76	949			
			Country		
Foreign representative offices	-	-	-		
				Total Assets	Legal Equity
Foreign branches	-	-	-	-	-
Off shore banking branches	-	-	-	-	-

(*) The number of head office staff has been included in the number of domestic branch employees.

2) Explanations on the opening and closing of branches or representative office of the Bank in Turkey and abroad, and the significant change in its organization:

In 2018, 13 new branches (31 December 2017: 19 Branches) has been opened in Turkey.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

SECTION SIX

EXPLANATIONS ON REVIEW REPORT

I. EXPLANATIONS ON THE REVIEW REPORT

As of 30 September 2018, consolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member of KPMG International Cooperative, a Swiss entity) and Review Report dated 9 November 2018 is presented preceding the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2018**

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

SECTION SEVEN

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT

I. Chairman's Assessment

In the third quarter of the year; when the accelerating economic activity in the US economy, US Federal Reserve (FED) continuation of the tightened monetary policy, trade wars and geopolitical developments were determinant, it was observed that developing countries gave different reactions to these developments.

In this context; in the upcoming period, the US economy and FED's interest rate hike rate, in Europe; the Italian budget and the Brexit developments in the UK, the course of trade wars between the US and China, and the geopolitical and political developments in our nearby geography will continue to be carefully monitored.

In the country; in the third quarter; although the rapid rise in interest rates and exchange rates and the rise in inflation to the highest level in the last 15 years have negative effects; capital, liquidity positions and credit quality can be managed in both the banking sector and the real sector. As a result of the decisions taken by the economy administration and the regulations made by the Central Bank and the BRSA, it is observed that the negativities in the economy and financial markets have started to decrease.

The constructive effects of the stabilization process in the domestic economy and inflation, nominal interest rates and the fluctuation observed in exchange rates are highly likely to decline.

Moreover, despite the negativity of the period, the banking sector did not encounter any significant problems in reaching the money and capital market opportunities, particularly the syndication, from international markets.

The fact that the share of participation banking within the banking sector is 5% indicates a situation below its potential. Ziraat Katılım will continue to increase this share to a higher level, to take share by from the pie by enlarging it, to make them available to the economy by providing resources from domestic and foreign markets and to grow both participation banking and our economy.

Hüseyin AYDIN
Chairman

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

II. Assessment of General Manager

Turkey's economy after 7,4% growth in the first quarter of 2018, realized growth of 5,2% in the second quarter.

In the third quarter of 2018, the domestic markets experienced temporary fluctuations and some negative effects on our economy. As a result of the measures and decisions taken by the Government, the Central Bank, BRSA and related institutions against the depreciation of the Turkish Lira at the beginning of August, balancing with exchange rate and pricing side towards the end of the quarter is ensured.

As a result of the acceleration of growth in the US economy, FED continued its monetary tightening policy and increased the interest rates for the third time in 2018 to 2,00 - 2,25%. Due to FED's interest rate hike as well as the tightening monetary policy implemented to reduce the balance sheet, fund outflows occurred in emerging economies, interest rates increased and currencies depreciated against the USD. In addition, new equations have emerged in global trade with the increase in customs duties and embargos applied to Iran.

Turkey's economy in recent years has achieved an upward momentum in the ratio of exports to imports. As a result of the steps taken to reduce the current account deficit, it is observed that the balancing process started in the second half of 2018. In September 2018, our exports increased to USD 14,5 billion compared to the previous year, while imports decreased to USD 16.3 billion. The ratio of exports to imports compared to the figures of last year reached 70% from 58% in July 2018, to 83,3% in August and to 88, 4% in September. With the positive momentum we have achieved in our export figures, we are expected to give a current surplus in the coming period.

Ziraat Katılım Bankası A.Ş. continues stable growth!

Ziraat Katılım completed the third quarter of 2018 with a net profit of TL 242 million. The total assets of Ziraat Katılım exceeded TL 21,7 billion with an increase of 51% compared to the end of 2017, funds collected increased by 64% to TL 16,4 billion compared to prior period. While the cash funds extended by 53% increased to TL 18 billion, the total cash and non-cash financing provided by Ziraat Katılım in the real sector amounted to TL 29,6 billion.

By rapidly expanding its branch network in Turkey, Ziraat Katılım Bankası A.Ş., continues to pursue its operations with 76 branches in 40 provinces inside Turkey.

We target customer satisfaction with investments made in digital technologies!

In the area of digital banking, we continue to invest primarily in mobile technologies. In line with our operations accessibility strategy, our works for integration of banking products and services into digital channels and mobile approval security infrastructure are continuing rapidly.

The share and volume of transactions carried out in our non-branch channels continues to increase through Katılım Mobil. The customer satisfaction was increased by expansion of the use of digital channels, especially the mobile branch.

Our works for that the payments of our customers in e-commerce purchases can be made from their accounts with "Participation Mobile direct (from the account) payment management" have been completed and have brought into use of our customers. In line with customer needs, our redesign works to increase user experience and to provide perfect and easy operations in Internet Banking has begun.

In order to provide better service to our customers, studies on automatic external call (Predictive dialing) and interactive voice message (IVN) system for ensuring to do actively and productively the external calls from the Customer Contact Center channel, have been initiated.

Lease Certificate Issues reached TL 3.6 Billion.

Ziraat Katılım Bankası A.Ş, successfully issued five lease certificates in the third quarter of 2018.

While 885 Million TL funding is provided from these issuances through Ziraat Yatırım Menkul Değerler A.Ş, all of the lease certificate issuances received higher demand than amount of total issue from qualified investors.

The issuance of the lease certificates by Turkey's first state-owned participation bank Ziraat Katılım Bankası A.Ş., since 2015, when the Bank started its activities, to qualified investors reached TL 3.6 billion.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

II. Assessment of General Manager (Continued)

With the aim of providing the best solutions to its customers and maintaining the development of participation banking, our Bank continues to offer financing opportunities in favorable terms to our customers' needs.

While Ziraat Katılım Bankası A.Ş. was one of the two banks to be the first in the issuance of the Gold Lease Certificate, it was the only bank to serve among the participation banks.

In order to be able to incorporate the gold coins into the economic system and to supply new resources, Gold Bond / Gold-backed Lease Certificate has started to be exported step by step as of September by the branches of Ziraat Bankası A.Ş. / Ziraat Katılım Bankası A.Ş. which is identified the intermediary bank by the Ministry of Treasury and Finance of Republic of Turkey. As Ziraat Katılım Bankası A.Ş., we mediate export transactions with 10 branches every week and 50 branches in total within the scope of the 7-week issuance program.

Since the day it was founded, Ziraat Katılım Bankası A.Ş. has adopted the principle of providing service to the account owners in the islamic banking system in a contemporary, stable, reliable and fast manner.

We have gathered our Head Office Additional Buildings in a Single Center!

In addition to expanding its financing and deposit volumes, Ziraat Participation is also expanding its employment and branch network.

Although there is an increase in the use of alternative channels, we attach importance to branching in order to increase the loyalty of existing customers to the bank, to provide easy access to products and to maintain communication with all customers.

As the newest member of the Ziraat Finance Group, we are striving to bring our branches all over the country with the strength it has acquired from the Ziraat brand.

The Bank rapidly spread the branch network; continues to operate with 76 branches in 40 provinces. In third quarter; Bursa Nilüfer, İstanbul Beylikdüzü, İzmir Çankaya, Batman and Gaziantep Gatem Branches were opened.

In addition, in order to gather the General Directorate Units that serve in different locations and to increase the working efficiency; the move to the Additional Service Building was initiated.

In the upcoming period, Ziraat Katılım Bankası A.Ş. 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 AS AT 30 SEPTEMBER 2018

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD 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. Chairman and members of Board of Directors, Members of the Board of Auditors, the General Manager and Assistant General Managers are not shareholders of 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 during the period.

V. Main consolidated financial indicators

In the Group assets, indicators take shares as follows; loans volume is TL 17.967.553 thousand with 83%, cash and cash equivalents is TL 2.525.520 thousand with 11%, marketable security is TL 1.019.275 thousand with 5% and other assets volume is TL 216.351 thousand with 1%.

ASSETS (THOUSAND TL)	30 September 2018	31 December 2017	Change (%)
Cash and Cash Equivalents	2.525.520	1.922.270	31
Securities	1.019.275	524.210	94
Loans	17.967.553	11.374.744	58
Other Assets	216.261	528.815	(59)
Total Assets	21.728.609	14.350.039	51

In the Group liabilities, indicators take shares as follows; deposit volume is TL 16.443.145 thousand with 76%, resources out of deposit volume is TL 2.768.617 thousand with 13%, shareholders equity volume is TL 1.640.386 thousand with 7% and other liabilities volume is TL 876.461 thousand with 4%.

LIABILITIES (THOUSAND TL)	30 September 2018	31 December 2017	Change (%)
Deposits	16.443.145	10.024.486	64
Resources Out of Deposit	2.768.617	2.645.856	5
Other Liabilities	876.461	276.016	218
Shareholders' Equity	1.640.386	1.403.681	17
Total Liabilities	21.728.609	14.350.039	51

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2018**

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)**V. Main financial indicators (Continued)**

Selected Profit And Loss Items (Thousand TL)	30 September 2018
Dividend Income	1.366.554
Dividend Expense	839.930
Net Dividend Income/Expense	526.624
Net Fees and Commissions Income/Expense	38.642
Personnel Expense	89.631
Other Operating Income	54.814
Other Operating Expenses	122.073
Provision for Loan and Other Receivables	136.882
Profit/Loss Before Tax	303.750
Tax Provision	(61.705)
Net Profit/Loss	242.045
Selected Profit And Loss Items (Thousand TL)	30 September 2017
Dividend Income	658.587
Dividend Expense	360.491
Net Dividend Income/Expense	298.096
Net Fees and Commissions Income/Expense	22.240
Other Operating Income	1.985
Other Operating Expenses	143.104
Provision for Loan and Other Receivables	62.414
Profit/Loss Before Tax	126.591
Tax Provision	(27.999)
Net Profit/Loss	98.592
RATIOS (%)	30 September 2018
Capital Adequacy Ratio	14,27
Shareholders' Equity/Total Assets	7,5
Total Loans/Total Assets	82,7
Non-performing Loans (Gross) / Total Loans	0,5
Demand Deposit/Total Deposit	10,6
FC Assets/FC Liabilities	79,1
Liquid Assets/Total Assets	11,6
RATIOS (%)	31 December 2017
Capital Adequacy Ratio	13,1
Shareholders' Equity/Total Assets	9,8
Total Loans/Total Assets	79,3
Non-performing Loans (Gross) / Total Loans	0,4
Demand Deposit/Total Deposit	16,5
FC Assets/FC Liabilities	62,7
Liquid Assets/Total Assets	13,4

(*) Foreign exchange indexed loans are not included.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

VI. Information on Consolidated Subsidiaries

Ziraat Katılım Varlık Kiralama A.Ş. (“The Company”), was established with the authorization of the Banking Regulation and Supervision Board and the Capital Markets Board with the capital of TL 50.000 paid out by Ziraat Katılım in accordance with the communique of Capital Markets Board (“CMB”) dated 7 June 2013 and numbered 28760 (III-61.1) in order to issue rent certificates.

The headquarter of the Company is in Fatih/İSTANBUL.

The Company has no personnel as of 30 September 2018.

Nominal value amounting to TL 125.000.000 and coupon payments amounting to TL 4.701.375 are completed on 04/07/2018 of the lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş on 22/03/2018. The maturity date of the certificate is 04/07/2018 and total maturiy is 104 days.

Nominal value amounting to TL 100.000.000 and coupon payment amounting to TL 3.652.600 are completed on 16/07/2018 of the lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş on 06/04/2018. The maturity date of the certificate is 04/07/2018 and total maturiy is 101 days.

Nominal value amounting to TL 125.000.000 and coupon payment amounting to TL 4.300.687 are completed on 10/08/2018 of the lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş on 11/05/2018. The maturity date of the certificate is 10/08/2018 and total maturiy is 91 days.

Nominal value amounting to TL 250.000.000 and coupon payment amounting to TL 9.818.500 are completed on 07/09/2018 of the lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş on 05/06/2018. The maturity date of the certificate is 10/08/2018 and total maturiy is 95 days.

Nominal value amounting to TL 175.000.000 and coupon payment amounting to TL 7.227.745 are completed on 20/09/2018 of the lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş on 22/06/2018. The maturity date of the certificate is 10/08/2018 and total maturiy is 90 days.

The lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş with a nominal value of TL 150,000,000, with a 100-day maturity, dated 12/10/2018 and with ISIN code “TRDZKVKE1817”, was issued on 04/07/2018 within the framework of the approval of the General Directorate of the Exchange dated 19/03/2018 and 06 Since 06/07/2018, the lease certificate has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

The lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş with a nominal value of TL 150.000.000, with a maturity of 101 days, dated 25/10/2018 and with ISIN code “TRDZKVKE1825”, were issued on 16/07/2018 within the framework of the approval of the General Directorate of the Exchange dated 19/03/2018. Since 18/07/2018, the lease certificate has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

The lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş with a nominal value of TL 160.000.000, with a maturity of 98 days, dated 16/11/2018 and with ISIN code “TRDZKVKK1819”, were issued on 10/08/2018 within the framework of the approval of the General Directorate of the Exchange dated 19/03/2018. Since 14/08/2018, the lease certificate has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

The lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş with a nominal value of TL 250.000.000, with a maturity of 90 days, dated 06/12/2018 and with ISIN code “TRDZKVKA1829”, were issued on 07/09/2018 within the framework of the approval of the General Directorate of the Exchange dated 19/03/2018. Since 11/09/2018, the lease certificate has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

The lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş with a nominal value of TL 175.000.000, with a maturity of 92 days, dated 21/12/2018 and with ISIN code “TRDZKVKA1837”, were issued on 20/09/2018 within the framework of the approval of the General Directorate of the Exchange dated 19/03/2018. Since 24/09/2018, the lease certificate has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2018**

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)**VI. Information on Consolidated Subsidiaries (Continued)**

ISIN Code of the Issued Capital Markets Instrument	TRDZKVKE1817
Type of the Issued Capital Markets Instrument	Lease Certificate
Form of Sale	Qualified Investor Sale without Public Offering
Nominal Amount of Issuance	TL 150.000.000
Nominal Amount Sold	TL 150.000.000
Issuance Price	TL 1
Maturity of the Issued Capital Markets Instruments	12.10.2018 – 100 days
Amortization plan of the Issued Capital Markets Instrument	Payment of principal and return on maturity date
Return / profit share ratio of the Issued Capital Markets Instrument	Annual Simple Rate is 17,00% rate of return is 4,65753%

ISIN Code of the Issued Capital Markets Instrument	TRDZKVKE1825
Type of the Issued Capital Markets Instrument	Lease Certificate
Form of Sale	Qualified Investor Sale without Public Offering
Nominal Amount of Issuance	TL 150.000.000
Nominal Amount Sold	TL 150.000.000
Issuance Price	TL 1
Maturity of the Issued Capital Markets Instruments	25.10.2018 - 101 days
Amortization plan of the Issued Capital Markets Instrument	Payment of principal and return on maturity date
Return / profit share ratio of the Issued Capital Markets Instrument	Annual Simple Rate is 17,75% rate of return is 4,91164%

ISIN Code of the Issued Capital Markets Instrument	TRDZKVKK1819
Type of the Issued Capital Markets Instrument	Lease Certificate
Form of Sale	Qualified Investor Sale without Public Offering
Nominal Amount of Issuance	TL 160.000.000
Nominal Amount Sold	TL 160.000.000
Issuance Price	TL 1
Maturity of the Issued Capital Markets Instruments	16.11.2018 - 98 days
Amortization plan of the Issued Capital Markets Instrument	Payment of principal and return on maturity date
Return / profit share ratio of the Issued Capital Markets Instrument	Annual Simple Rate is 18,25% rate of return is 4,90000%

ISIN Code of the Issued Capital Markets Instrument	TRDZKVKA1829
Type of the Issued Capital Markets Instrument	Lease Certificate
Form of Sale	Qualified Investor Sale without Public Offering
Nominal Amount of Issuance	TL 250.000.000
Nominal Amount Sold	TL 250.000.000
Issuance Price	TL 1
Maturity of the Issued Capital Markets Instruments	06.12.2018 - 90 days
Amortization plan of the Issued Capital Markets Instrument	Payment of principal and return on maturity date
Return / profit share ratio of the Issued Capital Markets Instrument	Annual Simple Rate is 21,20% rate of return is 5,22740%

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

VII. Information on Consolidated Subsidiaries (Continued)

ISIN Code of the Issued Capital Markets Instrument	TRDZKVKAI837
Type of the Issued Capital Markets Instrument	Lease Certificate
Form of Sale	Qualified Investor Sale
Nominal Amount of Issuance	TL 175.000.000
Nominal Amount Sold	TL 175.000.000
Issuance Price	TL 1
Maturity of the Issued Capital Markets Instruments	21.12.2018 - 92 days
Amortization plan of the Issued Capital Markets Instrument	Payment of principal and return on maturity date
Return / profit share ratio of the Issued Capital Markets Instrument	Annual Simple Rate is 25,50% rate of return is 6,42740%

Stockholders	Adress	Number of Shares	Number of Shares
Ziraat Katılım Bankası A.Ş.	Hobyar Eminönü Mahallesi Hayri Efendi Cad. Fatih / İSTANBUL	50.000	50.000

ZKB VARLIK KİRALAMA A.Ş.:

Ziraat Katılım Varlık Kiralama A.Ş. ("The Company"), was established with the authorization of the Banking Regulation and Supervision Board and the Capital Markets Board with the capital of TL 50.000 paid out by Ziraat Katılım in accordance with the Communique of Capital Markets Board ("CMB") dated 7 June 2013 and numbered 28760 (III-61.1) in order to issue rent certificates.

The headquarter of the Company is in Fatih/İSTANBUL.

Stockholders	Adress	Number of Shares	Number of Shares
Ziraat Katılım Bankası A.Ş.	Hobyar Eminönü Mahallesi Hayri Efendi Cad. Fatih / İSTANBUL	50.000	50.00

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

VI. 2018 III. Interim Activities

In the field of individual marketing, Ziraat Katılım has adopted the principle of providing modern, stable, reliable, high quality and fast service to its owners in the islamic banking system.

Our Bank, with the aim of providing the best solutions to its customers and maintaining the development of participation banking, has continued to offer the possibility of using credit in the advantageous conditions for the needs of our customers.

At the same time, in order to be able to contribute mattress saving gold coins into the economic system and to supply new resources, Gold Bond / Gold-based Lease Certificate has started to be exported step by step as of September by the branches of Ziraat Bankası A.Ş./Ziraat Katılım Bankası A.Ş. which is identified the intermediary bank by the Ministry of Treasury and Finance of Republic of Turkey.

While Ziraat Katılım Bank was one of the two banks to be the first in the issuance of the Gold Lease Certificate, it is the only bank which provides service among the participation banks.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Unless otherwise stated amounts are expressed in full Turkish Lira ("TL"))

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

VII. Expectations After the 2018 III. Interim Period

In the third quarter of 2018; financial markets has been shaped by the political tensions between The Turkey and The United States, US President Donald Trump's new customs duty practices and the monetary policies implemented by the Federal Reserve Bank (FED) and the European Central Bank (ECB). Due to the recovery in the US economy and the approach to full employment and the upward trend in inflation the Fed has increased interest rates again in the third quarter of the year. Interest rates are expected to increase once again this year. Moreover, FED has reduced its balance sheet by about 300 billion USD during the year and in the forthcoming period, it is planning to reduce by 50 billion USD more each month. On the other hand, the ECB reduced its bond purchase volume from 30 billion euros to 15 billion euros in the third quarter and announced that it would continue to purchase bonds until the end of the year and support the global economy keeping the interest rates at a low level. On the other hand, President Trump started to apply the protectionist customs duties he applied to China in some sectors of European countries. In addition, Trump has also adopted a new ambitious embargo on Iran. In response to President Trump's protectionist policies, similar reactions of other developed and developing countries, especially China indicate that a possible trade war has begun.

Economic datas of the third quarter of 2018 confirm that the growth of US economy is accelerating and indicate the approach to the inflation target. Despite a slight decline in labor force participation, the increase in hourly wages is included in expectations. Unemployment rates were the lowest in the last decade. FED has increased the interest rates by 25 basis points in the third quarter by taking all these developments into consideration and indicating that they are closely following the developments in the economy. The FED's the last interest rate increase also affected the Libor market. In addition, US 10-year bond rates have seen the highest levels in the last five years. In spite of this strong curse of US economy, there is a perception that the FED's tight monetary policy and Trump's new customs duties may slow growth slightly. The FED is expected to raise interest rates once again in the rest of the year, while it is expected that economic data will be effective on the FED's rate hike policy in the last quarter of the year.

In the third quarter of 2018, while the recovery in the European Union countries continued moderately, inflation was the highest in the last five years. Despite the slowdown in Industrial and PMI data, growth continued in line with expectations and the decline in unemployment rate caused the ECB to change its monetary policy. In the ECB decision, it announced that the asset purchases would be reduced to 15 billion Euros per month in the last quarter of the year, and that the asset purchase program would be terminated as of the end of December. The ECB also stated in its latest meeting that it has decided to keep the interest rates stable, leaving the policy rate at zero, the deposit rate at minus 0,40 and the marginal funding rate at 0,25 percent. The ECB also stated in its latest meeting that it has decided to keep the interest rates stable, leaving the policy rate at zero, the deposit rate at minus 0,40 and the marginal funding rate at 0,25 percent. This indicates that it is still too early to mention the possibility of an possible increase in interest rate in the current year despite the positive developments in the economy. The ECB declared that it did not expect an interest rate hike in 2019.

Oil and commodity prices, which started to rise in the third quarter of this year, began to positively affect commodity exporters developing countries' economies.

However, commodity prices have begun to be repressed, as President Trump's new customs duty is seen as an obstacle to the growth of global trade.

On the other hand, in August, the US adopted a new embargo against Iran. In the embargo decision, it was stated oil trade in the international system of Iran would be prevented and Iran's automotive spare parts trade would be limited. The European Union, Turkey, Russia, India and China have declared that they won't comply with this decision taken by the US embargo. In addition, the FED's tightening monetary policy implementation in the third quarter of the year led to a rise in interest rates in emerging economies and In addition, the FED's tightening monetary policy implementation in the third quarter of the year led to a rise in interest rates in emerging economies and to the depreciation of the local currencies against USD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2018**

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

VII. Expectations After the 2018 III. Interim Period (Continued)

As the Fed's tight monetary policy implemented in the third quarter of the year as political tensions with US, increased interest rates of markets in Turkey, TRY depreciation also occurred.

In this context, the Central Bank of Turkey (CBT) has prevented more depreciation of the TRY making rapid increases in interest rates and in this way has enabled the balancing market. In addition, the expectation that the rising inflation rates would be rebalanced by the commencement of increase in the public savings measures. TRY is expected to gain value in the forthcoming period by attracting foreign investors by its trading under real value and by the high interest rates. In addition, domestic asset prices have become cheaper in terms of foreign currency and offer serious opportunities for foreign investors, in the coming period, there may be a significant capital flow through the purchase of assets to our country.

Turkey, in the second quarter of 2018 grew by 5,2% in line with expectations. Domestic demand, increase in exports and investments in the second quarter of the year supported growth. In the third quarter of the year, the Turkish Lira depreciated due to the political tensions with the USA and the FED's tight monetary policy. The CBT increased quickly the interest rates against the depreciation of the Turkish lira and provided a stabilization in the foreign exchange market. It is estimated that this situation may negatively affect GDP growth in the third quarter. However, the strong outlook in the European economy and the continuation of the recovery in tourism are the factors that will affect the growth positively in the upcoming period. Also, despite rising interest rates and exchange rates due to the impact of global economic conditions deterioration, Turkey's economy is expected to continue to grow in line with objectives thanks to its solid building blocks, to the knowledge and experience of the economy administration.

Expenses for energy has a large share in Turkey's import bill because of that Turkey needs to meet most of the commodities such as oil and natural gas from other countries. Rising oil prices in the third quarter of the year, began to impact negatively Turkey's import bill. However, the recovery seen in the euro area and the depreciation of the TL has provided price advantage to Turkey's export products. In addition, being of the oil-exporting countries Turkey's main export market has also contributed to increased demand for Turkish goods.

Therefore, compared to the previous year there has been a noticeable increase in Turkey's export figures. The rise in the exchange rate in the third quarter of the year made imports more expensive, thus there has been a rapid retreat in import figures. The ratio of exports to imports rose above 83 percent, to the highest level in the last decade. The current recovery in foreign trade balance is expected to continue in the last quarter of the year by showing itself in the current account deficit figures.

The rapid depreciation of TL in the third quarter of this year was the main factor in the increase of inflation. In order to support TL, CBT continued to implement tight monetary policy while increasing interest rates.

As a result of gain value of Turkish Lira beside of decrease of the demande because of high interest rate following in the year, increase of discipline in the fiscile policy and relatively quite course in food prices, inflation is expected to decline.

In the third quarter of 2018, the FED continued to shrink its balance sheet by applying a tight monetary policy and the increase in interest rates caused the USD to gain value and started to put pressure on the economy of developing countries. In addition, Trump's new customs duty applications, placement a new embargo on Iran and political tensions between the US and Turkey, has had a negative effect on the economies of both our country and other countries. In the third quarter of the year, considering the current asset prices in Turkey, the high exchange rate and interest rates our country has become very attractive location for foreign investors. In this context, it is estimated that Turkey will be reconsidered as the favourite country for the foreign capital with the advantage of higher returns offered by Turkey. In the last quarter of the year, both capital inflows are expected to gain momentum and TL is expected to regain strength, while inflation is expected to fall again.