



**Ziraat Bank**

More than a bank

**2016 ANNUAL REPORT**





**WE ARE ONE.  
TOGETHER,  
WE LEAVE OUR**



**MARK**

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## OUR VISION-OUR MISSION-OUR STRATEGIES

### Our Vision

To be a bank that understands customer needs and expectations, thereby offering them the best solutions and value proposition from the most appropriate channel; a bank that brings to every segment of society a wide range of products and services in the fastest, most effective way through its extensive network of branches and alternative distribution channels; a bank that operates with profitability and productivity at global standards by recognizing its ethical values and social responsibility; a bank that holds customer satisfaction to be more important than anything else.

### Our Mission

To be a leading bank that is universal, respected and has high market value; a bank that provides extensive, reliable service everywhere in Turkey and the world at the same quality, and meets the needs of every segment; a bank that sees human resources as its most valuable asset; a bank that continuously makes a difference and creates value in a way that befits its deep-rooted past; a bank that promises more from a bank at every stage and serves as a model for its competitors.

### Our Strategies

#### Banking for Everyone

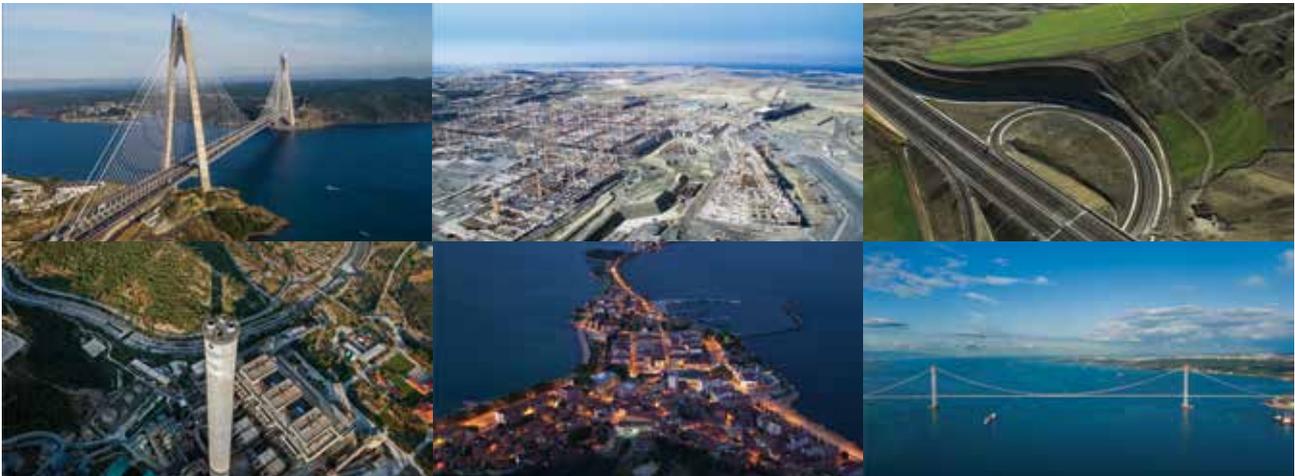
- To be “Morale Bank” that derives satisfaction and happiness from working with its customers,
- To provide universal service at the same high level of quality everywhere in the world,
- To manage its agricultural – especially industrial agricultural financing more effectively,
- To ensure organic growth in the local and global distribution network.

#### Effective Banking

- To ensure the optimization of sectoral distribution in the portfolio of the corporate customer,
- To proactively manage credit quality through more effective credit processes,
- To ensure effective business and expenditure management.

#### Global Player

- To obtain a rapid increase in the share of foreign trade transactions sector,
- To provide global level value to customers,
- To more effectively integrate with the international financial structure,
- To be in the markets of North Africa, the Middle East, the Gulf Region and the Far East.



## CORPORATE PROFILE

**Ziraat Bank has reached the status of a leading bank which has achieved giant strides forward with the knowledge it has acquired during a century and a half of operations and has created added value for society, gaining acclaim for the quality of its services and products.**

**Ziraat Bank, the founder of the banking sector in Turkey and the driving force of our country's economy, has also been the pioneer and leader of transformation for more than 150 years.**

Ziraat Bank, founded in 1863 as the first example of national banking, has reached the status of a leading bank which has achieved giant strides forward with the knowledge it has acquired during a century and a half of operations and has created added value for society, gaining acclaim for the quality of its services and products.

**Ziraat Bank has a unique service delivery scale and ability.**

Today, Ziraat Bank serves a large and diverse customer base which extends from the agricultural sector to corporate customers, SMEs that are the source of production, students, pensioners and all professional groups with 1,786 domestic service points and 25,015 personnel.

Operating from 99 points in 19 countries throughout the world, Ziraat Bank has a large international network of services consisting of 8 international subsidiary banks, 28 foreign branches and one representative office.

Ziraat Bank provides a seamless and superior quality of service to its customers in corporate, entrepreneurial and retail banking with its efficient distribution channels, experienced staff and strong technological infrastructure through the following;

- a total of 1,814 branches in Turkey and abroad,
- 25,015 employees,
- 6,869 ATMs,
- an internet branch with widespread use,
- the Ziraat Mobile Branch,
- call center.

Additionally, under the roof of the Ziraat Finance Group, the Bank has a wide portfolio of subsidiaries in Turkey that provide services in a wide range of areas including financial leasing, private pensions, insurance, banking, investment banking, portfolio management, real estate investment partnerships and IT. This strong group structure is the most important factor supporting Ziraat Bank's competence in providing integrated financial services.

**Further strengthening its position at the top of the sector**

Ziraat Bank's total assets amounted to TL 357.8 billion at the end of 2016, marking an increase of 18.1% YoY. Ziraat Bank remains one of the leading banks in the financing of agriculture, whose importance is steadily growing, small and medium-sized companies, large corporations and major infrastructure and energy projects.

With its rich diversity of products and services, its synergy with its subsidiaries, its unrivaled market knowledge and experience, well-qualified human resources and strong financial structure, Ziraat Bank unwaveringly provides the energy and motivation required by all sectors. Ziraat Bank will continue to shape the Turkish banking sector with the same dedication that it always has done.

**BRINGING  
PEOPLE  
TOGETHER,  
WE LEAVE OUR**



**MARK**



BRINGING  
PEOPLE  
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Osmangazi Bridge

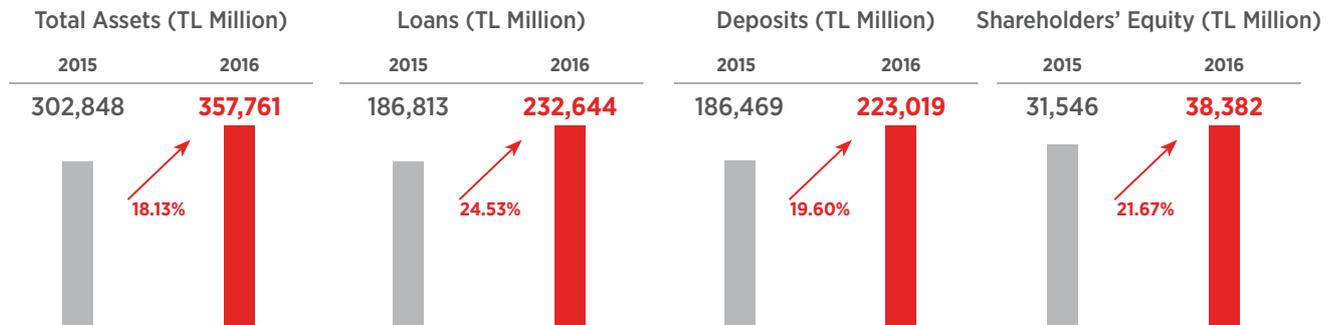
## FINANCIAL INDICATORS

Ziraat Bank's total assets amounted to TL 357.8 billion at the end of 2016, marking an increase of 18.1%, and its cash loans amounted to TL 232.6 billion, with 24.5% increase in YoY terms.

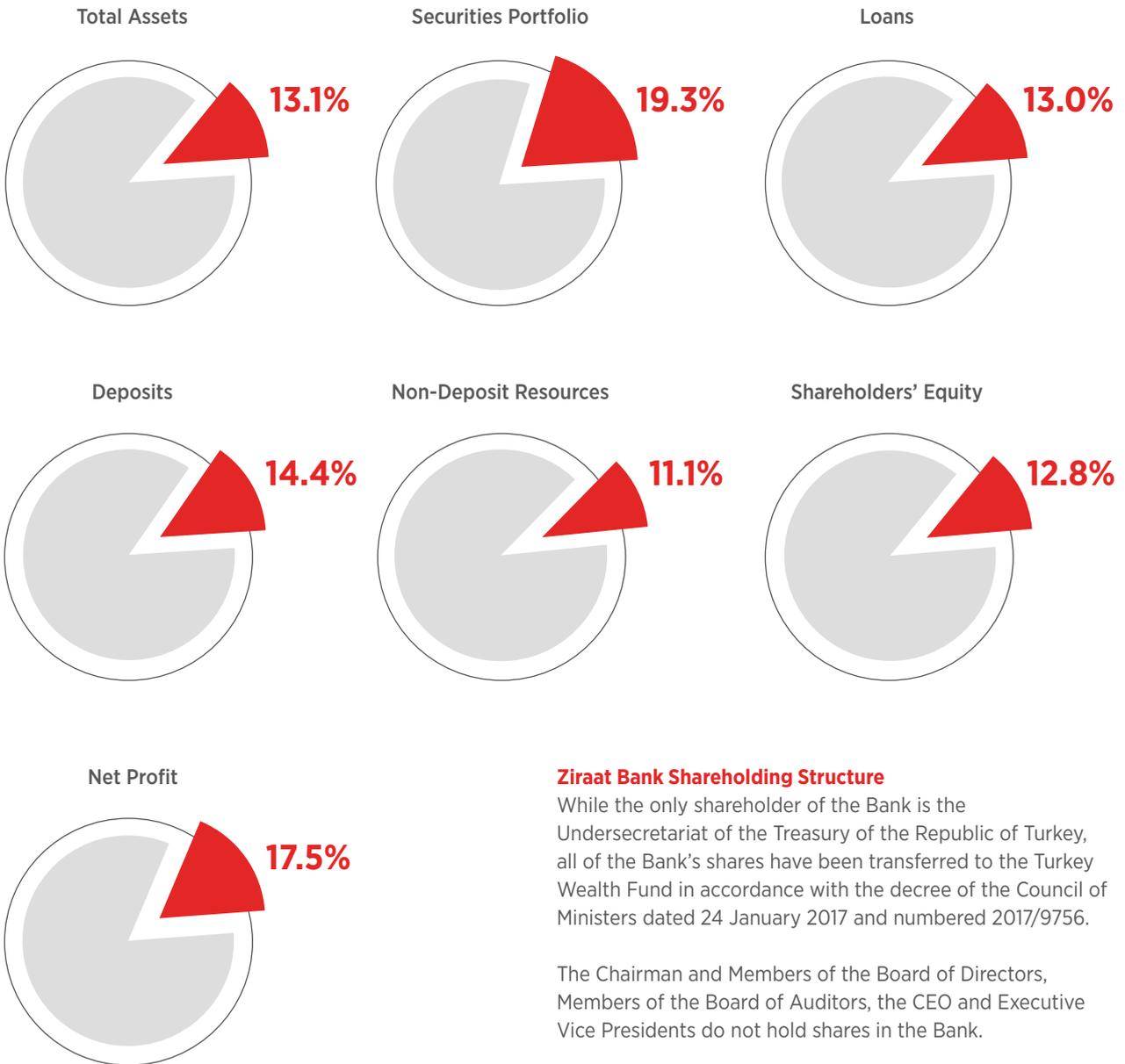
(TL Million)	2015	2016	Change (%)
Liquid Assets and Banks	40,983	43,069	5.09
Securities Portfolio	64,871	69,066	6.47
Loans	186,813	232,644	24.53
Deposits	186,469	223,019	19.60
Shareholders' Equity	31,546	38,382	21.67
Interest Income	22,050	27,291	23.76
Interest Expense	11,542	13,342	15.60
Pretax Profit	6,568	8,569	30.48
Net Profit/Loss	5,162	6,576	27.39
<b>Total Assets</b>	<b>302,848</b>	<b>357,761</b>	<b>18.13</b>

### Ziraat Bank's Market Shares

Market Share (%)	2015	2016
Total Assets	12.8	13.1
Securities Portfolio	19.2	19.3
Loans	12.2	13.0
Deposits	14.1	14.4
Non-Deposit Resources	11.2	11.1
Shareholders' Equity	12.0	12.8
Net Profit	19.8	17.5



Ziraat Bank's Market Shares



**Ziraat Bank Shareholding Structure**

While the only shareholder of the Bank is the Undersecretariat of the Treasury of the Republic of Turkey, all of the Bank's shares have been transferred to the Turkey Wealth Fund in accordance with the decree of the Council of Ministers dated 24 January 2017 and numbered 2017/9756.

The Chairman and Members of the Board of Directors, Members of the Board of Auditors, the CEO and Executive Vice Presidents do not hold shares in the Bank.

## CONTINUING TO GENERATE VALUE WITH THE PASSION TO OFFER MORE THAN BANKING

**Ziraat Bank's 2016 road map, which was shaped by economic, technological and social developments in line with 7 basic strategic goals, is implemented by all of its passionate employees.**

In line with the transformation process that Ziraat Bank launched in 2012, the Bank focused its business model on continuous renewal with the principle of providing efficient and quality services. Within this framework, many infrastructural and cultural transformation projects have been put into practice. The Bank, which meets the financial needs of its customers within the scope of the Ziraat Customer Business Model, continues to spread its high value added service approach in an expanding geographical region with its extensive service network and domestic/foreign partnerships.

Ziraat Bank which sees change as an endless journey, continues to move ahead with the methodology that it designed uniquely. The Bank received a silver award in the "Company of the Year" category in the banking field at the Stevie International Business Awards, a prize platform in which more than 3,800 candidates from every sector from more than 60 countries participated, in acknowledgment of the methodology that it had developed for the transformation process. The Bank won the first prize in the public vote held within the same category.

Unwavering in developing its abilities with the principle of continuous development and continuing to acquire new abilities, Ziraat Bank has focused on creating a common business model by spreading this development to its affiliated companies and integrating the Ziraat approach into every region where it is located.

Ziraat Bank's 2016 road map, which was shaped by economic, technological and social developments in line with 7 basic strategic goals, is implemented by all of its passionate employees.

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## Stevie Awards

ZIRAAT BANK RECEIVED A SILVER AWARD IN THE "COMPANY OF THE YEAR" CATEGORY IN THE BANKING FIELD AT THE STEVIE INTERNATIONAL BUSINESS AWARDS. THE BANK WON THE FIRST PRIZE IN THE PUBLIC VOTE HELD WITHIN THE SAME CATEGORY.

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### **1. Sustainable Customer Relationship Management: Ziraat Bank focuses on establishing relationships with all its customers that create value and are sustainable.**

In 2016, Ziraat Bank continued to provide and develop customized products and services by focusing on creating value for each customer to ensure the establishment of sustainable relationships with its customers and continued to shape service channels in line with the needs of its customers. New products, services and processes were developed in 2016 to meet the needs of customers from each segment with maximum added value.

Work on projects for the development of cash management products to be offered to customers in the corporate segment continued in 2016 and work related to the Discounted Direct Debt System (DBS), a derivative product of the DBS, was completed and offered to customers.

With the agreement signed among Ziraat Bank and the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and the Credit Guarantee Fund (KGF) to provide business capital financing and bail-out support at affordable terms for SME-scale businesses, the “Breath Loans (Nefes Kredisi)” product was implemented. In order to help those young farmers who are entitled to receive a grant from the Young Farmers Program implemented by the Ministry of Food, Agriculture and Livestock establish more profitable, efficient and sustainable businesses, the Young Farmer Credit was offered to customers engaged in agricultural activities. A “Machinery Equipment Loan Support Protocol” was signed between KOSGEB (Small and Medium Scale Enterprises Development Organization) and the Bank in order to provide financial support for the enterprises’ purchases of domestically produced and new machinery. With this protocol, customers could obtain credit at affordable interest rates.

In addition to the products developed for the real sector, the State Subsidized Dowry (Çeyiz) and the State Subsidized Housing Account products are offered to customers to promote saving among customers in the individual segment.

The “Pre-approved Consumer Loan” product was implemented following a collective assessment from the Headquarter for customers who are paid a regular salary who do not have payment problems at Ziraat Bank and the other banks and who have permission to be contacted.

Systematic developments have been implemented to enable the payment of installments for individual and TOKİ credit from ATMs, following work carried out to increase the variety of services offered from digital channels and to provide customers with the same user experience in all channels.

Technological investments in non-branch channels are continuing, with the aim of helping customers conduct their transactions from digital channels more easily and rapidly. The feasibility studies for the project, which is one of the important investments in this context, for renewing the ATM software and its equipment are now complete and the project is planned to be launched in the first quarter of 2017.

Work got underway on the renewal of channel front faces to provide customers with a common experience across all non-branch channels.

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## **Digital**

ZIRAAT BANK CONTINUES ITS TECHNOLOGICAL INVESTMENTS IN NON-BRANCH CHANNELS WITH THE AIM OF HELPING CUSTOMERS CONDUCT THEIR TRANSACTIONS FROM DIGITAL CHANNELS MORE EASILY AND RAPIDLY.

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CONTINUING TO GENERATE VALUE WITH THE PASSION TO OFFER MORE THAN BANKING

**Aware of its corporate citizenship, Ziraat Bank continues to integrate the principles of sustainability into business processes, taking part in environmental and people-focused work and projects.**

The development work on the corporate internet branch for corporate customers continued and work got underway on the corporate mobile branch.

The Bank is also carrying out multichannel integration, which aims to ensure that the financial needs of customers are met with the same level of quality as in all service channels and to create channels which are integrated with each other for this purpose. Work was completed on enabling customers to apply to the Bank's products through digital channels. Customers could apply for the Consumer Loan, Credit Deposit Account, Vehicle Loan, Housing Loan and Credit Card products, as well as increases in their credit card limit, through non-branch channels.

The corporate website homepage has been restructured to provide quick access to products and services that are appropriate for the life cycle. To this end, studies continue to be carried out under the concept of Lifelong Banking, with sub-sites applied in "Children Savings in Ziraat", "Young People's Savings in Ziraat", "Employee Savings in Ziraat" and "Pensioner's Savings in Ziraat".

Work is approaching completion on implementing the live chat application, which will customers solve problems they frequently encounter quickly and efficiently. The application is planned to be offered to customers in the first quarter of 2017.

**2. Institutionalized Business Processes: Ensuring increased efficiency through the continuous improvement and development of business processes.**

Aware of its corporate citizenship, Ziraat Bank continues to integrate the principles of sustainability into business processes, taking part in environmental and people-focused work and projects. Work focused on contributing to Turkey's sustainable development is carried out under the leadership of Ziraat Bank's CEO and in coordination with the Bank's Strategic Guidance Committee. The Ziraat Bank 2015 Sustainability Report, which is prepared in full compliance with the comprehensive level of G4 Sustainability Reporting Guidelines, was published with the devoted efforts of all units.

The story book, "Başak and Her Magic Chest" was published on Ziraat Bank's website in order to protect the hopes for our children who will shape the future and to inform them about the sustainability practices in 2016, which was a difficult year for our country and the world. The book will continue to be introduced to children in the coming periods.

As part of the digitalization efforts for business processes from end-to-end, Ziraat Bank is continuing its integration studies with outside institutions. In this context, integration work completed with TURKSAT enabled customers of the Bank to enter the e-Government portal with the internet banking password.

**Ziraat Bank continues to work towards the goals of increasing the number of branches in the regions it operates in and expanding its international service network by establishing new international branches or subsidiary banks in target markets.**

The TURK-VET system integration project was completed and put into practice in 2016 in order to be used in evaluating the credit demands of customers in the cattle feed and dairy farming activities. Integration work carried out with the Notaries Union of Turkey is continuing.

The target for 2017 is to complete the work that had been initiated to achieve process optimization by using barcoded document generation and reading flow in the Bank processes to create the central archive infrastructure.

In the corporate architecture area, work got underway to ensure the effective integration of business, data and application architectures with technological infrastructure. Work is underway to develop management systems that would integrate with Ziraat Teknoloji processes in order to model business processes and IT processes so that they could work together on a common platform in a compatible manner and to increase interaction by providing input to the software from the business processes.

**3. Integrated Subsidiary Management: Progressing to the Ziraat Finance Group; the synergy between the Bank, domestic and international partnerships and international branches is constantly being improved.**

The ultimate goal of the large Ziraat family, which provides banking services on a global scale and has the capacity for a wide range of financial services with subsidiaries and affiliates around the world, is not only to offer banking services to customers but to meet all of the financial needs of customers with the Ziraat Customer Business Model through all the companies of the Ziraat Finance Group.

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## Process Management

WORK IS UNDERWAY TO DEVELOP MANAGEMENT SYSTEMS THAT WOULD INTEGRATE BUSINESS PROCESSES AND IT PROCESSES SO THAT THEY COULD WORK TOGETHER.

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Ziraat Bank continues to work towards the goals of increasing the number of branches in the regions it operates in and expanding its international service network by establishing new international branches or subsidiary banks in target markets. In this context, those regions which have deep-rooted historical and cultural ties with Turkey and where there are Turkish investors, or which offer potential for investment, stand out as the target markets for the Bank. Within the scope of the work that has been conducted for expanding the Group abroad, the Marneuli Branch in Georgia and Bahrain Branch in Bahrain began banking activities in 2016. Ziraat Bank's operations at 99 locations in 19 countries at the end of 2016 and is positioned as the Turkish Bank with the widest network abroad.

## CONTINUING TO GENERATE VALUE WITH THE PASSION TO OFFER MORE THAN BANKING

In 2016, Ziraat Real Estate Investment Trust Company (Ziraat REIT) began operations and joined the Ziraat Finance Group.

In line with Ziraat Bank's international banking strategy and vision, work on the restructuring of the "Ziraat Finance Group" continues in order to increase its effectiveness in the countries where its partnerships and branches operate, to contribute to the development of commercial and economic relations between these countries and Turkey, to play a strong role and take a high share in the financing of foreign trade, to respond to the banking needs of Turkish investors in the country, to provide fast, high quality and solution focused products and services to customers and to create synergy between the Bank, domestic subsidiaries and the regions where the Bank is located.

As part of Ziraat Bank's renewal of basic banking systems in the foreign branches, new banking software was introduced to branches operating in Bulgaria in the second quarter of 2016. Work on the main banking software, which started in 2014 with the partnership of the Bank in Germany, was completed in the first quarter of 2016 and put into practice in the German branches. Ziraat Bank will continue its efforts to renew the main banking systems of its foreign branches and subsidiaries.

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## Ziraat Finance Group

ZIRAAT BANK CONTINUES TO WORK ON THE RESTRUCTURING OF THE ZIRAAT FINANCE GROUP IN ORDER TO CREATE SYNERGY BETWEEN THE BANK, DOMESTIC SUBSIDIARIES AND THE REGIONS WHERE THE BANK IS LOCATED.

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#### **4. Operational Excellence: Ziraat Bank is a bank that can quickly adapt to technology and has digitized and centralized its operations at a high level.**

Ziraat Bank continued its process improvement work and pressed ahead with efforts to centralize the processes so Ziraat Bank's branches would serve as offices where appropriate products and product packages are presented based on customer needs, reducing the operational workload on the branches.

The centralization of processes for TOKI transactions was completed in the third quarter of 2016. The project, launched to ensure the centralization of fund-originated loans where the resource doesn't belong to the Bank, loan disbursement and collections mediated by the Bank, is aimed to be completed in 2017.

Work to centralize credit operations also continued in 2016. In the process, which started with the centralization of contract entries, credit guarantee entries began to be submitted from the center from 2016. Work on the centralization of the loan disbursements is planned to be completed in 2017.

**Selected as the most popular bank to work in by Economics and Administrative Sciences students in The Ideal Employer Survey conducted by Universum and HBR (Harvard Business Review) Turkey, Ziraat Bank remains the center of attraction for young talent with its renewed business model and the opportunities that it offers.**

The e-archive project, which ensures that all kinds of documents produced as well as those acquired during the activities of the Bank and which have archive value are stored securely while being easily accessible in the electronic environment, was completed. Electronically archiving the documents provided contributed to the Bank through financial savings and operational efficiencies, while improving the security of information and documentation.

As a result of the efforts to establish operational efficiency by providing automation in the operations carried out in branches, regions and General Directorate, manpower savings amounted to 4,346 staff between 2012 and 2016.

**5. Objective and Transparent HR Management: Ziraat Bank has become a center of attraction for new talents while developing talented individuals to sustain the Ziraat Customer Business Model.**

Work on extending the scope of the performance management system was completed, by including the sales units of the General Directorate to strengthen the customer focused business model, instilling a sales and efficiency oriented work understanding, motivating employees to increase their corporate loyalty and rewarding individual achievements which are compatible with the Bank's corporate objectives.

Competencies have been determined for branches, regional offices and General Directorate units on a position basis within the scope of the Competency Evaluation System project, which was initiated in order to evaluate the competencies of the employees as well as their target based performances and to integrate them into the performance points. The system was put into practice in the last quarter of 2016.

In 2016, work was completed on distance learning and mobile training to deliver information to users rapidly and at a low cost and to step up e-training and mobile training programs to provide employees with access to information at any time and the Ziraat Mobile Training application was implemented.

Selected as the most popular bank to work in by Economics and Administrative Sciences students in The Ideal Employer Survey conducted by Universum and HBR (Harvard Business Review) Turkey, Ziraat Bank remains the center of attraction for young talent with its renewed business model and the opportunities that it offers.

The Ziraat Banking School, which has become an institutional brand in banking education, continues to train young bankers in line with the Bank's vision and strategies. Assistant Specialists trained in the school before graduating from the school to embark on their career at the Bank in 2016.

CONTINUING TO GENERATE VALUE WITH THE PASSION TO OFFER MORE THAN BANKING

**6. Effective IT: Ziraat Bank gains the maximum benefit from the opportunities brought by technology, helping the Bank gain a competitive advantage.**

Ziraat Bank continues to deploy technology to develop its business model so that it will gain a competitive advantage and to build modern infrastructure systems. Renewal work on the Bank's data center, initiated during 2014, continued in 2016. The construction of the data center was completed and the process of moving to the new data center has begun, with the move expected to be complete by the second quarter of 2017.

One of the most important investments in the field of information technology in 2016 was the steps taken to change the main banking software. The new software, which is planned to be extended to international branches in the medium term through the Ziraat Finance Application, consists of two important components; the Key, a main banking application and Focus, a work flow application. While work on the infrastructure continues, the screens and processes to be used by bank assistants have been significantly revamped with the new software.

Backed by the new infrastructure, Ziraat Teknoloji's business model also started to be transformed with agile project management processes and a model was developed in which business units and technology teams would work more closely. Under the new model, a user experience lab was established, where design screens could be designed in the context of user experience analysis.

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## Data Center

RENEWAL WORK ON THE ZIRAAT BANK'S DATA CENTER, INITIATED DURING 2014, IS EXPECTED TO BE COMPLETED BY THE SECOND QUARTER OF 2017.

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**7. Strong Balance Sheet: As Ziraat Bank's balance sheet continues to evolve into a customer-focused structure, expense management is being implemented in a way that does not prevent revenue growth.**

Within the scope of the work carried out to increase the resource diversity, a USD 1.1 billion syndication loan was renewed in 2016, while USD 500 million of Eurobonds were issued. In addition, a loan agreement with the European Investment Bank (EIB) was signed for the financing of SMEs and larger firms for the second EUR 100 million tranche of the EUR 200 million of financing.

Work got underway to model the credit risk with the Basel III Based on Internal Rating (IRB) approach.

A corporate expense management module, which would ensure more effective expenditure and inventory management and bring cost advantages, was also set up. Work on developing the module continues.

**UNITING  
CONTINENTS,  
WE LEAVE OUR MARK**





WE LEAVE OUR MARK  
UNITE CONTINENTS



**Yavuz Sultan Selim Bridge**

## MILESTONES IN THE HISTORY OF ZIRAAT BANK

**The 153-year history of Ziraat Bank is filled with numerous traces and contributions left to a wide geographical area where our country is located at the center.**

### 1863-1888

- On 20 November 1863, Mithat Paşa spearheads the establishment of Memleket Sandıkları (Homeland Funds) in the town of Pirot, which later served as the core from which Ziraat Bank grew.
- Turkey's first statutorily regulated credit system is launched.
- Mithat Paşa's Homeland Funds are reconstituted as Menafi Sandıkları (Benefit Funds) to become stronger and more sustainable.
- Ziraat Bank's Headquarters are opened in İstanbul.

### 1889-1913

- Ziraat Bank extends credit to the Imperial Treasury for the first time.
- Ziraat Bank supplies credit to supply grain to needy refugees and others in drought-stricken İzmit.
- A project to fund purchases of European agricultural equipment using Ziraat Bank's capital is studied.
- Ziraat Bank offices are opened in Kerek, İpek, Prizren, Timișoara and Karacasu.
- Ziraat Bank provides drought-stricken Kosovo farmers with low-cost credit on convenient terms.
- Ziraat Bank opens a branch in Medina.
- Ziraat Bank branches open in Baghdad and Basra.
- Ziraat Bank branches provide earthquake-stricken farmers with loans.

### 1914-1938

- Ziraat Bank begins lending to commercial enterprises.
- The first seed-finance loans are provided.
- First general deferment is granted on agricultural loans.

- With the opening of the Grand National Assembly in Ankara, the city's Ziraat Bank branch is made responsible for the administration and oversight of all Bank branches and offices in localities controlled by the Nationalists.
- Control of Ziraat Bank's İzmir and İstanbul operations are given to Ankara.

### 1939-1963

- Work is completed on the set of operational regulations called for by Statute 3202. Consisting of 198 articles, the regulations governing the operations of Ziraat Bank go into effect.
- Ziraat Bank becomes a member of Confédération Internationale du Crédit Agricole (CICA), a non-profit worldwide association of banks and other entities interested and involved in rural financial processes.
- Under Statute 7052, Ziraat Bank is authorized to restructure agricultural loan repayments.

### 1964-1988

- Ziraat Bank's representative office opens in Hamburg.
- Ziraat Bank opens its Lefkoşa, Gazimağusa and Güzelyurt branches in the Turkish Republic of Northern Cyprus.
- Ziraat Bank's representative office in New York is transformed into a branch while new offices are opened in Duisburg, Berlin, Munich, Stuttgart and Rotterdam.
- Under the Ziraat Bank 86 project, the first steps to adapt improvements in technology to banking services so as to deliver them faster, more efficiently and at better quality are taken with the automation of a total of 7 branches located in Ankara and İstanbul.
- Ziraat Bank ranks 452<sup>nd</sup> among "The World's 500 Biggest Banks as Measured by Equity" according to Euromoney, a magazine.

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## 1989-2015

- The Ziraat Bank Banking School begins instruction in order to keep the Bank supplied with the qualified human resources that it needs.
- The first investment fund (Fund I) was established.
- Gold sales were initiated under the name of Ziraat Gold. The first consumer loan was issued, along with the first credit card. The Bingöl-Muş Rural Development Project was initiated.
- As well as ATM machines, foreign currency exchange machines were brought into service for the first time in Turkey, along with self-service information terminals, voice messaging systems and the Bingöl-Muş Rural Development Project, which included a branch not requiring human staffing, aiming to provide uninterrupted 24-hour service.
- Ziraat Bank Moscow, Kazkommerts Ziraat International Bank (KZI Bank), Turkmen Turkish Commercial Bank (TTC Bank) and Uzbekistan Turkish Bank (UT Bank) were established and entered operation.
- Ziraat Bank was ranked 202<sup>nd</sup> in Euromoney's "Top 500 Banks", 41<sup>st</sup> in terms of net profit, and the world's first in terms of its return on equity. Moreover, the Bank ranked 12<sup>th</sup> in the "World's 50 Most Rapidly Developing Banks" listing.
- The Sofia Branch entered operation.
- The Stuttgart, Hannover, Frankfurt and Duisburg representative offices began to operate as branches. Newly-launched banking software makes it easier to create and offer new products and services.
- Turkish-Ziraat Bank Bosnia DD receives Visa and Europay International licenses and begins processing Visa acquiring and issuing transactions for the first time in Bosnia- Herzegovina in coordination with Ziraat Kart A.Ş.
- The Law numbered 4603 passed on 25 November 2000 paved the way for Ziraat Bank to be transformed into a joint-stock company.
- The scope of the banking software centralization project (Fin@rt) is expanded.
- In Greece, the Athens and Komotini branches entered operation.
- The Bank announced TL 3,511 million net profit, the highest profit ever announced by a Turkish company until 2009.
- Branches were opened in Baghdad, Erbil and Jeddah.
- Ziraat Bank purchases the rights to the Turkish Cup name.
- Ziraat Bank launches its "Together, to a Better Future" Change & Transformation Project.
- Ziraat Bank celebrates its first century and a half in business with its employees.
- On 30 September 2014, the Board of Directors approved and announced the Sustainability Policy which summarizes Ziraat Bank's sustainability vision, goals and approach and defines the Bank's stance on the pillars of the environment, society and products and services.
- Ziraat Bank published its first sustainability report, which was GRI rated at A+ standards.
- Ziraat Bank tops the 2014 corporate income tax league table.
- Ziraat Participation commences operations.
- The Bank's Pristina Branch opens in Kosovo.
- Ziraat Bank Azerbaijan ASC commences operations.
- Ziraat Bank is designated "Europe's 2<sup>nd</sup> Most Robust Bank".
- Ziraat Bank Montenegro AD commences operations.
- In keeping with its principle of sustainable profitability, Ziraat Bank reports 2015 profits amounting to TL 5,162 million, the highest of Turkish banking sector.

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## 2016

- The Marneuli Branch in Georgia and the Bahrain Branch in Manama/Bahrain were opened.
- Ziraat REIT joined the Ziraat Finance Group and began operations.
- Ziraat Bank wrote a net profit of TL 6,576 million in 2016, while reporting TL 357,761 million of assets at the end of 2016.

## CHAIRMAN OF THE BOARD'S MESSAGE

As the sector's leading bank, Ziraat Bank continued to most satisfactorily meet the financial needs of both the real sector and individuals, again achieving a faster rate of credit growth than the sector.



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## 2016

WE LEFT BEHIND A YEAR MARKED BY MONETARY POLICY DECISIONS IN DEVELOPED COUNTRIES, THE PRESIDENTIAL ELECTION IN THE UNITED STATES, BRITAIN'S DECISION TO EXIT THE EUROPEAN UNION (BREXIT) AND A RALLY IN OIL PRICES.

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## Although the outcome of the referendums in the UK and Italy attracted a negative reaction in the markets, market volatility proved short-lived.

We left behind a year marked by monetary policy decisions in developed countries, the Presidential election in the United States, Britain's decision to exit the European Union (Brexit) and a rally in oil prices. The Central Banks of Europe and Japan maintained an expansionary policy in 2016, while the Federal Reserve Bank in the US raised interest rates by 25 basis points in December, as it did in 2015.

The US economy rounded off a year marked by the presidential elections against the backdrop of continued strength in the employment market and economic growth and inflation following a moderate course. The US economy has proven robust, which allowed the Fed to raise interest rates at the end of 2016, while members of the Fed stated their expectation of three interest rate hikes for 2017 (up from two previously). The expectation that the Fed will continue to raise interest rates gradually has helped alleviated the fallout of the Fed's interest rate hike. The application of expansionary fiscal policies by the new administration would be expected to precipitate an increase in inflation and growth. Therefore, the extent to which the US President Donald Trump keeps to his election promises will be one of the main determining factors of the Fed's policy normalization in 2017.

One feature of 2016 was the rise of populist movements in the Eurozone, as well as risks to the banking sector as a result of the difficulties affecting Italian banks and Deutsche Bank. Although the outcome of the referendums in the UK and Italy attracted a negative reaction in the markets, market volatility proved short-lived. While the upcoming elections in the leading European countries stand as a risk factor for the future, the decision by the European Central Bank (ECB) to extend its quantitative easing program until

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# 52%

FOR THE FIRST TIME SINCE 2008, OPEC MEMBER AND NON-MEMBER COUNTRIES REACHED AN AGREEMENT TO LIMIT OIL PRODUCTION, SETTING THE STAGE FOR A 52% INCREASE IN OIL PRICES.

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December 2017 limited the market impact of the political developments. The ECB continues to support economic activity by providing liquidity to the market, although it reduced monthly purchase amount from EUR 80 billion to EUR 60 billion. Following the Brexit vote in June, the Bank of England (BoE) lowered its policy rate to 0.25%, a record low, in the first rate cut since 2009. The Bank of Japan (BoJ) continued to support the economy by targeting the yield curve in monetary policy, in addition to asset purchases.

China's economy posted a more moderate rate of growth during 2016, but its stable path limited the sensitivity of global markets to Chinese data announcements. For the first time since 2008, OPEC member and non-member countries reached an agreement to limit oil production, setting the stage for a 52% increase in oil prices. As a reflection of rising oil prices, some emerging oil exporting countries, especially Brazil and Russia, ended the year with a positive decoupling from their peers. However, in the third quarter of the year, the significant capital inflows to emerging economies gave way to capital outflows following Trump's election. While

**With the intensified uncertainties likely to take a back seat in the first half of 2017, the continuation of stimulatory fiscal policies and relaxation of macro-prudential measures are expected to bring about a marked improvement in economic activity when compared to 2016.**

trends in commodity prices will continue to influence the performance of commodity exporters, capital flows to developing countries will largely depend on the decisions taken by the Fed and the new US administration.

The Turkish economy exhibited some volatility during 2016 amid the fluctuations in global markets, geopolitical developments and the decisions by credit rating agencies. Although the TL suffered a steeper depreciation than the currencies of other peer group developing countries on the back of the increase in the country risk premium, the impact of these fluctuations was not permanent, thanks to the strong foundations of the Turkish economy, especially its strong public finances.

The economy recovered moderately based on fourth quarter figures, backed by supportive incentives and measures taken to stimulate the economy, which had suffered in the third quarter of the year due to the effects of domestic and global developments. With these intensified uncertainties likely to take a back seat in the first half of 2017, the continuation of stimulatory fiscal policies and relaxation of macro-prudential measures are expected to bring about a marked improvement in economic activity when compared to 2016.

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**8.5%**

IN 2016, THE COMBINED EFFECT OF THE CHANGE IN EXCHANGE RATES AND THE TREND IN ENERGY PRICES TOOK INFLATION TO 8.5%, EXCEEDING THE TURKISH CENTRAL BANK'S (CBRT) INFLATION FORECAST OF 7.5%.

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In 2016, the combined effect of the change in exchange rates and the trend in energy prices took inflation to 8.5%, exceeding the Turkish Central Bank's (CBRT) inflation forecast of 7.5%. Following a further rise in inflation in the first half of 2017, inflation is likely to converge with the forecast set out by CBRT, although this will depend on trends in aggregate demand and the direction of oil prices.

Despite the contraction in the tourism sector and the rise in oil prices, imports recorded a steeper decline than exports and the current account deficit remained broadly stable, exhibiting no deterioration when compared to 2015. The normalization in relations between Turkey and Russia is expected to have a positively reflection on both exports and tourism receipts, while the growth in total exports, especially in the automotive sector due to reviving demand from the European Union, will continue. The course of oil prices in the coming period will be one of the key factors which will determine the current account deficit.

## Ziraat Bank will continue to enjoy steady growth with a focus on efficiency and by attaching weight to credit in the coming period.

CBRT supported the economy in 2016, cutting interest rates by a total of 250 basis points and implementing required reserve measures, which were carried out between March and September period. Most recently, a combination of domestic developments and the fallout of global developments resulted in CBRT suspending the simplification steps, with CBRT applying a tighter monetary policy to support the TL.

Despite all of the volatility, it should be noted that 2016 was a positive year for the banking sector. As the sector's leading bank, Ziraat Bank continued to most satisfactorily meet the financial needs of both the real sector and individuals, again achieving a faster rate of credit growth than the sector. Ziraat Bank will continue to enjoy steady growth with a focus on efficiency and by attaching weight to credit in the coming period.

On behalf of myself and the Board of Directors at Ziraat Bank, I would like to thank our customers, our correspondents, business partners, employees and all other stakeholders who helped achieve our performance in 2016.

Yours respectfully,



**MUHARREM KARSLI**  
Chairman of the Board

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# 250

CBRT SUPPORTED THE ECONOMY IN 2016, CUTTING INTEREST RATES BY A TOTAL OF 250 BASIS POINTS AND IMPLEMENTING REQUIRED RESERVE MEASURES, WHICH WERE CARRIED OUT BETWEEN MARCH AND SEPTEMBER PERIOD.

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## CEO'S MESSAGE

**We maintain our position as the leader of the banking sector in terms of cash, non-cash and total loans.**



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# 18%

OUR BANK'S TOTAL ASSETS AMOUNTED TO TL 358 BILLION AT THE END OF 2016, MARKING AN INCREASE OF 18% YOY, WITH MOST OF THE GROWTH IN CREDIT.

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As the sector's leading bank, we continue to develop our business model and infrastructure to provide the real sector and individuals with easy and effective access to banking services, as part of our aim to be "everyone's bank". We are also concentrating these activities on developing the savings base, so as to ensure the use of the economy's scarce resources more efficiently.

Our Bank's total assets amounted to TL 358 billion at the end of 2016, marking an increase of 18% YoY, with most of the growth in credit. Cash loans amounted to TL 233 billion, an increase of TL 46 billion, or 25% in YoY terms. Within the framework of our credit policy that is more focused on the real sector, approximately 75% of our cash loans comprise of corporate loans. In our corporate loans, we continue to increase the support we extend for all sectors with our diversified products in accordance with financing needs and project financing by giving the greatest priority to the agricultural sector. We continue to expand our non-cash loans as well as our cash loans. We maintain our position as the leader of the banking sector in terms of cash, non-cash and total loans.

We continue our efforts to address the structural problems of the agricultural sector by providing financial support. We also continue our work to help the agricultural sector access finance and to increase the added value of the sector

by becoming more industrialized. Our Bank increased the volume of loans that it disbursed to the agricultural sector by 25% in 2016.

Within the framework of entrepreneurial banking, we have provided necessary support to our small and medium sized customers by providing necessary financing at reasonable costs and maturities through the joint work we have conducted with institutions such as KOSGEB and the Credit Guarantee Fund (KGF), as well as through our own solutions.

There has also been an acceleration in individual lending, especially in housing loans. We have achieved a considerable increase also in these loans with the important improvements we have achieved both in terms of interest rates and conditions, as well as lifetime banking practices designed for young people, employees and pensioners. Our Bank alone was responsible for half of the sector's entire growth in housing loans in 2016, with a 50% increase. At the same time, we are developing our payment systems infrastructure and continued to be the leader in the Bank card sector in 2016 in terms of market share.

While we have more than doubled the volume of our loans in the last 4 years, we also continue to have a positive course on credit quality with our credit processes and modules that we designed with our own resources and that we have continuously improved. Our non-performing loan ratio remains at just half of the sector average, at 1.8%. Given that we have not carried out any sales of our non-performing loans, it is safe to say we are in a much more positive position in this respect than the sector.

As our balance sheet is the most important source of financing, we continue to improve the widespread structure of deposits and diversify our sources. In this context, we renewed our USD 1.1 billion syndication loan in 2016 and issued a new USD 500 million, 5 year maturity Eurobond. We continued to provide loans from international organizations and banks. We will also continue to provide resources from abroad at favorable conditions and continue to support the real sector through the loans channel going forward.

Our Bank boasts 1,814 branches, the most widespread branch network in the country. We attach importance to the development of our branches in terms of efficiency as well as our efforts to increase the quality of the service we provide in the branches. The volume of deposits and loans per branch and per member of staff has increased considerably, while the number of employees per branch has been reduced thanks to the improvements carried out in our infrastructure and processes.

# 1,814

OUR BANK BOASTS 1,814 BRANCHES, THE MOST WIDESPREAD BRANCH NETWORK IN THE COUNTRY.

We are currently developing plans to work with boutique branches which will be set up with fewer employees. To this end, we have focused on developing digital banking to use non-branch channels more effectively. We have been increasing the number and effectiveness of ATMs and developing the internet and mobile banking transaction sets. In addition to our branch network, we also have the most extensive ATM network in our country. In 2016, we increased our number of internet and mobile banking customers by more than 50% and 100% respectively, while offering our customers the "Ziraat Tablet" application.

We will continue to have one of the lowest cost/income ratios of any bank in the industry with the improvements made to the branches and non-branch channels. We will continue to develop ourselves further by placing efficiency at the focal point of our activities.

We have service units in 99 locations in 19 countries abroad. In 2016, we opened a third branch in Georgia, where we aim to continue our activities with a bank that is currently in the process of being established. We continued to develop our international service network by opening a branch in Bahrain. We also added the "Ziraat REIT" to the range of financial services that we provide with our domestic subsidiaries.

Ziraat Bank will continue to increase its contribution to the development and growth of our country while continuing to develop itself and grow steadily with an approach based on efficiency.

I would like to extend my thanks to all of our stakeholders for their strong and unwavering contribution to our sustainable growth story.



**HÜSEYİN AYDIN**

Member of the Board and CEO

## MACROECONOMIC OUTLOOK

**The year 2016 was marked by the political developments in the US and Europe, as well as the economic recovery in developed countries after the global crisis.**

### Outlook for the world economy

The year 2016 was marked by the political developments in the US and Europe, as well as the economic recovery in developed countries after the global crisis. The raft of strong data releases from the US and European economies continued throughout the year. The Federal Reserve (Fed) and the European Central Bank (ECB) maintained a supportive stance against the likely fragility in the recovery process. The ECB extended its quantitative easing program until the end of 2017, while the Fed raised interest rates only once during the year. However, it was political developments that took precedence over economic developments in both continents. The presidential elections in the United States and the UK's exit process from the European Union (Brexit), along with the referendum in Italy all increased volatility in the markets. The rally in commodity prices, especially oil, supported the industrial sector by raising producer prices and ensuring that commodity exporters also positively decoupled.

The US economy continued to post moderate growth during the year, with further growth in employment without apparent inflationary pressures. Backed by the robust position of the US economy, the Fed endorsed a quarter point increase in interest rates, in spite of the increase in uncertainty that followed the presidential election in November, with 2016 rounded off with one interest rate hike, as in 2015. After the election of the new president in the US, there was a sense that uncertainty over the country's politics would remain, especially when it comes to foreign trade and finance and this increased volatility in the global markets. Mounting expectations that expansive fiscal policies would be implemented in the economy, stimulating growth, boosted the view that the Fed would

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## Fed, ECB

FED AND ECB MAINTAINED A SUPPORTIVE STANCE AGAINST THE LIKELY FRAGILITY IN THE RECOVERY PROCESS.

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tighten its monetary policy more rapidly than what had been foreseen, precipitating a significant uptrend in inflation expectations and bond yields, with the USD gaining against other currencies. The jump in yields on US 10-year bonds, widely referred to as risk-free interest rates, ushered in a wave of selling in global bond markets and sparked capital outflows from developing countries along with significant increases in bond yields in these countries. Against such a backdrop, the increase in global interest rates could lead to a tightening of financial conditions in a number of countries. Protectionist foreign trade policies have raised question marks over the future of international trade agreements. There could be pressure on growth rates and employment in North America and in Asia, which are part of the US value chain, if protectionist policies are placed on foreign trade. Therefore, the normalization of the Fed's policy will depend on an expanding fiscal policy in the US and foreign trade policies in 2017.

Political developments in the Eurozone left their mark on 2016, which saw heightened concerns over the region's banking sector with a spate of reports concerning Eurozone-based banks, mainly Italian banks and Deutsche Bank. With some negative interest rates in the region, interest income

has come under pressure, leading to low profitability for banks. Low profitability and the ratio of problematic loans remain sources of concern for the banking sector in the region. Although the immediate fallout in global markets to the UK's referendum vote to leave the European Union was short-lived, the markets will be keeping a very careful watch on how the relationship between countries pans out in the medium term, given the commercial and financial importance of relations between the UK and the European Union. Following the Brexit decision, the Bank of England (BoE), which has been following an accommodative policy towards the economy, lowered its policy rate to its lowest level since 2009. The fall in the pound, due to uncertainty and rising oil prices, has set UK inflation on a course to exceed the 2% target in the medium term. Despite inflationary pressures, the BoE is expected to maintain its accommodative monetary policy aimed at supporting the economy in anticipation of the volatility that is expected during the process. With two important elections scheduled in 2017 in Germany and France, the two biggest economies of the Eurozone, the ECB extended its asset purchase program in the December meeting, with the program set to continue until the end of 2017 with the aim of protecting the markets and economic activity against any potential uncertainty resulting from the elections. The ECB also signaled that it would normalize its monetary policy over a reasonable time scale by reducing the monthly purchasing amount from EUR 80 billion to EUR 60 billion. Within rising inflation with the impact of energy prices and recovery in production-driven economic activity, the ECB is expected to maintain its asset purchase program in its current form for some time in this election year. European voters are expected to vote to prevent populist parties from coming to power in the elections, although these parties may well see some increase in their support as voters express their reactions to the governing parties.

Meanwhile China underwent the painful transition period from export and investment-based growth to a consumption-based growth model. The extent of volatilities arising from Chinese data releases eased considerably in 2016 with markets adjusting to China's new normal, which can be summed up as a lower rate of growth. The recovery in commodity prices kept China's Producer Price Index (PPI) data in positive territory after a long break, marking the end of the deflationary spread between China and the rest of the world. The increase in profit margins is expected to support the manufacturing industry. In addition, commodity prices, especially oil, have risen significantly, following China's supply limitations that has demonstrated balanced and stable growth, as well as OPEC and non-OPEC members. Commodity exporters such as Brazil, South Africa and Indonesia decoupled positively among emerging economies on the back of the rise in commodity prices during 2016. A continuation of the trend in commodity prices would help limit the deterioration in the budget balances of commodity exporters while contributing positively to global economic activity by supporting their growth. On the other hand, the increased protectionism in foreign trade in 2017 is causing a concern in global markets, especially in China and Mexico.

### **Outlook for the Turkish economy**

The Turkish economy was buffeted by domestic and geopolitical developments, as well as turbulence in global markets during 2016. The expectation that a more stringent monetary policy would be pursued in the US after the presidential election precipitated a wave of portfolio outflows from developing countries, including Turkey. Compounded by the decisions taken by credit rating agencies, TL negatively decoupled from peer currencies. However, the CBRT sought to balance the risks in the short run with the liquidity steps it implemented. A combination of macro-prudential and structural policies along with strong fiscal discipline is expected to return the economy to an even keel in the medium term.

Despite the extraordinary developments and shocks experienced during the year, the Turkish economy managed to post a modest degree of growth in 2016. The economy,

## MACROECONOMIC OUTLOOK

## CBRT continued its monetary policy simplification steps, which began in March 2016, with moderate and cautious steps until September due to the decline in inflationary pressures.

which is estimated to have posted some degree of a recovery in the last quarter, is expected to maintain a moderate recovery in 2017 with the support of incentives and measures. A manageable increase in credit growth, supported by a revival of consumer credits and commercial credits in TL terms, is expected to support domestic demand with the uncertainties left behind and the economy will return to a stable growth course.

Despite the rise in commodity prices and contraction in the tourism sector in 2016, the current account balance remained similar to its 2015 level, with the positive trend of foreign trade limits. While it is thought that the recent depreciation of the TL would have had a positive reflection on exports, our exporters did not lose their ability to diversify markets, providing us with a greater degree of flexibility when compared to similar countries. Exports are expected to be buoyed by the continued growth in demand from the European Union countries and normalizing relations with neighboring countries. The tourism sector is expected to benefit from the possibility of improved relations with Russia, although geopolitical developments will have an important bearing on trends in tourism.

At the end of 2016, consumer inflation exceeded the CBRT's 7.5% inflation forecast, mainly due to the cumulative effect of exchange rate movements and tax adjustments. The weaker TL and higher commodity prices created upward pressure on inflation. Based on current projections, the CBRT has revised its inflation forecast upwards from 6.5%

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# 8%

CBRT EXPECTS INFLATION OF AROUND 8% IN 2017.

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and expects inflation of around 8% in 2017. Movements in the foreign exchange market, food prices and developments in demand conditions are the main determinants of the course of inflation this year.

CBRT continued its monetary policy simplification steps, which began in March 2016, with moderate and cautious steps until September due to the decline in inflationary pressures. In the framework of simplification steps, CBRT had lowered upper boundary of the corridor by a total of 250 basis points by September, leaving the corridor at its narrowest ever level. CBRT then interrupted the simplification process, taking the view that the excessive exchange rate volatility amid mounting uncertainty following the US presidential elections would cause upward risks on inflation and turned its attention to policies intended to support the TL by implementing monetary tightening. As well as increasing the cost of borrowing for the TL to a limited extent, it also aims to support the TL with a dynamic reaction through various applications within the foreign exchange liquidity management.

**FOR THE  
WORLD,**



**WE LEAVE OUR MARK**



MARK  
WE'VE  
WORLD  
FOR  
THE





**3<sup>rd</sup> Airport (Istanbul)**

## AN ASSESSMENT OF 2016: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

**In 2016, Ziraat Bank remained involved in the financing of large and medium-sized projects that contribute to the country's economy, reduce external dependency, offer high added value and are feasible.**

Ziraat Bank, which itself serves its customers from around 400 points in Turkey, stood shoulder-to-shoulder with all segments of society with its domestic and foreign subsidiaries that make up the Ziraat Finance Group. In 2016, Ziraat REIT joined the Ziraat Finance Group and began its operations.

Within the framework of the seven basic strategic targets that it set out, Ziraat Bank focused on the growth of the country's economy and the development of social prosperity, while being a bank which provides financial solutions to its customers from every segment through effective distribution channels, experienced personnel and strong technological infrastructure.

Ziraat Bank's total assets amounted to TL 357.8 billion at the end of 2016, marking an increase of 18.1% YoY. Loans comprise the lion's share of total assets with a 65% share. Ziraat Bank, always aiming for sustainable profitability and efficiency, continues to work towards enhancing its branches and improving the qualification of its employees, as well as improving the basic balance sheet sizes per branch and employee.

With a business model focused on high efficiency, Ziraat Bank will continue to meet its customers' needs for banking services and products in all four corners of our country from the right service points in a timely manner and with favorable conditions.

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# 65%

LOANS COMPRISE THE LION'S SHARE OF TOTAL ASSETS WITH A 65% SHARE.

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### **Corporate/Entrepreneurial Banking**

**Supporting Turkey's long-term development and development process and contributing to employment and economic growth in general terms.**

Within the scope of its vision of remaining the leading bank, the ethical bank and the global bank of the sector in 2016, Ziraat Bank remained involved in the financing of large and medium-sized projects that contribute to the country's economy, reduce external dependency, offer high added value and are feasible. The Osmangazi and Yavuz Sultan Selim Bridges, projects which Ziraat Bank was involved in the financing of, were opened to traffic in 2016, while the Bayraktar and Sancaktar frigates were launched. By the end of the year, the Bank was extending support to 39 projects, with project financing reaching USD 12.3 billion.

In line with its basic goals and strategies of sustainable growth and profitability, Ziraat Bank, which diversifies the resources, products and services that it provides to

its customers, maintains its leading role in the country's economy by establishing new relationships with leading companies in every sector and strengthening existing ties.

Besides the financing of agricultural production, agricultural industry and industrial production, Ziraat Bank has increased its presence and competitive edge in providing financing the commercial sector in the recent period.

#### **Serving corporate clients from 20 corporate branches**

The corporate branches that work with the aim of managing customer portfolios in the most efficient way and increasing the number of active customers, continued to contribute to Ziraat Bank's balance sheet and customer base with their business volumes in 2016.

#### **Progress achieved in the financing of the real sector.**

Ziraat Bank outperformed the sector rate of growth in the financing of the real sector. Cash loans disbursed to customers in the corporate segment amounted to TL 85.7 billion, an increase of 25.6% YoY, while non-cash loans stood at TL 69.5 billion, an increase of 31.5% YoY.

In 2016, the volume of foreign trade transactions, an important component in Ziraat Bank's strategy of becoming a global player, amounted to USD 36.6 billion, an increase of 14% YoY, with corporate segment customers accounting for 80.7% of this amount. The Bank intends to maintain its strong role in financing foreign trade in 2017.

The Bank's main focus is to ensure that Ziraat's customers work with all members of the Ziraat Finance Group. As the synergy-based cooperation increases at the group level, the real sector's financial needs for domestic and foreign business opportunities will be met more effectively and Ziraat Bank's pioneering and leading position in the sector will be strengthened.

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# 14%

IN 2016, THE VOLUME OF ZIRAAT BANK'S FOREIGN TRADE TRANSACTIONS AMOUNTED TO USD 36.6 BILLION WITH AN INCREASE OF 14% YOY.

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#### **Work carried out to centralize credit operations.**

Ziraat Bank carries out the necessary updating and development activities for more effective use of credit products and systematic infrastructure with the feedback received from the field. Credit operations were also included within the scope of centralization plans for operational transactions so that branches can conduct more effective sales and marketing activities. In particular, work was carried out to ensure that the committed amounts of export-committed credits are calculated systematically and accurately and closed appropriately.

As the scope of the CBRT rediscount loan was expanded, the amount of the commitment was increased from USD 100,000,000 to USD 500,000,000 by the Bank and systemic work appropriate to the conditions of the credit disbursement was carried out.

#### **Highlights of the 2016 activities in the corporate/entrepreneurial banking segment...**

With the protocol signed between The Union of Chambers and Commodity Exchanges of Turkey, the Credit Guarantee Fund and Ziraat Bank to provide business capital financing at affordable terms for members of the Chamber and Exchange, the "Breath Loans (Nefes Kredisi)" product was put into practice. A total of TL 2.5 billion in loans is planned to be disbursed within the scope of the project.

## AN ASSESSMENT OF 2016: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

**While Ziraat Bank continues to support financing for the agricultural sector on one hand, it is constantly developing projects aimed at solving the structural problems of the sector and facilitating the sector's access to finance on the other.**

The New Domestic Machinery Equipment Credit product was launched in cooperation with KOSGEB with the aim of enabling those SMEs which purchase new and domestic machinery and which operate in the manufacturing sector to access financing at affordable terms.

Protocols were signed with KOSGEB for zero interest business loans of up to TL 50,000 for customers who are qualified to be an SME and are in the entrepreneurial segment and the Zero Interest Business Loan was implemented.

### **Financing of the Agricultural Sector**

#### **Sustainable financing models for agriculture**

While Ziraat Bank continues to support financing for the agricultural sector on one hand, it is constantly developing projects aimed at solving the structural problems of the sector and facilitating the sector's access to finance on the other. The Bank has been working with the relevant institutions, organizations and agricultural organizations, in particular the Turkish Ministry of Food, Agriculture and Livestock. In this context, the Bank is creating faster and low cost solutions to meet all of the financial needs of farmers, especially farmers who are small scale business owners, who constitute the most important ring of the agricultural value chain.

The diversification of loan products aimed at this purpose and the work within the scope of the development of alternative collateral elements from farmers' agricultural assets is being carried out.

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## **Pledges over Movable Property**

WITHIN THE FRAMEWORK OF THE LAW ON PLEDGES OVER MOVABLE PROPERTY IN COMMERCIAL TRANSACTIONS, SECURING THE ANIMALS WITH A PLEDGE TO BE THE GUARANTEE OF THE LOAN WITH WHICH FARMERS HAD PURCHASED THE ANIMALS PROVIDED AN IMPORTANT EXPANSION.

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Within the framework of the Law on Pledges over Movable Property in Commercial Transactions, for which Ziraat Bank provided a significant contribution, securing the animals with a pledge to be the guarantee of the loan with which farmers had purchased the animals provided an important expansion. On the other hand, the creation of a register by registering mature trees and the valuation of these valuable assets as collateral (guarantee) is an important innovation in the application of the farmers' access to finance, especially for farmers who involved in fruit horticulture and the growing of walnuts and almonds.

In the coming period, investment and activities related to strategic products such as licensed warehousing and cold storage investments, the contracted production model, increasing the level of agricultural mechanization, oilseed plants, cotton, olives and certified seed production will stand out among the target production areas for Ziraat Bank.

## **37% of the agricultural loan portfolio consists of investment credits (TL 15.4 billion) while 63% of the loans consist of business loans (TL 26.6 billion).**

In this respect, it is thought that the most important factor that will guide the future of agriculture in Turkey will be the basin-based production model. The implementation of this production model will enable our country's production pattern to become clearer, while the investment's support and practices that depend on this model will undoubtedly be extremely important.

Ziraat Bank, which is working on its preparations in this direction, continues to provide the solutions aimed at meeting all of the financial needs of the agricultural sector with its wide range of products and services.

### **TL 42 billion loan from the Bank's resources for the financing of the agricultural sector**

By the end of 2016, a total TL 42 billion in loans had been disbursed to the agriculture sector from the Bank's resources (not including TL 2.1 billion in the fund originated agricultural loans balance). A total of 589,282 customers had credit.

In 2016, 422,054 real and legal persons were provided with TL 27.2 billion of loans which were disbursed from the Bank's resources and TL 7.8 billion of these loans were disbursed without an interest discount.

37% of the agricultural loan portfolio consists of investment credits (TL 15.4 billion) while 63% of the loans consist of business loans (TL 26.6 billion).

### **Low interest on agricultural loans**

Within the scope of the decree and communiqué published on interest discounted loans and the subsidy rates determined on the basis of production areas, customers

operating in the sector continued to obtain loans with annual interest rates ranging from 0% to 8.25%.

A total of 320,758 producers and companies operating in the agricultural sector received TL 19.4 billion of loans at discounted interest rates during 2016.

### **Contribution of financial model to agricultural industry-producer cooperation**

Within the framework of contracts entered into with 37 firms operating in a number of areas including vegetable farming, seed farming, broiler breeding, pepper and tomato cultivation, sugar beet production, the Bank's balance of contracted production loans extended to 24,315 producers stood at TL 199 million at the end of 2016.

### **Mediation in agricultural subsidy payments**

In 2016, the Bank mediated in a total of TL 10.1 billion of support payments for 2,463,629 producers and unions. While in years gone by all customers could only obtain their support payments by joining long queues for the cash counters at the branches, now only 14% of customers draw their support payments from the branches. The remaining 86% collect their funds through alternative distribution channels, such as ATM, POS machines, the mobile branch and the internet branch.

### **Cooperation with animal husbandry organizations**

Ziraat Bank continued to offer solutions that facilitate access to loans for producers who are members of associations/cooperatives in 2016, by signing a protocol with the Agricultural Development Cooperatives affiliated to the Cattle Breeders' Association of Turkey and the Turkey Milk Producers Central Union and the Central Union of Animal Cooperatives.

## AN ASSESSMENT OF 2016: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

**Ziraat Bank is focused on strengthening its identity, which is identical to confidence in the eyes of the customers, with its high quality, smiley face, fast, and contemporary service.**

### **Small Equipment Credit**

A new product was offered to enable the purchase of small farming tools and equipment needed by agricultural enterprises belonging to real/legal persons, so they could sustain their operations efficiently and profitably.

### **Young Farmer's Loans**

The Young Farmers' Project was implemented by the Ministry of Food, Agriculture and Livestock with the aim of supporting sustainable agriculture, promoting entrepreneurship among young farmers, raising income levels, creating alternative sources of income and supporting projects for agricultural production which will contribute to the employment of the young rural population. In accordance with this resolution, Ziraat Bank implemented the Young Farmer Loans with the aim of establishing enterprises in accordance with the economic scale and with higher income generating capacity for the young farmers who develop projects and to help meet the operating capital needs of these enterprises.

### **Retail Banking**

Ziraat Bank views customer satisfaction as being of paramount importance for its competitiveness in contemporary banking. The Bank has achieved a significant increase in its customer satisfaction with the infrastructure and superstructure projects it has brought into practice in recent years and which envisage a significant restructuring of the product and service delivery process.

Ziraat Bank aims to strengthen its relationship with customers through a high-quality service and high customer satisfaction, focusing on strengthening its identity, which is identical to confidence in the eyes of the customers, with its high quality, smiley face, fast and contemporary service.

Ziraat Bank carries out the delivery of services for individuals through a wide distribution network that consists of the following:

- branches,
- ATMs,
- internet and mobile banking applications,
- call center.

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# Service everywhere

ZIRAAT BANK SERVES ITS RETAIL BANKING CUSTOMERS WITH 7/24 UNINTERRUPTED AND EASY TO REACH SERVICES.

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## In 2016, Ziraat Bank continued to work on meeting the needs and trends of different retail banking segments, customer-focused activities, process improvements and complying with legal regulations.

In the retail banking structure, work continued on meeting the needs and trends of different retail banking segments, while customer-focused activities, process improvements and work on compliance with legal regulations also continued in 2016.

Within this scope;

- Within the framework of the protocol signed with Emlak Konut GYO A.Ş. and TOKİ, approximately TL 250 million of loans were disbursed in August and September 2016.
- Within the scope of the protocol signed with the Social Security Institution, The Bağ-Kur (Social Security Organization for Artisans and Self-Employed) Premium Debt Loan product was put into practice for the insured who have accumulated premium debt and can qualify for the old-age pension by paying their premium debts.
- In order to optimize the individual loan application processes and boost sales success, work volumes and customer activities, the “Pre-approved Consumer Loan” product was rolled out to offer a proactive credit limit to customers. This was achieved by performing collective evaluation from the Head Office aimed at those customers receiving a regular salary and a good credit record in the Bank and with other banks and those who have permission to be contacted.
- With regard to fees and commissions obtained from banking services, fees were revised including some service items which had previously been free of charge from some service channels by taking into account the increasing penetration rates in digital banking practices and channel-based costs. The Bank achieved the highest increase in non-interest income in the sector in 2016.
- The housing loan balance amounted to TL 28.8 billion, an increase of approximately 50%, by disbursing TL 14 billion in housing loans (TL 3.6 billion in funds originating from the housing loans balance was not included in the

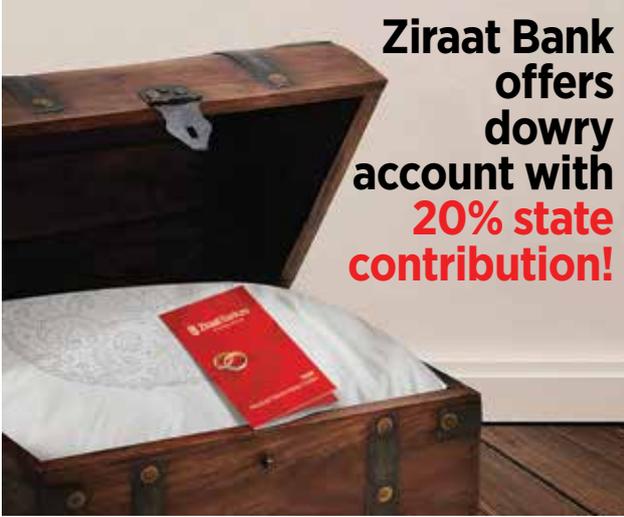
# 50%

THE HOUSING LOAN BALANCE OF ZIRAAT BANK AMOUNTED TO TL 28.8 BILLION, SHOWING AN INCREASE OF APPROXIMATELY 50%.

- calculation). The requirement credit balance amounted to TL 26.2 billion, marking an increase of approximately 9%.
- The Bank updated the Non-Banking Value Segmentation data, which is calculated based on analysis conducted with the aim of improving portfolio quality and supporting the Bank’s revenues, by determining potential value outside the Bank. The updated information for 10.5 million customers was uploaded into the system.
  - A structure was put into place which was aimed at taking instant action for the transactions/account movements of customers. This structure was determined as a result of analysis within the scope of real-time event/action management was commissioned.
  - The Bank, which forms a part of the life-long banking world within the framework of a customer-focused perspective, implemented customer loyalty programs such as “Children Savings at Ziraat”, “Young People’s Savings in Ziraat”, “Employee Savings in Ziraat” and “Pensioner’s Savings in Ziraat”. The website was designed with this perspective. In this context, in addition to the advantages offered by the products and services of the Ziraat Finance Group, discounts and advantages were also provided to customers in non-financial areas within the framework of the cooperation entered into with leading companies of various sectors.

## AN ASSESSMENT OF 2016: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

In 2016, a total of TL 39,258,417,967 was disbursed by Ziraat Bank through 1,564,280 individual loans.



## The Dowry Account

THE DOWRY ACCOUNT HAD A BALANCE OF APPROXIMATELY TL 15.3 MILLION WITH NEARLY 21,000 CUSTOMERS AS OF THE END OF 2016.

- Within the scope of Limitless Banking activities, infrastructure work on recognition for physically disabled customers and for providing support to these customers was completed and commissioned.
- A confirmation structure for e-mail addresses was put into practice to ensure that customer communication data is

correct. Verification e-mails are sent to customers who carry out definition/updating of their e-mail addresses through the branches and the responses from customers who carry out the confirmation are recorded in the system as "confirmed".

- The Dowry Account (Çeyiz Hesabı) and State Subsidized Housing Account products were offered to customers. The Dowry Account (Çeyiz Hesabı) was offered to customers on 18 April 2016 and had a balance of approximately TL 15.3 million with nearly 21,000 customers as of the end of the year. The State Subsidized Housing Account was offered to customers on 26 August 2016 and a total of TL 21 million in housing accounts were opened for over 6,600 customers as of the end of the year.
- In accordance with the Law on Amendment of Certain Laws for the Improvement of the Investment Environment, enacted on 9 August 2016, the cheque product was organized in order to meet all legal requirements and the Findex membership systems, required for customers to request a Cheque with the QR code was completed.

### Continued growth trend in individual loans

Ziraat Bank continued to increase its market share in the individual lending segment during 2016 and continued to reach a large individual customer base through branches and electronic service channels.

In 2016, a total of TL 39,258,417,967 was disbursed by Ziraat Bank through 1,564,280 individual loans.

- An average of TL 754,969,576 per week, through 30,082 loans,
- An average of TL 150,993,915 per day, through 6,016 loans and,
- An average TL 18,874,239 per hour, through 752 loans was allocated throughout the year.

In 2016, a total of 430,054 applications for TL 17,083,560,758 of loans were evaluated in the Allocation Centre, including;

- An average of 8,270 applications for TL 328,530,015 of loans per week,
- An average of 1,654 applications for TL 65,706,003 of loans per day.

In 2016, a total of 117,968 individual loan products, amounting to TL 1,377,688,268 were structured to ensure that customers' individual loans were repaid without any default by linking them to a new payment plan and/or extending their maturity.

### Electronic Service Channels

Ziraat Bank conducts its efficient and high quality service through its wide branch network as well as electronic service channels. The results recorded in this area in 2016 are given below.

### Credit Cards

As of the end of 2016, there were 4 million Ziraat Bank credit cards in circulation, with the Bank commanding a 6.93% market share in terms of the number of credit cards in circulation and a 3.31% market share in terms of turnover.

### Bankkart

At the end of 2016, there were 24.9 million Ziraat Bank-issued debit (bank) cards. On the other hand the Bank is the sector's leader with a 19.83% share in direct-debit payments turnover.

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# 6.93%

AS OF THE END OF 2016, THERE WERE 4 MILLION ZIRAAT BANK CREDIT CARDS IN CIRCULATION, WITH THE BANK COMMANDING A 6.93% MARKET SHARE.

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### TSK Bankkart

TSK Bankkart is a chip-equipped (smart) debit card issued to members of the Turkish Armed Forces. As of 31 December 2016, there were 1.2 million them were in use.

### Genç Bankkart

Genç Bankkart is a chip-equipped (smart) debit card. As of 31 December 2016, there were 2.4 million them were in use.

### Merchant partners and POS units

At the end of 2016, Ziraat Bank commanded;

- 148,000 merchant partners,
- 109,000 POS units,
- 58,000 electronic cash registers (used on merchant partners' premises),
- 2.97% market share for merchant partner turnover.

### Operations Center

Ziraat Bank carried out the operational branch segmentation project in order to reduce its operating costs. In this context, the Bank determined the waiting time, cash counter transaction and out-of-box transaction rate standards applicable to the branches. Service quality and customer satisfaction were enhanced with the standardization of service levels.

The Operations Center, which operates on the basis of increasing efficiency, achieved the following highlights;

- With the exception of rents paid for invoices/receipts, the entry of rental contracts from the Center and the automatic payment of rents on specified dates was rolled out.
- As of 19 February 2016, the project for sending out of the Safe Deposit Box Notices from the Centre was commissioned for all branches (except those in the Turkish Republic of Northern Cyprus), thus rendering the sending of Safe Deposit Box Notices by the branches redundant.
- User identification and password requests for ATM Monitoring and Debit Card Transactions started to be implemented by the Operations Center.
- Documents with an electronic signature delivered by customers to the branches were verified through the "New In-Branch Work Demand Entry" and "Work Demand Entry" screens and sent to the Operation Center.

## AN ASSESSMENT OF 2016: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

**In order to ensure better communication between the Center and branches, the “Punitive Measures Entry” transaction type was added to the entry request screen through Fin@rt workflow, and this software was extended to all branches.**

- In order to ensure the continuity of branch transactions, in the event that branch managers are not present at the branches due to permitted reasons (such as holding a doctor’s report), the authorized personnel will be assigned as a deputy branch manager and have operational authority. This system ensures that this allocation process is performed automatically.
- Within the scope of the project to grant SLA (service-level agreement) to branches when entering requests in transactions with customers, work was completed on showing branch employees the estimated duration of customer transactions carried out in the Center at the moment of the request, through calculations performed on the basis of Branch Segment, Work Type, Priority Selection, Amount, Transaction Number and Customer Number. The pilot application was put into practice in some branches.
- To enable the branches to better track the information and documents related to punitive measures sent through different means such as e-mail and post to the Center and in the event that transactions needing precautions or measures are identified by the branches and to ensure that those transactions are sent to the Center through Fin@rt workflow, the “Punitive Measures Entry” transaction type was added to the entry request screen and this software was extended to all branches.
- In order to rapidly realize demands by simplifying the collective transfer/EFT definition process, the Operations Center started to directly carry out customer demands for collective transfer/EFT definition in the corporate/SME segment.
- In order to reduce bulk intensive operations in the branches, payment collections for Motor Vehicle Tax are performed collectively by the Center. In this scope,

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## Collective transfer/EFT

TO RAPIDLY REALIZE CUSTOMER DEMANDS BY SIMPLIFYING THE COLLECTIVE TRANSFER/EFT DEFINITION PROCESS, THE OPERATIONS CENTER STARTED TO DIRECTLY CARRY OUT DEMANDS FOR COLLECTIVE TRANSFER/EFT DEFINITION.

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- the “Collective MTV Definition” work type under the “Corporate Payment/Payment Collection Procedures” transaction type could be selected on the entry request screen by the branches.
- The practice where employees in the MiY/MiA task force can send work requests directly to the Operations Center were put into practice in all branches.
  - The Operations Center started tracking and carrying out of expense transactions.
  - The Operations Center started to carry out the definition of the “Signature Authority Registration” transactions through the Ministry of Customs and Trade’s Central Registry System (MERSiS) and the pilot application was implemented in some branches.

### Credit and Foreign Trade Operations

- The protocol for the e-mortgage project, where transactions for the establishment of real estate mortgages that will serve as the guarantee for credits to be carried out in an electronic environment was signed with the General Directorate of Land Registry and Cadastre and work on the software for the project got underway. With this project, Ziraat Bank aims to carve out a leading role in the sector as the first bank to carry out mortgage establishment transactions in an electronic environment, as it was for mortgage release transactions.
- The software element of the system development studies, aimed at centralizing institutional credit disbursements, was completed and the real environment tests are continuing. In this vein, the authorized cash loan disbursement procedures of the 3 selected pilot branches have been carried out centrally. All branches are set to be included in the practice by the end of 2017.
- The centralization activities of real estate mortgage collateral entry transactions in corporate loans were completed and 46 branches were included in the pilot application. The practice is planned to be rolled out in all branches in 2017.
- The structuring established for forwarding customers' Credit Guarantee Fund bail requests after being checked centrally reached a capacity sufficient to meet the intensive demand received under the TOBB (The Union of Chambers and Commodity Exchanges of Turkey) Short-term Credit Campaign. Efforts to integrate the Credit Guarantee Fund and the Bank systems in this direction are also continuing.
- Customers could carry out TOKİ installment payments from ATMs; the "TOKİ Support Line" (0850 281 00 00) was launched in November 2016, where customers could call directly and receive information about TOKİ transactions.
- The centralized disbursement transactions of TOKİ interest-free mortgages, which the Bank mediates in, aimed at the families of fallen soldiers, those who have been disabled during the course of warfare and active duty as well as widows and orphans, started in December 2016.

## TOKİ Support Line

"TOKİ SUPPORT LINE" (0850 281 00 00) WAS LAUNCHED IN 2016, WHERE CUSTOMERS COULD CALL DIRECTLY AND RECEIVE INFORMATION ABOUT TOKİ TRANSACTIONS.

- In the first stage, the testing activities and pilot branch practices got underway for the project aimed at carrying out import/export letters of credits and cash against documents transactions of branches operating abroad centrally. Letters of guarantee will also be included within the scope of the project by the end of March 2017. In this context, the London, Tbilisi, Erbil, Jeddah and Athens branches were selected as pilot branches. The foreign trade operations of all foreign branches are planned to be included in the central structure by the end of 2017.

### Quality service and technological solutions in cash management

Ziraat Bank offers quality and technology-oriented products and services within the scope of cash management solutions to meet the needs of its customers.

These solutions, which increase the effectiveness and efficiency of the Bank's customers, contribute to customer satisfaction and loyalty, while helping to reduce operating costs and supporting Ziraat Bank's profitability.

As of the end of 2016, a total of 437 contracted institutions had their invoice and other payments mediated for in Ziraat Bank. The customers are offered ease of payment through ATMs, internet banking, mobile banking and automatic payment channels, as well as through the branches.

Within the scope of the Corporate Collection System, a total of 115.9 million collections were realized in 2016 on behalf of the contracted institutions, with a total of TL 141.5 billion collected.

## AN ASSESSMENT OF 2016: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

### **The number of Ziraat Bank internet banking users increased by 54% in 2016 from 6.3 million at the end of 2015 to 9.7 million at the end of 2016.**

In the Ziraat Bank Direct Debit System (DBS), the number of parent companies that were agreed with in 2016 amounted to 320 with an increase of 25% compared to the last year. In addition, the total volume of collections in the related period stood at TL 2.5 billion increasing by 51%.

In addition, the discounted DBS, which is a derivative product of the Direct Debit System, was commissioned. This provides those companies with a DBS contract with the opportunity of financing before the billing maturity. Within this scope, the notification of discounted electronic and physical bills to the Central Billing Registration System started to be carried out over an online connection. The companies that will use the product were given the opportunity to start the application process by selecting the invoices that they want to discount through internet banking without going to the branch.

Batch invoice statement notifications to dealers of those companies with which the DBS contract was entered into regarding the invoices within the system started to be made. In addition, notifications by SMS and e-mail started to be sent out on the morning of the payment day for maturing invoices.

When it comes to cash management services, Ziraat Bank also offers custom payments specific to customers' needs and electronic cheque/bond collection solutions, a facility to pay private school fees, account movement integrations, online transactions over the internet, pool account and cash collection services.

#### **Digital Banking**

Aiming to meet the needs of different customer groups with the most appropriate products and solutions through the correct channels, Ziraat Bank boasts the largest branch network in Turkey, which intensively and effectively uses digital channels.

The work carried out in this field in 2016 is summarized below.

Customers were able to carry out individual credit and credit card applications through all Ziraat Bank's digital channels without needing to go to a branch. As a result of the work conducted within the scope of digital banking services, the "Ziraat Tablet" application, prepared for tablets, was introduced.

The number of Ziraat Bank internet banking users increased by 54% in 2016 from 6.3 million at the end of 2015 to 9.7 million at the end of 2016. The Bank set up the system allowing Internet Banking customers to log on to the e-Government Gateway with the Internet Banking login information without the need for an e-Government password.

The number of the Bank's customers using mobile banking increased by 104% compared to the previous year with the number of mobile banking users rising from 1.03 million in 2015 to 2.1 million in 2016.

**TOUCHING  
PEOPLES  
LIVES,**

**WE LEAVE OUR MARK**





WE LEAVE OUR MARK

TOUCHING  
PEOPLES'  
LIVES,



## AN ASSESSMENT OF 2016: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

**As of the end of 2016, Ziraat Bank had a total of 6,869 active ATMs, marking an increase of 4.6% when compared to the previous year, while 4,657 of its ATMs offered the facility to deposit money.**

# 104%

THE NUMBER OF THE ZIRAAT BANK'S CUSTOMERS USING MOBILE BANKING INCREASED BY 104% COMPARED TO THE PREVIOUS YEAR WITH THE NUMBER OF MOBILE BANKING USERS RISING TO 2.1 MILLION IN 2016.

The developments in mobile banking transactions continued with a raft of new transaction opportunities offered with the Bankkart, credit card, OGS (Automatic transit system)/HGS (Rapid transit system), credit accounts and payment instructions.

As of the end of 2016, Ziraat Bank had a total of 6,869 active ATMs, marking an increase of 4.6% when compared to the previous year, while 4,657 of its ATMs offered the facility to deposit money.

As a result of the completion and dissemination of recycled ATM operations, the number of recycled ATMs reached 1,702. A purchase tender for 1,000 new ATMs was also carried out and in this context, 200 ATMs, all offering the facility to deposit money, were put into service.

Customers were able to carry out transactions at Ziraat Bank ATMs with the TROY card.

In line with the expansion of ATM transactions, customers were able to pay individual credit and TOKİ credit installments, perform SIM card blocking removal transactions and carry out Bankkart pin transactions from ATMs.

The introduction of the Turkcell Finance Application (ATM allocation program) program with the Turkcell Business Partner P1M1 Company was completed and the program started to be rolled out. The widespread implementation for uploading the updated data by Ziraat Teknoloji is expected.

A working group was established under the Banks Association of Turkey in accordance with the legislation prepared by the Ministry of Family and Social Policy. In this context, the Bank started to work on rendering ATMs suitable for use by disabled customers.

The action plan for branch openings, protocols signed with companies and institutions, locations such as airport-metro-shopping malls where the Bank does not have any presence and the new allocations to be made in line with requirements were determined and the process was begun.

The Bank plans to carry out joint work with the ATM Point company, to install ATMs in locations where there are no ATMs at presence, while the ATM network will be revised to serve at more convenient locations.

### Treasury Management and International Banking

**Ziraat Bank continues to manage the Bank's TL/foreign currency liquidity and securities portfolio under its determined strategy and risk parameters. It acts as an intermediary in a significant proportion of Turkey's international trade with its extensive correspondent cooperation opportunities and plays an active role in the financial markets.**

Ziraat Bank's Treasury Management and International Banking Business Unit conducts its activities with a dynamic and successful asset-liability management strategy in balance sheet management. The Financial Markets

Department, Asset-Liabilities Management and Economic Research Department, Treasury Operations Department and the Financial Institutions Department that was organized into two separate units through the organizational change carried out in August and the Investor Relations Department all operate within the Business Unit.

### **Balance sheet giving priority to real sector financing**

Also in 2016, Ziraat Bank carried out dynamic treasury management in parallel with the economic developments taking place in our country and in the world. The aim was to reduce the degree of market and interest risk that the balance sheet was exposed to by achieving sustainable profitability and customer focused balance sheet management. The Bank's main asset management strategy was focused on the transformation of the balance sheet to one that places weight on real sector financing from a securities portfolio weighted balance sheet structure.

Ziraat Bank's Financial Markets Department provides its customers with spot and forward buying and selling intermediation services for foreign exchange, precious metals, public and private sector bills and bonds, public and private sector Eurobonds. The department also performs transactions in the context of the Bank's balance sheet management in order to manage liquidity, interest and exchange rate risks, performs liquidity management and forms assets and liabilities pricing strategies within the framework of market conditions.

Also in 2016, portfolio management was continued within the framework of Ziraat Bank's main strategy. The share of total TL and foreign currency denominated securities in assets decreased from 21.4% at the end of 2015 to 19.3% by the end of 2016. The Bank's basic asset management strategy was designed to increase the share of loans in the balance sheet, mainly those disbursed to the real sector and to decrease the share of securities. The Bank's securities portfolio is managed by taking into account the risk-return balance; a more balanced asset structure is created while the volume of loans is increased in this framework.

The basic liability management strategy is configured on the diversification and deepening of non-deposit resources as well as the expansion of the deposit base. Within the framework of ensuring diversity in the resource structure

and supporting the extension of the average funding period, the Bank continued to issue TL bills and bonds. In 2016, in return for TL 7.7 billion of redemption, the Bank borrowed TL 7.6 billion.

### **Customer-focused organizational structure**

In 2016, Ziraat Bank's Financial Markets Department undertook a customer-oriented organizational restructuring in line with the Bank's basic strategy and business model. It aimed to produce the most appropriate solutions in the treasury products marketing through customer segmentation. As a result of this new restructuring, eight units started to operate under the Head of Financial Markets Department; Trading Transactions, Investment Portfolio, Money Markets, Derivative Transactions and Precious Metals, Corporate Treasury Solutions, Retail Treasury Solutions, Resource Management Analysis and External Financing.

In addition to the management of the securities portfolio in TL and FX terms, the Investment Portfolio Unit successfully maintained the Bank's position as a market maker in 2016, being one of the Turkish Government Debt Securities (DIBS) Primary Dealer banks as determined by the Turkish Undersecretariat to the Treasury. In addition to its activities in the primary markets, the Unit has been actively engaged in purchase and sale transactions carried out with customers, national banks and international banks. The Unit is also active in secondary markets. As a result of these activities, the Unit continued to record high transaction volume in the Istanbul Stock Exchange Borrowing Instruments Market in 2016.

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## **Bills and bonds**

ZIRAAT BANK CONTINUED TO ISSUE TL BILLS AND BONDS IN 2016. THE BANK BORROWED TL 7.6 BILLION IN RETURN FOR TL 7.7 BILLION OF REDEMPTION.

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## AN ASSESSMENT OF 2016: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

## In 2016, Ziraat Bank's Financial Markets Department undertook a customer-oriented organizational restructuring in line with the Bank's basic strategy and business model.

The Retail and Corporate Treasury Solutions Unit serves the Bank's corporate, entrepreneurial and individual segment customers with spot and forward purchase and sale of foreign exchange, precious metals, repo, deposits and derivative transactions products. Thanks to the Bank's widespread branch network, effective customer relationship management and a successful business model, the volume of foreign exchange transactions carried out with customers increased by 13% YoY in 2016.

The Derivative Transactions and Precious Metals Units provide derivative product services to customers in addition to performing balance sheet management transactions focused on hedging the Bank from interest rate risk. Within this scope, the unit also carries out gold banking activities in order to increase diversity in resource management and increase the effectiveness of the products, promoting savings. As a result of these activities, the volume of gold deposits approached 18 tons during 2016. The conversion of customers' physical gold assets into the savings product through the Gold Time product added 900 kg of gold to the banking system in 2016. Moreover, gold purchase and sale transactions continued to be carried out under investment accounts.

The Monetary Markets Transactions Unit manages the Bank's TL and foreign currency liquidity. It performs placement, borrowing, repo and money swap transactions for the purpose of balance sheet management in national and international monetary markets. These transactions were also carried out successfully in 2016 in line with the growth in Ziraat Bank's balance sheet, within the framework of cost and yield optimization.

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# 13%

THE VOLUME OF FOREIGN EXCHANGE TRANSACTIONS CARRIED OUT WITH CUSTOMERS INCREASED BY 13% YOY IN 2016.

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The Trading Operations Unit performed the exchange rate pricing pertaining to the year 2016 for customers mostly in the corporate segment, recording an increase in volumes. Having increased its share in the sector by offering purchase-sale pricing on the basis of TL and foreign currency to many national and international banks, the Unit aims to increase its trading volume and profitability in the interbank market as well as deepening its customer base next year.

As well as monitoring the Bank's distribution and development of deposits and non-deposit resources and performing detailed cost calculations, the Resource Management Analysis Unit continues to carry out new product development activities through sector research. In this context, in 2016, dowry and housing account products were developed in order to create deposit diversity and encourage long-term savings.

Within the framework of cooperation with the International Finance Institutions (IFI) and the execution of the relations, the Foreign Finance Unit seeks external resources to be

## Ziraat Bank's syndication loan was renewed on 4 April 2016 with the participation of 42 banks from 19 countries with a maturity of 367 days and amounting USD 240.5 million and EUR 762 million.

disbursed, especially to the Bank's customers in the SME segment with the aim of diversifying the Bank's strong funding structure. Within the framework of the projects carried out with the European Investment Bank, an agreement was entered into with the European Investment Bank for EUR 100 million in 2016, in the first tranche of the EUR 200 million in loans aimed at financing SMEs and larger customers.

### **Strengthening its leading position with funding obtained from international markets**

Ziraat Bank's syndication loan, which was provided in USD and Euro terms in March 2015, was redeemed. The credit was renewed on 4 April 2016 with the participation of 42 banks from 19 countries with a maturity of 367 days and a cost of Libor+0.85% and EURIBOR+0.75%, with USD 240.5 million and EUR 762 million. The coordinating bank for the transaction was the Bank of America Merrill Lynch International Limited.

This transaction, which was aimed at diversifying Ziraat Bank's strong funding structure, was the fourth borrowing transaction obtained by the Bank by means of syndication from international markets for the purpose of financing foreign trade.

Ziraat Bank will continue to actively support its customers in the area of financing foreign trade through its expanding and diversified range of financial products and services.

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## EUR 200 million

AN AGREEMENT WAS SIGNED WITH EIB FOR EUR 100 MILLION IN 2016, BEING THE FIRST TRANCHE OF THE LOAN FOR EUR 200 MILLION.

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### **Updating of the GMTN (Global Medium Term Note) Program**

The Bank's USD 4 billion GMTN program was updated on 14 March 2016, in line with the diversification of Ziraat Bank resources, the efforts to obtain cost-effective and long-term resource from international capital markets. In this scope, the Bank issued a foreign bond (Eurobond) with a maturity of 5 years with an amount of USD 500 million on 29 April 2014. The issuance, which matures on 25 April 2021, carries a six-monthly coupon with a coupon rate of 4.75%.

Within the GMTN program, which allows issuances in different currencies and of varying maturities, in 2016, foreign resources were provided through the "private placement" issuance of approximately USD 103 million.

AN ASSESSMENT OF 2016: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

**Within the GMTN program, which allows issuances in different currencies and of varying maturities, in 2016, foreign resources were provided for approximately USD 103 million.**

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**21%**

THE NUMBER OF ZIRAAT BANK CUSTOMERS WHO CARRIED OUT FOREIGN TRADE TRANSACTIONS INCREASED BY APPROXIMATELY 21% YOY.

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**A service network creating value in foreign trade transactions**

Ziraat Bank has a strong and respected position in the international banking field with its extensive service network established on solid foundations around the world, strong correspondence relationships established with financial institutions and banks and strong funding base.

As of the end of 2016, Ziraat Bank had correspondent relations with approximately 1,800 banks in more than 130 countries.

Diversifying its wide correspondent bank network in line with customer demands and the conjuncture and trends in the world economy, Ziraat Bank offers its customers global brokerage services and tailor-made business solutions for all kinds of foreign trade transactions of.

One of the main reasons behind Ziraat Bank's increasing popularity in foreign trade transactions is the high quality of its services and products with the strong value-added it offers, as well as a synergistic and sustainable cooperation with its correspondents.

Ziraat Bank's share in Turkey's foreign trade volume continued to rise steadily and the Bank maintained its place among the leading banks in this field in 2016. Despite the contraction in the country's foreign trade, the Bank's foreign trade volume grew by 14%. The number of Ziraat Bank customers who carried out foreign trade transactions increased by approximately 21% YoY and more than 160 country transactions were mediated in during this period.

Ziraat Bank offers products such as letter of credit discount, draft discount with a bill of guarantee to meet the needs of financing foreign trade and provides medium and long term country loans to its customers by working closely with Export Insurance Institutions such as Hermes, Coface, Serv and Sace.

Thanks to its extensive correspondent network, Ziraat Bank has been able to easily access alternative sources of funding at affordable costs and conditions during each period. The Bank aims to sustain and build on this success by adding new financing methods that will be further diversified in the years to come.

**Continuing to strengthen its position abroad, Ziraat Bank ensures its presence is more effective in the regions where it sees a strategic necessity to become a global bank and maintains its efforts to exist in new countries.**

#### **The most extensive service network of any Turkish bank**

Ziraat Bank operates at 99 points in 19 countries in the world. Ziraat Bank has a wide international network of services consisting of 8 international subsidiary banks, 23 international branches, 5 sub-branches and one representative office.

Continuing to strengthen its position abroad, Ziraat Bank ensures its presence is more effective in the regions where it sees a strategic necessity to become a global bank and maintains its efforts to exist in new countries.

Ziraat Bank's global service points are composed of the following as well as 8 foreign subsidiary banks.

- The New York Branch in the US,
- The London Branch in the UK,
- The Tbilisi Branch and Batumi and Marneuli sub-branches in Georgia,
- In Bulgaria, the Sofia Branch and the Plovdiv, Kardzhali and Varna sub-branches,
- In Greece, the Athens, Komotini (Gümülcine), İskeçe and Rhodes branches,
- In Iraq, the Baghdad and Erbil branches,
- The Jeddah Branch in Saudi Arabia,
- In the Turkish Republic of Northern Cyprus, the Nicosia, Girne, Gazimağusa, Güzelyurt, Gönyeli, Akdoğan, Near East University, Karaoğlanoğlu, Karakum and İskele branches,
- The Pristina Branch in Kosovo,
- The Bahrain Branch,
- The Tehran Representative Office in Iran.

## **19 countries, 99 points**

ZIRAAT BANK OPERATES AT 99 POINTS IN 19 COUNTRIES WITH 8 INTERNATIONAL SUBSIDIARY BANKS, 23 INTERNATIONAL BRANCHES, 5 SUB-BRANCHES AND ONE REPRESENTATIVE OFFICE.

#### **International Branch Banking**

The International Branch Banking work has been carried out with the following main objectives in line with Ziraat Bank's international banking strategy and vision:

- to unwaveringly increase effectiveness in the countries where there are operations,
- to contribute to the development of trade and economic relations between these countries and Turkey,
- to play a strong role and secure a high share in the financing of foreign trade,
- to provide fast, modern and quality services to all customers in the geographical areas where there are operations, principally our country's entrepreneurs and companies,
- to create effective synergies within the framework of the "Ziraat Finance Group" understanding.

## AN ASSESSMENT OF 2016: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

**Ziraat Bank aims to play an important role in the development of foreign trade between the country's economy and countries, facilitating access to finance and strengthening economic relations.**

**Ziraat is always with you, wherever you are in the world.**

In line with the slogan of "Ziraat is always with you, wherever you are in the world", Ziraat Bank aims to play an important role in the development of foreign trade between the country's economy and countries, facilitating access to finance and strengthening economic relations.

Taking advantage of the current and potential opportunities in each geographical region in which it operates, Ziraat Bank continues to work to become the strongest and most effective bank in Turkey and the region in the coming period.

In this context, the developments of the year 2016 are summarized below:

Ziraat Bank's new point in the Gulf region, the **Bahrain Branch**, began operations on 28 November 2016. The aim of the branch is to contribute to the development of trade between the Gulf region and Turkey.

In line with the dynamics and requirements of the London financial center, the **London Branch** reshaped the range of products and services in a manner which increases its effectiveness, particularly in the areas of structured financing and the financing of foreign trade.

In the **TRNC** (Turkish Republic of Northern Cyprus), customer and market oriented activities have been carried out with 10 branches by expanding the product range and continuously increasing service quality. The branches in the TRNC, where all of the banking services offered in Turkey are available, continue to provide an important contribution to the economic development of the country.

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# Bahrain

ZIRAAT BANK'S BAHRAIN BRANCH BEGAN OPERATIONS ON 28 NOVEMBER 2016.

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In addition, technological cooperation work was initiated with the TRNC Ministry of Economy and Energy and the Small and Medium Enterprises Development Center (KOBİGEM). This cooperation is aimed at facilitating access to finance for small and medium-sized enterprises operating in the TRNC. The work is targeted to be completed in the first half of 2017.

In **Greece**, services are provided through four branches; Athens, Komotini (Gümülcine), İskeçe and Rhodes. Ziraat Bank aims to continuously expand the banking products and services offered to its customers in the country, from corporate loans to retail banking.

In **Bulgaria**, four branches are operating in Sofia, Plovdiv, Kardzhali and Varna under the Bulgarian Administration. In the field of branchless banking and alternative distribution channels, efforts to expand ATM and internet banking services are continuing.

## Ziraat Bank fulfills its basic responsibility for human resources by offering accurate and fair wages, modern working conditions and individual development possibilities.

Ziraat Bank began serving in Baghdad, **Iraq**, where the first branch was opened in 2008. This was followed by the Erbil Branch on 14 February 2011, which was the first branch of a Turkish bank to open in the city. In 2016, the Bank continued to mediate in the collateral letter transactions of Turkish contracting companies operating in the region and the transfer transactions of Turkish companies and Turkish workers working in Iraq.

In **Georgia**, the Tbilisi Branch has been operating since 2001 in line with the Bank's main objective and strategy of increasing regional strength and growth in the near geographical area. In addition, the Batumi Sub-branch was opened in 2013. Work on opening a third branch in the country, in Marneuli, was completed and the Marneuli Branch was opened for business on 18 July, 2016.

**Saudi Arabia**, the Jeddah Branch opened its doors on 14 March 2011. Efforts are continuing to expand the range of products and services offered at the branch with the aim of meeting the banking needs of Turkish and Saudi corporate and individual customers operating in the country, primarily the collateral letter needs of Turkish contractors.

In **Kosovo**, the Pristina Branch began operation on 8 June, 2015. The branch serves the corporate and individual customer base in the country with its extensive product range.

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# 25,015

AS OF 31 DECEMBER 2016, THERE WERE A TOTAL OF 25,015 EMPLOYEES AT ZIRAAT BANK.

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### Human Resources and Training

The most important capital of Ziraat Bank is the human resources that make up the intellectual power. The Bank is focused on implementing the most contemporary practices possible in the human resources field, creating new jobs and transferring resources to training and development of human resources.

Supporting its employees through their careers with the philosophy of continuous development, Ziraat Bank fulfills its basic responsibility for human resources by offering accurate and fair wages, modern working conditions and individual development possibilities.

Ziraat Bank continued to implement its contemporary human resources management system also in 2016.

### Highlights of Ziraat Bank's demographic structure...

- As of 31 December 2016, there were a total of 25,015 employees at Ziraat Bank.
- Ziraat Bank hired 807 new staff in 2016.
- 87% of Ziraat Bank employees graduated from higher education institutions with undergraduate degrees or diplomas, graduate degrees or doctorates.
- The average age of the Bank's employees is 34.8, with employees having served an average of 10.5 years in the Bank.

## AN ASSESSMENT OF 2016: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

**Ziraat Bank's e-learning programs had 226,942 participants in 2016. The e-learning saved as much paper as would have come from 342 trees in 2016.**

### 2016 training activities

**Ziraat Bank organizes continuous training programs aimed at giving staff the competencies required by the positions of human resources.**

**In 2016, a total of 25,015 personnel were given an average of 36.86 hours of training per staff member.**

In 2016, training was provided under the main headings of:

- "First Step Training" for those who had newly joined Ziraat Bank, to help them recognize the Bank, to adapt to the corporate culture and to acquire the necessary basic knowledge and skills,
- "Development Training" to meet the training needs in line with the objectives and strategies of the Bank or to convey new product/service/legislation information,
- "Career Training" with the aim of providing the knowledge and skills required by the position that they are in charge of and preparing them for a higher position,
- "Legal Obligations Training" in connection with the legislation.

### Low cost, fast and widespread E-learning

E-learning allows training to be provided to personnel without the loss of manpower at low cost and in a short period of time. It allows access to training from the workplace or the home, allowing people to train at their own learning speed, while supporting in-class training.

Ziraat Bank's e-learning programs had 226,942 participants in 2016 with an average of 19.6 hours of e-learning provided in e-tutorials per user is 19.6 hours. The most popular courses were Treasury Management and the International Banking Promotion Exam, Basic Accounting and Basic Economics. In addition, 1,000 Branch Managers and 778 Manager Candidate Program participants completed the "Credit E-Simulation Training".

The e-learning saved as much paper as would have come from 342 trees in 2016.

### Support to train future bankers with internship opportunities

In the 2015-2016 academic year, Ziraat Bank provided vocational skills training to 1,187 high school students and 38 university students and internship opportunities to 2,853 university students.

Ziraat Bank's Education Statistics for 2016 are given in the table below.

Number of Real Persons Participating in Training	25,015
Number of Programs	1,033
Average Training Time per Employee	36.86
Total Training Expenses/Annual (TL)	6,227,255

**FOR OUR  
COUNTRY,**



**WE LEAVE OUR MARK**



WE LEAVE OUR MARK FOR OUR COUNTRY



Gebze-İzmir Highway

## SOCIAL RESPONSIBILITY AND PUBLIC RELATIONS

**Ziraat Bank has been providing continuous support to culture and the arts for 153 years by acting in the spirit of social sharing.**

Ziraat Bank continued its efforts to implement social sharing projects in 2016 in areas from culture and the arts to education, health care and sport.

Implementing projects that aim to develop individuals and society and which will contribute to the cultural accumulation of society, Ziraat Bank carries forward its social responsibility mission one step further every year.

### **Promotional activities in 2016**

As in the past 7 seasons, Ziraat Bank sponsored the Turkish Cup in the 2016/2017 football season. At the same time, the Bank continued to support the sports club which has successfully represented the Ziraat brand in the Men's Efeler League since the 2007/2008 season, by being a sponsor.

During this period, impressive stories of "people not satisfied with their existence who want to do more" are referred to in the television commercial prepared for Ziraat Bank's 153<sup>rd</sup> anniversary. The commercial also referred to how the Bank strives to offer this country and its people something more than just being a bank. In addition to the 153<sup>rd</sup> anniversary commercial, the opening film of the Yavuz Sultan Selim Bridge, part financed by the Bank along with 6 financiers, was watched with great pleasure, attracting wide coverage in both written and social media. Ziraat Bank received the award of "The Most Loved Bank of 2016", handed by Lovemark, in recognition all the activities it carried out in 2016.

### **Supporting art is a tradition at Ziraat Bank.**

Ziraat Bank continues to carry out various activities in all areas of the arts with the aim of passing our culture and values to the next generation in the most appropriate way.



ZIRAAT BANK RECEIVED THE AWARD OF "THE MOST LOVED BANK OF 2016", HANDED BY LOVEMARK IN BANKING CATEGORY.

Ziraat Bank has integrated the importance that it attaches to art and artists since its establishment with the slogan of "In Art for Art". Some of the milestones in the support that it has extended to art since the 1990's include presenting the Kuğulu, Tunnel and Kızıltan Ulukavak Art Galleries for art lovers.

A total of 32 exhibitions were opened in the Kuğulu Art Gallery in Ankara and the Istanbul Tunnel Art Gallery in 2016, which attracted more than 25,000 visitors.

**Ziraat Bank is actively involved in social media channels, as it seeks how to best meet demand and the expectations of its customers in every platform where they are located and to keep customer satisfaction at the highest level.**

The “State Theaters at Ziraat Stage” which was executed under the cooperation of the General Directorate of State Theaters and Ziraat Bank extends its support for culture and the arts to the field of theatre.

#### **The First Banking Museum**

The Ziraat Bank Museum, opened on 20 November 1981, is located in the Hall of Honor of the historic headquarters building in the Ulus district of Ankara. The museum, which exhibits 153 years of deep-rooted history of the Bank, that has witnessed every stage of the Republic, was the first Banking Museum to be opened in Turkey.

The Ziraat Bank Museum exhibits the commercial, economic, political, cultural, artistic and educational changes that the Turkish banking system has undergone since its establishment to the present day. It also illustrates the development of the banking system from past to present. The museum exhibits many antique artefacts, which includes some that are used in the banking system, in a historical setting.

#### **Field surveys for performance measurements**

Using the corporate identity in accordance with Ziraat Bank’s standards, all Ziraat Bank branches received visits in 2016 within the scope of Visual Identity Supervision activities which are being carried out with the aim of correctly perceiving the Ziraat brand image by customers, integrating corporate identity standards into all environments and preventing errors.

In 2016, Secret Customer Program studies continued with visits to all branches. Within this scope, performance evaluations were carried out over the extent that Bank employees comply with the standards set by the business

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# 1,500,000

THE ZIRAAT BANK FACEBOOK PAGE, ONE OF THE MOST EFFECTIVE SOCIAL MEDIA PAGES IN THE SECTOR, REACHED OVER 1,500,000 LIKES BY THE END OF 2016.

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objectives, the level of effort they have demonstrated in acquiring new customers and how they reflect their product knowledge to the customers.

#### **Ziraat Bank in Social Media**

Ziraat Bank is actively involved in social media channels, as it seeks how to best meet demand and the expectations of its customers in every platform where they are located and to keep customer satisfaction at the highest level.

**The Ziraat Bank Facebook** page, one of the most effective social media pages in the sector, reached over 1,500,000 likes by the end of 2016.

Ziraat Bank’s effectiveness in social media is increasing day by day:

- **Twitter:** More than 190,000 followers,
- **Instagram:** About 80,000 followers,
- **YouTube:** Over 16,000,000 views.

#### **Other activities**

In 2016, Ziraat Bank contributed to implement projects that are important for our country by sponsoring in a number of fairs opened both in Turkey and abroad.

## ZIRAAT BANK'S SUBSIDIARIES IN 2016

**Ziraat Bank's main objective is to increase the total assets and profits of its subsidiaries within the Ziraat Finance Group in the medium term and to offer its services under the Ziraat Finance Group's roof.**

### **A strategy focused on sustainable profitability and growth**

Ziraat Bank's corporate participation strategy is to ensure sustainable profitability and growth under the roof of Ziraat Finance Group. In this context, the Bank has set out the following main strategies:

- to maximize the synergies between domestic subsidiaries operating in different sectors and foreign subsidiaries spread over a wide geographical area,
- to ensure that each subsidiary is the most popular among its customers as well as being the most profitable in their respective sectors.

The Bank's main objective is to increase the total assets and profits of its subsidiaries within the Ziraat Finance Group in the medium term and to offer its services under the Ziraat Finance Group's roof.

Ziraat Bank regularly evaluates organic and inorganic growth alternatives in all countries and sectors where it identifies potential based on profitability and efficiency, in line with its strategy and goals.

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## Ziraat REIT

ZIRAAT REIT, THE NEW MEMBER OF ZIRAAT FINANCE GROUP, STARTED OPERATIONS IN 2016.

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Within this scope, Ziraat REIT, which has a paid-in capital of TL 1,300 million with all of its capital owned by Ziraat Bank, was established on 1 November 2016.

Also in 2016;

- The paid-in capital of ZiraatBank BH d.d., operating in Bosnia and Herzegovina, was raised by 40 million BAM in cash to 140 million BAM.
- Ziraat Portföy Yönetimi A.Ş.'s paid capital was raised to TL 12.5 million.

## International Subsidiaries

### Ziraat Bank International AG

Ziraat Bank International AG has been serving its corporate and customers from a wide range of individual segments with its branches in Germany for 52 years and from the Istanbul Representative Office, which entered operation in April 2014.

As of the end of 2016, Ziraat Bank International AG had a paid capital of EUR 130 million, equity of EUR 199.7 million, total assets of EUR 1,676 million, loans of EUR 1,570 million and total deposits of EUR 1,451 million. In 2016, the bank's net profit stood at EUR 15.1 million, growing by 10.8% YoY, with 23.4% YoY growth in loans.

### ZiraatBank BH d.d.

ZiraatBank BH d.d., which began its activities in 1997, was Bosnia and Herzegovina's first bank to be owned by foreign capital.

ZiraatBank BH d.d., which provides services through 31 service units and 53 ATMs throughout the country, had total assets of USD 462 million, loans of USD 342 million, deposits of USD 273 million and equity of USD 84 million at the end of 2016. The bank wrote a profit of USD 106,000 for the 2016 full year. In order to provide better quality service to its customers, the bank was relocated to a new service building in February 2016. The banking system was renewed and the paid capital increased by 40 million BAM to 140 million BAM.

### Ziraat Bank Montenegro AD

Ziraat Bank Montenegro AD, which was granted a permit to conduct banking activity by the Montenegro official authorities in April 2015, began offer services in July 2015.

The bank operates in the Head Office and the Podgoritsa Branch in the capital Podgoritsa. Ziraat Bank owns all the shares of the bank that has a capital of EUR 10 million. As of the end of 2016, the bank's total assets amounted to USD 42.4 million, loans amounted to USD 34.2 million and deposits amounted to USD 11.2 million.

### Ziraat Bank Azerbaijan ASC

Ziraat Bank Azerbaijan ASC acquired its banking license as of 30 December 2014 and began its operations in July 2015.

Established to provide services mainly in the field of corporate banking, Ziraat Bank Azerbaijan ASC operates from its Head Office in Baku as well as the İçerişehir Branch. All of the shares of the bank, which has USD 28.2 million of paid-in capital (AZN 50 million), belong to the Ziraat Finance Group, held by Ziraat Bank (99.98%) Ziraat Sigorta A.Ş. (0.01%) and Ziraat Yatırım Menkul Değerler A.Ş. (0.01%). As of the end of 2016, the bank's total assets stood at USD 74.2 million, with loans of USD 30.5 million and deposits of USD 29.9 million. The bank wrote a net profit of USD 3.4 million in 2016.

### Ziraat Bank (Moscow) JSC

Ziraat Bank (Moscow) JSC began operations in Moscow in 1993.

Operating mainly in the corporate banking sector, the bank achieved remarkable growth in 2016, with its total assets increasing by 60% YoY, its deposits by 204% YoY, its loans by 13% YoY and its net profit by 114% in local currency terms. As of the end of 2016, its assets amounted to USD 90.7 million, with total loans of USD 29.8 million and a net profit of USD 2.4 million.

## ZIRAAT BANK'S SUBSIDIARIES IN 2016

### Ziraat Bank's international subsidiary banks are operating in Germany, Bosnia and Herzegovina, Montenegro, Azerbaijan, Russia, Kazakhstan, Turkmenistan, and Uzbekistan.

#### **Kazakhstan Ziraat International Bank (KZI Bank)**

KZI Bank was established in 1993 as the first bank with foreign capital in Kazakhstan with its head office in Almaty. The bank provides services to customers in the corporate and retail banking fields through its branches in the cities of Almaty, Astana, Shymkent and Aktau.

As of the end of 2016, the bank's assets amounted to USD 172.7 million, with equity of USD 70 million and a net profit of USD 7.1 million. The bank's loan portfolio amounted to USD 93.2 million with customer deposits of USD 101 million at the end of 2016.

#### **Turkmen Turkish JSC Bank**

Turkmen Turkish JSC Bank, Turkmenistan's first bank with foreign capital, was established in 1993 with the equal participation of Ziraat Bank and Dayhan Bank.

Operating in Turkmenistan's major cities with 268 staff, the bank reached an asset size of USD 279.6 million in 2016 and net income of USD 3.9 million. The bank offers all banking products and services to its corporate, SME and individual segment customers.

#### **UTBANK JSC**

UTBANK JSC, Uzbekistan's first bank with foreign capital, was established in 1993 in Tashkent with a Category 1 banking license, with the equal participation of Ziraat Bank and Agrobank (Uzbekistan).

The bank provides all banking products and services in the corporate and retail banking fields to its customers at international quality standards and the quality of the bank's operations were certified with ISO 9001: 2008 certification in 2016. In 2016, the bank's loan amounted to USD 36.3 million, total assets amounted to USD 74.3 million, deposits amounted to USD 35.9 million and net profit stood at USD 3.1 million.

Currently operating with the Central Branch and Yunusabad Branch in Tashkent, the bank will increase its operating points to seven when the branches and offices in the Samarkand and Fergana provinces are opened in 2017, in line with its growth vision.

## Domestic Subsidiaries

### Ziraat Sigorta A.Ş.

Ziraat Sigorta was established on 11 May 2009 and began its insurance activities in 2010. The company succeeded in becoming an exemplary company in the sector, maintaining sustainable growth and profitability while commanding a leadership position in the premium generation of banking insurance.

Having completed its seventh year of operation, Ziraat Sigorta maintained its steady development in 2016 and achieved a 43% YoY increase in premium generation to approximately TL 1,338 million. This places it 8<sup>th</sup> in terms of premium generation in the sector among companies operating in the non-life branches.

As of the end of December 2016, the company commanded an asset size of TL 838 million and an equity capital of TL 265 million. The company's net profit increased by 48% YoY to TL 129 million during 2016.

### Ziraat Hayat ve Emeklilik A.Ş.

Ziraat Hayat ve Emeklilik A.Ş., which obtained the permission for its establishment in 2009, started to offer products in the life and personal accident insurance branches at the beginning of 2010 and in the Individual Pension branch in July 2011. The company has led the sector in terms of premium generation from life insurance policies since its establishment. The company realized TL 1,084 million of premium generation during 2016, achieving a market share of 21%.

In its Individual Pension System, Ziraat Hayat ve Emeklilik A.Ş. recorded a fund volume of TL 2,375 million, marking an increase of 63% and the number of participants stood at 513,000, an increase of 32%. As of the end of December 2016, the company's total assets stood at as TL 3,792 million and its equity at TL 394.1 million, while it recorded a net profit of TL 231.6 million.

### Ziraat Finansal Kiralama A.Ş.

Founded in 1991, Ziraat Finansal Kiralama A.Ş. has been one of the leading companies in the sector with an asset size of approximately TL 2.4 billion, net rent receivables of TL 2.2 billion and a net profit of approximately TL 30 million in 2016.

### Ziraat Yatırım Menkul Değerler A.Ş.

Founded in 1997, Ziraat Yatırım operates with one central branch and six liaison offices. In 2016, the company realized transaction volume of TL 29.6 billion in the Istanbul Stock Exchange Certificates of Stock Market, TL 10.2 billion in the Derivatives Exchange Market and TL 78.6 billion in the Repo-Reverse Repo and Bond and bills Markets.

Within the scope of corporate finance services, Ziraat Yatırım maintained its effective position by intermediating in private sector bonds and bill issuance worth TL 7.9 billion aimed at qualified investors in 2016. As of the end of the year, the company's equity amounted to TL 99.7 million.

## ZIRAAT BANK'S SUBSIDIARIES IN 2016

**Ziraat Bank's domestic subsidiaries provide services in a wide range of areas including insurance, private pensions, financial leasing, investment banking, portfolio management, IT, participation banking, and real estate investment trust.**

**Ziraat Portföy Yönetimi A.Ş.**

Ziraat Portföy Yönetimi was founded in 2002. The company, which provides management services as a proxy to the investment portfolios consisting of capital market instruments, has a capital of TL 12.5 million. Ziraat Portföy Yönetimi obtained the authority to be a fund founder in 2015 and is now the founder of 21 investment funds and manager of 13 pension investment funds, together with interest-free funds.

The company's assets under management rose from TL 7.5 billion in 2015 to TL 9.9 billion in 2016, an increase of 32.63% compared to the previous year. The company increased its size in the Private Asset Management (Individual & Legal) from TL 2.8 billion to TL 3.4 billion, achieving 20.83% growth and maintaining its position as sector leader.

When investment funds and pension funds are also included, the company was ranked 5<sup>th</sup> among all managed portfolios in terms of size, increasing its market share from 7.64% to 8.16%.

**Ziraat Teknoloji A.Ş.**

Since its establishment in 2001, Ziraat Teknoloji has been providing information technology services to Ziraat Bank and its domestic/foreign partnerships in the fields of application development, systems management, project management and technology consultancy.

Ziraat Teknoloji continues its activities in the Technology Development Zone (Teknopark) located in the Yıldız Technical University campus. It plays an important role in the projects carried out by the Ziraat Finance Group

thanks to its competence in the field of technology with the software and applications that it developed in line with the requirements of ISO 9001, 22301 and 27001 standards.

The company completed the Ziraat Finance Group's Data Center this year and also started a new banking software development project for the entire finance group.

**Ziraat Katılım Bankası A.Ş. (Ziraat Participation)**

Ziraat Participation entered operation on 29 May 2015.

Ziraat Participation listens to its customers in all situations, in line with the principles of participation banking and works to a basic philosophy of providing solutions specific to them. As well as operating for its customers and shareholders, the bank also carries out work to add value to society and all stakeholders. A total of 99.99% of the bank's shareholders' equity capital, amounting to TL 764 million, belongs to Ziraat Bank. As of the end of 2016, the bank's total assets stood at TL 8 billion, with loans of TL 6 billion and a profit of TL 31 million.

**Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş. (Ziraat REIT)**

Ziraat REIT began operations on 1 November 2016. Ziraat Bank owns all of the shares of the company, which has a paid capital of TL 1,300 million. The company's asset structure includes some important real estate projects, especially the Ziraat Finance Group projects. The Istanbul Financial Center project, initiated to bring Istanbul to the status of being a regional and global financial center, has a total construction area of 426,000 m<sup>2</sup> consisting of two towers of 40 and 46 floors, rising from a 27,195.5 m<sup>2</sup> plot.

**FOR THE  
FUTURE,**

**WE LEAVE OUR**



**MARK**



FOR THE  
FUTURE,  
WE LEAVE OUR  
MARK



**Kemerköy Thermal Power Plant**

## CHANGES IN THE ARTICLES OF ASSOCIATION IN 2016

Pursuant to a resolution passed at an ordinary general meeting held on 30 March 2016, the Bank's paid-in capital was increased to TL 5,100,000,000.00 by the amount of TL 100,000,000.00, of which TL 28,000,000.00 was from internal resources and TL 72,000,000.00 consisted of a cash injection. This share capital increase was registered on 5 May 2016 and was announced in the 9071 issue of the trade registry gazette on 9 May 2016. Concerning this matter, the Bank's articles of association were also amended as indicated below.

### **Article 6 (previous version)**

**Article 6-** The capital of the Bank is 5,000,000,000.- Turkish Lira. All of the capital is owned by the Undersecretariat of the Treasury of the Republic of Turkey. The Bank's former capital of 2,500,000,000.- Turkish Lira was paid up. This time, the increased amount of 2,500,000,000.- Turkish Lira consists of 543,482,000.- Turkish Lira of paid-in capital inflation adjustment difference, 90,120,700.- Turkish Lira of year 2003's net profit inflation adjustment difference and 1,191,397,300.- Turkish Lira of previous periods' net profit. Of this total, 675,000,000.- Turkish Lira was committed as cash and without collusion by the Treasury and was paid up before the registration date.

### **Article 6 (new version)**

**Article 6-** The capital of the Bank is 5,100,000,000.-Turkish Lira. All of the capital is owned by the Undersecretariat of the Treasury of the Republic of Turkey. The Bank's former capital of 5,000,000,000.-Turkish Lira was paid up. This time, the increased amount of 100,000,000.- Turkish Lira consists of 28,000,000.-Turkish Lira of previous periods' net profit. Of this total, 72,000,000.-Turkish Lira was committed as cash and without collusion by the Treasury and was paid up before the registration date.

# THE REPORT ON COMPLIANCE OF ANNUAL REPORT



## CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

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

### **Auditor's Report on the Board of Directors' Annual Report within the Scope of Independent Audit Standards**

We have audited the annual report of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (the "Bank") and its consolidated subsidiaries (collectively referred to as the "Group") for the period ended 31 December 2016.

#### *Board of Directors' responsibility for the Annual Report*

The Bank management is responsible for the fair preparation of the annual report and its consistency with the consolidated and unconsolidated financial statements ("financial statements") which are issued in accordance with the "Regulation on Principles and Procedures Regarding Preparation and Promulgation of Annual Reports by Banks" published in Official Gazette No. 26333 dated 1 November 2006 and Article 514 of Turkish Commercial Code ("TCC") No. 6102 and "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, other regulations on accounting records of Banks published by BRSA, circulars and interpretations published by BRSA, and Turkish Accounting Standards for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of the annual report.

#### *Independent Auditor's Responsibility*

Our responsibility is to express an opinion on whether the financial information in this annual report is consistent with the Bank's financial statements and reflects the truth, based on our independent audit of the Bank's annual report within the scope of "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015 and article 397 of the TCC.

Our independent audit was conducted in accordance with Independent Auditing Standards ("ISA") that are part of Turkish Standards on Auditing published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information in the annual report is fairly presented and consistent with the financial statements.

An independent audit requires applying audit procedures to obtain audit evidence on the historical financial information. The procedures selected depend on the professional judgement of the independent auditor.

We believe that the independent audit evidences we have obtained during our independent audit, are sufficient and appropriate to provide a basis for our opinion.

## THE REPORT ON COMPLIANCE OF ANNUAL REPORT



### *Opinion*

Based on our opinion, the financial information in the annual report of the Board of Directors of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. is consistent with the audited financial statements and presented fairly, in all material.

### **Other Responsibilities Arising from Regulatory Requirements**

Pursuant to subparagraph 3 of Article 402 of the TCC No. 6102, within the context of ISA 570 "Going Concern", we have not encountered any significant issue which we are required to be reported with regard to the inability of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. to continue its operations for the foreseeable future.

Pwc Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

A handwritten signature in blue ink, appearing to read "Didem Demer Kaya", is written over a faint, light blue grid background.

Didem Demer Kaya, SMMM  
Partner

Istanbul, 17 February 2017

**MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES**

## ZIRAAT BANK BOARD OF DIRECTORS



From left to right: (First row) Muharrem Karalı, Hüseyin Aydın, Yusuf Dağcan, (Second row) Feyzi Çutur, Salim Alkan, Mustafa Çetin, (Third row) Cemalettin Başlı, Deniz Yılmaz, Metin Özdemir, Mehmet Hamdi Yıldırım

**MUHARREM KARSLI**

Chairman of the Board  
Member of the Audit Committee

Muharrem Karslı graduated from İstanbul University (Faculty of Economics, Department of Business Administration and Finance) in 1959, where he later completed a master's degree in money and banking. As he worked as an assistant inspector and inspector at T. İş Bankası from 1965 until 1974, he also pursued one-year research studies in banking in the UK and France. Based on his research studies, he introduced ATM devices to Turkey for the first time in 1972. In 1974, he set up the Securities Department at the same bank, a first in the Turkish banking industry, and continued to lead this process for 11 years until 1985. In 1985, he assumed the duty of establishing İstanbul Stock Exchange and served as its chairman for 5 years. During his presidency, he established İMKB Settlement and Custody Centre (Still TAKASBANK A.Ş.). He subsequently established his own brokerage firm, which he transferred 10 years later in 2001. On 3 November 2002, he was elected as a member of the Parliament representing İstanbul during the 22<sup>nd</sup> government of the republic. During his employment at T. İş Bankası, he served as a board member with Tofaş Türk Otomobil Fabrikaları A.Ş., the bank's subsidiary, for 5 years and for Dışbank A.Ş. (Fortis Bank) for 1½ years. During his term of office as a member of Parliament, he served as a member on the Turkey-EU Joint Parliamentary Commission for 2½ years and on the NATO Parliamentary Assembly for 2½ years. Mr. Karslı has been serving as the Chairman of the Bank since May 2010. His published work includes a book entitled "Sermaye Piyasası Borsa Menkul Kıymetler" (Capital Markets, Stock Exchange and Securities), which is used as a textbook at universities.

**YUSUF DAĞCAN**

Vice Chairman of the Board

Yusuf Dağcan graduated from Eskişehir Academy of Economic and Commercial Sciences. At Vakıfbank he worked as an assistant inspector between 1977-1981, and as an inspector and then as a branch manager between 1981-2003. He held a seat on the Board of Directors of TAIB Yatırım Bank A.Ş. from 5 September 2007 until 30 June 2008. After assuming responsibility as a member of the Audit Committee at Halkbank from 27 March 2003 until 18 April 2012, Mr. Dağcan was also the chairman of the Board of Directors of Halk Leasing, a Board member of Halk Banka A.D. Skopje operating in Macedonia, and Vice Chairman of the Arab Turkish Bank. Serving as a member on our Bank's Board of Directors since April 2012, Mr. Dağcan is Vice Chairman of the Board of the Ziraat Participation. Yusuf Dağcan is also a member of both the Bank's Credit Committee and the board of Ziraat Bank Montenegro AD.

**HÜSEYİN AYDIN**

Member of the Board and CEO

Hüseyin Aydın graduated from the Ankara Academy of Economics and Commercial Sciences (Faculty of Economics) in 1981. He began his career as an Assistant Inspector at Ziraat Bank and served as a director in various departments at Ziraat Bank until 27 March 2003. After working as an Executive Board member at Halkbank, as a Board member at Pamukbank and as Vice Chairman of the board at Ziraat Bank, Mr. Aydın worked as the General Manager and Board member at Halkbank between 31 May 2005 and 14 July 2011. Having joined Ziraat Bank as the CEO on 15 July 2011, Mr. Aydın also serves as the Chairman of the Banks Association of Turkey, the Board of Directors of the Ziraat Participation, and the Board of Directors of Ziraat Bank Montenegro AD.

## ZIRAAT BANK BOARD OF DIRECTORS

**FEYZİ ÇUTUR**

Member of the Board

Feyzi Çutur graduated from Gazi University (Faculty of Economics and Administrative Sciences, Department of Banking) in 1983. In 2016 he received his MBA degree from Beykent University Institute of Social Sciences Department of Business Administration. After working as accounting and finance manager at various private sector companies from 1977 until 1990, he functioned as General Accounting Manager at Bayındır Menkul Değerler A.Ş. (1990-1998), as Finance and Operations Director, Assistant General Manager and General Manager at Eti Yatırım A.Ş. (1998-2010). He served as the Fund Board member and Fund Board Chairman at Eti Yatırım and various Mutual Funds owned by Etibank, and held a seat on the Board of Directors of İktisat Yatırım A.Ş. in 2006. From July 2011 until March 2012, he was a Board member representing the Savings Deposit Insurance Fund (SDIF) at Arab Turkish Bank and its subsidiary A&T Leasing. Being a member of the Bank's Board of Directors since April 2012, Mr. Çutur is a member of the Bank's Audit Committee and Remuneration Committee, an alternate member of the Credit Committee. He is also a member of the Board of Directors, Credit Committee and Audit Committee of the Ziraat Participation, and a member of the Board of Directors of ZiraatBank BH d.d.

**METİN ÖZDEMİR**

Member of the Board

Metin Özdemir graduated from İstanbul University (Faculty of Business Administration) in 1990. He is currently pursuing his graduate studies in the Department of Economics at Marmara University, Institute of Middle East Studies. He started his career at Kuveyt-Türk Finans Kurumu A.Ş. in 1992, and from 1996, he carried on with his business life as an executive in the retail sector. Mr. Özdemir functioned as a member of İstanbul Metropolitan Municipal Council between 2004-2014. Being a member of the Bank's Board of Directors since April 2012, Mr. Özdemir is also a member of the Bank's Remuneration Committee and an alternate member of the Credit Committee, a member in the Board of Directors of the Ziraat Participation, and the Vice Chairman of the Supervisory Board of ZiraatBank BH dd.

**MUSTAFA ÇETİN**

Member of the Board

Mustafa Çetin graduated from Ankara University (Faculty of Law) in 1974. He served as a Governor and Mayor in the Hadim, Akçakale and Pasinler districts between 1979 and 1985. Then he went on to work as a Chief Civil Inspector, Vice Chairman of the Board of Inspectors, Minister's Advisor and General Secretary at the Ministry of Internal Affairs between 1985 and 1996. He worked as the Governor of Gümüşhane between 1996 and 1999, as a Chairman of the Committee of Research, Planning and Coordination at the Ministry of Internal Affairs from 1999 to 2000, a Central Governor from 2000 to 2002, and Prime Ministry Deputy Undersecretary from 2002 to 2007. While he was serving as the Prime Ministry Deputy Undersecretary, he was a member of the General Assembly of the Press and Publication Agency and a member of the board of Anadolu Agency. He also served as a member of parliament representing the province of Uşak between 2007 and 2011. Mr. Çetin has been serving as a member of the Board of Ziraat Bank since July 2011. He is also a member of the Bank's Corporate Governance Committee, and the Vice Chairman of Ziraat Yatırım Menkul Değerler A.Ş.

**CEMALETTİN BAŞLI**

Member of the Board

Cemalettin Başlı graduated from Hacettepe University Department of Business Administration in 1981. He got a start in business as a public servant in 1977. Mr. Başlı who worked as Assistant to Financial analyst at Vakıfbank between 1984-1985, as Auditor and Credit Foreign Exchange Director at Garanti Bank between 1985-1991, as Branch Manager at Albaraka Türk Inc. between 1991-1998, as Credits and Central Branch Manager at Faisal/Family Finance Inc. between 1998-2002, as Deputy General Manager at Haliç Financial Leasing Inc. between 2004-2006, as Deputy General Manager at Ziraat Bank-Moscow between 2009-2012, as member of the Board and General Manager at Kıbrıs Faisal İşlem Bank between 2012-2014 serves as a member of the Board of our Bank since June 2014. Mr. Başlı is also a member of both the Board of the Ziraat Participation and the Supervisory Board of ZiraatBank BH dd.

**SALİM ALKAN**

Member of the Board

Salim Alkan graduated from Ankara University (Faculty of Political Sciences, Department of Business Administration). He worked as an inspector, branch and department manager and assistant general manager at various banks from 1971. After functioning as Vice President of the Savings Deposit Insurance Fund (SDIF), Advisor to the Chairman of the SDIF, and general manager, board member and chairman of various banks taken over by the SDIF from 2004 to 2010, he held a seat on the Board of Directors of Halkbank from 24 May 2010 until 18 April 2012, as well as on the boards of Halk Gayrimenkul Yatırım Ortaklığı A.Ş., and Halk Yatırım Menkul Değerler A.Ş. Serving as a member of the Bank's Board of Directors starting from April 2012, he is also Chairman of the Supervisory Board in ZiraatBank BH d.d. Mr. Alkan is also a member of both the Bank's Credit Committee and the Board of the Ziraat Participation which was established in 2015.

**MEHMET HAMDİ YILDIRIM**

Member of the Board

Mehmet Hamdi Yıldırım graduated from the Middle East Technical University, Faculty of Economic and Administrative Sciences, Department of Political Science and Public Administration in 1990. He held office from 1991 to 1993 at National Productivity Center (NPC) Türk Şeker A.Ş. Reorganization Project Commission Membership Group Department and at the same time General Directorate of Türkiye Şeker Fabrikaları, Department of Import-Export. He served as Research Assistant at various Universities from 1993 to 1996. He worked from 1996 to 1997 as the Chief Advisor for the Ministry of State in charge of the Mining. Within the same years he carried out the tasks of the Membership of the Board of Directors and Deputy Director General of Eti Holding (Mining). He served as the Grand National Assembly Deputy Advisory from 1998 to 1999. He assumed the task of the Chairman of the Board of Yapı Group Madencilik İnşaat Toprak Sanayi ve Ticaret A.Ş. between 2002 and 2003. He served between 2003 and 2005 as the Director General of Eti Maden İşletmeleri, Deputy Director General of Eti Zeolit Kimya Sanayi A.Ş. Within the same years additionally he served as the Deputy

Chairman of the Board of Directors of Çayeli Bakır İşletmeleri A.Ş. (Canada). He worked as the Advisory of Minister of the Ministry of Energy from 2003 to 2008. In the course of his office he carried out his duty as the Member of the Board of Directors of ETİMİNE SA (Luxemburg) and of TMSF Toprak Holding Toprak İnşaat. He worked as the Director General of Mining Affairs from 2008 to 2014. He was appointed in 2014 as the Deputy Undersecretary for the Ministry of Transport, Maritime Affairs and Communications. He has carried out his duty of Undersecretariat by proxy in 2015 to 2016. He is appointed in 2016 for the task of Deputy Undersecretary of the Prime Ministry and he has been still performing this duty. Mr. Yıldırım, who worked as the Deputy Chairman of Avea Board of Directors, Member of the Board of Hamitabat Elektrik Üretim Ticaret A.Ş. and Türksat, has been serving as a Member of the Board of our Bank since April 2016.

**DAVUT KARATAŞ**

Audit Board Member

Davut Karataş graduated from İstanbul University Faculty of Political Science, Public Administration Department. Currently serving as the General Director for Laws and Resolutions at the Prime Ministry, Mr. Karataş has been a member of the Bank's Board of Auditors since March 2013.

**DENİZ YILMAZ**

Audit Board Member

Deniz Yılmaz graduated from Ankara University (Faculty of Political Science, Public Administration Department) in 2001. He worked at the T.R. Prime Ministry Undersecretariat of Treasury as a Treasury Controller between 2002 and 2007, and as Internal Auditor between 2008 and 2014. He was a member of the Board of Directors of Vakıf REIT between 2015 and 2016. He became a Department Head at the Directorate General of State Owned Enterprises of the Undersecretariat of Treasury in 2015, in which position he still serves. He attended a master's program in economics at the North Carolina State University in the U.S. between 2010 and 2012, and currently pursues his doctorate studies in banking. Mr. Yılmaz has been a member of the Bank's Board of Auditors since April 2016.

## ZIRAAT BANK SENIOR MANAGEMENT\*



### **MUSA ARDA**

Executive Vice President for Credit Allocation and Management

Musa Arda graduated from Çukurova University (Faculty of Economics and Administrative Sciences). He began his career at Pamukbank in 1994 as a financial analyst. He worked at the same bank as an analyst, a service manager in various units at the headquarters and a marketing director at Güneşli Corporate Branch between 1994 and 2004. He joined Halkbank in 2005 as a division manager at the Commercial Marketing Department before working as the head of the Financial Analysis Department, the head of the Department of Credit Policies and Project Evaluation, the head of the Department of Commercial Loans and, most recently, as the coordinator responsible for the İstanbul 2<sup>nd</sup> Region. He has been serving at Ziraat Bank as Executive Vice President for Credit Allocation and Management since November 2011.



### **YÜKSEL CESUR**

Executive Vice President for Internal Systems

Yüksel Cesur graduated from Boğaziçi University, Faculty of Economics & Administrative Sciences. He has begun to work in our Bank in 1996 as an Assistant Inspector, and later on he has been appointed as the Inspector. He has performed his duty as the Senior Vice President of Training Section since 2005. Mr. Cesur who was appointed to the Department of Treasury Operations in 2007 has served thereafter as the Head of Agricultural Marketing Group. Mr. Cesur has been serving as Executive Vice President for Internal Systems since April 2014.



### **ALPASLAN ÇAKAR**

Executive Vice President for Banking Channels Management

Alpaslan Çakar graduated from Ankara University (Department of Public Administration, Faculty of Economics and Administrative Sciences). He joined Ziraat Bank in 1996 as an Assistant Inspector and later served as an Inspector and Branch Manager. Mr. Çakar was appointed as the Regional Head Manager in 2005. Promoted to the position Head of Department in August 2007, Mr. Çakar has served as the Executive Vice President for Retail Banking, Executive Vice President for Operational Transactions and Executive Vice President for Retail Banking respectively. He has been serving as Executive Vice President for Banking Channels Management since January 2016.



### **M. CENGİZ GÖĞEBAKAN**

Executive Vice President for Loan Policies

Mehmet Cengiz Göğebakan graduated from Ankara University (Department of Economics, Faculty of Political Sciences) in 1987. He began his career at Pamukbank as an assistant inspector in the same year. He served at the same bank between 1994 and 2004 as a manager of the Department of Firm Evaluation, Department of Credit Monitoring, Department of Credit Allocation, Department of Administrative Follow-up and Department of Credit Policies. He joined Halkbank on 17 November 2004 where he worked as an executive responsible for Retail Loans; he was promoted to the post of Assistant General Manager responsible for risk liquidation on 9 June 2005. He served as an Assistant General Manager of credit policies from 2007 to 2010 at the same bank. He worked at Anadolubank as an Assistant General Manager responsible for loans from May 2010 to October 2011. Mr. Göğebakan has been serving at Ziraat Bank as Executive Vice President for Loan Policies since November 2011.

**BİLGEHAN KURU**

Executive Vice President for Treasury and International Banking

Bilgehan Kuru graduated from the Middle East Technical University (Department of Mining Engineering). He studied for a master degree in finance at the Institute of Physical Sciences of the same university. He began his career as a foreign exchange clerk at Halkbank, where he worked from 1986 to 1988. He joined Pamukbank in 1988 as an assistant specialist before serving as a service director and manager of the Treasury Department at the same bank. He was appointed as the Head of the Department of Foreign Exchange and Money Markets at Halkbank in November 2004. Having held the position of Assistant General Manager for Retail Banking at Halkbank from June 2007 until July 2011, Mr. Kuru was appointed as Executive Vice President for Treasury and Strategy Management at our Bank in July 2011 and he has been working as Executive Vice President for Treasury and International Banking since August 2014.

**PEYAMI ÖMER ÖZDİLEK**

Executive Vice President for Financial Coordination

Mr. Özdilek graduated from the Middle East Technical University, Department of Political Science and Public Administration. He has begun to work in our Bank in 1996 as the an assistant inspector, after working at the various positions of the staff, he has served respectively as London Branch Manager, Gayrettepe Branch Manager, Senior Vice President of the Human Resources Department and Executive Vice President for Human Resources. Mr. Özdilek has been serving as Executive Vice President for Financial Coordination since July 2015.

**BÜLENT SUER**

Executive Vice President for Operational Transactions

Mr. Suer graduated from Ankara University, Faculty of Political Sciences, Department of the Labor Economy. He has begun to work in our Bank in 1991 as the Assistant Inspector at the Board of Inspectors. Thereafter having performed his duty as the Inspector, Branch Manager, Senior Vice President and Regional Head Manager, Mr. Suer has been proceeding his service as Executive Vice President for Operational Transactions since September 2013.



## SUMMARY REPORT - BOARD OF DIRECTORS

As demonstrated by the worldwide economic and trade data, 2016 has produced low growth. The European Central Bank (ECB) strove to drive demand through its monetary expansion policy, while OAPEC countries attempted to rebalance their deteriorated macroeconomic indicators as a result of plummeted oil prices by cutting production. Events including the US presidential election, the ongoing state of war in Syria, and the UK's exiting the EU membership (Brexit) gave rise to a process where political developments put pressure on economic data.

In this process, Ziraat Bank sustained its support to all segments of the economy. 2016 saw the launch of a series of mega projects, in the financing of which Ziraat Bank is involved. As of year-end 2016, the number of financed projects rose to 39 while project finance amount reached USD 12.3 billion. Besides financing mega projects, Ziraat Bank sustains and further increases its support to meet the financing needs of small and medium sized enterprises with its diversified products, giving the top priority to the agricultural sector. The Bank continues to facilitate the reach of the agricultural sector to financial services. In SME banking, the Bank provided financing support to these establishments by way of new loans set up with the Credit Guarantee Fund (KGF) and the Small and Medium Enterprises Development Organization (KOSGEB) in addition to the Bank's own products.

In keeping with its core strategic goals, Ziraat Bank offers unrivaled banking service to all of its customers. Ziraat Bank kept standing by the real sector and all segments of the society, being the only bank with a physical presence at nearly 400 locations and acting as more than a bank also in 2016. During the reporting period, Ziraat Real Estate Investment Trust joined the Ziraat Finance Group family and started operations.

Ziraat Bank kept offering low-cost, solution-oriented credit products to its customers. Growth in all fields of industry and manufacturing has been backed by Ziraat Bank's loans in 2016. Acting on the principle of sustainable growth, the Bank enlarged its cash loans by 25% to TL 233 billion. The aggregate of cash and non-cash loans reached TL 312 billion. Total assets of Ziraat Bank grew by 18% to TL 358 billion during 2016. Loans account for the largest portion of total assets with 65% share.

In managing its balance sheet size, the Bank offered solutions aligned with diverse financing demands, while protecting its credit quality. While it is the sector's leading bank in terms of financials and financial ratios, the Bank set productivity as its main goal. Along this line, the Bank continues to enhance the qualities of branches and qualifications of employees, and to increase basic balance sheet sizes per branch and per employee.

Within the frame of activities aimed at increasing the savings ratio in our country, Ziraat Bank keeps allocating funds to new investments via various savings and deposits products it offers. Under the broad-based deposits strategy, total deposits reached TL 223 billion, and the Bank kept expanding its deposit base.

At year-end 2016, the Bank's shareholders' equity went up to TL 38 billion, taking 11% share out of the balance sheet. Boasting a strong financial structure, Ziraat Bank continued to evolve its business model in a bid to sustain its stable growth.

In order to deal with the future volatilities and to secure increased investment and spending appetite in a manner that will not disturb financial stability, the Bank carries on with efforts aimed at a low-interest rate environment. Leading the sector to reduce rates in housing loans, Ziraat Bank guided the sector and created funds for the real estate industry.

Based on the results of "Turkey's Lovemarks 2016", a survey conducted to identify the consumers' favorite brands in 2016, Ziraat Bank was named the top brand in the banking category and became Turkey's lovemark in banks.

At the 13<sup>th</sup> International Stevie Business Awards held in 2016, one of the world's most comprehensive and prestigious recognition programs in which more than 3,800 entrants from 60 different countries participate, Ziraat Bank was voted the "Favorite Bank" in the Banking segment in the "People's Choice" category. Ziraat Bank also ranked first in the Banking league in Social Brands Turkey, a social media performance survey looking into the performances of brands' social network accounts.

Ziraat Bank is right in the heart of people's lives and has the highest accessibility as a bank. Ziraat Bank remains Turkey's bank that boosts morale as it works to be the bank of everyone and every segment through fulfilling the financing needs of small enterprises and retail customers, as well as those of large-scale institutional companies, and investing their savings.

### Ziraat Bank Board of Directors

## HUMAN RESOURCES PRACTICES

### 2016 Activities

In an intensively competitive sector in which there is a significant international capital presence, Ziraat Bank advances its stature as the biggest and strongest nationally-owned bank year after year. Recognizing that it owes its unique and distinguished position in the sector to superior human resources whose unrivaled market knowledge and experience enable them to supply customers with the right value, at the right time, and through the right channel, Ziraat Bank continues to implement the progressive human resources management system that it has adopted.

Seeking to deliver innovative and trustworthy products and services that satisfy the requirements of both the banking industry and of international competition, Ziraat Bank had a total of 25,015 people on its payroll as of end-2016. As of the same date the average age and length of service of the Bank's workforce were 34.8 years and 10.5 years respectively while 87% of the Bank's employees held associate, undergraduate, graduate, and/or doctoral university degrees.

As in previous years, in 2016 Ziraat Bank once again continued to seek out and recruit young people wishing to pursue a career in banking.

572 Teller/Service Desk Officers and 24 attorneys joined Ziraat Bank Family, who were shortlisted in the recruitment exams held in 2014 and 2015.

In keeping with the transparent career management approach to which it adheres, Ziraat Bank seeks to train its own managers itself as much as possible. 2,869 existing employees who successfully took the written and oral promotion exams that were conducted in 2015 were promoted to a higher job category. The average pass rate on these exams was 49%.

As a huge family of more than 25,000 members, Ziraat Bank gives great importance to its employees' job satisfaction and it provides its personnel with career-path opportunities that allow them to advance themselves in different aspects of banking. For example to meet its requirements for internal controllers, interviews were conducted among banking staff on 22-26 February 2016 and twenty people were transferred from their existing positions to new ones.

Two Management Training Program exams were organized in August and December 2016 in order to ready the personnel who have reached the authorized-level for branch and headquarters management-level positions and duties. 43 employees who have successfully completed the technical program, which was the first one of these programs, were included in the managers pool. The interviews for the field program will be held during 2017. More than 200 employees were appointed to branch or unit management positions shortly after successfully completing these programs.

Due to the Bank's need to hire a certain number of personnel employed in permanent security guard positions and due to the planned transfer of a significant number of personnel placed in permanent security guard positions in 2015 to Banking Positions in order to meet the Bank's personnel need in 2017, 188 personnel working under the title of Private Security Guards, who had been serving the Bank via a contractor for 5 years and longer, have been transferred to permanent positions as of 30 December 2016 in order to meet the Bank's need for permanent security guards.

Career Paths, Job Positions and Assignment Charts, which are attached to Ziraat Bank Human Resources Guidelines, have been revised. The new versions that will take effect as of 1 January 2017 have been announced to the entire personnel.

The Fin@rt Transfer Request program is conducted twice a year to increase Bank personnel motivation, minimize operational workloads, and ensure that transfer processes are carried out quickly, effectively, and methodically. Applications to take part in this program are accepted in December-January and in June-July. Last year 812 transfer requests were submitted in the first round and 1,274 were submitted in the second. Of these, 564 and 873 transfers were approved respectively.

The Department of Disciplinary Committee was shut down, and its duties were handed over to the Department of Human Resources, and the revised Disciplinary Guidelines were integrated within the Human Resources Guidelines.

Personnel Transfer Protocols were executed by and between the Bank and Ziraat Participation, and by and between the Bank and Ziraat Teknoloji A.Ş. This allowed easy reassignment of personnel to companies within Ziraat Finance Group, while preserving all personnel rights of relevant employees.

The Articles of Foundation were revised as necessary so that the employees of Ziraat Participation within Ziraat Finance Group will be subject to the Ziraat Bank Pension and Relief Fund in terms of social security, and the procedures were completed. Relevant personnel now have Ziraat Bank Pension Fund social security coverage.

Personnel and employment data of Ziraat Bank personnel subject to the Pension Fund for Civil Servants in terms of social security (4/c), and any information in relation to equalization of their pensions, have been transferred to the Social Security Institution's Service Tracking Program (HİTAP), and all data for such personnel were integrated into the program.

As a result of the negotiations held between Öz Finans-İş Trade Union, which was established on 23 August 2013 and authorized to make Collective Agreements with the Bank on 9 September 2014, and the Bank, the Collective Agreement was renewed, which will be effective for a period of two years effective from 1 January 2017.

2017 salary adjustments were made in accordance with the Collective Agreement signed on 30 December 2016.

During 2016, systemic practices were introduced with regard to salaries and payments. Within this frame;

- Work was carried out to execute payments to exiting personnel such as Severance Pay, Vacation Payment, and Reasonable Benefit Payment through the system and the payroll.
- Work on the payroll accrual program for the "Automatic Enrollment System" that will enter force on 1 January 2017 was completed in the second half of the year.
- A roadmap was devised for the remuneration of expat personnel appointed on temporary assignment to international subsidiaries of the Bank and standard salaries were defined. In addition, standard salaries commensurate with the Bank's practices were set with respect to the remuneration of local personnel to be employed by international subsidiaries, taking into consideration country-specific needs.

## HUMAN RESOURCES PRACTICES

Furthermore, consultancy support was provided to all domestic/international subsidiaries under the Ziraat Finance Group for the preparation of their HR regulations, and development of their career management and remuneration systems. Work started on the installation of the Humanist system infrastructure at domestic subsidiaries.

Also, organizational support was extended for the written recruitment exam and interviews of Ziraat Participation, which were held in February 2016 and April 2016, respectively.

Human resources consultancy and support services were provided during the establishment of Ziraat REIT, a Ziraat Bank subsidiary that was incorporated on 1 November 2016.

### Ziraat Bank Individual Performance Bonus System

Created in 2013 to be compatible with the Bank's new marketing and sales-focused organizational structure and strategy and informed by the principle that earnings should match success, the Ziraat Bank Individual Performance Bonus System was designed so as to reward employees who demonstrate superior performance and productivity by paying them more. Determined and paid on the basis of periodically conducted individual performance reviews, individual performance bonuses are intended to strengthen the Bank's customer-focused business model, to promote a marketing and effectiveness-focused approach to work, to increase company loyalty by motivating personnel, and to provide tangible benefits to those whose individual achievements are compatible with the Bank's corporate objectives.

A current bonus budget is being implemented taking the Bank's profitability and operational results into account with the proviso that the budget's total amount not exceeds 8% of the Bank's aggregate monthly salary payments. This allocation is paid out to recipients as an individual performance bonus at three-month intervals along with their February, May, August, and November salaries based on objectively defined and numerically expressible specific criteria. In this system, which has been set up to focus mainly on marketing in line with the Bank's strategies and targets, bonuses are paid so as to enhance the earnings of those who contribute more to the realization of those strategies and targets.

Branch segment and scale group rankings that have been determined according to individual performance report cards in line with the numerical performance measurement results at three-month intervals are notified to employees based on their performance bonus coefficients.

The different coefficients that are used when calculating bonuses are determined jointly by business units according to branch segment and scale, individual performance ranking, and job position criteria. Marketing group personnel bonuses are calculated in direct proportion to the numerical performance points in each section. The bonuses of counter personnel are calculated based on the performance of the counter to which they were assigned.

As is the case with other banks in Turkey, the Ziraat Bank Individual Performance Bonus System has been designed to reward superior performance and essentially to increase the productivity of sales personnel. However individual performance bonuses are also paid to operational personnel in branches and to headquarters employees in line with stipulated criteria.

The Bank plans to start differentiating not only the individual performance bonus payments that are currently being made to personnel in headquarters units whose numerical performance is being measured but also in line with the results of the numerical performance system that is being set up for headquarters sales units.

The second competency evaluation was initiated across the Bank as of year-end 2016. The results from the competency evaluation are intended to be taken into consideration in the individual performance system and career management in the future.

### 2017 Outlook

Ziraat Finance Group will continue to offer career opportunities fitting the relevant positions and contemporary working conditions both at the Bank and at the subsidiaries also in 2017.

Through the recruitment exam planned to be held in August, personnel will be employed for placement at Ziraat Bank's subsidiaries under the Ziraat Finance Group.

In order to fulfill staffing needs quickly, it is planned to place outsourced personnel in the Bank's permanent staff gradually during 2017.

In addition, since the permanent Security Guards, who were started to be employed as the Bank's permanent staff as of year-end 2015, quickly adapted to the Bank's culture and practices, and due to the prevailing positive impressions regarding these personnel members, it is planned to transfer a significant number of them to the Banking Positions in order to fulfill the Bank's staffing need in 2017, and to transfer contractor personnel currently serving at the Bank to the Bank's permanent positions in their respective units/provinces.

Promotion exams will be held for existing employees in the second half of the year as prescribed by the Bank's human resources principles, procedures, and practices.

The interviews for the Field Management Trainee Program conducted in December 2016 will be held in 2017. Authorized-level personnel who are successful in the relevant programs will continue to be appointed to branch/unit manager positions as needs dictate.

A project is currently being conducted to allow requests and opinions concerning changes in employees' job assignments and locations to be submitted online through Fin@rt. For the time being, personnel transfer requests will continue to be accepted in June-July and in December-January.

Under the heading of the transformation projects being undertaken to increase both synergies among Ziraat Finance Group members and the operational effectiveness of the Bank's domestic and international units, the work of matching the staff and job-positions of all of our international units and of revising remuneration systems and other entitlements will be completed in 2017.

## INFORMATION ON THE ACTIVITIES OF THE COMMITTEES

### Information on the Activities of the Credit Committee

#### Chairman

Hüseyin AYDIN  
Member of the Board and CEO

#### Members

Yusuf DAĞCAN  
Vice Chairman of the Board

Salim ALKAN  
Member of the Board

#### Alternate Members

Feyzi ÇUTUR  
Member of the Board

Metin ÖZDEMİR  
Member of the Board

Credit Committee fulfills the duties and powers specified in the Banking Law, the Bank's articles of association, and other legislation issued by BRSA. Within the framework of the authority delegated by the Board of Directors, the Committee extends loans and makes decisions. Credit Committee performs other duties related to lending assigned to it by the Board of Directors.

Credit Committee met 36 times during 2016 and passed 735 decisions.

### Information on the Activities of the Audit Committee

#### Members

Muharrem KARSLI  
Chairman of the Board

Feyzi ÇUTUR  
Member of the Board

The Committee assists with the auditing and supervision activities for which the Bank is responsible, and fulfills the duties, powers and responsibilities designated by the legislation issued by the BRSA, as well as those related to the execution of the Compliance program and those defined by applicable legislation.

### Information on the Activities of the Corporate Governance Committee

#### Members

Muharrem KARSLI  
Chairman of the Board

Mustafa ÇETİN  
Member of the Board

Bilgehan KURU  
Executive Vice President for Treasury and International Banking

Hüseyin Alper DUMAN  
Investor Relations Manager

Corporate Governance Committee monitors and audits the Bank's compliance with corporate governance principles. The Committee suggests proposals to the Board of Directors and works to ensure improvements. The Committee keeps reports of its activities in written form.

### Information on the Activities of the Remuneration Committee

#### Members

Feyzi ÇUTUR  
Member of the Board

Metin ÖZDEMİR  
Member of the Board

The Remuneration Committee is responsible for overseeing and supervising the remuneration practices on behalf of the Board of Directors. The Committee assesses the remuneration policy and practices within the framework of risk management to ensure that remuneration policies are aligned with the Bank's ethical values and strategic goals, and submits its recommendations to the Board of Directors.

## ATTENDANCE BY THE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE AUDIT COMMITTEE IN THE MEETINGS HELD DURING THE REPORTING PERIOD

### Board of Directors

The Board of Directors meets regularly at least once a month upon summons by the chairman, vice chairman or any member of the Board. The Board met 40 times during 2016 and passed 780 resolutions.

### Audit Committee

The Audit Committee meets regularly at least once a month with the attendance of all members. The committee met 19 times during 2016 and passed 40 resolutions.

## RELATED PARTY TRANSACTIONS

In accordance with article 49 of the Banking Law no 5411 and because the Bank's capital belongs entirely to the Turkish Treasury, the risk group of which Ziraat Bank is a member consists of itself and the companies over which it exercises control over, either directly or indirectly.

Relations between the Bank and the members of the risk group in which it controls a stake consist of banking transactions conducted in compliance with the Banking Law within the framework of normal bank-customer relationships carried out at arm's length, and

consist primarily of borrowing and lending and of accepting and extending deposits.

Details of the amounts of the transactions that Ziraat Bank engaged in with members of its own risk group in 2016 and their reasons are presented in Footnote VII of section five of the year-end financial report that is included in this annual report.

## COMPANIES FROM WHICH SUPPORT SERVICES ARE OBTAINED

The services obtained by our Bank within the scope of the "Regulation Concerning the Outsourcing of Support Services by Banks and the Authorization of Organizations Providing Such Services", and the companies providing these services are presented below.

1. Ziraat Teknoloji A.Ş.; information technologies infrastructure and its integration, system management, support-operation, application development and technical consultancy,
2. Bileşim A.Ş.; card printing service,
3. Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.; software, applications and development for card-based payment systems,
4. Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizmetleri Tic. A.Ş.; internet banking software and applications development,
5. Smart Soft Kartek Kart ve Bilişim Teknolojileri Tic. Ltd. Şti.; TSK (Turkish Armed Forces) smart card software, application, development,
6. Güzel Sanatlar Çek Basım Ltd. Şti.; printing of cheques,
7. Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş.; security services,
8. KRL Özel Güvenlik Koruma ve Eğitim Hizmetleri Ltd. Şti.; security services,
9. Başkent Güvenlik Hizmetleri Ltd. Şti.; security services,
10. Ekol Grup Güvenlik Koruma ve Eğt. Hizm. Ltd. Şti.; security services,
11. ISS Proser Koruma ve Güvenlik Hizmetleri A.Ş.; security services,
12. Gram Altın Pazarlama Sanayi ve Ticaret A.Ş.; expertise services,
13. BBS Danışmanlık Gayrimenkul ve Eğitim A.Ş.; support services for the creation and registration of mortgages,
14. Avi Gayrimenkul Yatırım Değerleme ve Danışmanlık A.Ş.; support services for the creation and registration of mortgages,
15. Fu Gayrimenkul Yatırım Danışmanlık A.Ş.; support services for the creation and registration of mortgages,
16. Tulu Yapı Müşavirlik Sanayi ve Ticaret A.Ş.; support services for the creation and registration of mortgages,
17. Global Bilgi Pazarlama Danışma ve Çağrı Servisi Hizmetleri A.Ş.; call center operations,
18. Plaza Peyzaj Taahhüt ve İnşaat San. Tic. A.Ş.; outsources personnel,
19. Brinks Güvenlik Hizmetleri A.Ş.; cash transportation in Turkey,
20. TNT International Express Taşımacılık Ticaret Ltd. Şti.; international cargo services,
21. Wincor Nixdorf Bilgisayar Sistemleri A.Ş.; software development and maintenance services for ATM management,
22. Misys International Banking Systems Ltd.; core banking software development and maintenance services,
23. Intertech Bilgi İşlem ve Pazarlama Tic. A.Ş.; core banking software development and maintenance services.

**FINANCIAL INFORMATION AND RISK MANAGEMENT**

## AUDIT COMMITTEE'S ASSESSMENT OF THE OPERATION OF THE INTERNAL AUDIT, INTERNAL CONTROL, AND RISK MANAGEMENT SYSTEMS

Internal audit, internal control, and risk management activities at Ziraat Bank are performed by the Board of Inspectors, the Internal Control & Compliance Department, and the Risk Management Department. These units' duties and responsibilities, which are strictly segregated from one another, are coordinated by the Assistant General Manager for Internal Systems.

This organization is structured so as to embrace all Bank units and branches as well as Bank-owned subsidiaries subject to the Bank's oversight. Its purpose is to minimize any risks that might adversely affect the thoroughgoing and secure conduct of banking operations, the fulfillment of long-term profit targets, the reliability of financial and administrative reporting, and/or the Bank's reputation and financial stability.

### Internal Audit System

The Board of Inspectors takes a risk-focused approach in the fulfillment of its responsibilities to ensure that the activities and operations of the Bank's headquarters units, domestic and international branches, and subsidiaries comply with the requirements of laws and regulations and are compatible with the Bank's own strategies, policies, principles, and objectives. The board conducts its activities in such a way as both to keep the Bank's senior management informed and to contribute to their decision-making processes.

The Board of Inspectors has 151 Bank inspectors on its staff. The board conducts its activities in line with internationally-accepted internal auditing standards. Besides checking the Bank's operations for their compliance with statutorily mandated procedures, in 2016 the board also reviewed and assessed the effectiveness and efficiency of the transaction procedures involved in both primary and secondary processes. In addition, processes governed by Banking Regulation and Supervision Agency (BDDK) regulations pertaining to information systems and banking processes were also audited in line with the Bank's own practices.

Board of Inspectors activities in 2016:

- The Central Audit Team continued its intensive operations in 2016 by performing scenario analyses which are influential in preventing irregularities from being committed. The team reviewed the effectiveness of its existing scenarios and developed new ones to cope with the possible abuses made possible by newly-introduced business processes. It has also continued to develop systematic procedures aimed at minimizing risks arising from the remaining manually-conducted processes involved in internal audit.
- The R&D Team kept a close watch on all of the Bank's other business units, revised and kept the auditing module up to date in light of changes in business processes and the regulatory framework, and modified auditing points as made necessary by laws, BDDK decisions, and changes demanded by Bank's senior management and headquarters units. Improvements also continued to be made in all processes from the development of an auditing index to the monitoring of audit findings. Systemic changes that make it possible for inspection findings concerning

critically important transactions to be drawn to the attention of business units increased the effectiveness of the finding follow-up process and had a beneficial impact on the overall percentage of findings subjected to corrective action.

- The recommendations that inspectors in the field included in their reports or made with respect to a particular transaction or practice were also circulated among the business units concerned and the outcomes of such recommendations were observed.
- A Global Auditing Module project was initiated at Ziraat Bank in the last quarter of 2015. Work on this module's operating system and the task analyses for adapting it to different banking systems continued in 2016. Negotiations with ZiraatBank BH d.d., where a pilot implementation of the project will be implemented, were carried out.
- The Inspection Scenario Team that was set up and charged with formulating scenarios both to identify shortcomings in bank processes and to develop and improve the effectiveness of such processes and with submitting these scenarios to the appropriate business unit so as to ensure that speedy and effective solutions for dealing with them are devised throughout the Bank continued to operate in 2015. The actions business units took and the improvements they made with respect to these scenarios were closely monitored.
- During 2016, the Central Inspection Team that was set up to increase the frequency and effectiveness of inspections by constantly and centrally monitoring designated branch groups performed centralized inspections on 316 of the Bank's branches in accordance with the same criteria employed for on-site inspections.
- The practice of recruiting qualified human resources for the Bank's administrative staff by allowing inspectors to transfer to such positions continued in 2016.

In keeping with its strong sense of responsibility and awareness of its duties, the Board of Inspectors will continue to execute the internal auditing plan in line with goals and policies set forth by Ziraat Bank's senior management and within the framework of current auditing approaches, to report its findings to the Board of Directors through the Audit Committee, and to observe what action is taken on the basis of its reports.

### Internal Control & Compliance System

Internal control activities at Ziraat Bank are structured so as to embrace the operations of all headquarters units and of all domestic and international branches as required by BDDK's "Regulation on bank internal system and intrinsic capital adequacy assessment processes".

Such activities are conducted so as to be compatible with the Bank's primary objectives and strategies from the standpoint of their scope and methodology; however a proactive approach is adopted in order to more readily accommodate changes in strategies and conditions arising from altered risk perceptions and from the changeover to a new service model.

Work has been finalized on the New Control Model that was introduced and put into effect: it is no longer just a reporting model but one that requires action to be taken. The goal of this more proactive structure is to help ensure that Ziraat Bank's operations

exceed sectoral norms and that they are conducted in a manner that is compatible with both internal and external regulations as well as with the demands of competition.

Domestic branch checks are performed both on location and centrally within the framework of a program that is prepared taking into account branches' current levels of risk exposure. Control functions, which for the most part are structured so as to be technology-intensive and centralized, are intended to ensure that commonly-occurring mistakes are quickly corrected at the appropriate business-unit level.

Taking full advantage of the improvements in the Bank's technological infrastructure, the Ziraat Bank Instant Control Project is unique in the Turkish banking industry. This system is now being used to check operational transactions and their accounting in real time. Transactions are evaluated in light of specific scenarios and if a transaction is deemed to be in error, it can be corrected the same day. Based on the principle of preventing errors and omissions from occurring when assets and liabilities are recorded and subsequently being used as input for financial reporting, the Instant Control System has become an integral part of the Bank's day-to-day activities because of the significant improvement in operational effectiveness that is achieved by checking transactions immediately rather than in retrospect.

Headquarters unit control cycles are determined taking into account the units' functions, potential risks, terms of reference, and impact on the Bank's balance sheet. These cycles are revised as needs may require.

Internal control operations at Ziraat Bank branches located outside Turkey are carried out in line with control programs that are prepared for each year.

The findings ascertained as a result of all of these activities are periodically circulated among appropriate business units and the members of senior management.

Besides performing their internal control functions in 2016, internal control personnel also continued to prepare and issue reports containing suggestions of ways to improve existing processes at the Bank and to mitigate the risks inherent in them. The aim of this practice is to preclude risks by spotting them in advance, to make the Bank more competitive by improving its business processes, and to increase customer satisfaction while also taking measures to cut costs.

As a result of a complete change in the internal controller recruitment process, Ziraat Bank began recruiting such personnel from among its existing personnel in 2015. This application continued also in 2016. By taking advantage of the Bank-specific knowledge and experience that employees already have and thereby accelerating their adaptation to the department's work processes, this new procedure significantly reduces the time it takes to train new internal controllers. One natural outcome of this is that they also become more productive in their new duties sooner. The other is that the internal control department and its team benefit significantly from their banking and field experience.

The practice of recruiting qualified human resources for the Bank's administrative staff by allowing internal control personnel to transfer to such positions continued in 2016.

In addition to such matters, compliance reviews were also carried out by internal control personnel as required by article 18 of BDDK Regulation on bank internal system and intrinsic capital adequacy assessment processes. In the course of these reviews, all operations conducted or planned by the Bank as well as new transactions and products are checked to be sure that they comply with laws and regulations, with the Bank's own policies and rules, and with generally-accepted banking practices. During such compliance reviews, existing Bank-internal rules and proposed changes in them are also examined and views concerning them are circulated among appropriate units.

Activities to prevent money-laundering in accordance with the compliance program that was formulated at Ziraat Bank as per BDDK Regulation concerning programs to comply with obligations to prevent money-laundering and terrorism financing are conducted as required by national and international guidelines. Ziraat Bank's anti-money laundering and terrorism financing policy is publicly disclosed on the Bank's corporate website. All Ziraat Bank personnel are also provided with training on issues related to the prevention of money-laundering and terrorism-financing.

### **Risk Management System**

Ziraat Bank risk management activities are conducted subject to the requirements of BDDK's Regulation on bank internal system and intrinsic capital adequacy assessment processes and other pertinent regulations as well as of BDDK Best Practices Guidelines. They are carried out with the aim of aligning the Bank's risk management functions with best practices by fostering a risk culture throughout the entire and constantly improving system and human resources. The principal risk categories are defined as "Credit Risk", "Market Risk", "Operational Risk", and "Balance Sheet Risks", the last including the interest rate risks and liquidity risks to which the Bank is exposed on account of its banking business operations. Care is given to ensure that all activities related to risk management system are coordinated through the involved participation of the operational branches with which each type of risk is associated.

Under the heading of credit risk management, Basel III-compatible methods are used to define, measure, monitor, and report credit risk. The Bank has been calculating its core credit risk exposure and reporting it monthly on the basis of its solo and consolidated accounts to BDDK ever since this practice was mandated by law as of 1 July 2012.

Under the heading of measuring creditworthiness using advanced quantification methods, work is currently being carried out at the Bank based on the results generated by applying scoring models to different loan portfolios. Statistical methods are employed both to verify these rating models and to quantify the effectiveness of their performance. Credit risk limits approved by the Board of Directors are also monitored while scenario analyses and stress tests are carried out based on non-performing loan ratios. The Bank also initiated necessary work for calculating the credit risk through an internal ratings-based approach involving various departments within the scope of the Project on Credit Risk Management Through Advanced Methods.

Under the heading of market risk management, such risk is measured, analyzed, reported, and monitored. Analyses are supported by conducting stress tests. Risk measurements are performed on all accounts whose inclusion in the Bank's capital

## AUDIT COMMITTEE'S ASSESSMENT OF THE OPERATION OF THE INTERNAL AUDIT, INTERNAL CONTROL, AND RISK MANAGEMENT SYSTEMS

adequacy ratio calculation is mandatory as well as by means of the "value-at-risk" (VaR) methodology. The results of VaR measurements are validated by means of backtest analyses. The values on which market risk is calculated are periodically reviewed and compared with of Board of Directors-approved limits while senior management is kept informed about the results of mandatory and internal limit monitoring.

Under the heading of operational risk management, the operational risks to which the Bank is exposed are defined, classified, quantified, and analyzed. Operational risk limits approved by the Board of Directors are also monitored at regular intervals. The operational risk loss database in the Fin@rt environment allows actual instances of operational risk to be tracked. Amount subject to Operational Risk is calculated using the Basic Indicator Approach pursuant to the Regulation on the Measurement and Assessment of Capital Adequacy of Banks. Information technology risks and associated actions are followed up. Risk exposure assessments are conducted for companies providing outsourced support services as required by current BDDK regulations and business continuity activities are supported by way of business impact analysis.

Under the heading of balance sheet risk management, liquidity and interest rate risks arising from banking business accounts are measured, analyzed, delimited, reported, and monitored. Analyses are also supported by means of stress tests. The work on liquidity risk at Ziraat Bank takes into consideration best practice guides, and Time to Maturity Analysis is conducted to oversee the maturity composition of the Bank's balance sheet; Liquidity Gap and Structural Liquidity Gap Analyses to classify assets and liabilities items according to their respective times to maturity and to determine the gap amount; and Liquidity Stress Test to assess the Bank's liquidity needs in the worst case scenario and the loss resulting therefrom. In addition, the Bank follows up the renewal rates of deposits that make up the Bank's key funding source on a daily basis, and performs core vs. volatile deposits analyses using the deposit renewal analysis.

For monitoring the interest rate risk stemming from the banking accounts, Ziraat Bank periodically conducts Repricing Gap (GAP), Duration, Net Interest Income Analyses and Interest Rate Shock Reduction in Value Analyses. Used for monitoring the interest rate risk arising from the banking accounts, the Repricing Gap Analysis separates balance sheet items in terms of their cash flows with respect to their respective time to repricing, thus allowing to monitor any mismatches among the repricing times of assets and liabilities with the help of gap amounts aggregated by maturity groups.

The liquidity risk limits as may be approved by the Board of Directors are also monitored at regular intervals. The results of mandatory and internal limit monitoring and of liquidity and

interest rate gap analyses are circulated among appropriate units for presentation at Asset & Liability Committee (ALCO) meetings.

Besides the stress test analyses that are the subject of periodic reporting within the Bank, year-end Stress Test and Internal Capital Adequacy Assessment Process (ICAAP) reports are also prepared and sent to BDDK. In the latter reports, the Bank's capital adequacy is analyzed over the next three-year period on the basis of a set of Base/Negative/Overly Negative scenarios not supplied by BDDK.

The results of the risk management analyses and the associated risk indicators are reported to the Board of Directors and to the Audit Committee at six-month intervals and to executive units and internal system units on a daily, weekly, and monthly basis.

Ziraat Bank will continue to make use of internationally-recognized advanced risk management techniques in order to carry out its risk management activities for all risk categories and to make such risk management an integral part of its strategic decision-making processes in the future as well.



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



**Feyzi ÇUTUR**  
Audit Committee Member

## ZIRAAT BANK'S FINANCIAL STANDING, PROFITABILITY AND SOLVENCY

Ziraat Bank seeks to strengthen its financial structure through sustainable growth, profitability, and productivity. In 2016 the Bank continued to reinforce its equity-compatible balance sheet structure through the asset & liability management strategies that it adhered to and it remained on course in terms of capital adequacy, profitability, and productivity.

As of year-end 2016 the Bank's total assets amounted to TL 357.8 billion and its total equity to TL 38.4 billion. Importance was again given to supporting equity through sustainable profitability: total equity accounted for about a 11% share of the Bank's balance sheet.

Recognizing the key importance of sustainable profitability in equity management, the Bank increased its net profit by 27.4% in 2016 to TL 6.6 billion. As of year-end, Ziraat Bank's return on equity and return on assets ratios were 18.7% and 2.0% respectively while its capital adequacy ratio was 14.5%.

In keeping with the Ziraat Bank Customer Service Model, the Bank focuses on providing financial solutions to all real-sector actors, but especially to those in agriculture, with the result that lendings are making up a steadily increasing share in the balance sheet. As a result of this customer-weighted balance sheet management strategy, the total volume of the Bank's cash lendings increased by

25% to TL 232.6 billion and corresponded to 65% of total assets while the share of marketable securities, which was 21% in 2015, was down to 19% in 2016. Ziraat Bank's NPL ratio in 2016 was 1.8%. The Bank's consistent ability to maintain a below-average NPL ratio without selling off any of its assets is an indication of the high quality of its asset structure.

In line with Ziraat Bank's approach of contributing to the country's overall level of saving and of having recourse to broadly-based, low-cost resources, total deposits reached TL 223 billion, a performance that maintained the Bank's standing as the sector's leading deposit-taker in 2016. Deposits and non-deposit resources account for 62% and 21% shares respectively of total liabilities. In keeping with the Bank's ongoing efforts to diversify and deepen its sources of funding, in 2016 Ziraat Bank continued to seek out and tap alternatives such as international agency and financial institution lines of credit, post-financing, and bank bond & bill issues.

The Bank focuses on productivity rather than on profitability, and works to turn productivity into a priority culture in its activities. Being the bank possessing the sector's broadest branch and ATM networks, Ziraat Bank targets to further increase the efficiency and productivity of this service network, and to maintain its position as the bank with the lowest cost/income ratio among banks of a similar scale.

## RATIOS

%

	2015	2016
<b>CAPITAL</b>		
Capital Adequacy Ratio	15.1	14.5
Shareholders' Equity/Total Assets	10.4	10.7
Shareholders' Equity/(Total Assets+Non-cash Loans)	8.7	8.8
Shareholders' Equity/(Deposits+Non-Deposit Resources)	12.4	12.8
<b>ASSET QUALITY</b>		
Total Loans/Total Assets	61.7	65.0
NPL (Gross)/Cash Loans	1.7	1.8
NPL (Gross)/(Non-cash Loans+Cash Loans)	1.3	1.3
Loans/Deposits	100.2	104.3
FC Assets/FC Liabilities	97.6	108.0
<b>LIQUIDITY</b>		
Liquid Assets/Total Assets	13.5	12.0
Liquid Assets/(Deposits+Non-Deposit Resources)	16.1	14.4
<b>PROFITABILITY</b>		
Net Profit (Loss)/Average Total Assets	1.8	2.0
Net Profit (Loss)/Average Shareholders' Equity	17.3	18.7
<b>INCOME-EXPENSE STRUCTURE</b>		
Interest Incomes/Interest Expenses	191.1	204.5
Non-Interest Incomes/Non-Interest Expenses	43.4	40.4
Total Incomes/Total Expenses	135.5	138.3
Interest Incomes/Total Incomes	87.9	88.2
Non-Interest Incomes/Total Incomes	12.1	11.8
Interest Expenses/Total Expenses	62.4	59.6
Non-Interest Expenses/Total Expenses	37.6	40.4

## INFORMATION ABOUT RISK MANAGEMENT POLICIES AND ACTIVITIES ACCORDING TO TYPE OF RISK

Risk management activities at Ziraat Bank are carried out with the underlying approach of aligning the Bank's risk management functions with best practices by fostering a risk culture throughout the entire Bank and constantly improving system and human resources.

Risk management activities are conducted under the separate headings of "Credit Risk", "Market Risk", "Operational Risk", and "Balance Sheet Risks". Policies, practices, and procedures concerning the management of these risks are governed by regulations and resolutions approved by the Board of Directors for dealing with each category of risk. All risk management system activities are carried out through the involved participation of all the units with which each type of risk is associated.

Ziraat Bank has formulated an "Intrinsic capital adequacy assessment process" as required by BDDK Regulation on banks' internal system and intrinsic capital adequacy assessment processes. The purpose of this process is to set up and maintain a system that will both determine the amounts of capital that are needed to cover the risks to which the Bank is or might be exposed and will ensure capital requirements and levels are used compatibly with the Bank's strategic objectives. Analyses are performed in line with BDDK principles and are further supported by means of risk-specific stress tests and scenario analyses. Year-end Stress Test and Internal Capital Adequacy Assessment Process (ICAAP) reports are prepared with the involvement of other appropriate units and are sent to BDDK with the approval of the Board of Directors.

The Bank's risk management activities include the calculation of its leverage ratio as per Basel III criteria. The results of this are reported both to BDDK and to TCMB.

To determine the Bank's compliance with Basel III liquidity criteria, Ziraat Bank prepares and sends to BDDK a "liquidity coverage ratio report" as per that agency's Regulation on the calculation of banks' liquidity coverage ratio.

### Credit Risk

"Credit risk" is an expression of the likelihood of the Bank's suffering a loss because a debtor fails to fulfill, in a timely manner, some or all of his obligations under an agreement that he has entered into. "Credit risk management" consists of discovering the credit risks to which the Bank is exposed and defining, measuring, monitoring, controlling, and reporting such risks.

According to BDDK Regulation on measurement and assessment of capital adequacy of banks, credit risk is to be measured using the Basel III Standardized Approach and the results of such measurements are to be included in one's mandatory reporting. In compliance with this requirement, Ziraat Bank's credit risk exposure on both a solo and a consolidated basis is reported monthly to BDDK.

Under the heading of credit risk management, statistical methods are employed both to verify the credit rating models developed by individual units and to quantify the effectiveness of their performance. As required by the Banks Association of Turkey's Circular on internal rating notifications, which went into effect as of January 2014, Ziraat Bank sends its internal rating notices to the TBB Risk Center every month. A Credit Risk Management with Advanced Methods Project has been launched to permit the use of advanced methods in the calculation of the Bank's core credit risk exposure.

Both customer-segment-based credit risk limits and trigger values and portfolio-based counterparty credit risk limits and trigger values arising respectively from banking accounts and from trading accounts have been calculated and approved by the Board of Directors. All these values are monitored on a monthly basis. The risk-weighted assets which the Bank may hold on a segment and portfolio basis are subject to these limits.

### Market Risk

Market risk is an expression of the possibility of loss that the Bank may be exposed to on account of its on- or off-balance sheet exchange rate, commodity, interest rate and stock position risk, which are subject to the Bank's trading activities and followed up under the Bank's accounts and positions valued at fair value, and which arise from the movements in market prices.

Risk measurement and monitoring is carried out in order to reveal the market risks to which Ziraat Bank may be exposed. The results of these activities are taken into account in the Bank's strategic decision-making processes.

In order to manage market risk, market movements that affect the present value of the portfolios which expose the Bank to market risk in line with its trading strategies are kept track of on a daily basis and the impact that both upward/downward and ordinary/extraordinary movements may have on these portfolios is analyzed. In the conduct of its day-to-day operations, trigger values are monitored as part of the early-warning process that is carried out to protect the Bank's financial strength from being seriously affected by increases in market volatility. Risk exposure levels are kept within prescribed limits.

The Standardized Approach methodology is used to calculate the Bank's exposure to market risk, the amount of which is included in its mandatory capital adequacy ratio. Market risk is also calculated on a daily basis by an independent consultancy using a VaR-based internal model that is recognized as being compatible with internationally-accepted best practices. The effectiveness of the models being used is also analyzed by means of backtesting.

### Operational Risk

“Operational risk” is an expression of the likelihood of the Bank’s suffering a loss because of changes in value caused by the fact that the actual losses which are incurred on account of inadequate or failed internal processes, people, or systems or on account of external events (including legal risk) differ from expected losses. The operational risks that arise throughout the Bank are monitored through the Ziraat Bank Operational Risk Loss Database. The mandatory capital needed to cover the Bank’s operational risk exposure is calculated using the Basic Indicator Approach methodology and is allocated accordingly.

Ziraat Bank employees perform their duties taking into account the operational risk-related principles and procedures set forth in the Bank’s internal regulations and in a manner that is both sensitive to the operational risks that may be incurred and mindful of Bank policies intended to create an operational environment that will reduce the likelihood of losses.

Work is currently being carried out to create a basic integrated risk framework for use at Ziraat Bank. IT-associated risks and efforts to deal with them are monitored through the information technology database.

As part of the Business Continuity Plan, “business impact analyses” are carried out in order both to identify the risks that might arise if the Bank’s operations are interrupted and to determine their potential consequences.

In order to ensure the continuity of outsourced support services, the risks that might arise from their procurement are assessed in light of BDDK Regulation on the outsourcing of support services by banks.

### Balance Sheet Risks

“Balance sheet risks”, which are risks that arise from the Bank’s on- and off-balance sheet asset and liability accounts, are controlled so as to manage them in the most effective way possible. Risk measurement and monitoring is carried out in order to reveal the balance sheet risks to which Ziraat Bank may be exposed on account both of its liquidity risks and of its interest rate risks arising from its banking business accounts. The results of these activities are taken into account in the Bank’s strategic decision-making processes.

There are two components of liquidity risk: funding liquidity risk and market liquidity risk. The first is an expression of the likelihood of the Bank’s suffering a loss because it is unable to satisfy all of its foreseeable/unforeseeable cash flow requirements without otherwise impairing its day-to-day operations and/or financial structure; the second is an expression of the likelihood of the Bank’s suffering a loss because the Bank is unable to close or cover a particular position at the market price owing to insufficient market depth or to excessive market volatility. Interest rate risk consists of the possibility of sustaining losses on risk-sensitive assets, liabilities, and off-balance sheet items owing to changes taking place in interest rates.

Compliance with mandatory ratios pertaining to liquidity and interest rate risks arising from banking business accounts is also monitored. In addition to the foregoing, matters with the potential to affect liquidity risk management are monitored funding and lending maturity mismatches, assets’ and liabilities’ behavioral as well as contractual maturities, the level of primary (cash and cash-equivalent) liquidity reserves needed to conduct the Bank’s normal day-to-day operations, Central Bank liquidity facilities to which recourse may be had in order to cope with unexpected liquidity requirements, secondary reserves whose potential to be converted to cash is exposed to the risk of their being under priced, and the ability to borrow from conventional markets are monitored. Additionally, within the content of scenario and sensitivity analyses stress test is conducted to assess the Bank’s liquidity needs in the worst case scenario and the loss that may result therefrom.

For the management of the interest rate risk arising on banking business accounts, attention is given to monitoring and analyzing such issues as rate and maturity mismatches between fixed- and variable-interest fundings and lendings, assets’ and liabilities’ behavioral as well as contractual maturities, both upward/downward and ordinary/extraordinary movements in interest rates, and the impact of interest rate margins on the current value of assets and liabilities. A close watch is also kept on any positions involving Turkish lira vs foreign currency interest rate margins.

In the conduct of its day-to-day operations, trigger values are monitored as part of the early-warning process that is carried out to protect the Bank’s financial strength from being seriously affected by increases in market volatility and/or by incoming/outgoing cash flow mismatches. Associated risk exposure levels are defined within limits in light of such considerations as liquidity, income level targets, and appetite for risk and come into force upon the approval of the Board of Directors. There have been no overruns in the Bank’s internal limits, which are regularly monitored.

## 31 DECEMBER 2012-31 DECEMBER 2016 SUMMARY BALANCE SHEET AND INCOME STATEMENT

(TL Million)

ASSETS	2012	2013	2014	2015	2016
Liquid Assets	22,647	29,067	32,340	40,983	43,069
Securities Portfolio	65,469	62,798	64,563	64,871	69,066
Loans	71,426	111,048	141,915	186,813	232,644
Associates and Subsidiaries	1,034	1,298	1,631	2,655	4,312
Fixed Assets	931	1,050	4,684	4,842	5,315
Other Assets	1,360	2,269	2,468	2,684	3,356
<b>Total</b>	<b>162,868</b>	<b>207,530</b>	<b>247,600</b>	<b>302,848</b>	<b>357,761</b>

LIABILITIES	2012	2013	2014	2015	2016
Deposits	118,966	141,735	153,255	186,469	223,019
Money Markets	11,162	24,571	31,781	43,086	47,212
Loans Borrowed	3,072	8,559	14,608	19,543	22,817
Marketable Securities Issued	1,944	2,637	4,219	5,288	6,833
Funds	4,292	4,036	5,426	5,931	6,021
Provisions	3,002	3,958	4,758	5,161	6,053
Other Liabilities	3,261	3,666	5,013	5,825	7,424
Shareholders' Equity	17,167	18,367	28,540	31,546	38,382
<b>Total</b>	<b>162,868</b>	<b>207,530</b>	<b>247,600</b>	<b>302,848</b>	<b>357,761</b>

STATEMENT OF INCOME	2012	2013	2014	2015	2016
Interest Income	14,811	14,370	18,165	22,050	27,291
Interest Expense	7,910	6,631	9,558	11,542	13,342
Net Interest Income	6,901	7,739	8,607	10,509	13,948
Fees and Commissions Income (net)	752	959	1,077	1,300	1,643
Dividend Income	98	321	192	213	259
Trading Profit/Loss (Net)	-52	-198	-70	-166	-188
Other Operating Income	429	1,048	911	1,340	1,555
Total Operating Income	8,128	9,868	10,717	13,196	17,217
Provisions for Loans and Other Receivables	1,795	1,828	1,443	1,421	3,345
Other Operating Expenses	2,828	3,661	4,095	5,208	5,303
Pretax Profit	3,505	4,379	5,179	6,568	8,569
Tax Provision	854	1,048	1,128	1,405	1,993
<b>Net Profit/Loss for the Period</b>	<b>2,650</b>	<b>3,330</b>	<b>4,051</b>	<b>5,162</b>	<b>6,576</b>

## CREDIT RATINGS ASSIGNED BY RATING AGENCIES

Ziraat Bank's performance is rated by Fitch Ratings, Moody's and JCR Eurasia Ratings. In annual meetings held with these agencies, the Bank provides detailed and transparent information on its progress achieved in core lines of business, its funding ability, asset quality, liquidity, capital structure and developments in risk management.

On 25 August 2016, Fitch Ratings revised all of the Bank's credit outlooks from stable to negative, but kept the credit ratings unchanged. The rating agency confirmed the Bank's credit ratings on 12 October 2016. On 20 July 2016, Moody's placed the outlook on the Bank's credit rating on negative watch. Following downgrading

of Turkey's credit rating from Baa3 to Ba1 on 23 September 2016, Moody's revised the Bank's long-term borrowing (FC and domestic currency) and deposit (domestic currency) ratings downwards from Baa3 to Ba1 on 26 September 2016, and changed all outlooks from negative to stable. JCR Eurasia Rating confirmed the Bank's credit ratings on 17 November 2016.

Credit ratings assigned to the Bank as of 31 December 2016 are presented below.

Rating Agency	Category	Rating	Date
Fitch Ratings	Foreign Currency Long-Term IDR	BBB-	October 2016
	Outlook	Negative	
	Foreign Currency Short-Term IDR	F3	
	Local Currency Long-Term IDR	BBB-	
	Outlook	Negative	
	Local Currency Short-Term IDR	F3	
	National Long-Term Rating	AAA (tur)	
	Outlook	Stable	
	Support Rating	2	
	Support Rating Floor	BBB-	
Moody's	Viability Rating	bbb-	September 2016
	Outlook	Stable	
	Outlook	Ba2	
	Long-Term Bank Deposit Foreign Currency	Not-Prime	
	Short-Term Bank Deposit Foreign Currency	Ba1	
	Long-Term Bank Deposit Domestic Currency	Not-Prime	
	Long-Term Bonds Foreign Currency	Ba1	
	Long-Term Bonds Domestic Currency	Ba1	
	Baseline Credit Assessment	ba2	
Adjusted Baseline Credit Assessment	ba2		
JCR Eurasia	Long-Term International Foreign Currency	BBB-	November 2016
	Outlook	Stable	
	Long-Term International Local Currency	BBB-	
	Outlook	Stable	
	Long-Term National Local Rating	AAA (Trk)	
	Outlook	Stable	
	Short-Term International Foreign Currency	A - 3	
	Outlook	Stable	
	Short-Term International Local Currency	A - 3	
	Outlook	Stable	
	Short-Term National Local Rating	A-1+ (Trk)	
Sponsor Support	1		
Stand Alone	A		

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT AT 31 DECEMBER 2016**

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

## INDEPENDENT AUDITOR’S REPORT



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

### **Report on the Unconsolidated Financial Statements**

We have audited the accompanying unconsolidated balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“the Bank”) as at 31 December 2016 and the related unconsolidated statement of income, unconsolidated income and expense items under shareholders’ equity, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### *Management’s Responsibility for the Unconsolidated Financial Statements*

Bank management is responsible for the preparation and fair presentation of the unconsolidated 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, other regulations on accounting records of Banks published by BRSA, circulars and interpretations published by BRSA, and Turkish Accounting Standards for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Independent Auditor’s Responsibility*

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. Our audit was conducted in accordance with the “Regulation on Independent Audit of Banks” published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and Independent Auditing Standards that are part of Turkish Standards on Auditing published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor’s professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the bank’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank’s internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by bank’s management, as well as evaluating the overall presentation of the financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT



### *Basis for the qualified opinion*

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

### *Qualified Opinion*

In our opinion, except for the effect of the matter described in the “Basis for the qualified opinion” paragraph above, on the unconsolidated financial statements, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

### **Report on Other Responsibilities Arising From Regulatory Requirements**

In accordance with subparagraph 4 of Article 402 of the Turkish Commercial Code No. 6102 (“TCC”); no significant matter has come to our attention that causes us to believe that the Bank’s bookkeeping activities for the period 1 January - 31 December 2016 are not in compliance with TCC and provisions of the Bank’s articles of association in relation to financial reporting.

In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

### **Additional Paragraph for Convenience Translation**

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

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

A handwritten signature in black ink, appearing to read 'Didem Demer Kaya'.

Didem Demer Kaya, SMMM  
Partner

Istanbul, 17 February 2017

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## THE UNCONSOLIDATED FINANCIAL REPORT OF TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 31 DECEMBER 2016

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

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

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

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



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



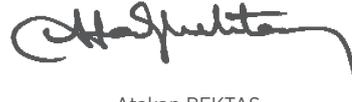
Hüseyin AYDIN  
Member of the Board,  
CEO



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



Peyami Ömer ÖZDİLEK  
Financial Coordination  
Executive Vice President



Atakan BEKTAŞ  
Senior Vice President of Financial Reporting and  
Budget Management

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

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

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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## **NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016**

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

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

### **SECTION ONE**

#### **GENERAL INFORMATION ABOUT THE BANK**

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

The foundation of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“Ziraat Bankası” or “the Bank”) is based on Government Funds established in 1863. In 1883, Government Funds were replaced with Benefit Funds. The Bank was officially established by the re-organization of the Benefit Funds in 1888, to grant loans to farmers, to accept interest-bearing deposits and to act as a moneylender and an intermediary for agricultural operations. The Bank, which was given the authority to perform all the banking activities, has its head office located in Ankara and all shares of the Bank belong to the Treasury. While all of the shares of the Bank that are entitled to carry out all kinds of banking activities belong to The Undersecretariat of Treasury (“the Treasury”) of the Prime Ministry of Turkish Republic, all of the Bank’s shares have been transferred to the Turkey Wealth Fund in accordance with the decision of the Council of Ministers dated 24 January 2017 and with decree no. 2017/9756. The head office of the Bank is in Ankara.

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

While the only shareholder of the Bank is the Treasury, all of the Bank’s shares have been transferred to the Turkey Wealth Fund in accordance with the decree of the Council of Ministers dated 24 January 2017 and numbered 2017/9756.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

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

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

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

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

The directors above mentioned do not retain any shares of the Bank's capital.

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

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

While the only shareholder of the Bank is the Treasury, all of the Bank's shares have been transferred to the Turkey Wealth Fund in accordance with the decree of the Council of Ministers dated 24 January 2017 and numbered 2017/9756.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## **NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016**

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

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

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

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

As of 31 December 2016, Bank carries its activities with a grand total of 1.814 branches; 1.786 domestic branches including 20 corporate branches, 79 entrepreneurial branches, 76 dynamic entrepreneurial branches, 1.606 branches and 5 mobile branches (31 December 2015: 1.786 domestic branches including 1.596 branches, 22 corporate branches, 80 entrepreneurial branches, 83 dynamic entrepreneurial branches, 5 mobile branches) and 27 branches abroad including 22 branches and 5 sub branches (New York branch in United States, London branch in England, Tbilisi branch and Batumi, Marneuli sub branches in Georgia, Baghdad and Arbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina in Kosovo, Bahrain in Bahrain, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönnyeli, Akdoğan, Near East University, Karaoğlanoğlu, Karakum and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has a representative office in Tehran, Iran.

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

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

### **VI. EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES TO IMMEDIATE TRANSFER OF SHAREHOLDERS’ EQUITY, OR REPAYMENT OF DEBT BETWEEN THE BANK AND ITS SUBSIDIARIES**

None.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## **NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016**

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

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

### **SECTION TWO**

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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2016

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)		Note (Section Five I)	Current Period (31/12/2016)			Prior Period (31/12/2015)		
ASSETS			TL	FC	Total	TL	FC	Total
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	7.541.324	31.625.773	39.167.097	4.072.948	32.463.015	36.535.963
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	1.209.019	475.772	1.684.791	662.198	282.701	944.899
2.1	Financial Assets Held for Trading		1.209.019	475.772	1.684.791	662.198	282.701	944.899
2.1.1	Public Sector Debt Securities		12.855	4.549	17.404	12.238	4.377	16.615
2.1.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.1.3	Derivative Financial Assets Held for Trading		1.196.164	471.223	1.667.387	649.960	278.324	928.284
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1	Public Sector Debt Securities		-	-	-	-	-	-
2.2.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	(3)	527.107	3.374.567	3.901.674	735.999	3.710.793	4.446.792
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	43.863.060	14.768.893	58.631.953	42.207.247	11.575.061	53.782.308
5.1	Securities Representing a Share in Capital		104.142	539.323	643.465	103.528	500.214	603.742
5.2	Public Sector Debt Securities		43.700.624	14.119.670	57.820.294	42.100.780	11.004.930	53.105.710
5.3	Other Marketable Securities		58.294	109.900	168.194	2.939	69.917	72.856
VI.	LOANS AND RECEIVABLES	(5)	168.980.221	63.663.314	232.643.535	141.002.935	45.809.916	186.812.851
6.1	Loans and Receivables		168.728.772	63.663.314	232.392.086	140.133.474	45.809.385	185.942.859
6.1.1	Loans Granted to Risk Group of The Bank		31.598	1.159.214	1.190.812	100.929	755.369	856.298
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		168.697.174	62.504.100	231.201.274	140.032.545	45.054.016	185.086.561
6.2	Loans under Follow-up		4.200.259	16.838	4.217.097	3.129.081	11.443	3.140.524
6.3	Specific Provisions (-)		3.948.810	16.838	3.965.648	2.259.620	10.912	2.270.532
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	INVESTMENTS HELD TO MATURITY (Net)	(6)	3.601.088	5.148.376	8.749.464	4.538.342	5.605.800	10.144.142
8.1	Public Sector Debt Securities		3.462.285	5.140.155	8.602.440	4.504.483	5.594.461	10.098.944
8.2	Other Marketable Securities		138.803	8.221	147.024	33.859	11.339	45.198
IX.	INVESTMENTS IN ASSOCIATES (Net)	(7)	94.912	-	94.912	94.912	-	94.912
9.1	Accounted with Equity Method		-	-	-	-	-	-
9.2	Unconsolidated Associates		94.912	-	94.912	94.912	-	94.912
9.2.1	Financial Associates		88.846	-	88.846	88.846	-	88.846
9.2.2	Non-financial Associates		6.066	-	6.066	6.066	-	6.066
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	2.532.473	1.575.116	4.107.589	1.157.477	1.291.703	2.449.180
10.1	Unconsolidated Financial Subsidiaries		2.526.236	1.575.116	4.101.352	1.151.240	1.291.703	2.442.943
10.2	Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237	6.237	-	6.237
XI.	ENTITIES UNDER COMMON CONTROL (Net)	(9)	-	109.239	109.239	-	111.274	111.274
11.1	Accounted with Equity Method		-	-	-	-	-	-
11.2	Unconsolidated Entities Under Common Control		-	109.239	109.239	-	111.274	111.274
11.2.1	Financial Entities Under Common Control		-	109.239	109.239	-	111.274	111.274
11.2.2	Non Financial Entities Under Common Control		-	-	-	-	-	-
XII.	RECEIVABLES FROM LEASING TRANSACTIONS	(10)	-	-	-	-	-	-
12.1	Finance Lease Receivables		-	-	-	-	-	-
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1	Fair Value Hedges		-	-	-	-	-	-
13.2	Cash Flow Hedges		-	-	-	-	-	-
13.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(14)	5.300.983	14.220	5.315.203	4.830.792	10.846	4.841.638
XV.	INTANGIBLE ASSETS (Net)	(15)	305.716	7.098	312.814	207.761	3.750	211.511
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		305.716	7.098	312.814	207.761	3.750	211.511
XVI.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-	-	-	-
XVII.	TAX ASSET		76.878	-	76.878	262.631	-	262.631
17.1	Current Tax Asset		1.121	-	1.121	901	-	901
17.2	Deferred Tax Asset		75.757	-	75.757	261.730	-	261.730
XVIII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	562.033	-	562.033	240.606	-	240.606
18.1	Held for Sale		562.033	-	562.033	240.606	-	240.606
18.2	Held from Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(17)	1.214.427	1.189.756	2.404.183	1.266.086	703.533	1.969.619
<b>TOTAL ASSETS</b>			<b>235.809.241</b>	<b>121.952.124</b>	<b>357.761.365</b>	<b>201.279.934</b>	<b>101.568.392</b>	<b>302.848.326</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2016

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)		Note (Section Five II)	Current Period (31/12/2016)			Prior Period (31/12/2015)		
			TL	FC	Total	TL	FC	Total
<b>LIABILITIES AND EQUITY</b>								
I.	<b>DEPOSITS</b>	(1)	149.857.453	73.161.481	223.018.934	120.592.405	65.877.030	186.469.435
1.1	Deposits Held By the Risk Group of the Bank		1.191.017	354.900	1.545.917	378.896	175.066	553.962
1.2	Other		148.666.436	72.806.581	221.473.017	120.213.509	65.701.964	185.915.473
II.	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	239.703	403.925	643.628	30.655	261.616	292.271
III.	<b>FUNDS BORROWED</b>	(3)	1.788.942	21.027.794	22.816.736	1.392.459	18.150.189	19.542.648
IV.	<b>MONEY MARKET BALANCES</b>		34.941.538	12.270.423	47.211.961	28.340.963	14.744.813	43.085.776
4.1	Interbank Money Market Borrowings		4.640.000	-	4.640.000	1.100.000	-	1.100.000
4.2	Istanbul Stock Exchange Takasbank Borrowings		50.000	-	50.000	-	-	-
4.3	Funds Provided under Repurchase Agreements		30.251.538	12.270.423	42.521.961	27.240.963	14.744.813	41.985.776
V.	<b>MARKETABLE SECURITIES ISSUED (Net)</b>		2.156.778	4.676.223	6.833.001	2.199.333	3.088.273	5.287.606
5.1	Bills		2.156.778	-	2.156.778	2.199.333	756.233	2.955.566
5.2	Asset-backed Securities		-	-	-	-	-	-
5.3	Bonds		-	4.676.223	4.676.223	-	2.332.040	2.332.040
VI.	<b>FUNDS</b>		6.020.839	-	6.020.839	5.931.129	-	5.931.129
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		6.020.839	-	6.020.839	5.931.129	-	5.931.129
VII.	<b>MISCELLANEOUS PAYABLES</b>		1.266.894	1.213.827	2.480.721	1.477.006	843.177	2.320.183
VIII.	<b>OTHER LIABILITIES</b>	(4)	2.999.827	449.462	3.449.289	2.044.873	389.249	2.434.122
IX.	<b>FACTORING PAYABLES</b>		-	-	-	-	-	-
X.	<b>PAYABLES FROM LEASING TRANSACTIONS (Net)</b>	(5)	-	492	492	-	686	686
10.1	Finance Lease Payables		-	499	499	-	699	699
10.2	Operating Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Finance Lease Expenses (-)		-	7	7	-	13	13
XI.	<b>DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	(6)	-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XII.	<b>PROVISIONS</b>	(7)	5.981.623	71.388	6.053.011	5.125.958	34.938	5.160.896
12.1	General Provisions		3.908.739	12.886	3.921.625	2.833.693	10.491	2.844.184
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Employee Benefits Provisions		877.689	-	877.689	851.869	-	851.869
12.4	Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5	Other Provisions		1.195.195	58.502	1.253.697	1.440.396	24.447	1.464.843
XIII.	<b>TAX LIABILITY</b>	(8)	848.332	1.983	850.315	776.453	852	777.305
13.1	Current Tax Liability		848.332	1.983	850.315	776.453	852	777.305
13.2	Deferred Tax Liability		-	-	-	-	-	-
XIV.	<b>LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(9)	-	-	-	-	-	-
14.1	Held for Sale		-	-	-	-	-	-
14.2	Held from Discontinued Operations		-	-	-	-	-	-
XV.	<b>SUBORDINATED LOANS</b>	(10)	-	-	-	-	-	-
XVI.	<b>SHAREHOLDERS' EQUITY</b>	(11)	38.736.881	(354.443)	38.382.438	30.865.420	680.849	31.546.269
16.1	Paid-in Capital		5.100.000	-	5.100.000	5.000.000	-	5.000.000
16.2	Capital Reserves		3.472.869	(354.443)	3.118.426	2.537.588	680.849	3.218.437
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Differences		(644.043)	(354.443)	(998.486)	(1.001.889)	680.849	(321.040)
16.2.4	Tangible Assets Revaluation Reserves		4.177.866	-	4.177.866	3.607.167	-	3.607.167
16.2.5	Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6	Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7	Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17.388	-	17.388	17.388	-	17.388
16.2.8	Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9	Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10	Other Capital Reserves		(78.342)	-	(78.342)	(85.078)	-	(85.078)
16.3	Profit Reserves		22.681.247	-	22.681.247	18.005.564	-	18.005.564
16.3.1	Legal Reserves		3.203.307	-	3.203.307	2.920.983	-	2.920.983
16.3.2	Statutory Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		18.052.605	-	18.052.605	13.659.246	-	13.659.246
16.3.4	Other Profit Reserves		1.425.335	-	1.425.335	1.425.335	-	1.425.335
16.4	Profit or Loss		7.482.765	-	7.482.765	5.322.268	-	5.322.268
16.4.1	Prior Years Profit/Loss		906.345	-	906.345	159.798	-	159.798
16.4.2	Net Period Profit/Loss		6.576.420	-	6.576.420	5.162.470	-	5.162.470
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>244.838.810</b>	<b>112.922.555</b>	<b>357.761.365</b>	<b>198.776.654</b>	<b>104.071.672</b>	<b>302.848.326</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET  
 COMMITMENTS AS OF 31 DECEMBER 2016**

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

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

II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS							
	Note (Section Five III)	Current Period (31/12/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>59.657.458</b>	<b>123.271.460</b>	<b>182.928.918</b>	<b>38.810.504</b>	<b>98.624.231</b>	<b>137.434.735</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>(1),(3)</b>	<b>24.763.329</b>	<b>54.391.779</b>	<b>79.155.108</b>	<b>19.707.145</b>	<b>40.579.030</b>	<b>60.286.175</b>
1.1 Letters of Guarantee		24.571.621	41.207.958	65.779.579	19.606.622	29.635.315	49.241.937
1.1.1 Guarantees Subject to State Tender Law		1.482.932	7.391.519	8.874.451	1.181.920	5.635.033	6.816.953
1.1.2 Guarantees Given for Foreign Trade Operations		20.772.639	33.311.238	54.083.877	16.927.658	23.740.445	40.668.103
1.1.3 Other Letters of Guarantee		2.316.050	505.201	2.821.251	1.497.044	259.837	1.756.881
1.2 Bank Acceptances		34.549	4.219.583	4.254.132	12.965	4.178.340	4.191.305
1.2.1 Import Letter of Acceptance		29.427	4.216.440	4.245.867	12.965	4.173.792	4.186.757
1.2.2 Other Bank Acceptances		5.122	3.143	8.265	-	4.548	4.548
1.3 Letters of Credit		157.159	8.964.238	9.121.397	87.558	6.765.375	6.852.933
1.3.1 Documentary Letters of Credit		157.159	8.918.813	9.075.972	87.558	6.728.524	6.816.082
1.3.2 Other Letters of Credit		-	45.425	45.425	-	36.851	36.851
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 Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		-	-	-	-	-	-
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>(1),(3)</b>	<b>18.457.103</b>	<b>4.909.554</b>	<b>23.366.657</b>	<b>15.984.047</b>	<b>3.614.654</b>	<b>19.598.701</b>
2.1 Irrevocable Commitments		18.457.091	4.905.642	23.362.733	15.984.035	3.609.756	19.593.791
2.1.1 Asset Purchase and Sale Commitments		368.494	1.754.807	2.123.301	153.461	1.695.131	1.848.592
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		3.538.378	60.375	3.598.753	2.693.280	112.533	2.805.813
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		3.138.916	-	3.138.916	3.076.439	-	3.076.439
2.1.8 Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9 Commitments for Credit Card Limits		7.258.758	-	7.258.758	7.130.144	-	7.130.144
2.1.10 Commitments for Credit Cards and Banking Services Promotions		22.138	-	22.138	20.185	-	20.185
2.1.11 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		4.130.407	3.090.460	7.220.867	2.910.526	1.802.092	4.712.618
2.2 Revocable Commitments		12	3.912	3.924	12	4.898	4.910
2.2.1 Revocable Loan Granting Commitments		-	3.912	3.912	-	4.898	4.898
2.2.2 Other Revocable Commitments		12	-	12	12	-	12
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>16.437.026</b>	<b>63.970.127</b>	<b>80.407.153</b>	<b>3.119.312</b>	<b>54.430.547</b>	<b>57.549.859</b>
3.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2 Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2016

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

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

II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS		Note (Section Five III)	Current Period (31/12/2016)			Prior Period (31/12/2015)		
			TL	FC	Total	TL	FC	Total
3.2	Trading Transactions		16.437.026	63.970.127	80.407.153	3.119.312	54.430.547	57.549.859
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.353.480	3.946.217	5.299.697	1.332.892	4.096.601	5.429.493
3.2.1.1	Forward Foreign Currency Transactions-Buy		628.181	2.026.549	2.654.730	642.706	2.072.867	2.715.573
3.2.1.2	Forward Foreign Currency Transactions-Sell		725.299	1.919.668	2.644.967	690.186	2.023.734	2.713.920
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		15.072.546	60.012.592	75.085.138	1.773.374	50.290.572	52.063.946
3.2.2.1	Foreign Currency Swap-Buy		13.193.333	20.280.990	33.474.323	436.624	22.770.642	23.207.266
3.2.2.2	Foreign Currency Swap-Sell		1.879.213	30.408.968	32.288.181	1.336.750	21.284.304	22.621.054
3.2.2.3	Interest Rate Swap-Buy		-	4.661.317	4.661.317	-	3.117.813	3.117.813
3.2.2.4	Interest Rate Swap-Sell		-	4.661.317	4.661.317	-	3.117.813	3.117.813
3.2.3	Foreign Currency, Interest rate and Securities Options		11.000	11.318	22.318	13.046	43.374	56.420
3.2.3.1	Foreign Currency Options-Buy		5.500	5.659	11.159	6.523	21.687	28.210
3.2.3.2	Foreign Currency Options-Sell		5.500	5.659	11.159	6.523	21.687	28.210
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>918.306.978</b>	<b>124.983.490</b>	<b>1.043.290.468</b>	<b>645.572.139</b>	<b>98.062.897</b>	<b>743.635.036</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>250.919.547</b>	<b>14.347.876</b>	<b>265.267.423</b>	<b>87.769.019</b>	<b>11.281.019</b>	<b>99.050.038</b>
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		3.548.171	6.190.399	9.738.570	30.615.944	4.389.662	35.005.606
4.3	Checks Received for Collection		6.091.308	550.260	6.641.568	4.576.100	342.690	4.918.790
4.4	Commercial Notes Received for Collection		6.333.865	474.990	6.808.855	4.782.653	309.103	5.091.756
4.5	Other Assets Received for Collection		8.834	-	8.834	8.934	-	8.934
4.6	Assets Received for Public Offering		230.493.772	-	230.493.772	44.389.111	-	44.389.111
4.7	Other Items Under Custody		4.441.948	7.132.227	11.574.175	3.394.628	6.239.564	9.634.192
4.8	Custodians		1.649	-	1.649	1.649	-	1.649
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>666.794.362</b>	<b>108.762.025</b>	<b>775.556.387</b>	<b>557.200.217</b>	<b>85.495.840</b>	<b>642.696.057</b>
5.1	Marketable Securities		1.536.809	37.532	1.574.341	907.730	28.100	935.830
5.2	Guarantee Notes		13.839.965	1.051.907	14.891.872	13.208.506	808.101	14.016.607
5.3	Commodity		1.089.260	70.224	1.159.484	1.072.015	18.248	1.090.263
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		588.923.360	83.692.739	672.616.099	495.609.918	65.182.872	560.792.790
5.6	Other Pledged Items		61.399.759	23.896.905	85.296.664	46.396.839	19.447.947	65.844.786
5.7	Pledged Items-Depository		5.209	12.718	17.927	5.209	10.572	15.781
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>593.069</b>	<b>1.873.589</b>	<b>2.466.658</b>	<b>602.903</b>	<b>1.286.038</b>	<b>1.888.941</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>			<b>977.964.436</b>	<b>248.254.950</b>	<b>1.226.219.386</b>	<b>684.382.643</b>	<b>196.687.128</b>	<b>881.069.771</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.  
**UNCONSOLIDATED INCOME STATEMENT**  
**AS OF 31 DECEMBER 2016**

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

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

<b>III. STATEMENT OF INCOME</b>			
<b>INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five IV)</b>	<b>Current Period 1/1-31/12/2016</b>	<b>Prior Period 1/1-31/12/2015</b>
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>27.290.689</b>	<b>22.050.495</b>
1.1 Interest Income from Loans		21.512.183	16.676.949
1.2 Interest Income From Reserve Deposits		184.904	59.963
1.3 Interest Income from Banks		86.129	66.961
1.4 Interest Income from Money Market Placements		222	8
1.5 Interest Income from Marketable Securities		5.487.868	5.197.221
1.5.1 Financial Assets Held for Trading		1.362	1.551
1.5.2 Financial Assets at Fair Value through Profit and Loss		-	-
1.5.3 Financial Assets Available-for-Sale		4.709.663	4.417.016
1.5.4 Investments Held-to-Maturity		776.843	778.654
1.6 Finance Lease Income		-	-
1.7 Other Interest Income		19.383	49.393
<b>II. INTEREST EXPENSES</b>	<b>(2)</b>	<b>13.342.418</b>	<b>11.541.569</b>
2.1 Interest Expense on Deposits		9.911.323	8.668.465
2.2 Interest on Borrowings		469.531	403.341
2.3 Interest on Money Market Borrowings		2.524.582	2.127.843
2.4 Interest on Marketable Securities Issued		382.299	281.151
2.5 Other Interest Expense		54.683	60.769
<b>III. NET INTEREST INCOME/EXPENSES (I - II)</b>		<b>13.948.271</b>	<b>10.508.926</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>1.642.848</b>	<b>1.300.081</b>
4.1 Fees and Commissions Received		2.022.852	1.636.694
4.1.1 Non-cash Loans		340.407	242.486
4.1.2 Other	(13)	1.682.445	1.394.208
4.2 Fees and Commissions Paid		380.004	336.613
4.2.1 Non-cash Loans		362	204
4.2.2 Other		379.642	336.409
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>259.184</b>	<b>213.056</b>
<b>VI. TRADING PROFIT/LOSS (Net)</b>	<b>(4)</b>	<b>(187.837)</b>	<b>(165.539)</b>
6.1 Profit/Loss from Capital Market Operations		30.488	76.423
6.2 Profit/losses on Derivative Financial Transactions	(5)	(1.822.587)	(1.245.827)
6.3 Profit/Loss from Foreign Exchanges		1.604.262	1.003.865
<b>VII. OTHER OPERATING INCOME</b>	<b>(6)</b>	<b>1.554.538</b>	<b>1.339.895</b>
<b>VIII. TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>		<b>17.217.004</b>	<b>13.196.419</b>
<b>IX. PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)</b>	<b>(7)</b>	<b>3.344.870</b>	<b>1.420.554</b>
<b>X. OTHER OPERATING EXPENSES(-)</b>	<b>(8)</b>	<b>5.302.999</b>	<b>5.208.242</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>8.569.135</b>	<b>6.567.623</b>
<b>XII. GAINS RECORDED AFTER MERGER</b>		-	-
<b>XIII. PROFIT/LOSS ON EQUITY METHOD</b>		-	-
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>(9)</b>	<b>8.569.135</b>	<b>6.567.623</b>
<b>XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(10)</b>	<b>(1.992.715)</b>	<b>(1.405.153)</b>
16.1 Current Tax Provision		(1.895.194)	(821.329)
16.2 Deferred Tax Provision		(97.521)	(583.824)
<b>XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>(11)</b>	<b>6.576.420</b>	<b>5.162.470</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1 Income from Non-current Assets Held for Sale		-	-
18.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
18.3 Other Income From Discontinued Operations		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Expenses for Non-current Assets Held for Sale		-	-
19.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3 Other Expenses From Discontinued Operations		-	-
<b>XX. PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(12)</b>	<b>6.576.420</b>	<b>5.162.470</b>
Earnings/Loss per Share		1,300	1,027

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2016

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

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

IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		Current Period (31/12/2016)	Prior Period (31/12/2015)
<b>PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>			
I.	ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	(951.047)	(3.278.164)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	790.587	(27.143)
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	140.481	157.751
V.	PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)	-	-
VI.	PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	8.420	(17.455)
IX.	DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(88.452)	624.731
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(100.011)	(2.540.280)
XI.	CURRENT YEAR PROFIT/LOSS	6.576.420	5.162.470
11.1	Net change in fair value of marketable securities (transfer to profit-loss)	30.488	76.423
11.2	Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3	Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4	Other	6.545.932	5.086.047
XII.	TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	6.476.409	2.622.190

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2015

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

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

### V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

31 December 2015	Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Canc. Profits	Legal Reserves
I. Balance at the Beginning of the Period		2.500.000	543.482	-	-	2.725.124
Changes During the Period						
II. Increase/Decrease Related to Merger		-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-
IV. Hedging Funds (Active Part)		-	-	-	-	-
4.1 Cash-Flow Hedge		-	-	-	-	-
4.2 Hedges for Investments Made in Foreign Countries		-	-	-	-	-
V. Revaluation Differences of Tangible Assets		-	-	-	-	-
VI. Revaluation Differences of Intangible Assets		-	-	-	-	-
VII. Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-
VIII. Foreign Exchange Differences		-	-	-	-	-
IX. Changes Resulted from Disposal of Assets		-	-	-	-	-
X. Changes Resulted from Reclassification of Assets		-	-	-	-	-
XI. Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-
XII. Increase in Capital		2.500.000	(543.482)	-	-	-
12.1 Cash		675.000	-	-	-	-
12.2 From Internal Resources		1.825.000	(543.482)	-	-	-
XIII. Issuance of Share Certificates		-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-
XV. Adjustment to Paid-in Capital		-	-	-	-	-
XVI. Other		-	-	-	-	-
XVII. Net Profit or Losses		-	-	-	-	-
XVIII. Profit Distribution		-	-	-	-	195.859
18.1 Dividend Distributed		-	-	-	-	-
18.2 Transfers to Legal Reserves		-	-	-	-	195.859
18.3 Other		-	-	-	-	-
<b>Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)</b>		<b>5.000.000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.920.983</b>

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

Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Total Equity
-	11.880.556	850.864	-	4.210.307	2.178.133	3.634.310	17.388	-	-	28.540.164
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	(2.656.924)	-	-	-	-	(2.656.924)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(27.143)	-	-	-	(27.143)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	157.751	-	-	-	-	157.751
-	-	-	-	-	-	-	-	-	-	-
-	(1.281.518)	-	-	-	-	-	-	-	-	675.000
-	(1.281.518)	-	-	-	-	-	-	-	-	675.000
-	-	-	-	-	-	-	-	-	-	-
-	-	(13.964)	-	-	-	-	-	-	-	(13.964)
-	-	-	5.162.470	-	-	-	-	-	-	5.162.470
-	3.060.208	503.357	-	(4.050.509)	-	-	-	-	-	(291.085)
-	-	-	-	(291.085)	-	-	-	-	-	(291.085)
-	3.060.208	503.357	-	(3.759.424)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	13.659.246	1.340.257	5.162.470	159.798	(321.040)	3.607.167	17.388	-	-	31.546.269

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2016

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

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

### V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

31 December 2016	Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancell. Profits	Legal Reserves
I. Balance at the Beginning of the Period		5.000.000	-	-	-	2.920.983
Changes During the Period						
II. Increase/Decrease Related to Merger		-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-
IV. Hedging Funds (Active Part)		-	-	-	-	-
4.1 Cash-Flow Hedge		-	-	-	-	-
4.2 Hedges for Investments Made in Foreign Countries		-	-	-	-	-
V. Revaluation Differences of Tangible Assets		-	-	-	-	-
VI. Revaluation Differences of Intangible Assets		-	-	-	-	-
VII. Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-
VIII. Foreign Exchange Differences		-	-	-	-	-
IX. Changes Resulted from Disposal of Assets		-	-	-	-	-
X. Changes Resulted from Reclassification of Assets		-	-	-	-	-
XI. Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-
XII. Increase in Capital		100.000	-	-	-	-
12.1 Cash		72.000	-	-	-	-
12.2 From Internal Resources		28.000	-	-	-	-
XIII. Issuance of Share Certificates		-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-
XV. Adjustment to Paid-in Capital		-	-	-	-	-
XVI. Other		-	-	-	-	-
XVII. Net Profit or Losses		-	-	-	-	-
XVIII. Profit Distribution		-	-	-	-	282.324
18.1 Dividend Distributed		-	-	-	-	-
18.2 Transfers to Legal Reserves		-	-	-	-	282.324
18.3 Other		-	-	-	-	-
<b>Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)</b>		<b>5.100.000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.203.307</b>

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

Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Total Equity
-	13.659.246	1.340.257	-	5.322.268	(321.040)	3.607.167	17.388	-	-	31.546.269
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	(817.927)	-	-	-	-	(817.927)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	570.699	-	-	-	570.699
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	140.481	-	-	-	-	140.481
-	-	-	-	-	-	-	-	-	-	-
-	(28.000)	-	-	-	-	-	-	-	-	72.000
-	(28.000)	-	-	-	-	-	-	-	-	72.000
-	-	-	-	-	-	-	-	-	-	-
-	-	6.736	-	746.547	-	-	-	-	-	753.283
-	-	-	6.576.420	-	-	-	-	-	-	6.576.420
-	4.421.359	-	-	(5.162.470)	-	-	-	-	-	(458.787)
-	-	-	-	(458.787)	-	-	-	-	-	(458.787)
-	4.421.359	-	-	(4.703.683)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	18.052.605	1.346.993	6.576.420	906.345	(998.486)	4.177.866	17.388	-	-	38.382.438

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS**  
**AS OF 31 DECEMBER 2016**

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

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

<b>VI. STATEMENT OF CASH FLOWS</b>		<b>Note (Section Five VI)</b>	<b>Current Period 01/01-31/12/2016</b>	<b>Prior Period 01/01-31/12/2015</b>
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		5.930.079	5.395.793
1.1.1	Interest Received		26.056.965	20.944.150
1.1.2	Interest Paid		(12.988.609)	(9.420.130)
1.1.3	Dividend Received		254.283	185.475
1.1.4	Fees and Commissions Received		2.018.778	1.634.368
1.1.5	Other Income		1.511.580	436.439
1.1.6	Collections from Previously Written-off Loans and Other Receivables		1.307.370	1.671.510
1.1.7	Payments to Personnel and Service Suppliers		(2.286.812)	(2.065.716)
1.1.8	Taxes Paid		(2.321.527)	(1.278.128)
1.1.9	Other		(7.621.949)	(6.712.175)
1.2	Changes in Operating Assets and Liabilities		5.910.642	226.160
1.2.1	Net (Increase)/Decrease in Trading Securities		(785)	(2.512)
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3	Net (Increase)/Decrease in Banks		5.422.001	(6.091.291)
1.2.4	Net (Increase)/Decrease in Loans		(46.425.679)	(44.196.157)
1.2.5	Net (Increase)/Decrease in Other Assets		(392.084)	(252.980)
1.2.6	Net Increase/(Decrease) in Bank Deposits		4.191.960	7.254.219
1.2.7	Net Increase/(Decrease) in Other Deposits		36.377.643	37.132.471
1.2.8	Net Increase/(Decrease) in Funds Borrowed		3.231.377	4.913.141
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		3.506.209	1.469.269
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>11.840.721</b>	<b>5.621.953</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>		<b>(6.190.109)</b>	<b>(3.490.193)</b>
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		(1.452.444)	(997.857)
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3	Fixed Assets Purchases		(63.790)	(457.000)
2.4	Fixed Assets Sales		263.287	47.741
2.5	Cash Paid for Purchase of Financial Assets Available for Sale		(15.914.106)	(16.560.939)
2.6	Cash Obtained from Sale of financial Assets Available for Sale		11.879.467	16.452.628
2.7	Cash Paid for Purchase of Investment Securities		(937.047)	(148.236)
2.8	Cash Obtained from Sale of Investment Securities		2.798.047	1.085.085
2.9	Other		(2.763.523)	(2.911.615)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>		<b>809.173</b>	<b>516.030</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued		4.030.900	2.990.333
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.990.333)	(2.367.350)
3.3	Marketable Securities Issued		-	-
3.4	Dividends Paid		(231.200)	(106.250)
3.5	Payments for Finance Leases		(194)	(703)
3.6	Other		-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	(1)	<b>1.042.601</b>	<b>549.935</b>
<b>V.</b>	<b>Net Decrease/Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>7.502.386</b>	<b>3.197.725</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	(1)	<b>8.064.097</b>	<b>4.866.372</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	(1)	<b>15.566.483</b>	<b>8.064.097</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## UNCONSOLIDATED STATEMENT OF PROFIT APPROPRIATION AS OF 31 DECEMBER 2016

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

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

VII. PROFIT APPROPRIATION STATEMENT <sup>(1)</sup>		Current Period (31/12/2016)	Prior Period <sup>(2)</sup> (31/12/2015)
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1	Current Year Income	8.569.135	6.567.623
1.2	Taxes And Duties Payable (-) <sup>(3)</sup>	1.992.715	1.405.153
1.2.1	Corporate Tax (Income tax)	1.895.194	821.329
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	97.521	583.824
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>6.576.420</b>	<b>5.162.470</b>
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	-	258.124
1.5	Other Statutory Reserves (-)	-	-
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>6.576.420</b>	<b>4.904.346</b>
1.6	First Dividend To Shareholders (-)	-	250.000
1.6.1	To Owners Of Ordinary Shares	-	250.000
1.6.2	To Owners Of Privileged Shares	-	-
1.6.3	To Owners Of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.7	Dividends To Personnel (-)	-	186.788
1.8	Dividends To Board Of Directors (-)	-	-
1.9	Second Dividend To Shareholders (-)	-	22.000
1.9.1	To Owners Of Ordinary Shares	-	22.000
1.9.2	To Owners Of Privileged Shares	-	-
1.9.3	To Owners Of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	24.200
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	4.421.358
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>		
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends To Shareholders (-)	-	-
2.3.1	To Owners Of Ordinary Shares	-	-
2.3.2	To Owners Of Privileged Shares	-	-
2.3.3	To Owners Of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders Of Profit And Loss Sharing Certificates	-	-
2.4	Dividends To Personnel (-)	-	-
2.5	Dividends To Board Of Directors (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>		
3.1	To Owners Of Ordinary Shares	1,2999	1,0488
3.2	To Owners Of Ordinary Shares (%)	129,99	104,88
3.3	To Owners Of Privileged Shares	-	-
3.4	To Owners Of Privileged Shares (%)	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>		
4.1	To Owners Of Ordinary Shares	-	-
4.2	To Owners Of Ordinary Shares (%)	-	-
4.3	To Owners Of Privileged Shares	-	-
4.4	To Owners Of Privileged Shares (%)	-	-

<sup>(1)</sup> Profit distribution is approved by the Ordinary General Assembly. As of the date of the preparation of financial statements, the meeting for Ordinary General Assembly has not been held.

<sup>(2)</sup> The profit distribution table for the prior period becomes definite with the decision of Ordinary General Assembly after the publishing of 31 December 2015 audited financial statements. It is rearranged in this direction.

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

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### **SECTION THREE**

#### **EXPLANATIONS ON ACCOUNTING POLICIES**

##### **I. BASIS OF PRESENTATION**

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

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

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

Balance sheet and statement of off-balance sheet commitments as of 31 December 2016 are presented comparatively with independently audited balances as of 31 December 2015.

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

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

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

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

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

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

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

Main activity of the Bank comprises of banking services, such as; launching all kinds of cash and non-cash loans in terms of Turkish Lira and foreign currencies, performing transactions in local, international money and capital markets, supporting agricultural sector financially and collecting deposits in Turkish Lira and foreign currencies. The Bank’s main funding source consists of Turkish Lira deposits, repurchase agreements, issued securities, and shareholders’ equity. The Bank directs these funds to assets with high return and low risk. These assets include predominantly domestic government bonds and loans. The Bank’s liquidity structure covers the financing of all liabilities at due date. Although most of the sources in the Bank’s balance sheet are with fixed interest rate, some of the securities in assets have floating interest rate. Since the remaining time to re-pricing date of sources is short, cost of sources is repriced in short periods based on the market conditions. Moreover, the Bank adopts high return principle for its long-term placements.

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

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

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

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

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

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

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

Based on the TAS 27 “Turkish Accounting Standard for Consolidated and Separate Financial Statements”, Turkish Lira denominated investments in associates and subsidiaries are accounted at cost value and are reflected to the unconsolidated financial statements after clarifying the impairment, if any.

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

### **IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTION CONTRACT AND DERIVATIVE INSTRUMENTS**

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

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

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

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

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

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

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

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

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

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

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

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

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

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

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

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

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

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**b. Held-to-maturity financial assets:**

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

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

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

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

Held to maturity assets are initially recognized at cost value.

**c. Loans and receivables:**

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

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 at period-ends revalued by the counter foreign exchange buying rate of the Bank. Foreign exchange indexed loans are used as TL by the valid counter foreign exchange buying rate of the Bank at usage date. Repayments of these loans are collected as calculated TL value by the valid counter foreign exchange selling rate of Bank at installment date.

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

**d. Available-for-sale financial assets:**

Available-for-sale financial assets are defined as financial assets other than the ones classified as “Loans and Receivables”, “Held-to-Maturity Assets” or “Financial Asset at Fair Value Through Profit or Loss”.

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

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

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

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

Regarding the banking operations of Ziraat Bank, there exist ineffective shares of Kredi Garanti Fonu, Central Bank of the Republic of Turkey and Milli Reasürans T.A.Ş. The related investments are classified under available-for-sale financial assets 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Bank has no discontinued operations.

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

As at the balance sheet date, the Bank has no goodwill within the financial statements.

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

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

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

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. The Bank’s tangible fixed assets purchased before 1 January 2005 are carried at inflation adjusted cost in the balance sheet before 31 December 2004 and its tangible fixed assets that are purchased subsequent to 1 January 2005 are valued at historical cost. As of 31 January 2014 the Bank has changed its accounting policies and has decided to pursue the real estates registered in its portfolio at fair values. In this context, for all real estates registered in the Bank’s inventory, appraisal study was carried by independent expertise companies, and from 1 January 2014 valuation results are reflected in the accounting records. As a result of the fair valuation of the real estates which is included in tangible fixed assets, TL 4.177.866 revaluation difference is followed under shareholders’ equity as of 31 December 2016. As of 30 January 2014, the net book amount of real estates of the tangible assets before valuation was TL 816.950.

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

Applied depreciation rates are as follows;

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

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

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

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

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### **XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

#### **Financial Lease**

The 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 Interest Expenses”.

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

#### **Operational Lease**

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

### **XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES**

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

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

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

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

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

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

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

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

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

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The Bank uses independent actuaries in determining liability, and also makes assumptions relating to the discount rate, future salary increases, and the employee turnover. These assumptions are reviewed on an annual basis. Retirement benefit obligation is TL 690.189 (31 December 2015: TL 683.269).

	Current Period	Prior Period
Discount Ratio (%)	11,40	10,70
Expected Inflation Rate (%)	8,00	7,00

Communiqué on “Turkish Accounting Standard (TAS 19) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TL 78.342 was classified as “Other Comprehensive Expense” in the financials (31 December 2015: TL 85.078 actuarial loss).

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

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

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

Some of the Bank’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees Pension Fund (“Fund”) which was established by 20<sup>th</sup> provisional article of Social Security Law Act numbered 506. As of 31 December 2016 the number of personnel who benefit from the Fund, excluding dependents, is 22.221 (31 December 2015: 21.347). 18.450 of these members are active while 3.771 are passive members. (31 December 2015: 17.644 active members, 3.703 passive members).

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

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

According to the new law Bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution and would be subject to its legislation within three years beginning from the date of publication without any required transaction. Three years transfer period would be extended by two years at most with the decision of Council of Ministers. In accordance with the related legislation, as of the transfer date, the cash value of the liabilities will be calculated by considering the income and expenses of the transferred funds by the insurance branches and by using the actuarial interest rate of 9.80%. Moreover, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

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

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

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

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

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

The technical balance sheet report as of 31 December 2016 which is prepared in accordance with the new law and the rate determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

### **XVII. EXPLANATIONS ON TAXATION**

#### **a. Current Tax**

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

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

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

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

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

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

#### **b. Deferred Tax**

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

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

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

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

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

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

#### **XVIII. EXPLANATIONS ON BORROWINGS**

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

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

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

#### **XIX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES**

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

#### **XX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES**

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

#### **XXI. EXPLANATIONS ON GOVERNMENT GRANTS**

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

#### **XXII. CASH AND CASH EQUIVALENTS**

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

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

#### **XXIII. EXPLANATIONS ON SEGMENT REPORTING**

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

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**XXIV. EXPLANATIONS ON OTHER MATTERS**

In accordance with the decision taken in the General Assembly of the year 2015, which was carried out on 30 March 2016, from TL 5.162.470 net profit, which is subject to distribution, TL 258.124 is transferred to first legal reserve and TL 24.200 is transferred to second legal reserve TL 220.000 was paid to employees and TL 231.200 is distributed to Treasury after deducting withholding tax of 15% (TL 40.800) in cash. In this context, TL 4.388.146 of the profit is preserved; dividend payment made to Treasury on 15 April 2016, and TL 186.788 was paid to employees as an additional premium. With respect to the decision of the Board of Directors the remaining amount of additional premium to employees, which amounts TL 33.212 has been transferred to the “Profit Reserves” account.

**SECTION FOUR**

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

**I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS’ EQUITY**

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

As of 31 December 2016 Bank’s total capital has been calculated as TL 41.061.245, capital adequacy ratio is 14,55%. As of 31 December 2015, Bank’s total capital amounted to TL 34.995.187, capital adequacy ratio was 15,08% calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

**a) Information Related to The Components of Shareholders’ Equity:**

	Amount	Amount as per the regulation before 1/1/2014*
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.100.000	-
Share issue premiums	-	-
Reserves	22.681.247	-
Gains recognized in equity as per TAS	4.820.602	-
Profit	7.482.765	-
Current Period Profit	6.576.420	-
Prior Period Profit	906.345	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17.388	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>40.102.002</b>	<b>-</b>
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1 <sup>st</sup> 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	1.719.564	-
Improvement costs for operating leasing	82.601	-
Goodwill netted with related deferred tax liabilities	-	-
Other intangible assets netted off related deferred tax liabilities except mortgage servicing rights	187.688	312.814
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net off related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-

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	Amount	Amount as per the regulation before 1/1/2014*
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 4 <sup>th</sup> clause of the 56 <sup>th</sup> 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 2 <sup>nd</sup> clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>1.989.853</b>	-
<b>Total Common Equity Tier I Capital</b>	<b>38.112.149</b>	-
<b>ADDITIONAL TIER I CAPITAL</b>	-	-
Preferred stock not included in Common Equity Tier I Capital and the related share premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA (Covered by Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>	-	-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items to be defined by the BRSA (-)	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	125.126	-
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 (-)	-	-

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	Amount	Amount as per the regulation before 1/1/2014*
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>37.987.023</b>	-
<b>TIER II CAPITAL</b>	-	-
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on the Equity of Banks)	3.114.746	-
<b>Tier II Capital Before Deductions</b>	<b>3.114.746</b>	-
<b>Deductions from Tier II Capital</b>	-	-
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>3.114.746</b>	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>41.101.769</b>	-
<b>The sum of Tier I Capital and Tier II Capital (Total Capital)</b>	<b>41.101.769</b>	-
Loans Granted against the Articles 50 and 51 of the Banking Law	-	-
Net book values of movables and immovables exceeding the limit defined in the Article 57, Clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years	38.071	-
Other items to be defined by the BRSA (-)	2.453	-
<b>Items to be deducted from the sum of Tier I and Tier II Capital (“Capital”) during the Transition Period</b>	-	-
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-

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	Amount	Amount as per the regulation before 1/1/2014*
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	41.061.245	-
Total Risk Weighted Assets	282.252.505	-
<b>CAPITAL ADEQUACY RATIOS</b>		
Common Equity Tier I Capital Adequacy Ratio (%)	13,50	-
Tier I Capital Adequacy Ratio (%)	13,46	-
Capital Adequacy Ratio (%)	14,55	-
<b>BUFFERS</b>		
Bank-specific total buffer ratio	-	-
Capital conservation buffer ratio (%)	0,63	-
Bank-specific counter-cyclical capital buffer ratio (%)	0,004	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	5,50	-
Amounts below the Excess Limits as per the Deduction Principles	-	-
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	153.707	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	97.415	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	75.757	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3.921.625	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	3.114.746	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subject to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subject to temporary Article 4	-	-

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	Prior Period <sup>(*)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>	
Paid-in Capital to be Entitled for Compensation after All Creditors	5.000.000
Share Premium	-
Share Cancellation Profits	-
Reserves	18.005.564
Income recognized under equity in accordance with TAS	4.664.239
Profit	5.322.268
Current Period's Profit	5.162.470
Prior Period's Profit	159.798
Free Provision for Possible Risks	1.257.419
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	17.388
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>34.266.878</b>
<b>Deductions from Common Equity Tier 1 Capital</b>	
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	1.463.190
Leasehold Improvements on Operational Leases (-)	86.055
Goodwill and intangible asset and the related deferred tax liability (-)	84.604
Net Deferred Tax Asset/Liability (-)	-
Excess amount expressed in the law (Article 56 4 <sup>th</sup> paragraph) (-)	-
Bank's direct or indirect investments on its own Tier 1 Capital (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2 <sup>nd</sup> article temporary second paragraph (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Amounts related to mortgage servicing rights (-)	-
Excess amount of deferred tax assets from temporary differences (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from common equity tier 1 capital (-)	-
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>1.633.849</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>32.633.029</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>	
Premiums that are not included in Common Equity Tier 1 capital	-
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	-
<b>Additional Tier 1 Capital before Deductions</b>	<b>-</b>

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	Prior Period <sup>(*)</sup>
<b>Deductions from Additional Tier 1 Capital</b>	-
Bank's a direct or indirect investment in Tier 1 Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from Additional Tier 1 Capital (-)	-
<b>Total Deductions from Additional Tier 1 Capital</b>	-
<b>Total Additional Tier 1 Capital</b>	-
<b>Deductions From Tier 1 Capital</b>	126.907
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	126.907
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-
<b>Tier 1 Capital</b>	32.506.122
<b>TIER 2 CAPITAL</b>	
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	-
Pledged assets of the shareholders to be used for the Bank's capital increases	-
General Provisions	2.490.182
<b>Tier 2 Capital Before Deductions</b>	2.490.182
<b>Deductions From Tier 2 Capital</b>	
Bank's direct or indirect investment in Tier 2 capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other Items Determined by BRSA (-)	-
<b>Total Deductions From Tier 2 Capital</b>	-
<b>Total Tier 2 Capital</b>	2.490.182
<b>TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS</b>	34.996.304
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	1.044
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-

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	Prior Period <sup>(*)</sup>
Securitization positions that is deducted -preferably- from the shareholders' equity (Article 20 paragraph 2) (-)	-
Other items to be defined by BRSA (-)	73
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%, but exceeding 10% of Common Equity Tier 1 not deducted from Common Equity Tier 1, Tier 1 or Tier 2 (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of the bank (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of bank(-)	-
<b>TOTAL CAPITAL</b>	<b>34.995.187</b>
<b>Amounts below deduction thresholds</b>	
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%	120.823
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%	80.423
Mortgage servicing rights	-
Deferred tax assets arising from temporary differences (net of related tax liability) (-)	261.730

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

### a) Information Related to the Components which Subject to Temporary Implementation in the Calculation of Equity:

None.

### b) Necessary explanations in order to reach an agreement between the statement of shareholders' equity and balance-sheet amounts:

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

## II. EXPLANATIONS ON THE CREDIT RISK

Credit risk is the possibility of loss that the bank may be exposed due to the partial or complete default of the debtor by not complying to the obligations of the agreement made, or due to the decrease in credit worthiness.

The limits of the credit customers are identified, after combined assessment of various factors like the financial and non-financial information of the credit customers, credit requirements, sectoral and geographical features and, in conformity with the legal legislation, in line with the credit authorization limits of the branches, Regional Managements, Group Presidencies, Department Presidencies, Assistant General Management, General Manager, Credit Committee and Board of Directors.

The average limits identified related the credit portfolio are approved by the Board of Directors and revised when required. The identified limits are allocated by related departments on Regional Managements basis by considering the factors like portfolio structure, potentials of the customers and credit, regional and sectoral characteristics, competencies of the personnel.

In order to prevent the risk intensity on the commercial loan portfolio, limits are determined and followed on the basis of group companies, private and public firms, and different debtor groups. Similarly, in determining the limits of the agricultural loan portfolio the structures of the regions are considered. The bank's credit authority limits on given consumer loans are defined with the separation of type and guarantee and these limits are updated according to economic conjuncture and demands of Regional Managements/Branches.

In line with the budgeted targets, TL/FC Cash/Non-Cash Corporate/Commercial/Entrepreneurial loan placements are issued and followed on sectoral and regional basis.

The loans issued by the branches are periodically analyzed on the basis of the limits, subjects, guarantees, maturities, accounts followed, outstanding balances, numbers of the customers, and followed on customer and regional basis.

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After the opening of the lines of the commercial loans, the firms are continued to be monitored and the changes at the financial structures and market relations of the credit firms are followed. The credit limits are identified and approved for one year and renewed in case of no negative change in the situation of the customer (financial structure, market, guarantee, etc.).

The Bank is assessing credibility of the customer as the essential factor in issuing credits and creditors’ credit worthiness are ascertained during credit application and limit allocation/renewal. Documents to be obtained during the application are evidently mentioned in regulations and appropriateness of the documents obtained during application is controlled by internal audit departments. The Bank considers guarantees as important in minimization and elimination of the risk. As a result of policies and process based on obtaining reliable and robust guarantees, the Bank’s credit risk significantly declines.

In January 2011 the Bank started applying internal ratings processes as a decision support system for analysing credit worthiness and determining credit allocation for Corporate/Commercial/Entrepreneurial consumer loans.

The Bank is not engaging in credit transactions that are not defined at the legislation and not put into the practice.

The Bank makes provision in conformity with the “Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”.

Identification of limits for domestic and foreign banks are done by rating which is determined by considering the needs of clients and departments together with financial and economic conditions of the banks and their countries. When banks and/or countries are financially or economically risky, identified limits can be restricted with maturity, amount or type of transaction or use of credit is called off.

Since the Bank’s abroad lending operations have no significant effect on the financial statements, and operations and transactions are diversified via the use of different financial institutions in various countries, the Bank is not believed to be exposed to a significant credit risk as a result of these operations.

Foreign financial institution and country risks of the Bank are generally taken on financial institutions and countries which are rated by international rating institutions. Treasury operations are executed in the frame of pre-

determined authorization and limits, these authorization and limits are monitored. Client transactions within the context of Fund Management are done in the frame of general loan limits determined for the clients

The Bank engages in foreign currency swaps and forward transactions considering its asset-liability balance and legal limits. These are not considered to generate material risk given the amount of these transactions in the balance sheet.

In line with the regulation on provisions, if the cash risk of a customer classified as nonperforming, the non-cash is classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured and rescheduled loans are also booked in line with procedures and under accounts defined by the related regulation. Furthermore, they are monitored by the bank in line with credit risk policies. In this context, financial situation and commercial operations of related customers are analyzed and in terms of restructured plan, whether principal and interest payments have been paid is being checked and necessary measures are taken.

The percentage of top 100 and top 200 cash loans in the total cash loan portfolio is 26% and 31% respectively (31 December 2015: 24% and 29%).

The percentage of top 100 and top 200 non-cash loans in the total non-cash loan portfolio is 57% and 67% respectively (31 December 2015: 57% and 68%).

The percentage of top 100 and top 200 cash and non-cash loans in the total cash and non-cash loan portfolio is 27% and 34% respectively (31 December 2015: 32% and 38%).

General provision made by the Bank for the credit risk is TL 3.921.625 (31 December 2015: TL 2.844.184).

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	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Current Period</b>							
Domestic	79.163.571	565.336	552.253	-	-	34.082.846	133.171.905
European Union Countries	35.476	-	-	-	-	20.432.496	120.899
OECD Countries <sup>(1)</sup>	-	-	-	-	-	577.856	-
Off-shore Banking Regions	-	-	-	-	-	18.223	-
USA, Canada	902.384	-	-	-	-	2.160.369	171.214
Other Countries	524.567	19.131	181	-	-	977.486	220.979
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	5.117.282	1.320.682
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>80.625.998</b>	<b>584.467</b>	<b>552.434</b>	<b>-</b>	<b>-</b>	<b>63.366.558</b>	<b>135.005.679</b>

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Prior Period</b>							
Domestic	79.800.139	457.492	542.487	6	-	29.495.171	110.297.369
European Union Countries	37.219	1.125	-	-	-	8.805.518	294.202
OECD Countries <sup>(1)</sup>	-	-	-	-	-	265.921	-
Off-shore Banking Regions	-	-	-	-	-	-	-
USA, Canada	1.823.929	-	1.234	-	-	553.170	349.733
Other Countries	325.617	1.741	289	-	-	1.119.173	181.669
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	3.753.801	1.055.740
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>81.986.904</b>	<b>460.358</b>	<b>544.010</b>	<b>6</b>	<b>-</b>	<b>43.992.754</b>	<b>112.178.713</b>

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada<sup>(2)</sup> Assets and liabilities that could not be distributed on a consistent basis<sup>(3)</sup> The risk groups related with “Investments in Equity Instruments” are being included in the current period. The prior period records have been transferred into “Other Receivables” account.

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Investments in Equity Instruments <sup>(3)</sup>	Other receivables	Total
	89.792.217	36.926.407	-	317.409	-	-	-	1.673.629	103.025	15.871.966	392.220.564
	51.486	-	-	2.352	-	-	-	-	5	-	20.642.714
	-	-	-	-	-	-	-	-	-	-	577.856
	-	-	-	-	-	-	-	-	-	-	18.223
	851	-	-	-	-	-	-	-	-	-	3.234.818
	97.225	4.987	-	8.932	-	-	-	-	15.123	-	1.868.611
	6.067	-	-	-	-	-	-	-	-	-	6.444.031
	-	-	-	-	-	-	-	-	-	-	-
	89.947.846	36.931.394	-	328.693	-	-	-	1.673.629	118.153	15.871.966	425.006.817

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other Receivables <sup>(3)</sup>	Total
	71.239.492	18.125.101	567.395	9.210.227	-	-	-	105.708	14.842.948	334.683.535
	32.527	-	523	16.653	-	-	-	84	-	9.187.851
	-	-	-	-	-	-	-	-	-	265.921
	-	-	-	-	-	-	-	-	-	-
	586	-	-	610	-	-	-	-	-	2.729.262
	88.386	458	2.013	12.604	-	-	-	-	-	1.731.950
	-	-	-	-	-	-	-	-	-	4.809.541
	-	-	-	-	-	-	-	-	-	-
	71.360.991	18.125.559	569.931	9.240.094	-	-	-	105.792	14.842.948	353.408.060

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**Risk Profile by Sectors or Counterparties**

Current Period Sectors/Counter Parties	Risk Classes									
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	
Agriculture	702	1.482	7.029	-	-	-	5.546.769	3.505.501	817.466	
Farming and Stockbreeding	207	401	6.838	-	-	-	5.134.000	3.052.231	701.481	
Forestry	495	19	15	-	-	-	289.016	95.127	24.753	
Fishing	-	1.062	176	-	-	-	123.753	358.143	91.232	
Manufacturing	61.780	1.878	34.153	-	-	-	57.836.694	5.001.098	1.273.596	
Mining and Quarrying	-	28	18	-	-	-	4.540.388	93.345	15.466	
Production	61.769	557	34.126	-	-	-	39.317.359	4.882.437	1.209.498	
Electric, Gas and Water	11	1.293	9	-	-	-	13.978.947	25.316	48.632	
Construction	2	17	35.024	-	-	-	24.237.414	2.484.734	1.197.335	
Services	2.704.952	2.608	355.764	-	-	39.143.346	45.263.374	14.016.041	4.523.846	
Wholesale and Retail Trade	194	974	5.266	-	-	-	16.028.359	9.956.769	1.979.728	
Hotel Food and Beverage Services	553	92	1.617	-	-	-	3.248.943	793.261	314.825	
Transportation and Telecommunication	1.135	230	240.829	-	-	-	7.746.748	1.717.855	308.005	
Financial Institutions	2.544.902	159	27.836	-	-	38.081.650	5.221.114	16.175	1.789	
Real Estate and Leasing Services	77.823	621	5.897	-	-	1.061.696	12.107.957	1.192.839	1.711.146	
Self Employment Services	-	-	-	-	-	-	5	-	-	
Education Services	71.623	13	57.479	-	-	-	206.370	117.682	40.692	
Health and Social Services	8.722	519	16.840	-	-	-	703.878	221.460	167.661	
Other	77.858.562	578.482	120.464	-	-	24.223.212	2.121.428	64.940.472	29.119.151	
<b>Total</b>	<b>80.625.998</b>	<b>584.467</b>	<b>552.434</b>	<b>-</b>	<b>-</b>	<b>63.366.558</b>	<b>135.005.679</b>	<b>89.947.846</b>	<b>36.931.394</b>	

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

Risk Classes											
Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporatse	Investments similar to collective investment funds	Investments in Equity Instruments	Other receivables	TL	FC	Total	
-	3.415	-	-	-	-	-	376.398	9.753.761	505.001	10.258.762	
-	2.068	-	-	-	-	-	372.845	9.147.991	122.080	9.270.071	
-	221	-	-	-	-	-	1.277	154.897	256.026	410.923	
-	1.126	-	-	-	-	-	2.276	450.873	126.895	577.768	
-	16.577	-	-	-	-	-	189.306	24.385.014	40.030.068	64.415.082	
-	111	-	-	-	-	-	228	775.425	3.874.159	4.649.584	
-	13.082	-	-	-	-	-	188.900	19.334.905	26.372.823	45.707.728	
-	3.384	-	-	-	-	-	178	4.274.684	9.783.086	14.057.770	
-	24.060	-	-	-	44.445	-	38.133	8.887.824	19.173.340	28.061.164	
-	23.109	-	-	-	1.629.184	118.153	85.707	73.098.444	34.767.640	107.866.084	
-	14.293	-	-	-	-	-	55.447	21.940.731	6.100.299	28.041.030	
-	1.861	-	-	-	-	-	5.327	1.561.870	2.804.609	4.366.479	
-	2.148	-	-	-	-	-	19.387	2.914.581	7.121.756	10.036.337	
-	2.419	-	-	-	1.409.018	118.153	728	39.640.747	7.783.196	47.423.943	
-	1.811	-	-	-	220.166	-	3.883	5.995.612	10.388.227	16.383.839	
-	-	-	-	-	-	-	-	-	5	5	
-	128	-	-	-	-	-	245	396.355	97.877	494.232	
-	449	-	-	-	-	-	690	648.548	471.671	1.120.219	
-	261.532	-	-	-	-	-	15.182.422	152.184.935	62.220.790	214.405.725	
-	<b>328.693</b>	-	-	-	<b>1.673.629</b>	<b>118.153</b>	<b>15.871.966</b>	<b>268.309.978</b>	<b>156.696.839</b>	<b>425.006.817</b>	

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Prior Period	Risk Classes									
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	
<b>Sectors/Counter Parties</b>										
Agriculture	-	-	-	-	-	-	5,363.985	29,522.167	372.434	
Farming and Stockbreeding	-	-	-	-	-	-	5,008.120	29,327.342	350.326	
Forestry	-	-	-	-	-	-	249.657	101.415	2.844	
Fishing	-	-	-	-	-	-	106.208	93.410	19.264	
Manufacturing	-	-	99.937	-	-	-	49,121.631	3,600.766	129.349	
Mining and Quarrying	-	-	17	-	-	-	2,924.632	65.519	3.897	
Production	-	-	99.910	-	-	-	36,772.043	3,522.344	124.765	
Electric, Gas and Water	-	-	10	-	-	-	9,424.956	12.903	687	
Construction	-	-	25.807	-	-	-	15,431.147	2,133.204	50.527	
Services	2,997.074	420	255.292	6	-	26,723.466	38,705.529	11,750.851	713.311	
Wholesale and Retail Trade	-	17	4.292	-	-	-	16,568.568	8,233.270	420.414	
Hotel Food and Beverage Services	-	132	65	-	-	-	2,546.186	745.067	66.732	
Transportation and Telecommunication	-	79	73.236	-	-	-	5,609.959	1,517.944	93.141	
Financial Institutions	2,997.074	192	120	6	-	25,904.352	3,785.764	4.985	1,044	
Real Estate and Leasing Services	-	-	78.240	-	-	819.114	9,481.909	952.003	101.853	
Self Employment Services	-	-	-	-	-	-	-	-	-	
Education Services	-	-	69.774	-	-	-	252.627	102.145	5.540	
Health and Social Services	-	-	29.565	-	-	-	460.516	195.437	24.587	
Other	78,989.830	459.938	162.974	-	-	17,269.288	3,556.421	24,354.003	16,859.938	
<b>Total</b>	<b>81.986.904</b>	<b>460.358</b>	<b>544.010</b>	<b>6</b>	<b>-</b>	<b>43.992.754</b>	<b>112.178.713</b>	<b>71.360.991</b>	<b>18.125.559</b>	

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

<sup>(1)</sup> Investments in Equity Instruments” are added to the risk classes in the current period and the prior period related balances are included in “Other receivables”.

Risk Classes

	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	939	14.733	-	-	-	-	2.135.195	37.033.999	375.454	37.409.453
	868	13.201	-	-	-	-	2.135.195	36.736.566	98.486	36.835.052
	52	956	-	-	-	-	-	118.741	236.183	354.924
	19	576	-	-	-	-	-	178.692	40.785	219.477
	13.205	55.337	-	-	-	-	-	21.203.317	31.816.908	53.020.225
	726	768	-	-	-	-	-	603.581	2.391.978	2.995.559
	12.468	53.360	-	-	-	-	-	17.896.667	22.688.223	40.584.890
	11	1.209	-	-	-	-	-	2.703.069	6.736.707	9.439.776
	476.783	28.053	-	-	-	-	-	6.733.479	11.412.042	18.145.521
	25.290	235.952	-	-	-	105.792	-	55.144.375	26.368.608	81.512.983
	14.299	85.580	-	-	-	-	-	20.673.414	4.653.026	25.326.440
	1.509	13.478	-	-	-	-	-	1.383.255	1.989.914	3.373.169
	1.122	13.982	-	-	-	-	-	2.675.591	4.633.872	7.309.463
	35	89.157	-	-	-	3.694	-	24.562.680	8.223.743	32.786.423
	8.043	25.614	-	-	-	102.098	-	4.975.912	6.592.962	11.568.874
	-	-	-	-	-	-	-	-	-	-
	94	1.326	-	-	-	-	-	356.120	75.386	431.506
	188	6.815	-	-	-	-	-	517.403	199.705	717.108
	53.714	8.906.019	-	-	-	-	12.707.753	99.970.482	63.349.396	163.319.878
	569.931	9.240.094	-	-	-	105.792	14.842.948	220.085.652	133.322.408	353.408.060

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**Analysis of maturity-bearing exposures according to remaining maturities:**

	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Exposure Classifications:					
Conditional and unconditional exposures to central governments or central banks	2.449.903	270.163	210.485	29.051	77.666.396
Conditional and unconditional exposures to regional governments or local authorities	5.789	5	-	10.602	568.071
Conditional and unconditional receivables from administrative units and non-commercial enterprises	19.932	14	5.040	135.688	391.760
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	44.678.329	6.936.964	328.479	2.745.826	8.676.960
Conditional and unconditional exposures to corporates	1.025.207	3.257.121	5.106.629	27.717.552	97.899.170
Conditional and unconditional retail exposures	737.503	281.937	791.686	19.615.162	68.521.558
Conditional and unconditional exposures secured by real estate property	505	17.421	34.340	3.024.620	33.854.508
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	65.909	-	4.735	2.647	255.402
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	3.729	-	-	6.660	1.663.240
Investments in Equity Instruments	-	-	-	-	118.153
<b>Grand Total</b>	<b>48.986.806</b>	<b>10.763.625</b>	<b>6.481.394</b>	<b>53.287.808</b>	<b>289.615.218</b>

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

Grades of Fitch Ratings International Rating Agency are used in determining risk weights for risk classes being used rating grade of risk classes indicated in article 6 of Communiqué on “Measurement and Assessment of Capital Adequacy of Banks”. Additionally, grades of Fitch Ratings International Rating Agency were used for receivables from central government and central bank of our country and counter parties abroad. Counter parties resident are accepted as “gradeless” and take risk weight suited for “gradeless” category in relevant risk class.

For determination of risk weight regarding items that export or issuer rating not included to purchase/sale accounts is firstly considered to export rating, and also issuer’s credit rating is considered in the absence of export rating.

**Exposures by risk weights:**

	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1 Exposures before Credit Risk Mitigation	51.826.674	-	41.994.688	-	62.123.776	123.396.986	145.336.000	328.693	-	-	-	-	435.939
2 Exposures after Credit Risk Mitigation	92.574.644	-	10.112.901	27.239.255	70.667.529	89.147.618	134.936.881	327.989	-	-	-	-	435.939

Prepared with the numbers after conversion rate to credit.

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**Information in terms of major sectors and type of counterparties:**

**Impaired Credits;** are the credits that were deemed to be impaired because of the credibility or delaying more than 90 days as of the end of the reporting period. For these credits “Specific Provision” calculation is made within the scope of Regulation on Provisions.

**Past Due Credits;** are the credits whose maturity delayed up to 90 days as of the end of the reporting period but not incurred to impairment. For these credits “General Provision” calculation is made within the scope of Regulation for Provisions.

	Credits		Value Adjustments <sup>(*)</sup>	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	644.185	975.960	38.832	399.592
Farming and Stockbreeding	636.678	970.533	38.616	392.085
Forestry	3.611	2.768	110	3.611
Fishery	3.896	2.659	106	3.896
Manufacturing	744.282	702.014	27.932	744.282
Mining and Quarrying	17.200	9.964	396	17.200
Production	711.979	582.607	23.181	711.979
Electricity, Gas and Water	15.103	109.443	4.355	15.103
Construction	923.605	221.812	8.826	916.944
Services	979.194	1.312.543	52.224	979.194
Wholesale and Retail Trade	802.160	934.939	37.200	802.160
Accommodation and Dining	36.062	107.784	4.289	36.062
Transportation and Telecom.	45.853	94.304	3.752	45.853
Financial Institutions	1.605	2.959	118	1.605
Real Estate and Rental Services	66.572	139.619	5.555	66.572
Professional Services	-	-	-	-
Educational Services	13.666	24.233	964	13.666
Health and Social Services	13.276	8.705	346	13.276
Other	925.831	1.203.502	47.886	925.636
<b>Total</b>	<b>4.217.097</b>	<b>4.415.831</b>	<b>175.700</b>	<b>3.965.648</b>

<sup>(\*)</sup> Valuation adjustments represent general provisions reserved for overdue loans.

**Information about Value Adjustment and Change in Provisions:**

	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1 Specific Provisions	2.270.532	2.154.866	(459.750)	-	3.965.648
2 General Provisions	2.844.184	1.078.085	(644)	-	3.921.625

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The table below shows the maximum exposure to credit risk for the components of the financial statements:

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	1.684.791	944.899
Banks	3.901.674	4.446.792
Interbank Money Market Placements	-	-
Available-for-sale Financial Assets	58.631.953	53.782.308
Held-to-maturity Investments	8.749.464	10.144.142
Loans	232.643.535	186.812.851
Other Assets	2.257.069	1.771.166
<b>Total credit risk exposure of balance sheet items</b>	<b>307.868.486</b>	<b>257.902.158</b>
Financial Guarantees	79.155.108	60.286.175
Commitments	23.366.657	19.598.701
<b>Total credit risk exposure of off-balance sheet items</b>	<b>102.521.765</b>	<b>79.884.876</b>
<b>Total credit risk exposure</b>	<b>410.390.251</b>	<b>337.787.034</b>

**Information about credit quality per class of financial assets**

	Current Period			Prior Period		
	Neither past d	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
<b>Financial Assets</b>						
Banks	3.901.674	-	3.901.674	4.446.792	-	4.446.792
Financial Assets at Fair Value Through Profit or Loss	1.684.791	-	1.684.791	944.899	-	944.899
Loans:	227.976.255	4.415.831	232.392.086	181.932.549	4.010.310	185.942.859
Corporate/Entrepreneurial Loans	120.437.368	2.370.758	122.808.126	95.869.566	1.651.939	97.521.505
Consumer Loans	62.296.314	1.070.056	63.366.370	49.627.211	1.382.290	51.009.501
Specialized Loans	45.242.573	975.017	46.217.590	36.435.772	976.081	37.411.853
Available-for-sale Financial Assets	58.631.953	-	58.631.953	53.782.308	-	53.782.308
Held-to-maturity Investments	8.749.464	-	8.749.464	10.144.142	-	10.144.142

Carrying amount per class of financial assets whose terms have been renegotiated:

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Loans:	8.112.945	4.091.650
Corporate/Entrepreneurial Loans	3.081.223	1.209.157
Consumer Loans	1.397.886	768.734
Specialized Loans	3.633.836	2.113.759
Other	-	-
Available-for-sale Financial Assets	-	-
Held-to-maturity Investments	-	-

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### III. RISKS INCLUDED CAPITAL CAPACITY BUFFER CALCULATIONS

Country	Banking Accounts RWA	Trading Accounts RWA	TOTAL
Germany	985.884	-	985.884
UK	832.352	-	832.352
USA	804.249	-	804.249
France	699.077	-	699.077
Bosnia and Herzegovina	518.239	-	518.239
Turkish Republic of Northern Cyprus	367.875	-	367.875
Iraq	230.787	-	230.787
Uzbekistan	167.510	-	167.510
Switzerland	141.706	-	141.706
Holland	87.983	-	87.983
Other	852.445	-	852.445

### IV. EXPLANATIONS ON THE CURRENCY RISK

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

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

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

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

None.

c) Management policy for foreign currency risk:

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
23.12.2016	3,4990	3,6519	2,5088	0,4913	0,3791	3,4074	2,5833	0,4013	4,2845	0,9330	2,9814
26.12.2016	3,4924	3,6524	2,5107	0,4914	0,3801	3,4039	2,5852	0,4011	4,2915	0,9311	2,9844
27.12.2016	3,5071	3,6645	2,5202	0,4929	0,3795	3,4092	2,5917	0,4017	4,2983	0,9350	2,9853
28.12.2016	3,5307	3,6701	2,5318	0,4938	0,3837	3,4285	2,6012	0,4037	4,3141	0,9413	3,0000
29.12.2016	3,5126	3,6718	2,5277	0,4941	0,3848	3,4293	2,5950	0,4041	4,2974	0,9366	3,0097
31.12.2016	3,5076	3,6998	2,5350	0,4977	0,3874	3,4527	2,6110	0,4065	4,3431	0,9352	3,0054

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
3,4836	3,6693	2,5570	0,4935	0,3780	3,4151	2,6098	0,4057	4,3460	0,9290	3,0011

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

	EUR	USD	Other FC <sup>(1)</sup>	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	9.065.507	16.078.496	6.481.770	31.625.773
Banks	715.769	2.321.265	337.533	3.374.567
Financial Assets at Fair Value Through Profit and Loss <sup>(5)</sup>	-	4.549	-	4.549
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.004.694	10.709.868	54.331	14.768.893
Loans <sup>(2)</sup>	20.974.208	44.097.884	64.866	65.136.958
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(4)</sup>	1.112.624	571.731	-	1.684.355
Investments Held-to-Maturity	1.339.247	3.808.631	498	5.148.376
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	5.079	1.403	7.738	14.220
Intangible Assets	2.950	1	4.147	7.098
Other Assets <sup>(6)</sup>	843.721	332.341	8.593	1.184.655
<b>Total Assets</b>	<b>38.063.799</b>	<b>77.926.169</b>	<b>6.959.476</b>	<b>122.949.444</b>
<b>Liabilities</b>				
Interbank Deposits	4.538.983	4.260.487	54.704	8.854.174
Foreign Currency Deposits	39.043.962	21.303.688	3.959.657	64.307.307
Money Market Borrowings	306.464	11.963.959	-	12.270.423
Funds Provided from Other Financial Institutions	6.282.415	14.742.567	2.812	21.027.794
Issued Marketable Securities	-	4.676.223	-	4.676.223
Sundry Creditors	1.132.106	79.365	2.356	1.213.827
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	296.605	196.986	29.734	523.325
<b>Total Liabilities</b>	<b>51.600.535</b>	<b>57.223.275</b>	<b>4.049.263</b>	<b>112.873.073</b>
<b>Net Balance Sheet Position</b>	<b>(13.536.736)</b>	<b>20.702.894</b>	<b>2.910.213</b>	<b>10.076.371</b>
<b>Net Off-Balance Sheet Position <sup>(3)</sup></b>	<b>14.404.536</b>	<b>(21.814.361)</b>	<b>(2.611.272)</b>	<b>(10.021.097)</b>
Financial Derivative Assets	16.594.256	7.787.185	2.593.074	26.974.515
Financial Derivative Liabilities	2.189.720	29.601.546	5.204.346	36.995.612
<b>Non-cash Loans</b>	<b>18.783.775</b>	<b>31.762.066</b>	<b>3.845.938</b>	<b>54.391.779</b>
<b>Prior Period</b>				
Total Assets	25.328.934	69.683.515	7.291.987	102.304.436
Total Liabilities	43.677.501	56.883.928	2.567.778	103.129.207
<b>Net Balance Sheet Position</b>	<b>(18.348.567)</b>	<b>12.799.587</b>	<b>4.724.209</b>	<b>(824.771)</b>
<b>Net Off-Balance Sheet Position <sup>(3)</sup></b>	<b>19.428.812</b>	<b>(12.841.685)</b>	<b>(5.051.656)</b>	<b>1.535.471</b>
Financial Derivative Assets	21.565.135	5.207.441	1.210.433	27.983.009
Financial Derivative Liabilities	2.136.323	18.049.126	6.262.089	26.447.538
<b>Non-cash Loans</b>	<b>12.805.276</b>	<b>24.756.552</b>	<b>3.017.202</b>	<b>40.579.030</b>

<sup>(1)</sup> Of the foreign currencies presented in the other FC column of assets 91,94% is Gold, 2,69% is GBP, 1,73% is IQD, 1,25% is SAR, and the remaining 2,39% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 57,79% is Gold, 21,31% is GBP, 10,98% is CHF, 3,61% is DKK, 1,77% SEK, 1,19% is SAR, 0,71% is BGN and the remaining 2,64% is other foreign currencies. (31 December 2015: Of the foreign currencies presented in the other FC column of assets 94,50% is Gold, 1,43% is GBP, 1,55% is IQD, 0,71% is SAR, and the remaining 1,81% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 47,63% is Gold, 25,49% is GBP, 14,23% is CHF, 4,66% is DKK, 1,53% is BGN, 1,28% is SAR and the remaining 5,18% is other foreign currencies).

<sup>(2)</sup> TL 874.972 equivalent of EUR and TL 598.672 equivalent of USD loans are originated as foreign currency indexed loans (31 December 2015: TL 721.987 equivalent of EUR and TL 296.717 equivalent of USD).

<sup>(3)</sup> Indicates the net balance of receivables and payables on derivative financial instruments.

<sup>(4)</sup> The foreign currency capital investments to Subsidiaries, Associates and Joint Ventures are evaluated with historical rates on the date of the fair value determination and capital investments made in the subsequent periods are evaluated with the rates on the date of the capital investment and followed with their domestic currency equivalents. No exchange rate difference arises from such investments.

<sup>(5)</sup> Derivative financial assets held for trading and liabilities are not included in the table.

<sup>(6)</sup> Prepaid expenses in other assets amounting to TL 5.101 are not included in the table.

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**V. EXPLANATIONS ON THE INTEREST RATE RISK**

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	26.226.267	-	-	-	-	12.940.830	39.167.097
Banks	1.144.317	313.430	784.787	-	-	1.659.140	3.901.674
Financial Assets at Fair Value Through Profit and Loss	534.967	715.930	377.036	52.425	4.433	-	1.684.791
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	6.082.221	5.989.035	10.829.270	16.548.932	18.459.714	722.781	58.631.953
Loans Given	69.800.889	18.547.083	52.762.832	74.387.619	16.893.663	251.449	232.643.535
Investments Held-to-Maturity	3.616.855	824.631	60.683	2.564.614	1.682.681	-	8.749.464
Other Assets	-	-	-	-	-	12.982.851	12.982.851
<b>Total Assets</b>	<b>107.405.516</b>	<b>26.390.109</b>	<b>64.814.608</b>	<b>93.553.590</b>	<b>37.040.491</b>	<b>28.557.051</b>	<b>357.761.365</b>
<b>Liabilities</b>							
Interbank Deposits	6.796.605	1.563.724	1.967.777	-	-	1.731.844	12.059.950
Other Deposits	111.750.707	25.137.918	20.392.313	541.668	1	53.136.377	210.958.984
Money Market Borrowings	41.662.750	3.747.109	1.085.940	716.162	-	-	47.211.961
Sundry Creditors	-	-	-	-	-	2.480.721	2.480.721
Issued Marketable Securities	836.455	1.367.032	255.514	4.374.000	-	-	6.833.001
Funds provided from Other Financial Institutions	4.442.774	4.306.983	10.593.970	2.041.048	1.431.961	-	22.816.736
Other Liabilities	216.934	325.705	51.950	5.999.588	-	48.805.835	55.400.012
<b>Total Liabilities</b>	<b>165.706.225</b>	<b>36.448.471</b>	<b>34.347.464</b>	<b>13.672.466</b>	<b>1.431.962</b>	<b>106.154.777</b>	<b>357.761.365</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>-</b>	<b>30.467.144</b>	<b>79.881.124</b>	<b>35.608.529</b>	<b>-</b>	<b>145.956.797</b>
<b>Balance Sheet Short Position</b>	<b>(58.300.709)</b>	<b>(10.058.362)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(77.597.726)</b>	<b>(145.956.797)</b>
Off-Balance Sheet Long Position	808.285	2.189.886	-	-	-	-	2.998.171
Off-Balance Sheet Short Position	-	-	(373.698)	(1.428.568)	-	-	(1.802.266)
<b>Total Position</b>	<b>(57.492.424)</b>	<b>(7.868.476)</b>	<b>30.093.446</b>	<b>78.452.556</b>	<b>35.608.529</b>	<b>(77.597.726)</b>	<b>1.195.905</b>

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

<sup>(2)</sup> TL 5.950.057 of fund balance, whose risk does not belong to the Bank, in other liabilities is shown under the “1 - 5 Years” column. TL 70.782 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.

<sup>(3)</sup> Deferred tax asset is shown under the “Non-Interest Bearing” column.

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

<sup>(5)</sup> Total shareholders’ equity is shown under the “Non-Interest Bearing” column.

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	68.125	-	-	-	-	36.467.838	36.535.963
Banks	1.440.455	261.811	622.259	-	-	2.122.267	4.446.792
Financial Assets at Fair Value Through Profit and Loss	271.581	178.096	435.552	55.405	4.265	-	944.899
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	5.500.374	6.886.623	10.873.456	15.334.272	14.583.841	603.742	53.782.308
Loans Given	59.537.587	17.681.107	45.334.801	53.769.634	9.619.730	869.992	186.812.851
Investments Held-to-Maturity	3.408.301	1.648.784	935.985	2.757.201	1.393.871	-	10.144.142
Other Assets	-	-	-	-	-	10.181.371	10.181.371
<b>Total Assets</b>	<b>70.226.423</b>	<b>26.656.421</b>	<b>58.202.053</b>	<b>71.916.512</b>	<b>25.601.707</b>	<b>50.245.210</b>	<b>302.848.326</b>
<b>Liabilities</b>							
Interbank Deposits	7.360.373	1.894.998	135.475	-	-	336.455	9.727.301
Other Deposits	95.316.420	23.117.617	17.613.731	401.647	-	40.292.719	176.742.134
Money Market Borrowings	36.277.186	4.312.765	1.841.293	654.532	-	-	43.085.776
Sundry Creditors	-	-	-	-	-	2.320.183	2.320.183
Issued Marketable Securities	932.357	1.605.472	486.509	2.263.268	-	-	5.287.606
Funds Provided from Other Financial Institutions	2.636.989	4.182.857	10.332.714	1.518.502	871.586	-	19.542.648
Other Liabilities	101.620	101.760	36.844	5.885.912	-	40.016.542	46.142.678
<b>Total Liabilities</b>	<b>142.624.945</b>	<b>35.215.469</b>	<b>30.446.566</b>	<b>10.723.861</b>	<b>871.586</b>	<b>82.965.899</b>	<b>302.848.326</b>
<b>Balance Sheet Long Position</b>	-	-	<b>27.755.487</b>	<b>61.192.651</b>	<b>24.730.121</b>	-	<b>113.678.259</b>
<b>Balance Sheet Short Position</b>	<b>(72.398.522)</b>	<b>(8.559.048)</b>	-	-	-	<b>(32.720.689)</b>	<b>(113.678.259)</b>
Off Balance Sheet Long Position	621.061	1.300.401	-	-	-	-	1.921.462
Off Balance Sheet Short Position	-	-	(111.409)	(1.222.188)	-	-	(1.333.597)
<b>Total Position</b>	<b>(71.777.461)</b>	<b>(7.258.647)</b>	<b>27.644.078</b>	<b>59.970.463</b>	<b>24.730.121</b>	<b>(32.720.689)</b>	<b>587.865</b>

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

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**b) Average interest rate applied to the monetary financial instruments:**

	EUR	USD	JPY	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	0,03	0,49	-	3,36
Banks	1,56	2,82	-	8,44
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	7,98
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,73	5,64	-	9,20
Loans Given <sup>(2)</sup>	4,30	5,52	-	12,82
Investments Held-to-Maturity	6,48	7,20	-	9,75
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0,45	1,09	-	8,24
Other Deposits <sup>(4)</sup>	0,94	1,14	-	6,52
Money Market Borrowings	0,95	1,82	-	8,55
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	4,37	-	9,77
Funds Provided from Other Financial Institutions	0,92	2,23	-	8,38

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

<sup>(2)</sup> Credit card loans are not included.

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

<sup>(4)</sup> Rates include also demand deposit data.

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

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

<sup>(2)</sup> Credit card loans are not included.

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

<sup>(4)</sup> Rates include also demand deposit data.

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### **VI. EXPLANATIONS ON THE POSITION RISK OF EQUITY SECURITIES**

#### **1. Equity securities position risk derived from banking books:**

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

There is no significant difference between balance sheet value, fair value and market value of investments in equity instruments.

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

The investments in equity instruments, partaking in banking accounts according to the credit risk standard method, are amounted TL 118.153 and 100% of them are risk weighted.

### **VII. EXPLANATIONS ON THE LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO**

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

The 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. The renewal of deposits which constitutes the Bank's most crucial funding resource is monitored on a daily basis. Besides, in order to compare the Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

#### **1) Liquidity Risk**

##### **a) Explanations on the Bank related to the liquidity risk management including the Bank's risk capacity, responsibilities and structure of liquidity risk management, reporting of liquidity risk in internal banking, the strategy of liquidity risk and how to provide the communication of policies and implementations with board of directors and business lines:**

The Bank's risk capacity, risk appetite, responsibilities and tasks of liquidity risk management and share issues of points related liquidity risk management with bank network are explained in "Regulations of Risk Management, Stress Test Program and İsedes Regulations" of the Bank. In this context, liquidity risk strategies and policies are published in periodically on weeks, months and years with all of the departments and the board directors of the Bank. Moreover, analyses done and reports are handled in the Assets-Liability Commission Conferences, Board of Director is informed by Audit Commission.

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

Continuously the information exchange is actualized about the liquidity need and surpluses between the Bank and its partners, the compulsory directions and treats are moderated by Treasury Management and International Banking Assistant General Management to direct liquidity risk and surpluses in effective way.

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

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

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

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

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

The Bank’s source of funds is mainly formed of deposits. The Bank’s deposits do not fluctuate considerably in line with the broadly dispersed customer network. Besides, in order to increase the fund range and decrease the maturity gap between assets and liabilities, giving weight to liabilities other than deposits such as bond/bill issuance, repo and funds borrowed. As for the asset side of the Bank, within the scope of reformatting short-term cash cycle, dissonance reducing the maturity of asset and liability, the policy for shortening the average maturity on loans being pursued.

### f) Explanation regarding the usage of the stress test

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

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

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

### 2) Liquidity Coverage Ratio:

Within the frame of the regulation named “Regulation on the Calculation of Liquidity Coverage Ratio” issued by BRSA in the Official Gazette numbered 28948, dated 21 March 2014, the Bank calculates the liquidity coverage ratio and reports it to BRSA monthly in an unconsolidated base. The liquidity coverage ratio sails above the frontier limits determined by BRSA. Within the last 3 months the unconsolidated lowest ratios are as follows: Take place for FC as 84,49 in the week of 28 October 2016; and for the total 74,51 in the week of 16 December 2016. As for the highest ratios take place for FC as 109,22 in the week of 23 December 2016 and for the total as 88,54 in the week of 7 October 2016.

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Current Period	Total Unweighted Value (Average)		Total Weighted Value (Average)	
	TL+FC	FC	TL+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			47.540.579	25.883.196
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	139.622.809	48.641.664	11.188.731	4.864.166
Stable deposits	55.470.997	-	2.773.550	-
Less stable deposits	84.151.812	48.641.664	8.415.181	4.864.166
Unsecured wholesale funding, of which;	76.674.535	23.233.906	44.523.169	15.932.139
Operational deposit	1.091.398	99.046	272.850	24.761
Non-operational deposits	65.614.387	17.098.124	34.282.353	9.871.425
Other unsecured funding	9.968.750	6.036.736	9.967.966	6.035.953
Secured funding			-	-
Other cash outflows, of which;	17.543.097	11.632.861	4.231.557	10.452.019
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2.099.449	9.962.086	2.099.449	9.962.086
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off balance sheet obligations	15.443.648	1.670.775	2.132.108	489.933
Other revocable off-balance sheet commitments and contractual Obligations	7.958	7.946	398	397
Other irrevocable or conditionally revocable off-balance sheet Obligations	41.460.379	24.592.794	10.935.263	3.671.404
<b>Total Cash Outflows</b>			<b>70.879.118</b>	<b>34.920.125</b>
<b>Cash Inflows</b>				
Secured lending	-	-	-	-
Unsecured lending	15.750.567	7.211.585	11.018.841	6.409.508
Other cash inflows	1.116.070	577.297	1.116.070	577.297
<b>Total Cash Inflows</b>	<b>16.866.637</b>	<b>7.788.882</b>	<b>12.134.911</b>	<b>6.986.805</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>47.540.579</b>	<b>25.883.196</b>
<b>Total Net Cash Outflows</b>			<b>58.744.207</b>	<b>27.933.320</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>80,93</b>	<b>92,66</b>

<sup>1)</sup> The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

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	Total Unweighted Value (Average)		Total Weighted Value (Average)	
	TL+FC	FC	TL+FC	FC
<b>Prior Period - 31 December 2015</b>				
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			45.308.278	29.686.334
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	121.542.584	42.195.973	8.916.790	3.414.841
Stable deposits	64.749.352	16.095.120	3.237.467	804.756
Less stable deposits	56.793.232	26.100.853	5.679.323	2.610.085
Unsecured wholesale funding, of which;	58.157.462	22.380.140	31.641.440	14.271.644
Operational deposit	941.417	30.185	235.356	7.546
Non-operational deposits	50.614.196	17.065.024	24.804.235	8.979.167
Other unsecured funding	6.601.849	5.284.931	6.601.849	5.284.931
Secured funding			-	-
Other cash outflows, of which;	54.050.254	25.490.090	15.453.351	6.541.385
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	406.059	609.286	406.059	609.286
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	42.314.873	13.638.436	14.480.826	5.369.980
Other revocable off-balance sheet commitments and contractual obligations	6.409	6.396	320	320
Other irrevocable or conditionally revocable off-balance sheet obligations	11.322.913	11.235.972	566.146	561.799
<b>Total Cash Outflows</b>			<b>56.011.581</b>	<b>24.227.870</b>
<b>Cash Inflows</b>				
Secured lending	-	-	-	-
Unsecured lending	9.023.285	1.541.481	5.239.401	1.071.973
Other cash inflows	605.197	744.605	605.197	744.605
<b>Total Cash Inflows</b>	<b>9.628.482</b>	<b>2.286.086</b>	<b>5.844.598</b>	<b>1.816.578</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>45.308.278</b>	<b>29.686.334</b>
<b>Total Net Cash Outflows</b>			<b>50.166.983</b>	<b>22.411.293</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>90,31</b>	<b>132,46</b>

<sup>(\*)</sup> The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

### 2) Minimum statements concerning liquidity coverage ratio by Banks

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

Bank deposit, which has not a fluctuant structure, together with constituting an important part of its sources and liquidity coverage ratio, in proportion to other deposits, public deposits can cause periodic changes within total deposits. In line with the prior period, the percentage of the total deposit in financial statement follows a stable pattern of change with an increasing trend.

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As well as its low turn into cash ratio, since the non-cash loans have a remarkable extent in proportion to financial statement, they have an influence on the calculation of liquidity coverage ratio. In compared with the prior periods there exists a tendency of increase on the non-cash loans.

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

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

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

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

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

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

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

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

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

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

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

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**Presentation of assets and liabilities according to their remaining maturities:**

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(1) (2)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	39.167.097	-	-	-	-	-	-	39.167.097
Banks	1.659.140	1.144.317	313.430	784.787	-	-	-	3.901.674
Financial Assets at Fair Value Through Profit and Loss	-	534.968	521.710	564.952	58.728	4.433	-	1.684.791
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	1.623.787	1.748.538	7.630.510	21.025.074	25.960.579	643.465	58.631.953
Loans Given	-	8.685.180	16.150.787	87.914.227	94.336.198	25.305.694	251.449	232.643.535
Investments Held-to-Maturity	-	1.192.908	824.631	60.683	4.988.561	1.682.681	-	8.749.464
Other Assets	2.227.444	-	-	1.121	23.839	-	10.730.447	12.982.851
<b>Total Assets</b>	<b>43.053.681</b>	<b>13.181.160</b>	<b>19.559.096</b>	<b>96.956.280</b>	<b>120.432.400</b>	<b>52.953.387</b>	<b>11.625.361</b>	<b>357.761.365</b>
<b>Liabilities</b>								
Interbank Deposits	1.731.844	6.796.605	1.563.724	1.967.777	-	-	-	12.059.950
Other Deposits	53.136.377	111.750.447	25.137.472	20.353.316	568.506	12.866	-	210.958.984
Funds Provided from Other Financial Institutions	-	1.829.074	2.173.168	11.782.480	4.328.256	2.703.758	-	22.816.736
Money Market Borrowings	-	41.662.750	3.747.109	1.085.940	716.162	-	-	47.211.961
Issued Marketable Securities	-	836.455	1.342.446	255.514	4.398.586	-	-	6.833.001
Sundry Creditors	1.904.409	576.312	-	-	-	-	-	2.480.721
Other Liabilities <sup>(3)</sup>	3.462.868	729.785	732.927	58.919	5.999.588	877.690	43.538.235	55.400.012
<b>Total Liabilities</b>	<b>60.235.498</b>	<b>164.181.428</b>	<b>34.696.846</b>	<b>35.503.946</b>	<b>16.011.098</b>	<b>3.594.314</b>	<b>43.538.235</b>	<b>357.761.365</b>
<b>Liquidity Gap</b>	<b>(17.181.817)</b>	<b>(151.000.268)</b>	<b>(15.137.750)</b>	<b>61.452.334</b>	<b>104.421.302</b>	<b>49.359.073</b>	<b>(31.912.874)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>106.768</b>	<b>(2.364)</b>	<b>503.202</b>	<b>588.299</b>	<b>-</b>	<b>-</b>	<b>1.195.905</b>
Financial Derivative Assets	-	23.473.210	7.443.469	2.592.683	2.630.850	-	-	36.140.212
Financial Derivative Liabilities	-	23.366.442	7.445.833	2.089.481	2.042.551	-	-	34.944.307
Non-cash Loans	37.633.442	1.000.651	4.810.877	18.060.727	14.125.438	3.523.973	-	79.155.108
<b>Prior Period</b>								
<b>Total Assets</b>	<b>40.433.482</b>	<b>10.400.564</b>	<b>14.888.786</b>	<b>78.261.355</b>	<b>107.451.111</b>	<b>41.553.200</b>	<b>9.859.828</b>	<b>302.848.326</b>
<b>Total Liabilities</b>	<b>44.457.930</b>	<b>142.427.967</b>	<b>34.581.557</b>	<b>29.860.821</b>	<b>12.631.801</b>	<b>3.044.567</b>	<b>35.843.683</b>	<b>302.848.326</b>
<b>Liquidity Gap</b>	<b>(4.024.448)</b>	<b>(132.027.403)</b>	<b>(19.692.771)</b>	<b>48.400.534</b>	<b>94.819.310</b>	<b>38.508.633</b>	<b>(25.983.855)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>42.330</b>	<b>(1.708)</b>	<b>33.271</b>	<b>513.972</b>	<b>-</b>	<b>-</b>	<b>587.865</b>
Financial Derivative Assets	-	21.189.422	719.944	1.615.895	2.425.788	-	-	25.951.049
Financial Derivative Liabilities	-	21.147.092	721.652	1.582.624	1.911.816	-	-	25.363.184
Non-cash Loans	32.422.339	487.504	2.652.182	13.060.132	9.581.201	2.082.817	-	60.286.175

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

<sup>(2)</sup> Deferred tax asset is included under the “Undistributed” column.

<sup>(3)</sup> TL 5.950.057 of the funds balance, whose risk is not born by the Bank, is included in other liabilities and shown under the “1-5 years” column, fund balance amounted to TL 70.782 is not granted as loan and is included under “Up to One Month” column.

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**Presentation of liabilities according to their remaining maturities:**

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Current Period<sup>(1)</sup></b>						
Bank deposits	8.536.613	1.569.830	1.978.303	-	-	12.084.746
Other deposits	165.190.307	25.363.026	20.767.090	587.864	27.279	211.935.566
Funds borrowed from other financial institutions	1.845.785	2.190.655	12.017.271	4.414.434	1.530.736	21.998.881
Funds borrowed from Interbank money market	41.684.501	3.757.618	1.101.437	734.017	-	47.277.573
<b>Total</b>	<b>217.257.206</b>	<b>32.881.129</b>	<b>35.864.101</b>	<b>5.736.315</b>	<b>1.558.015</b>	<b>293.296.766</b>
<b>Prior Period<sup>(1)</sup></b>						
Bank deposits	7.703.727	1.900.300	136.863	-	-	9.740.890
Other deposits	135.878.366	23.315.323	17.963.103	422.800	139	177.579.731
Funds borrowed from other financial institutions	1.055.486	3.280.495	9.928.626	3.565.005	1.260.477	19.090.089
Funds borrowed from Interbank money market	36.309.740	4.319.621	1.854.917	672.295	-	43.156.573
<b>Total</b>	<b>180.947.319</b>	<b>32.815.739</b>	<b>29.883.509</b>	<b>4.660.100</b>	<b>1.260.616</b>	<b>249.567.283</b>

<sup>(1)</sup> Amounts related with the fund balances are not included in the table since decomposition on the basis of their remaining maturities could not be performed.

**VIII. EXPLANATIONS ON LEVERAGE**

Explanations on the subjects caused a gap between prior and current period leverage: The Bank's leverage calculated by force of the regulation "Regulation on Measurement and Assessment of Leverage Ratios of Banks" is 8,20% (31 December 2015: 8,47%). The change on leverage results heavily from the increase on risk amounts of balance sheet assets. The regulation sentenced the minimum leverage as 3%.

	Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
<b>Balance sheet assets</b>		
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	346.632.324	298.737.007
(Assets deducted in determining Tier 1 capital)	(1.692.335)	(1.483.856)
Total on-balance sheet risks (sum of lines 1 and 2)	344.939.989	297.253.151
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost associated with all derivative financial instruments and credit Derivatives	1.504.647	904.739
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	387.907	288.044
Total risks of derivative financial instruments and credit derivatives	1.892.554	1.192.783
<b>Securities or commodity financing transactions (SCFT)</b>		
Risks from SCFT assets	4.866.676	4.564.184
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	4.866.676	4.564.184
<b>Other off-balance sheet transactions</b>		
Gross notional amounts of off-balance sheet transactions	100.106.176	78.078.887
(Adjustments for conversion to credit equivalent amounts)	(6.360)	(5.478)
Total risks of off-balance sheet items	100.099.816	78.073.409
<b>Capital and total risks</b>		
Tier 1 capital	36.997.585	32.261.636
Total risks	451.799.035	381.083.527
<b>Leverage ratio</b>		
Leverage ratio %	8,20	8,47

<sup>(1)</sup> Three month average of the amounts in the table are taken.

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**IX. EXPLANATIONS ON RISK MANAGEMENT**

This section contains notes and explanations regarding the “Communiqué on Disclosures about Risk Management to be Announced to Public by Banks” released by the Banking Regulation and Supervision Agency (BRSA), published in the Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016.

As part of its controlling activities, the Risk Management Group Presidency conducts controls on Risk Management Explanations. Two different control processes, e.g. Calculation of Capital Adequacy process and other Risk Management processes, are conducted by the relevant unit periodically in line with capital adequacy control points and guidelines as well as control points for other Risk management field of activity and guideline.

Furthermore, as part of legislation compliance controls, compliance of all activities, new transactions and products planned by the Bank with relevant laws, legislation, internal Bank policies and banking practices is controlled.

Accordingly, compliance of legislative regulations regarding Risk Management Explanations with internal Bank practices is also controlled.

Controlling activities conducted by the Head Office Units are performed in line with the control periods determined by considering functions of Units and risks they bear, job definitions of the Units and their impact on the Bank’s balance sheet. Control processes by the Head Office Units are performed based on control points determined according to processes, duties and powers of unit’s field of activity and control techniques are elaborated in the head office control guideline.

**1. Explanations on Risk Management and Risk Weighted Amount**

**a) Bank’s Risk Management Approach**

**i. It has to do with how the business model determines the Bank’s risk profile; how it interacts with it (e.g. key risks related to the business model and how each of these risks is reflected on explanations); and how the Bank’s risk profile interacts with the risk appetite approved by the board of directors**

While risk appetite determines the Bank’s risk level, risk capacity determines its risk appetite and, therefore, risk profile. Local and international conjuncture is also considered to determine the risk level. Establishment of forward-looking strategies and policies is also considered in this regard. The Bank’s risk level is restricted to the limits consistent with its risk appetite.

Risk limits are determined in accordance with the level of risks that may be assumed by the Bank, its activities, size and complexity of its products and services. The limits are revised and, if needed, updated regularly in line with the developments in market conditions, the Bank’s strategy and risk appetite.

Critical thresholds (signal and limit values) indicating that limits are approached due to internal or external developments have been identified. In the event that these values are approached or exceeded, relevant units take required actions.

Parameters regarding signal and limit structure as well as limit values of parameters are determined in coordination with the relevant units and implemented upon approval of the Audit Commission and Board of Directors.

Signal and limit values based on risk weighted assets are monitored by the Bank’s Risk Management Group Presidency regularly and actual values are reported periodically to the Bank’s Top Management.

**ii. Risk management structure: Responsibilities distributed at the Bank (e.g. supervision and delegation of authority); segregation of duties by risk type, business unit, etc.; relations between structures included in risk management processes (e.g. board of directors, top management, separate risk committee, risk management unit, compliance and internal audit function)**

The Bank’s Top Management and relevant units perform their risk management duties, authorities and responsibilities in line with the relevant legal legislation and internal Bank regulations.

Structure of the Bank’s risk management is consistent with the Regulation on Internal Systems and Internal Capital Adequacy Assessment Processes of Banks. Accordingly, internal system units consisting of the Inspection Board Presidency, Internal Control and Compliance Group Presidency and Risk Management Group Presidency report to the Audit Committee and Board of Directors through the Vice President who is responsible for internal systems and operates separate from executive units.

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Risk measurement and monitoring activities are conducted as part of risk management and the results are considered in strategic decision-making process by relevant units and bodies. Risk management operations are conducted in accordance with the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks, issued by the BRSA, within the scope of Regulation on Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”) approved by the Bank’s Board of Directors.

Organizational structure of the Bank’s Risk Management Group Presidency consists of credit risk management, market risk management, operational risk management and statement risks management units. Duties of risk management:

- Ensuring identification, measurement, reporting, monitoring and control of risks exposed through policies, practices and limits established to monitor, control and revise, when necessary, the risk-return structure of the Bank’s cash flows in the future, quality and level of its associated activities
- Conducting stress tests and scenario analyses
- Establishing and maintaining a system that will ensure determination of capital required to cover significant risks exposed or possible risks and assessment of capital adequacy/requirement level in line with the strategic goals
- Preparing ICAAP reports periodically.

ICAAP analyses and activities are validated by a team that reports to the Audit Committee independently from the team that develops and implements the methodology of such activities. The same team issues a Validation Report as well. Analyses and activities conducted within the process, including validation activities are reviewed by the Inspection Board Presidency and a Review Report is issued for the results.

### **iii. Channels used for disseminating and implementing risk culture within the Bank (e.g. codes of conduct, manuals including operational limits or procedures to be performed when risk thresholds are exceeded, procedures for identifying and sharing risk issues between business units and risk units)**

The Bank exercises maximum efforts to perceive both risks and returns accurately during its activities and maintain its perspective for disseminating risk culture across the Bank. Accordingly, goals, vision and strategic approaches are shared in large group meetings held by the Bank’s Top Management with employees.

Signal and limit structure established based on risk weighted assets is one of the channels used to disseminate risk culture within the Bank. Parameters for signal and limit structure and limit values of parameters are determined by risk management by consulting the relevant units and approved by the Board of Directors.

It is ensured that risk signal and limit structure is forwarded to relevant units in the Bank and the structure is understood by the staff. Usage levels for signal and risk parameters are subject to reports submitted to the Top Management.

If limits are exceeded, the Bank’s Top Management is notified. In such a case, matters such as risk mitigation, risk transfer or risk-averse, increasing collaterals and so on can be considered as part of required actions. If limits are exceeded, forward-looking strategies and policies of the Bank—including budget figures—can be reviewed or, where necessary, revised.

Another channel used to disseminate the risk culture is in the scope of ICAAP activities. It is essential to include assessment results for capital adequacy in the ICAAP Report covering all significant risks of the Bank. The report is prepared in coordination with risk management and with participation from other relevant units. Similarly, the Bank’s budget goals for the upcoming years are also established with the participation of relevant units. The Bank’s Top Management and relevant units conduct their ICAAP duties, authorities and responsibilities in line with the Bank regulations and relevant legal legislation.

### **iv. Principal elements and scope of risk measurement systems**

The Bank’s risk measurement system functions in line with the best practices, legal regulations, fields of activity and product ranges in a consistent, reliable and integrated way. Regarding the inclusion of risk measurement results in decision-making processes, reports are elaborated with extensive explanations and assumptions to avoid any misinterpretation that may arise from errors and deficiencies.

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Required activities are performed to engage in design, selection, implementation and pre-approval processes for risk measurement models; review accuracy, reliability and performance of models regularly through various methodologies and make required revisions accordingly; and report results of analyses conducted with such models.

The Bank’s capital adequacy ratio is calculated in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks, Communiqué on Credit Risk Mitigation Techniques and other relevant legal regulations.

Counter parties/operations related to the credit risk are separated on the basis of risk classes mentioned in Appendix-1 of the Communiqué on Measurement and Assessment of Capital Adequacy of Banks, and each of them is assigned by the weight of risk in line with the matters specified for relevant risk class. Then, they are subject to risk mitigation in accordance with the principles of Communiqué on Credit Risk Mitigation Techniques and weighted based on the risk weights.

After deduction of specific provisions in accordance with Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves, non-cash loans and commitments are included in the calculation of credit-risk-weighted amount with loan conversion rates presented in article 5 of Communiqué on Measurement and Assessment of Capital Adequacy of Banks.

Trading accounts and the values deducted from the capital base in the shareholders’ equity computation are excluded from calculation of credit risk-weighted assets.

Calculations regarding to the counter party credit risk are made for repurchase agreement and derivative transactions. These transactions are added to the calculations after applying the rates presented in the amendments of the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and Communiqué on Credit Risk Mitigation Techniques.

Calculations regarding counter parties credit risks are made with the basic financial collateral method and extensive collateral method for banking accounts and trading accounts respectively.

The amount subject to the total market risk is calculated through the standard method. Furthermore, value at risk forecasts are made on a daily basis and backward testing is performed so as to measure performance of the model.

Liquidity Coverage Ratio and Liquidity Risk Analysis reports for the liquidity risk are prepared in accordance with the relevant regulations. Furthermore, stress test is performed to assess maturity mismatch between sources and uses, contractual maturities as well as behavioral maturities of assets and liabilities, the Bank’s liquidity requirement in a worst case scenario and relevant damages that may be incurred based on scenario and sensitivity analysis activities.

Control of interest rate risk on banking accounts entails monitoring rate and maturity mismatch between sources and uses of fixed and variable interest rates, contractual maturities as well as behavioral maturities assets and liabilities and the effects of the usual and unusual changes in interest rates which is possibly uptrend and downtrend.

### **v. Explanations provided to the board of directors and top management on risk reporting processes, particularly scope and main contents of reporting**

It is essential to inform the Top Management about developments and results of the analysis and activities conducted in order to achieve efficiency in risk management. Accordingly, a reporting system for informing Top Management is established and required measures are taken for healthy functioning of the system.

Informing process as part of reporting should be based on the most current data available on a periodical basis. Reports issued contain, at minimum, information on risk amount and development, legal capital requirement, legal ratios for liquidity and interest rate risks, stress test analysis results, effect of such results on capital adequacy level and ratios, realization level of risk limits and limitations, and assumptions of risk measurement method used.

As part of the reporting system, an information systems infrastructure is established for external reporting and required actions are taken to fulfill legal obligations fully in a timely manner in this regard.

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### **vi. Explanations on stress test (e.g. assets subject to stress test, scenarios applied, methodologies used and the use of stress test in risk management)**

Stress test is intended to pre-assess the effect of negative developments in specified risk factors on amounts subject to risk and capital adequacy/requirement level.

Conducting the stress test periodically is essential, and test result must be included in internal reporting and considered in strategic decision-making process or capital management. Results of stress test analysis are considered while establishing risk management policies.

In stress test activities, shock is applied to risk factors determined (factors specific to debtor or transaction or macroeconomic variables such as exchange rate, price, interest and so on), and the effects of results on risk-weighted asset amount and capital adequacy ratio are identified. Accordingly, risk factors are identified first and then assumptions to be implemented are determined and possible losses in the future are estimated. Stress test activities include creating scenarios, which are unlikely, if not impossible, and which may affect the Bank's risk level significantly.

The results of stress test are subject to internal Bank reporting and ICAAP Report. The results of stress test may be used in processes to determine the Bank's risk appetite or risk limits and identify new and current business strategies as a planning instrument and their effect on capital utilization.

Analyses of credit risk based on internal and external risk factors, counter party credit risk, liquidity risk, interest rate risk and market risk are conducted in the case of stress tests which are subject to internal reporting.

The Board of Directors is responsible for assessing the results of the Stress Test Program and taking actions based on the results. Accordingly, actions such as revision of risk appetite, strategy and risk limits or restriction of activities to specific sectors or portfolios can be taken.

The Bank performs risk mitigation with a simple financial method. Credibilities of guarantors are monitored and assessed in the scope of credit revision maturity.

### **vii. The Bank's risk management, aversion and mitigation strategies and processes based on business model and monitoring processes for continuous efficiency of safeguards and mitigants**

Amounts subject to credit risk can be mitigated by using one or more risk mitigation techniques in line with the legal regulations.

Funded or unfunded credit safeguard instruments are considered while using the risk mitigation technique. Whether credit safeguard instruments meet minimum compulsory conditions specified in legal regulations is checked via the system.

All Bank employees are responsible for control and mitigation of operational risks based on their job definitions and business processes. All Bank units are obliged to take risk mitigation measures for mitigation of operational risks that may occur in their respective fields of activity through insurance and other risk transfer mechanisms.

The Bank's market risk is mitigated through derivatives or other financial products by considering current conjuncture and risk appetite, risk capacity and risk level. Long term liabilities are obtained and the interest rate risk arising from liquidity and banking accounts is limited through the transactions performed.

Diversification of resources is deemed important for managing the liquidity risk that may occur. While the Bank's fundamental funding resources are deposits, the strategy of preserving the common base structure of deposits is sustained. Besides, liabilities other than deposits such as bond/bill issuance, repo and credits are deemed important for increasing the fund range and decreasing the maturity gap between assets and liabilities. As for the asset side of the Bank, policies intended to reduce average credit maturity are pursued as part of measures to improve short term cash cycle and minimize maturity mismatch between assets and liabilities. As part of management of interest rate risk, measures are taken to reduce repricing maturity mismatch of interest sensitive assets and liabilities.

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### 1. Explanations on Risk Management and Risk Weighted Amount

#### Overview of RWA

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	244.241.413	196.343.973	19.539.313
2	Standardised approach	244.241.413	196.343.973	19.539.313
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3.268.338	2.113.638	261.467
5	Standardised approach for counterparty credit risk	3.268.338	2.113.638	261.467
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies-look through approach	-	-	-
9	Investments made in collective investment companies-mandate-based approach	1.669.911	102.098	133.593
10	Investments made in collective investment companies-1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB Supervisory Formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	14.083.788	16.653.125	1.126.703
17	Standardised Approach	14.083.788	16.653.125	1.126.703
18	Internal model approaches	-	-	-
19	Operational risk	18.989.055	16.271.329	1.519.124
20	Basic Indicator Approach	18.989.055	16.271.329	1.519.124
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity(subject to a 250% risk weight)	-	654.851	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>282.252.505</b>	<b>232.139.014</b>	<b>22.580.200</b>

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### 2. Connections Between Financial Statements and the Risk Amounts

#### a) Differences Between Accounting Consolidation and Legal Consolidation and Matching of the Subject

Current Period – 31 December 2016	Carrying values as reported in published financial statements <sup>(1)</sup>	Carrying values of items				
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>						
Cash and balances at central bank	39.167.097	39.167.097	-	-	-	-
Financial assets held for trading	1.684.791	-	1.667.387	-	17.404	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	3.901.674	3.901.674	-	-	-	-
Receivables from money markets	-	-	-	-	-	-
Available for sale financial assets (net)	58.631.953	12.280.866	19.336.654	-	27.014.433	-
Loans and receivables	232.643.535	232.641.082	-	-	-	2.453
Factoring receivables	-	-	-	-	-	-
Held to maturity investments (net)	8.749.464	4.063.536	4.685.928	-	-	-
Investments in associates (net)	94.912	94.912	-	-	-	-
Investments in subsidiaries (net)	4.107.589	4.107.589	-	-	-	-
Investments in joint ventures (net)	109.239	109.239	-	-	-	-
Leasing receivables	-	-	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	5.315.203	5.194.531	-	-	-	120.672
Intangible assets (net)	312.814	-	-	-	-	312.814
Investment properties (net)	-	-	-	-	-	-
Tax assets	76.878	76.878	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	562.033	562.033	-	-	-	-
Other assets	2.404.183	2.404.183	-	-	-	-
<b>Total assets</b>	<b>357.761.365</b>	<b>304.603.620</b>	<b>25.689.969</b>	<b>-</b>	<b>27.031.837</b>	<b>435.939</b>
<b>Liabilities</b>						
Deposits	223.018.934	-	-	-	-	-
Derivative financial liabilities held for trading	643.628	-	-	-	-	-
Loans	22.816.736	-	2.508.783	-	-	-
Debt to money markets	47.211.961	-	42.521.961	-	-	-
Debt securities in issue	6.833.001	-	-	-	-	-
Funds	6.020.839	-	-	-	-	-
Various debts	2.480.721	-	-	-	-	-
Other liabilities	3.449.289	-	-	-	-	-
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	492	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-	-
Provisions	6.053.011	-	-	-	-	-
Tax liability	850.315	-	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	-	-	-	-	-	-
Equity	38.382.438	-	-	-	-	-
<b>Total liabilities</b>	<b>357.761.365</b>	<b>-</b>	<b>45.030.744</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> It shows the Bank's unconsolidated financial statements.

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**b) The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements**

	Total	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework
Asset carrying value amount under scope of regulatory consolidation	357.761.365	304.603.620	25.689.969	27.031.837
Liabilities carrying value amount under regulatory scope of consolidation	-	-	45.030.744	-
<b>Total net amount under regulatory scope of consolidation</b>	<b>357.761.365</b>	<b>304.603.620</b>	<b>(19.340.775)</b>	<b>27.031.837</b>
Differences in valuations	141.199.993	43.738.989	40.801.529	-
Valuation Differences	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-
Differences due to consideration of provisions	-	-	-	-
Differences due to prudential filters	-	-	-	-
<b>Amount of Risk</b>	<b>498.961.358</b>	<b>348.342.609</b>	<b>21.460.754</b>	<b>27.031.837</b>

**c) Explanations on differences between risk amounts and valued amounts in accordance with the Turkish Accounting Standards**

There is no significant difference between financial statement values of assets and liabilities and values included in capital adequacy calculation.

**2. Credit Risk Explanations**

**1) General explanations on credit risk**

**a) General qualitative information on credit risk**

**i. Transformation of bank's business model into components in credit risk profile**

The banks must allocate risk limits approved by board of directors of the banks and monitor limit utilization pursuant to Article 38 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks issued by the BRSA and published in the Official Gazette no. 29057 dated 11 July 2014. Furthermore, pursuant to paragraph 5 of the same article, it is expected to establish a signal structure that will serve as an early warning mechanism in addition to the limit structure.

Additionally, principle 5 of the Guideline for Counter Party Credit Risk Management announced to the public by the BRSA with the Agency Decision no. 6827 dated 31 March 2016 states that banks must allocate a limit for counter party credit risk (CCR).

Pursuant to aforementioned regulations, to what extent the Bank gets closer to allocated limits approved by the board of directors or to what extent these levels were exceeded must be monitored by the risk management unit which was structured independent from executive units. This practice that was included in monitoring function of the risk management unit is significant as it presents a legal obligation and it helps optimization of resource utilization.

As part of the variation in customer segmentation due to changing organizational structure of the Bank, credit risk signal and limit parameters were determined on the basis of corporate, entrepreneur and personal segment in line with the customer segment structure and they are updated according to the changes in the segmentation structure. Signal and limit values for counter party credit risk transactions were determined separately for banking accounts and trading accounts based on portfolio type. Calculations were made based on ratio of risk weighted asset amounts calculated for relevant parameters to total credit and market risk weighted asset amounts and they are reported to the Bank's Top Management periodically through relevant units.

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In an attempt to prevent significant effects of unfavorable developments in the portfolio subject to market risk, it is essential to restrict risk level to the limits in line with the Bank’s risk appetite. Market risk limits were determined as interest rate risk and currency risk limits. Current values for such limits are calculated on a daily basis with market data and reported to the Bank’s Top Management through relevant units. Market risk signal and limit values are monitored dynamically in the light of market developments and, if necessary, updated based on the developments in the Bank’s strategy and risk appetite.

**ii. Criteria and approach adopted for determining credit risk policy and credit risk limits**

As part of credit risk management, the Bank’s risk management team conducts the functions of identification, measurement, monitoring and controlling of credit risk in line with the structure, size, complexity and growth rate of products and activities and reports the analysis, including stress test, and its results to the Bank’s Top Management.

In an attempt to prevent significant effects of unfavorable developments in the portfolio subject to credit risk, credit risk level was restricted to the limits in line with the Bank’s risk appetite. The limits are revised and, if needed, updated regularly in line with the developments in market conditions, the Bank’s strategy and risk appetite.

There is a signal and limit structure in place, indicating that credit risk limits are almost reached as a result of internal and external developments. Parameters for signal and limit structure and limit values of parameters are determined by risk management by consulting the relevant units. The approval of Audit Committee and Board of Directors is sought in order to implement parameters and signal/limit threshold values within the Bank. It is ensured that risk signal and limit structure is forwarded to relevant units in the Bank and the structure is understood by the relevant staff. Actual values are monitored closely by the risk management Actual values regarding signal and limit parameters are reported to the Bank’s Top Management.

**iii. Structure and organization of credit risk management and control function**

The Bank’s internal system units consist of the Inspection Board Presidency, Internal Control and Compliance Presidency and Risk Management Group Presidency. Credit risk management is one of the four services under the Risk Management Group Presidency.

Activities conducted at the credit risk management unit, which is subject to inspection and controlling activities periodically, aim to establish and maintain a credit risk management infrastructure that is structured enough to meet legal obligations and flexible enough to accommodate the best practices. Accordingly, capital amount that should be reserved for credit risk is calculated; risk mitigation techniques are implemented; stress tests are conducted; credit risk signal and limit structures are monitored; activities are conducted to calculate credit risk with advanced methods and developments that may affect the Bank’s credit risk are monitored. Analyses conducted are reported to the Top Management and relevant units periodically.

**iv. Relationship between credit risk management, risk control, legal compliance and internal audit functions**

Risk Management Group Presidency goes through inspection and control activities periodically. In case of any findings, they are reported and required activities are performed.

Furthermore, inspection and control units involve in the process also for the ICAAP activities that constitute a significant part of risk management activities. Accordingly, ICAAP analyses and activities are validated by Internal Control and Compliance Group Presidency that reports to the Audit Commission independent from the team that develops and implements the methodology of the ICAAP analyses. The same team issues a Validation Report as well. The entire ICAAP process is subject to an inspection by the Inspection Board Presidency and reported through Examination Report issued.

**v. Scope and main content for reporting to top management and board members on credit risk management function and credit risk exposed**

It is essential to inform the Bank’s Top Management about developments in credit risk management and results of the analysis and activities conducted in order to achieve efficiency in risk management. Accordingly, a reporting system for informing the Bank’s Top Management on credit risk management is established and required measures are taken for healthy functioning of the system.

Informing process as part of reporting should be based on the most current data available on a periodical basis.

Reports issued contain, at a minimum, information on risk amount and development, legal capital requirement, stress test analysis results, effect of such results on capital adequacy level, actualization level of risk limits and limitations and assumptions of risk measurement method used.

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**b) Credit Quality of Assets**

	<b>Defaulted</b>	<b>Non-defaulted</b>	<b>Allowances/ amortisation and impairments</b>	<b>Net values</b>
Loans	4.217.097	232.392.086	3.965.648	232.643.535
Debt Securities	-	71.096.788	2.030.580	69.066.208
Off-balance sheet exposures	-	102.668.757	150.916	102.517.841
<b>Total</b>	<b>4.217.097</b>	<b>406.157.631</b>	<b>6.147.144</b>	<b>404.227.584</b>

**c) Changes in the Defaulted Receivables and Debt Instruments**

1	Defaulted loans and debt securities at end of the previous reporting period	<b>3.140.524</b>
2	Loans and debt securities that have defaulted since the last reporting period	2.383.943
3	Returned to non-defaulted status	245.111
4	Amounts written off	-
5	Other changes	(1.552.481)
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions</b>	<b>4.217.097</b>

**d) Additional explanations on credit quality of assets**

**i. Differences between definitions and explanations of “deferred” receivables and receivables for which “provision was allocated”, and definitions of “deferred” and “provision of allocation”, if any**

The Bank classifies its credits and other receivables and allocates specific and general provisions pursuant to the “Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions” published in the Official Gazette no. 26333 dated 1 November 2006. The term “Deferred Receivables” is used for credits named “Loans under Close Monitoring” whose maturity is deferred for up to 90 days as of the end of period without any impairments as well as for credits named “Non-Performing Loans” whose maturity is deferred for more than 90 days or subject to impairment. In practice, the Bank sets general provisions for credits classified as “Standard Credits” and “Under Close Monitoring” and specific provisions for credits classified as “Non-Performing Loans”.

**ii. The portion that is not considered within the scope of “allocation of provision” among deferred receivables (over 90 days) and reasons for this practice**

The Bank transfers credits whose maturity is deferred for more than 90 days automatically to monitoring accounts pursuant to the classification provisions of Regulation on Provisions, and allocates provision of respective class; whereas it does not allocate specific or general provisions for fund-based credits classified as “Non-Performing Loans” pursuant to Article 13 “Exceptions” of the Regulation on Provisions as the relevant risk is not assumed by the Bank.

**iii. Definitions of methods used for determining provision amount**

Pursuant to provisions of the Regulation on Provisions, the Bank allocates a General Provision of at least one percent (1%) of total standard cash loans and at least two percent (2%) of total cash loans under close monitoring (deferred for less than 90 days) and it calculates general provision by applying general provision rates applicable to cash loans (e.g. 1% for standard loans and 2% for loans under close monitoring) over risk amount calculated pursuant to the provisions of “Communiqué on Measurement and Assessment of Capital Adequacy of Banks” for non-cash loans, commitments and derivative financial instruments. While it is determined in the Regulation on Provisions that specific provision of at least 20%, 50% and 100% must be allocated for loans in groups 3, 4 and 5, respectively, which are classified as non-performing loans (deferred for more than 90 days), a specific provision of 100% is allocated for all loans under follow-up groups of receivables, regardless of their collaterals, pursuant to the precautionary principle.

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### iv. Definitions of restructured receivables

Real/legal persons using credit may, from time to time, face usual risks of business life such as failure to include the excessive cost increases in sales prices, loss of market share and turnover, unexpected expenses, problems in collection of receivables due to some factors that are beyond reasonable control of its own businesses or other businesses worked with. They may therefore have temporary liquidity difficulties. It involves setting new loan repayment maturities in line with cash flows for businesses which have no significant problem in credit worthiness and sustain their income-generating activities but fail, or priorly imply failure, to make their loan repayment in a timely manner due to temporary liquidity problems.

### v. Breakdown of receivables by geographic regions, sectors and remaining maturity; receivable amounts subject to allocation of provision by geographic regions and sectors and their respective provisions; amounts removed from the assets

	Loans and Receivables	Loans Under Follow-Up	Specific Provisions	Total
Domestic	226.498.658	4.176.355	3.924.906	226.750.107
European Union Countries	138.388	12.431	12.431	138.388
USA, Canada	27.793	193	193	27.793
OECD Countries	-	-	-	-
Off-Shore Banking Regions	7.260	-	-	7.260
Other	5.719.987	28.118	28.118	5.719.987
<b>Total</b>	<b>232.392.086</b>	<b>4.217.097</b>	<b>3.965.648</b>	<b>232.643.535</b>

	Loans and Receivables	Loans Under Follow Up	Specific Provisions	Total
Agriculture	49.899.581	644.185	399.592	50.144.174
Farming and Stockbreeding	49.295.582	636.678	392.085	49.540.175
Forestry	352.602	3.611	3.611	352.602
Fishing	251.397	3.896	3.896	251.397
Manufacturing	45.794.478	744.282	744.282	45.794.478
Mining and Quarrying	4.385.467	17.200	17.200	4.385.467
Production	29.499.936	711.979	711.979	29.499.936
Electric, Gas and Water	11.909.075	15.103	15.103	11.909.075
Construction	13.310.680	923.605	916.944	13.317.341
Services	52.206.098	979.194	979.194	52.206.098
Wholesale and Retail Trade	20.685.712	802.160	802.160	20.685.712
Hotel Food and Beverage Services	3.899.201	36.062	36.062	3.899.201
Transportation and Telecommunication	7.325.692	45.853	45.853	7.325.692
Financial Institutions	5.533.523	1.605	1.605	5.533.523
Real Estate and Leasing Services	13.438.275	66.572	66.572	13.438.275
Self Employment Services	-	-	-	-
Education Services	388.039	13.666	13.666	388.039
Health and Social Services	935.656	13.276	13.276	935.656
Other	71.181.249	925.831	925.636	71.181.444
<b>Total</b>	<b>232.392.086</b>	<b>4.217.097</b>	<b>3.965.648</b>	<b>232.643.535</b>

Current Period	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non-distributed	Total
Loans and Receivables	-	8.685.180	16.150.787	87.914.227	94.336.198	25.305.694	251.449	232.643.535

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**vi. Aging Analysis for Deferred Receivables**

The Aging Analysis regarding the loans which are overdue but yet have not lost its value has been presented below;

Current Period	Up to 1 Month	1-2 months	2-3 months	Total
Loans and Receivables <sup>(1)</sup>				
Corporate/Entrepreneur Loans	200.836	50.074	29.555	280.465
Retail Loans	39.378	9.080	3478	51.936
Specialized Loans	346.390	44.254	21.789	412.433
<b>Total</b>	<b>586.604</b>	<b>103.408</b>	<b>54.822</b>	<b>744.834</b>

<sup>(1)</sup> Explanations on the amounts; For the loans with instalments, the overdue installment amounts, for other type of credits, the overdue principal amount and the remaining principal amounts of installment results with a grand total of TL 3.670.997.

**vii. Breakdown of restructured receivables by allocation of provision**

Out of the Bank’s total restructured loans amounting to TL 8.312.683, a portion of TL 8.112.945 consists of performing loans and remaining portion of TL 199.738 consists of non-performing loans. While the specific provision allocated for non-performing loans amounts to TL 199.567, no specific provision was allocated for non-performing loans of TL 171, whose risk is not assumed by the Bank.

**2) Credit risk mitigation**

**a) Qualitative requirements to be disclosed to public regarding credit risk mitigation techniques**

**i. Basic characteristics of policies and processes on the extent of utilization of on-balance sheet and off-balance sheet netting**

The practice of on-balance sheet and off-balance sheet netting is used while mitigating credit risk within the Bank.

**b) Credit risk mitigation techniques - Overview**

	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	224.806.421	6.943.684	1.220.992	893.430	610.373	-	-
Debt Securities	69.066.208	-	-	-	-	-	-
<b>Total</b>	<b>293.872.629</b>	<b>6.943.684</b>	<b>1.220.992</b>	<b>893.430</b>	<b>610.373</b>	<b>-</b>	<b>-</b>
Of which defaulted	4.217.097	-	-	-	-	-	-

**3) Credit risk if standard approach is used**

**a) Qualitative explanations on ratings used by the banks while calculating credit risk with standard approach**

**i. Names of Credit Rating Agencies (CRA) and Export Rating Agencies (ERA) used by the Bank and the reasons in case of any change during the reporting period**

The Bank uses ratings of Fitch Ratings International Rating Agency while calculating the amount subject to credit risk through standard approach.

**ii. Risk classes using CRA and ERA ratings**

Grades of Fitch Ratings International Rating Agency are used for receivables from central government and central bank of our country as well as for foreign-based counter parties. Resident counter parties are accepted as “gradeless” and take risk weight appropriate for “gradeless” category in relevant risk class.

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Rating grades are used in risk classes of Receivables from Central Governments or Central Banks and Receivables from Banks and Brokerage Houses.

**iii. Explanation on how credit rating of debtor is used for other assets of debtor in banking accounts**

For determination of risk weight regarding items included in banking accounts which are subject to issue or issuer rating, issue rating is considered first, and issuer’s credit rating is considered in the absence of issue rating.

While the rating assigned by Fitch Ratings International Rating Agency corresponds to credit quality level 3 in the risk class “Receivables from Central Governments or Central Banks”, ratings used for the risk class “Receivables from Banks and Brokerage Houses” match with different credit quality levels.

**iv. Matching rating grades on the basis of risk**

Rating grade assigned by a credit rating agency that is not listed in the BRSA’s matching table is not used in calculations.

**b) Standard Approach- Loan risk Exposure and the Effects of Loan Risk Reduction Techniques**

Risk Classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount
Exposures to sovereigns and their central banks	80.309.755	769.437	86.065.163	367.270	24.158.466	28,0%
Exposures to regional and local governments	526.453	232.722	483.924	84.127	277.481	48,8%
Exposures to administrative bodies and non-commercial entities	181.165	811.560	375.265	378.764	709.861	94,1%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	59.310.148	8.661.972	59.675.079	4.593.661	8.735.688	13,6%
Exposures to corporates	99.311.342	69.334.389	93.137.097	35.083.157	124.637.156	97,2%
Retail exposures	87.019.701	19.738.718	86.924.741	2.917.439	66.899.690	74,5%
Exposures secured by residential property	27.200.877	111.527	27.200.877	55.764	9.543.770	35,0%
Exposures secured by commercial property	9.458.822	420.049	9.456.125	215.932	4.898.303	50,6%
Past-due items	-	-	-	-	-	-
Exposures in high-risk categories	308.898	119.744	308.890	19.795	492.014	149,7%
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	1.650.548	47.437	1.650.548	23.081	1.669.910	99,8%
Other exposures	15.871.965	-	15.871.965	-	7.039.170	44,3%
Equity share investments	118.153	-	118.153	-	118.153	100,0%
<b>Total</b>	<b>381.267.827</b>	<b>100.247.555</b>	<b>381.267.827</b>	<b>43.738.990</b>	<b>249.179.662</b>	<b>58,6%</b>

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### c) Standard Approach: Receivables related with Risk Classes and Risk Weights

Risk Classes/Risk Weight	0%	10%	20%	35% secured by property mortgage	50% secured by property mortgage	50% <sup>(1)</sup>	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	38.613.807	-	14.020	-	-	47.297.889	-	506.717	-	-	-	86.432.433
Exposures to regional and local government	32.187	-	34	-	-	516.711	-	19.119	-	-	-	568.051
Exposures to administrative bodies and non-commercial entities	43.756	-	516	-	-	-	-	709.757	-	-	-	754.029
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	43.124.024	-	8.565.059	-	-	11.113.963	-	1.465.694	-	-	-	64.268.740
Exposures to corporates	1.404.491	-	1.349.906	-	-	2.197.365	-	123.268.492	-	-	-	128.220.254
Retail exposures	511.274	-	175.558	-	-	7.730	89.147.618	-	-	-	-	89.842.180
Exposures secured by residential property	6.594	-	951	27.239.255	-	-	-	9.841	-	-	-	27.256.641
Exposures secured by commercial property	4.389	-	3.037	-	9.533.871	-	-	130.760	-	-	-	9.672.057
Past-due items	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	632	-	41	-	-	-	-	23	327.989	-	-	328.685
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	3.718	-	-	-	-	-	-	1.669.911	-	-	-	1.673.629
Equity share investments	-	-	-	-	-	-	-	118.153	-	-	-	118.153
Other exposures	8.829.772	-	3.779	-	-	-	-	7.038.414	-	-	-	15.871.965
<b>Total</b>	<b>92.574.644</b>	<b>-</b>	<b>10.112.901</b>	<b>27.239.255</b>	<b>9.533.871</b>	<b>61.133.658</b>	<b>89.147.618</b>	<b>134.936.881</b>	<b>327.989</b>	<b>-</b>	<b>-</b>	<b>425.006.817</b>

<sup>(1)</sup> Demonstrates all receivables that are consisting of 50% risk weighted and out of the line “Exposures secured by commercial property”.

### 4) Credit risk under Internal Ratings-Based (IRB) Approach

Standard approach is used in the Bank’s credit risk calculations.

### 3. Counter Party Credit Risk Explanations

#### a) Qualitative explanations on counter party credit risk

##### i. Risk management goals and policies for CCR

As part of the Bank’s counter party credit risk management, the functions of identification, measurement, monitoring and controlling of counter party credit risk are conducted in line with the structure, size, complexity and growth rate of products and activities, and the analysis, including stress test, and its results are reported to the Top Management.

As part of capital adequacy ratio calculations, activities for counter party credit risk are an integral part of planning, monitoring and controlling of total risk profile, and counter party credit risk management is integrated to periodic risk management process.

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In the scope of counter party risk management, it is aimed to meet legal obligations and to establish and maintain counter party credit risk management infrastructure that is flexible and structured enough to accommodate the best practices. Accordingly, it is planned to conduct stress test activities, improve counter party credit risk signal and limit structure and conduct relevant monitoring function.

### **ii. Operational limit allocation method specified in the scope of internal capital calculated for CCR and CCP risks**

Critical thresholds (signal and limit values) indicating that limits are approached due to internal or external developments have been identified. In the event that these values are approached or exceeded, relevant units take required actions.

Parameters for signal and limit structure and limit values of parameters are determined by consulting the relevant units and implemented at the Bank upon approval of the Audit Committee and Board of Directors.

Internal limits are determined by considering the Bank’s budget, strategy and expectations for upcoming years, developments in Turkey and abroad and historical realization of risks.

### **iii. Policies for establishing guarantee and other risk mitigation and CCR, including CCP risk**

In an attempt to identify the counter party credit risk that the Bank may face, risk measurement and monitoring activities are performed and their results are considered in strategic decision-making process.

Our risk management structure involves activities to ensure that counter party credit risk measurement system functions and is maintained in line with the best practices, legal regulations, fields of activity and product ranges in a consistent, reliable and integrated way.

As part of counter party credit risk management, stress test scenarios were created by anticipating any unfavorable developments in macroeconomic conditions and the Bank’s balance sheet. Results of stress test analysis are considered while establishing risk management policies.

Amount subject to counter party credit risk is calculated with appraisal method based on its fair value in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and provisions in Appendix-2, and reported on a monthly basis. Accordingly, replacement cost and potential counter party credit risk amounts are calculated. Furthermore, capital obligation is also calculated for credit appraisal adjustment for all derivatives.

Additionally, compliance of transactions posing counter party credit risk with thresholds within signal and limit structure is monitored and research is conducted for counter party credit risk calculations with advanced methods.

### **iv. Rules for countertrend risk**

Boasting a strong lending and collateralization structure, the Bank avoids collateralization in positive correlation with the debtor’s credibility and activities in connection with risk mitigation techniques are performed by considering qualitative criteria specified in legal legislation for calculation of amount subject to credit risk.

### **v. Amount of additional collateral that the Bank must submit in case of a decline in credit rating**

As the Bank has no transactions in connection with credit rating, there is not any additional collateral amount it must pay.

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### b) Evaluation of counterparty credit risk in accordance with the measurement methods

	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) (*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
Valuation Method according to fair value - CCR (for derivatives)	1.561.694	426.533			1.988.227	835.877
1 Standardised approach - CCR (for derivatives)	-	-		1,4	-	-
2 Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3 Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					28.040.506	1.583.207
4 Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					2.775.653	828.479
5 Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
<b>6 Total</b>						<b>3.247.563</b>

(\*) Effective Expected Positive Exposure

### c) Capital Requirement for Loan Valuation Adjustments

	Exposure at default post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge	-	-
1 (i) Value at Risk (VaR) component (including the 3×multiplier)		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-
3 All portfolios subject to the Standardised CVA capital charge	1.988.227	20.775
<b>4 Total subject to the CVA capital charge</b>	<b>1.988.227</b>	<b>20.775</b>

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### d) Standardised approach - CCR exposures by risk class and risk weights

Risk Weight Regulatory portfolio	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure (*)
Exposures to sovereigns and their central banks	130.193	-	-	-	-	-	-	-	130.193
Exposures to regional and local governments	5.771	-	-	18	-	-	-	-	5.789
Exposures to administrative bodies and non-commercial entities	15.695	-	-	-	-	50	-	-	15.745
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	42.115.329	-	6.398.526	3.757.054	-	643	-	-	52.271.552
Exposures to corporates	12.069	-	-	-	-	108.485	-	-	120.554
Retail exposures	10.558	-	-	-	1.211	-	-	-	11.769
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	3.718	-	-	-	-	11	-	-	3.729
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>42.293.333</b>	<b>-</b>	<b>6.398.526</b>	<b>3.757.072</b>	<b>1.211</b>	<b>109.189</b>	<b>-</b>	<b>-</b>	<b>52.559.331</b>

(\*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

(\*\*) Other assets: the amount excludes exposures to "Central counterparty" which are reported in Counterparty credit risk.

### e) Risk classes and counterparty credit risk explanations

None.

### f) Collaterals for CCR

	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	31.119.235	-
Cash-foreign currency	-	-	-	-	13.753.198	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44.872.433</b>	<b>-</b>

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**g) Credit Derivatives**

None.

**h) Risk Weight changes under CCR on the Internal Modeling Management Methods.**

None.

**i) Risks Related with Other Parts of the Center**

None.

**4. Explanations on Securitization Disclosures**

None.

**5. Explanations on Market Risk**

**a) Qualitative information to be disclosed to public on market risk**

**i. The Bank’s process and strategies: A disclosure on the Bank’s strategic goals for trading activities is made in a manner that includes processes for identification, measurement, monitoring and controlling of the Bank’s market risks, hedging processes and strategies/ processes for monitoring continuity of hedging efficiency**

For the purposes of market risk aversion in line with financial risk management, the Bank has identified market risk management activities in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks and has taken required precautions.

The Bank’s market risk management policies and implementation procedures have been specified in the scope of the Regulation on Risk Management, Stress Test Program and ICAAP approved by the Board of Directors.

The Bank ensures that measurement, monitoring, limiting, stress test and scenario analysis activities are conducted in line with the structure and complexity of its positions for market risk management and their results are reported periodically.

Activities sustained are conducted over a trading portfolio specified by the Bank’s Treasury Management and other activities subject to market risk.

The amount subject to market risk is calculated and monitored with standard method and advanced measurement method at the Bank. Furthermore, scenario analysis and stress tests are also conducted periodically.

**ii. Organization and structure of market risk management function: Definition of market risk management structure established for implementation of the Bank’s strategies and processes as mentioned in line i) and definition of communication mechanism and relationship between different parties involved in market risk management**

Market risk management is a subunit of Risk Management Group Presidency, one of internal systems units established independently from executive units of the Bank.

Market risk management activities are conducted in line with the Regulation on Risk Management, Stress Test Program and ICAAP approved with the Board Decision no. 15/18 dated 28 April 2015 and performed by aiming the best practices in this structure.

The Bank’s trading activities and transactions subject to market risk are monitored and measured regularly and required practices are performed for risk management. Required reports on market risk are submitted to relevant units and the Bank’s Top Management regularly.

**iii. Structure and scope of risk reporting and/or measurement systems**

The amount subject to the Bank’s market risk is calculated on a monthly basis with the standard method and included in the Bank’s capital adequacy ratio.

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Apart from the standard method, Value at Risk (VaR) estimations are made for trading accounts on a daily basis and reported to relevant units. VaR calculated with Historical Simulation Method is used in daily reporting and limit measurement with a confidence level of 99%. VaR can be calculated with Parametric and Monte Carlo Methods in addition to Historical Simulation Method. Backward testing is performed so as to measure performance of used model and monitor market realization. Also, the Bank performs stress tests and scenario analyses on a daily and monthly basis so as to observe the effect of excessive market fluctuations that are not covered in the models on the Bank’s financial position. Scenario analysis and stress test activities are reviewed and improved regularly in line with the market dynamics.

The market risk exposure is restricted with VaR-based limits (interest rate and currency risk limit) within the context of the Regulation on Risk Management, Stress Test Program and ICAAP. Market risk limits are determined by the Bank’s Board of Directors.

### b) Standard approach

		RWA
	Outright products	
1	Interest rate risk (general and specific)	12.214.288
2	Equity risk (general and specific)	1.050.625
3	Foreign exchange risk	818.875
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	<b>Total</b>	<b>14.083.788</b>

Standard method is being used by the Bank to calculate the risk of the sector.

### 7. Explanations on the Operational Risk

In the Bank, Amount subject to Operational Risk is calculated with Basic Indicator Approach based on yearly. The parameter which determines the amount subject to operational risk in Basic Indicator Approach is gross revenue. Yearly gross revenue is calculated by adding net interest incomes to net fees and commission income, dividend income obtained from shares excluding shares of subsidiaries and associates, trading profit/loss (net) and other operating incomes and also by deducting profit/loss gained from sale of assets monitored out of purchase-sale account, extraordinary incomes, operating expense made against support service and amounts compensated from insurance.

Within the scope of the performances for modeling with the Advanced Measurement Approach of operational risk, based on the data in Operational Risk Loss database, Operational Value at Risk (OpVAR) measurements are calculated using Monte Carlo Simulation within the scope of Loss Distribution Method.

	31.12.2013	31.12.2014	31.12.2015	Total/Positive Year	Rate (%)	Total
Gross Income	8.638.823	9.806.263	11.937.403	10.127.496	15	1.519.124
Amount Subject to Operational Risk						<b>18.989.055</b>

### 8. Explanations on the Interest Rate Risk for Banking Accounts

Banking accounts interest rate risk management strategy policy and implementation procedures are determined within the context of “Regulation on Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”)”.

Bank performs scenario analysis with measurements that are suitable for structure and complexness of positions related to the market risk management, limiting, scenario analysis and stress test and also reports the findings cyclically. Bank’s perform analysis related to interest rate risks for the entire balance sheet. New products and services are also evaluated from the point of interest rate risk that is originated from banking accounts.

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In the risk management, the following methods are followed at minimum level: The follow-up of rate and maturity mismatch between sources and uses of fixed and variable interest rates, the analysis and follow-up of the effects of the usual and unusual changes in interest rates which is possibly uptrend and downtrend on the interest margin and on the current value of assets and liabilities, the analysis and follow-up of contractual maturities as well as behavioral maturities assets and liabilities, monitoring closely of interest margins for provided Turkish Liras and foreign currency, the follow-up of the effects of interest rate changes on Bank’s economic value and capital requirement, the follow-up of potential impacts of valuation methods, the calculation and the determination of the size of interest rate shock in Bank’s internal applications, the follow-up of yield curve, basis risk and option risk. Also, in order to limit the impact of interest rate changes on Bank’s financial structure, the interest rate risk limit arising from banking accounts which is approved by the Board of Directors is followed monthly.

Type of Currency	Shock Applied (+/- x basis point)	Gains/(Losses)	Gains/Equity- (Losses)/Equity
1. TL	500	(5.973.447)	(14,55%)
2. TL	(400)	5.897.170	14,36%
3. EUR	200	100.055	0,24%
4. EUR	(200)	(65.175)	(0,16%)
5. USD	200	(1.075.912)	(2,62%)
6. USD	(200)	1.337.975	3,26%
<b>Total (of negative shocks)</b>		<b>7.169.970</b>	<b>17,46%</b>
<b>Total (of positive shocks)</b>		<b>(6.949.304)</b>	<b>(16,92%)</b>

#### X. EXPLANATIONS ON OPERATIONAL SEGMENTS

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

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

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

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

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

Treasury transactions and international banking activities; national and international organisation, over-the-counter money, spot and forward Turkish Lira, foreign currency, precious metal, securities, trading of derivative instruments are executed by Treasury Management and International Banking Assistant General Management. Furthermore, bank’s liquidity, securities, deposits and non-deposit equity management activities are carried out.

Besides, studies are being conducted to present and market treasury products to our customers in our branches and distribution channels and finance of companies’ foreign trade transactions. By the authority of the Service Unit, for the trade of the securities, the mercantile agent of Ziraat Yatırım Menkul Değerler A.Ş. undertaken an intermediary role for the public offering of securities and also an intermediary

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role for the trade of the investment funds managed by Ziraat Portföy Yönetimi A.Ş. and the other asset management firms. The recognition, storage of the mentioned financial derivatives and individual portfolio management services are provided by the discussed subdivision of the Bank. On the other hand, to provide long term financing for the banks and the international finance organizations and diversify the methods of financing on this direction to issue domestic and foreign T-bills and government bonds and as well as to sustain corresponding bank relations and the relation of our Bank with the international investors is on the objectives of the Service Unit.

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

As of 31 December 2016 explanations on segment reporting as shown on the following page are in line with Communiqué on “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures”.

**Table for Segment Reporting:**

Current Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>						
Interest Income	6.868.452	9.484.342	4.629.507	6.289.005	19.383	27.290.689
Interest Income from Loans	6.868.452	9.484.342	4.629.507	529.882	-	21.512.183
Interest Income from Banks	-	-	-	86.129	-	86.129
Interest Income from Securities	-	-	-	5.487.868	-	5.487.868
Other Interest Income	-	-	-	185.126	19.383	204.509
Interest Expense	6.485.355	2.996.083	-	3.806.297	54.683	13.342.418
Interest Expense on Deposits	6.485.355	2.996.083	-	429.885	-	9.911.323
Interest Expense on Funds Borrowed	-	-	-	469.531	-	469.531
Interest Expense on Money Market Transactions	-	-	-	2.524.582	-	2.524.582
Interest Expense on Securities Issued	-	-	-	382.299	-	382.299
Other Interest Expense	-	-	-	-	54.683	54.683
Net Interest Income/Expense	383.097	6.488.259	4.629.507	2.482.708	(35.300)	13.948.271
Net Fees and Commission Income/Expense	1.063.047	734.445	105.147	(251.144)	(8.647)	1.642.848
Fees and Commissions Received	1.063.047	734.445	105.147	4.128	116.085	2.022.852
Fees and Commissions Paid	-	-	-	255.272	124.732	380.004
Dividend Income	-	-	-	259.184	-	259.184
Trading Income/Loss (Net)	-	-	-	(187.837)	-	(187.837)
Other Operating Income	35.619	277.235	34.836	3.168	1.203.680	1.554.538
Provision for Loans or Other Receivables Losses	946.209	1.686.728	693.715	119	18.099	3.344.870
Other Operating Expense	76.487	251.960	49.083	-	4.925.469	5.302.999
Income Before Tax	459.067	5.561.251	4.026.692	2.305.960	(3.783.835)	8.569.135
Profit/Loss on Equity Method	-	-	-	-	-	-
Tax Provision	-	-	-	-	(1.992.715)	(1.992.715)
Net Profit/Loss	459.067	5.561.251	4.026.692	2.305.960	(5.776.550)	6.576.420
<b>SEGMENT ASSETS</b>						
Financial Assets at FV Through P/L	-	-	-	1.684.791	-	1.684.791
Banks and Other Financial Institutions	-	-	-	3.901.674	-	3.901.674
Financial Assets Available for Sale (Net)	-	-	-	58.631.953	-	58.631.953
Loans	63.372.852	112.969.545	46.461.974	9.839.164	-	232.643.535
Held to Maturity Investments (Net)	-	-	-	8.749.464	-	8.749.464
Associates, Subsidiaries and Joint Ventures	-	-	-	4.311.740	-	4.311.740
Other Assets	-	-	-	-	47.838.208	47.838.208
Total Segment Assets	63.372.852	112.969.545	46.461.974	87.118.786	47.838.208	357.761.365
<b>SEGMENT LIABILITIES</b>						
Deposits	152.533.664	56.051.062	-	12.093.270	2.340.938	223.018.934
Derivative Financial Liabilities Held for Trading	-	-	-	643.628	-	643.628
Funds Borrowed	-	-	-	22.816.736	-	22.816.736
Money Market Funds	-	-	-	47.211.961	-	47.211.961
Securities Issued (Net)	-	-	-	6.833.001	-	6.833.001
Provisions	-	-	-	-	6.053.011	6.053.011
Other Liabilities	-	-	-	-	12.801.656	12.801.656
Shareholders' Equity	-	-	-	-	38.382.438	38.382.438
Total Segment Liabilities	152.533.664	56.051.062	-	89.598.596	59.578.043	357.761.365
<b>OTHER SEGMENT ITEMS</b>						
Capital Investment	-	-	-	-	-	-
Amortization Expense	-	-	-	-	352.946	352.946
Restructuring Costs	-	-	-	-	-	-

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Prior Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Other /Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>						
<b>31 December 2015</b>						
<b>Interest Income</b>	5.768.008	6.902.276	3.481.380	5.849.438	49.393	22.050.495
Interest Income from Loans	5.768.008	6.902.276	3.481.380	525.285	-	16.676.949
Interest Income from Banks	-	-	-	66.961	-	66.961
Interest Income from Securities	-	-	-	5.197.221	-	5.197.221
Other Interest Income	-	-	-	59.971	49.393	109.364
<b>Interest Expense</b>	5.708.603	2.532.004	-	3.240.193	60.769	11.541.569
Interest Expense on Deposits	5.708.603	2.532.004	-	427.858	-	8.668.465
Interest Expense on Funds Borrowed	-	-	-	403.341	-	403.341
Interest Expense on Money Market Transactions	-	-	-	2.127.843	-	2.127.843
Interest Expense on Securities Issued	-	-	-	281.151	-	281.151
Other Interest Expense	-	-	-	-	60.769	60.769
<b>Net Interest Income/Expense</b>	59.405	4.370.272	3.481.380	2.609.245	(11.376)	10.508.926
<b>Net Fees and Commission Income/Expense</b>	814.629	542.480	79.035	(203.994)	67.931	1.300.081
Fees and Commissions Received	814.629	542.480	79.035	5.275	195.275	1.636.694
Fees and Commissions Paid	-	-	-	209.269	127.344	336.613
<b>Dividend Income</b>	-	-	-	213.056	-	213.056
<b>Trading Income/Loss (Net)</b>	-	-	-	(165.539)	-	(165.539)
<b>Other Operating Income</b>	24.519	215.576	47.778	3.731	1.048.291	1.339.895
<b>Provision for Loans or Other Receivables Losses</b>	401.160	712.904	296.159	1.715	8.616	1.420.554
<b>Other Operating Expense</b>	45.338	196.494	35.715	-	4.930.695	5.208.242
<b>Income Before Tax</b>	452.055	4.218.930	3.276.319	2.454.784	(3.834.465)	6.567.623
<b>Profit/Loss on Equity Method</b>	-	-	-	-	-	-
<b>Tax Provision</b>	-	-	-	-	(1.405.153)	(1.405.153)
<b>Net Profit/Loss</b>	452.055	4.218.930	3.276.319	2.454.784	(5.239.618)	5.162.470
<b>SEGMENT ASSETS</b>						
<b>31 December 2015</b>						
Financial Assets at FV Through P/L	-	-	-	944.899	-	944.899
Banks and Other Financial Institutions	-	-	-	4.446.792	-	4.446.792
Financial Assets Available for Sale (Net)	-	-	-	53.782.308	-	53.782.308
Loans	51.034.781	90.694.305	37.676.823	7.406.942	-	186.812.851
Held to Maturity Investments (Net)	-	-	-	10.144.142	-	10.144.142
Associates, Subsidiaries and Joint Ventures	-	-	-	2.655.366	-	2.655.366
Other Assets	-	-	-	-	44.061.968	44.061.968
<b>Total Segment Assets</b>	51.034.781	90.694.305	37.676.823	79.380.449	44.061.968	302.848.326
<b>SEGMENT LIABILITIES</b>						
<b>31 December 2015</b>						
Deposits	135.886.429	39.624.867	-	9.734.353	1.223.786	186.469.435
Derivative Financial Liabilities Held for Trading	-	-	-	292.271	-	292.271
Funds Borrowed	-	-	-	19.542.648	-	19.542.648
Money Market Funds	-	-	-	43.085.776	-	43.085.776
Securities Issued (Net)	-	-	-	5.287.606	-	5.287.606
Provisions	-	-	-	-	5.160.896	5.160.896
Other Liabilities	-	-	-	-	11.463.425	11.463.425
Shareholders' Equity	-	-	-	-	31.546.269	31.546.269
<b>Total Segment Liabilities</b>	135.886.429	39.624.867	-	77.942.654	49.394.376	302.848.326
<b>OTHER SEGMENT ITEMS</b>						
Capital Investment	-	-	-	-	-	-
Amortization Expense	-	-	-	-	324.876	324.876
Restructuring Costs	-	-	-	-	-	-

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**XI. EXPLANATIONS ON THE FAIR VALUE REALIZATION OF FINANCIAL ASSETS AND LIABILITIES**

**a) Information regarding the fair value of financial assets and liabilities:**

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>303.926.626</b>	<b>255.186.093</b>	<b>304.338.015</b>	<b>255.742.675</b>
Due from Interbank Money Market	-	-	-	-
Banks	3.901.674	4.446.792	3.901.674	4.446.792
Available-for-sale Financial Assets	58.631.953	53.782.308	58.631.953	53.782.308
Held-to-maturity Investments	8.749.464	10.144.142	9.160.853	10.700.724
Loans	232.643.535	186.812.851	232.643.535	186.812.851
<b>Financial Liabilities</b>	<b>255.149.392</b>	<b>213.619.872</b>	<b>255.149.392</b>	<b>213.619.872</b>
Bank Deposits	12.059.950	9.727.301	12.059.950	9.727.301
Other Deposits	210.958.984	176.742.134	210.958.984	176.742.134
Funds Borrowed from Other Financial Institutions	22.816.736	19.542.648	22.816.736	19.542.648
Issued Marketable Securities	6.833.001	5.287.606	6.833.001	5.287.606
Miscellaneous Payables	2.480.721	2.320.183	2.480.721	2.320.183

Receivables from money markets, receivables from banks and bank deposits are of short term nature, therefore carrying values are considered as fair value.

In determination of book and fair value of available-for-sale securities, market prices are taken into consideration. If these securities are not traded in an active market, the indicator prices calculated by CBRT are taken into account.

The fair value of held to maturity financial assets is calculated by considering market prices. In cases where these prices cannot be determined, the fair value is assessed on the basis of market prices quoted for securities that have the same attributes in terms of interest, maturity and other terms.

The fair value of loans and other deposits represent the sum of the cost and the accrued interest.

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**b) Information on fair value measurements recognized in the financial statements:**

According to TFRS 7 “Financial Instruments: Explanations” Standard, the accounts recognized with the fair value in the balance sheet should be presented and classified sequentially in the related footnotes. Respectively, such financial instruments are classified in three levels representing the importance of the data used during for the measurement of fair values. At level one, the financial instruments whose fair values are determined with the recorded prices in the active markets for the assets and liabilities with identical fair values; at level two, the financial instruments whose fair value is based on the directly or indirectly observable market indicators and at level three; the financial instruments whose fair value is not based on the directly or indirectly observable market indicators are considered. The financial instruments which are recognized with their fair values at the Bank’s balance sheet, are presented with respect to such basis of classification in the table below:

<b>Current Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	<b>17.404</b>	<b>1.667.387</b>	-	<b>1.684.791</b>
Government Debt Securities	17.404	-	-	17.404
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	1.667.387	-	1.667.387
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets</b>	<b>58.436.951</b>	<b>171.816</b>	-	<b>58.608.767</b>
Equity Securities <sup>(1)</sup>	525.314	94.965	-	620.279
Government Debt Securities	57.820.294	-	-	57.820.294
Other Marketable Securities	91.343	76.851	-	168.194
<b>Total Assets</b>	<b>58.454.355</b>	<b>1.839.203</b>	-	<b>60.293.558</b>
Trading Derivative Financial Liabilities	-	643.628	-	643.628
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	-	<b>643.628</b>	-	<b>643.628</b>

<sup>(1)</sup> Since equity securities under the heading of financial assets available for sale amounting to TL 23.186 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	<b>16.615</b>	<b>928.284</b>	-	<b>944.899</b>
Government Debt Securities	16.615	-	-	16.615
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	928.284	-	928.284
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets</b>	<b>53.516.040</b>	<b>148.054</b>	<b>95.028</b>	<b>53.759.122</b>
Equity Securities <sup>(1)</sup>	388.536	96.992	95.028	580.556
Government Debt Securities	53.105.710	-	-	53.105.710
Other Marketable Securities	21.794	51.062	-	72.856
<b>Total Assets</b>	<b>53.532.655</b>	<b>1.076.338</b>	<b>95.028</b>	<b>54.704.021</b>
Trading Derivative Financial Liabilities	-	292.271	-	292.271
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	-	<b>292.271</b>	-	<b>292.271</b>

<sup>(1)</sup> Since equity securities under the heading of financial assets available for sale amounting to TL 23.186 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

**XII. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ON ACCOUNT OF OTHER PARTIES**

**1. Transaction, Custody, Management and Consultancy Services of the Bank on behalf of Third Parties:**

The Bank acts as an intermediary for purchases and sales of government securities on behalf of real persons and corporate, conducts repo transactions, and provides custody services. The bank does not provide consultancy and management services.

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### 2. Transactions with other financial institutions under fiduciary transaction agreements and financial services rendered to other financial institutions under the scope of fiduciary transactions and the effects of such services to the financial position of the Bank or the Group:

The Bank has no fiduciary transactions.

## SECTION FIVE

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

#### I. Explanations and Notes RELATED to ASSETS

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1.720.392	925.443	1.718.357	705.176
Central Bank of the Republic of Turkey	5.817.157	30.694.784	2.354.591	31.753.858
Other	3.775	5.546	-	3.981
<b>Total</b>	<b>7.541.324</b>	<b>31.625.773</b>	<b>4.072.948</b>	<b>32.463.015</b>

##### 1.a.1) Information on Required Reserves:

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

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

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

##### 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	5.719.162	2.254.136	2.286.466	236.672
Unrestricted Time Deposit	-	2.312.376	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1) (2)</sup>	97.995	26.128.272	68.125	31.517.186
<b>Total</b>	<b>5.817.157</b>	<b>30.694.784</b>	<b>2.354.591</b>	<b>31.753.858</b>

<sup>(1)</sup> Required reserve of branches abroad amounting to TL 88.706 is presented in this line (31 December 2015: TL 78.150).

<sup>(2)</sup> TL 12.506.189 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2015: TL 19.082.468).

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

None.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Assets Held-for-Trading				
Forward Transactions	34.251	53.817	25.242	46.642
Swap Transactions	1.161.871	417.406	624.709	231.637
Futures Transactions	-	-	-	-
Options	42	-	9	45
Other	-	-	-	-
<b>Total</b>	<b>1.196.164</b>	<b>471.223</b>	<b>649.960</b>	<b>278.324</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	460.807	103.935	708.886	358.580
Foreign Banks	66.300	3.270.632	27.113	3.352.213
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>527.107</b>	<b>3.374.567</b>	<b>735.999</b>	<b>3.710.793</b>

### b) Information on Foreign Bank Accounts

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	1.698.421	1.097.791	-	-
USA, Canada	1.022.476	1.903.114	-	-
OECD Countries <sup>(1)</sup>	21.197	8.874	-	-
Off-shore Banking Regions	-	-	-	-
Other	594.838	369.547	-	-
<b>Total</b>	<b>3.336.932</b>	<b>3.379.326</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> OECD countries except EU countries, USA and Canada.

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	41.249.265	40.599.081
Assets Blocked/Given as Collateral	5.865.705	5.251.648
<b>Total</b>	<b>47.114.970</b>	<b>45.850.729</b>

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

	Current Period	Prior Period
Debt Securities	59.985.217	54.495.737
Quoted in Stock Exchange	59.908.367	54.444.675
Not Quoted in Stock Exchange	76.850	51.062
Share Certificates	676.873	630.832
Quoted in Stock Exchange	525.325	483.687
Not Quoted in Stock Exchange	151.548	147.145
Provision for Impairment (-)	2.030.137	1.344.261
<b>Total</b>	<b>58.631.953</b>	<b>53.782.308</b>

**5. Information related to loans:**

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees <sup>(1) (2)</sup>	273.923	-	253.756	-
<b>Total</b>	<b>273.923</b>	<b>-</b>	<b>253.756</b>	<b>-</b>

<sup>(1)</sup> Interest rediscount and interest accrual amounting TL 2.429, are not included in the table above.

<sup>(2)</sup> Since the balance of overdraft accounts related to employees amounting TL 15.257, is showed under Table 5-c as overdraft accounts (real person), it is not included to the table above.

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms <sup>(1)</sup>	Other		Loans and other receivables with revised contract terms <sup>(1)</sup>	Other
Non-Specialized Loans	177.447.340	2.920.871	-	1.871.658	1.558.238	-
Commercial Loans	105.656.585	1.704.312	-	931.357	1.376.911	-
Export Loans	3.574.356	-	-	39.940	-	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	6.224.868	-	-	-	-	-
Consumer Loans	57.784.941	1.216.383	-	843.143	178.849	-
Credit Cards	3.342.902	176	-	46.179	2.478	-
Other	863.688	-	-	11.039	-	-
Specialized Lending <sup>(3) (4)</sup>	39.785.103	3.310.904	-	663.003	322.932	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals <sup>(2)</sup>	4.512.037	-	-	-	-	-
<b>Total</b>	<b>221.744.480</b>	<b>6.231.775</b>	<b>-</b>	<b>2.534.661</b>	<b>1.881.170</b>	<b>-</b>

<sup>(1)</sup> Restructured or rescheduled loans cannot be decomposed systematically. Therefore it is shown in the "Loans and other receivables with revised contract terms" section.

<sup>(2)</sup> Restructured or rescheduled loans and the loans under close monitoring and the separation of the accruals of other receivables cannot be obtained by the available information operating system.

<sup>(3)</sup> Fund sourced agricultural loans are shown under Specialized Lending.

<sup>(4)</sup> Agriculturally qualified farmer standby loans have been displayed under Specialized Lending.

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	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
<b>No. of extensions</b>		
1 or 2 Times Extended <sup>(1)</sup>	6.105.238	1.807.327
3 - 4 or 5 Times Extended	126.534	73.126
Over 5 Times Extended	3	717

<sup>(1)</sup> Number of modification made according to extent of payment plan of individual loans cannot be decomposed systematically therefore it is shown in this line.

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
<b>Extension Periods</b>		
0 - 6 Months	2.694.994	911.280
6 - 12 Months	890.875	155.311
1 - 2 Years	1.976.732	347.178
2 - 5 Years	621.569	445.045
5 Years and Over	47.605	22.356
<b>Total</b>	<b>6.231.775</b>	<b>1.881.170</b>

**c) Loans according to maturity structure:**

	Standard Loans and Other Receivables <sup>(1)</sup>		Loans and Other Receivables under Close Monitoring <sup>(1)</sup>	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans	45.873.340	1.672.881	555.787	230.969
Non-specialized Loans	37.834.108	161.261	472.786	57.003
Specialized Loans <sup>(2)</sup>	8.039.232	1.511.620	83.001	173.966
Other Receivables	-	-	-	-
Medium and Long-term Loans and Other Receivables	171.359.103	4.558.894	1.978.874	1.650.201
Non-specialized Loans	139.613.232	2.759.610	1.398.872	1.501.235
Specialized Loans <sup>(2)</sup>	31.745.871	1.799.284	580.002	148.966
Other Receivables	-	-	-	-

<sup>(1)</sup> Rediscounts are not included.

<sup>(2)</sup> Agricultural loans originated from funds are shown under Specialized Lending.

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	444.629	58.467.080	58.911.709
Real Estate Loans <sup>(2)</sup>	10.790	32.377.934	32.388.724
Vehicle Loans	1.591	186.477	188.068
Consumer Loans <sup>(2)</sup>	428.441	25.596.524	26.024.965
Abroad	3.807	306.145	309.952
Other	-	-	-
Consumer Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	835	30.906	31.741
Real Estate Loans	-	277	277
Vehicle Loans	-	-	-
Consumer Loans	85	2.486	2.571
Abroad	750	28.143	28.893
Other	-	-	-
Individual Credit Cards-TL	2.846.986	12.675	2.859.661
With Installment	982.975	9.815	992.790
Without Installment	1.864.011	2.860	1.866.871
Individual Credit Cards-FC	403	-	403
With Installment	-	-	-
Without Installment	403	-	403
Personnel Loans-TL	9.392	180.103	189.495
Real Estate Loans	-	181	181
Vehicle Loans	-	-	-
Consumer Loans	9.278	178.361	187.639
Abroad	114	1.561	1.675
Other	-	-	-
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	84.140	282	84.422
With Installment	34.670	213	34.883
Without Installment	49.470	69	49.539
Personnel Credit Cards-FC	6	-	6
With Installment	-	-	-
Without Installment	6	-	6
Overdraft Accounts-TL (Real Person)	890.371	-	890.371
Overdraft Accounts-FC (Real Person)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>4.276.762</b>	<b>58.691.046</b>	<b>62.967.808</b>

<sup>(1)</sup> TL 398.562 of interest income accrual and rediscount are not included in the table above.

<sup>(2)</sup> Consumer loans originated from funds amounting to TL 3.636.941 of are included in the table above.

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

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	1.452.414	13.722.084	15.174.498
Business Loans	323	492.559	492.882
Vehicle Loans	43.249	861.336	904.585
Consumer Loans	1.408.842	12.368.189	13.777.031
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	8.336	16.498.601	16.506.937
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	8.336	16.498.601	16.506.937
Other	-	-	-
Corporate Credit Cards-TL	445.220	2.007	447.227
With Installment	143.425	1.977	145.402
Without Installment	301.795	30	301.825
Corporate Credit Cards-FC	16	-	16
With Installment	-	-	-
Without Installment	16	-	16
Overdraft Account-TL (Legal Entity)	120.195	-	120.195
Overdraft Account-FC (Legal Entity)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>2.026.181</b>	<b>30.222.692</b>	<b>32.248.873</b>

<sup>(1)</sup> Accruals and rediscounts amounts are not included in the table above.

### f) Loans according to types of borrowers:

	Current Period	Prior Period
Public	2.353.565	1.544.376
Private	225.526.484	181.086.537
Interest Income Accruals of Loans	4.512.037	3.311.946
<b>Total</b>	<b>232.392.086</b>	<b>185.942.859</b>

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

	Current Period	Prior Period
Domestic Loans	222.345.932	177.799.281
Foreign Loans	5.534.117	4.831.632
Interest Income Accruals of Loans	4.512.037	3.311.946
<b>Total</b>	<b>232.392.086</b>	<b>185.942.859</b>

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### h) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	1.168.414	831.174
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>1.168.414</b>	<b>831.174</b>

### k) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	340.774	143.144
Loans and other receivables with doubtful collectability	934.428	478.653
Uncollectible loans and other receivables	2.690.446	1.648.735
<b>Total</b>	<b>3.965.648</b>	<b>2.270.532</b>

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

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and r eceivables
<b>Current period</b>	<b>14.498</b>	<b>58.203</b>	<b>127.037</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	14.498	58.203	127.037
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>	<b>11.844</b>	<b>51.598</b>	<b>92.945</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	11.844	51.598	92.945
Rescheduled loans and other receivables	-	-	-

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

	<b>Group III: Loans and receivables with limited collectability</b>	<b>Group IV: Loans and receivables with doubtful collectability</b>	<b>Group V: Uncollectible loans and receivables</b>
<b>Prior Period Ending Balance</b>	<b>289.920</b>	<b>486.739</b>	<b>2.363.865</b>
Additions (+)	1.848.781	198.861	336.301
Transfers from Other Categories of Loans under Follow-Up (+)	-	1.639.530	1.223.847
Transfers to Other Categories of Loans under Follow-Up (-)	1.639.530	1.223.847	-
Collections (-) <sup>(1)</sup>	156.470	158.164	992.736
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance <sup>(2)</sup></b>	<b>342.701</b>	<b>943.119</b>	<b>2.931.277</b>
Specific Provision (-) <sup>(3)</sup>	340.774	934.428	2.690.446
<b>Net Balance on Balance Sheet <sup>(2)</sup></b>	<b>1.927</b>	<b>8.691</b>	<b>240.831</b>

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

<sup>(2)</sup> Includes the loans originated from funds amounting to TL 251.449 whose risk does not belong to the Bank.

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

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

	<b>Group III: Loans and other receivables with limited collectability</b>	<b>Group IV: Loans and other receivables with doubtful collectability</b>	<b>Group V: Uncollectible loans and other receivables</b>
<b>Current Period:</b>			
<b>Period Ending Balance</b>	<b>254</b>	<b>34</b>	<b>16.550</b>
Specific Provision (-)	254	34	16.550
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period:</b>			
<b>Period Ending Balance</b>	<b>1.062</b>	<b>4.690</b>	<b>5.691</b>
Specific Provision (-)	531	4.690	5.691
<b>Net Balance on Balance Sheet</b>	<b>531</b>	<b>-</b>	<b>-</b>

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

	<b>Group III: Loans and other receivables with limited collectability</b>	<b>Group IV: Loans and other receivables with doubtful collectability</b>	<b>Group V: Uncollectible loans and other receivables</b>
<b>Current Period (Net)</b>	<b>1.927</b>	<b>8.691</b>	<b>240.831</b>
Loans to Real Persons and Legal Entities (Gross)	342.701	867.487	2.931.277
Specific Provisions (-)	340.774	858.796	2.690.446
Loans to Real Persons and Legal Entities (Net)	1.927	8.691	240.831
Banks (Gross)			
Specific Provisions (-)			
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	75.632	-
Specific Provisions (-)	-	75.632	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>146.776</b>	<b>8.086</b>	<b>715.130</b>
Loans to Real Persons and Legal Entities (Gross)	289.920	410.130	2.363.865
Specific Provisions (-)	143.144	402.044	1.648.735
Loans to Real Persons and Legal Entities (Net)	146.776	8.086	715.130
Banks (Gross)			
Specific Provisions (-)			
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	76.609	-
Specific Provisions (-)	-	76.609	-
Other Loans and Receivables (Net)	-	-	-

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

Execution proceedings are carried out for the collection of receivables from loan services of the 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. Transactions are performed within the context of legislation agreement, which ensures the collection of receivables through administrative channels, and authorizations transferred to the Branch/Regional Management. When the debtor offers exceed authorizations transferred to the Branch/Regional Management or includes matters outside the scope of current legislation agreements and the Branch/Regional Management submit favorable opinion to the Head Office regarding this issue, receivables should be restructured on a company/debtor basis in accordance with the decisions made by the related authorities.

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

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

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**k) Other explanations and disclosures:**

<b>Current Period</b>	<b>Corporate and Entrepreneurial</b>	<b>Consumer</b>	<b>Agricultural</b>	<b>Total</b>
Neither Past Due nor Impaired Loans <sup>(1)</sup>	120.437.368	62.296.314	45.242.573	227.976.255
Past Due but not Impaired Loans	2.370.758	1.070.056	975.017	4.415.831
Impaired Loans	2.752.322	824.732	640.043	4.217.097
<b>Total</b>	<b>125.560.448</b>	<b>64.191.102</b>	<b>46.857.633</b>	<b>236.609.183</b>
Specific Provisions of Impaired Loans (-)	2.751.739	818.250	395.659	3.965.648
<b>Net Loan Amount</b>	<b>122.808.709</b>	<b>63.372.852</b>	<b>46.461.974</b>	<b>232.643.535</b>

<sup>(1)</sup> TL 3.636.941 consumer, TL 2.061.670 agricultural, and TL 18 corporate and entrepreneurial loans originated from funds whose risk does not belong to the Bank, are shown under Neither Past Due nor Impaired Loans.

<b>Prior Period</b>	<b>Commercial</b>	<b>Consumer</b>	<b>Agricultural</b>	<b>Total</b>
Neither Past Due nor Impaired Loans <sup>(1)</sup>	95.869.566	49.627.211	36.435.772	181.932.549
Past Due but not Impaired Loans	1.651.939	1.382.290	976.081	4.010.310
Impaired Loans	1.843.939	741.401	555.184	3.140.524
<b>Total</b>	<b>99.365.444</b>	<b>51.750.902</b>	<b>37.967.037</b>	<b>189.083.383</b>
Specific Provisions of Impaired Loans (-)	1.264.197	716.121	290.214	2.270.532
<b>Net Loan Amount</b>	<b>98.101.247</b>	<b>51.034.781</b>	<b>37.676.823</b>	<b>186.812.851</b>

<sup>(1)</sup> TL 3.442.911 consumer, TL 2.135.499 agricultural, and TL 18 commercial loans originated from funds whose risk does not belong to the Bank, are shown under Neither Past Due nor Impaired Loans.

**6. Information on held-to-maturity investments:**

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

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Government Bonds	2.301.823	2.384.104	1.114.647	3.567.579
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>2.301.823</b>	<b>2.384.104</b>	<b>1.114.647</b>	<b>3.567.579</b>

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Bills	-	-	-	-
Bonds and Similar Investment Securities	1.089.898	2.252.339	3.009.483	1.987.576
Other	-	-	-	-
<b>Total</b>	<b>1.089.898</b>	<b>2.252.339</b>	<b>3.009.483</b>	<b>1.987.576</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Government Bonds	8.602.440	10.098.944
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
<b>Total</b>	<b>8.602.440</b>	<b>10.098.944</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Debt Securities	8.749.464	10.144.142
Quoted in a Stock Exchange	8.602.440	10.098.944
Not Quoted in a Stock Exchange	147.024	45.198
Provision for Impairment (-)	-	-
<b>Total</b>	<b>8.749.464</b>	<b>10.144.142</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
<b>Beginning Balance</b>	<b>10.144.142</b>	<b>10.021.056</b>
Foreign Currency Differences on Monetary Assets	466.322	1.059.935
Purchases During the Year	937.047	148.236
Disposals through Sales and Redemptions	(2.798.047)	(1.085.085)
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	<b>8.749.464</b>	<b>10.144.142</b>

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

Revaluation differences of reclassified available for sale securities before deferred tax are TL 68.984, EUR (23.067) thousand and USD (15.207) thousand respectively and are recorded under shareholders’ equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. At the end of balance sheet date, negative revaluation differences which are accounted under shareholders’ equity are amounted as USD 10.547 thousand and EUR 999 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 24.246 thousand and USD 62.392 thousand respectively.

If the reclassification from the held for trading securities portfolio to the held-to-maturity portfolio had not been performed, income accrual amounting to TL 5.272 would have been recorded. As of 31 December 2016, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL 8.613 (expense).

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

**a) 1) Information about unconsolidated associates:**

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

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non-Current Assets <sup>(2)(3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	82.182	38.919	53.921	904	-	13.002	3.869	-
2	224.364	130.960	138.543	33.538	-	39.302	33.299	-

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

<sup>(2)</sup> Current period information of associates has been provided from unaudited financial statements as of 31 December 2016. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 December 2015.

<sup>(3)</sup> Total non-current assets include tangible and intangible assets.

**b) 1) Explanation regarding consolidated associates:**

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

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non-Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	4.842.849	640.756	21.157	129.633	52.565	61.597	70.106	-

<sup>(1)</sup> Since shares of Arap Türk Bankası A.Ş. are not traded in the stock market, fair values cannot be identified.

<sup>(2)</sup> Current period information of Arap Türk Bankası A.Ş. has been provided from unaudited financial statements as of 31 December 2016. Prior period profit/loss information of Arap Türk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2015.

**b) 2) Information about consolidated associates:**

	Current Period	Prior Period
Beginning Balance	88.846	88.846
Movement During the Period	-	-
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer	-	-
Sales	-	-
Revaluation Increase	-	-
Impairment Provision	-	-
Ending Balance	88.846	88.846
Capital Commitments	-	-
Period Ending Share of Capital Participation (%)	15,43	15,43

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**b) 3) Sector information about consolidated associates:**

	Current Period	Prior Period
Banks	88.846	88.846
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

**c) Consolidated associates quoted to a stock exchange:**

None (31 December 2015: None).

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

**a) 1) Information about unconsolidated subsidiaries:**

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

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non-Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	47.820	13.011	11.784	871	96	2.703	2.984	-

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

<sup>(2)</sup> Current period information of subsidiaries has been provided from unaudited financial statements as of 31 December 2016. Prior period profit/loss information has been provided from audited financial statements as of 31 December 2015.

**b) 1) Information about consolidated subsidiaries:**

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

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

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	Total Assets <sup>(3)</sup>	Shareholders' Equity <sup>(3)</sup>	Total Non-Current Assets <sup>(3)</sup>	Interest Income <sup>(3) (4)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(3)</sup>	Prior Period Profit/Loss <sup>(3)</sup>	Fair Value <sup>(1)</sup>	Shareholders equity amount needed
1	3.792.342	394.081	3.895	135.535	-	231.541	162.350	-	-
2	837.640	265.007	2.418	60.878	-	128.912	86.936	-	-
3	2.355.261	265.209	1.348	1.079	-	28.424	37.407	-	-
4	129.226	99.745	617	9.720	48.063	24.935	23.990	-	-
5	29.775	26.156	760	2.550	18.787	8.204	5.653	-	-
6	7.959.507	764.622	66.547	366.243	24.499	30.673	(11.982)	-	-
7	1.327.028	1.326.409	1.056.312	4.169	-	26.409	-	-	-
8	6.196.471	730.421	17.419	149.943	2.752	48.173	32.382	782.931	-
9	1.618.882	294.407	69.017	56.187	728	319	27.651	280.456	-
10	318.227	132.731	9.263	18.874	228	7.271	5.307	109.090	-
11	605.795	242.045	14.295	29.330	7.559	21.508	16.676	237.838	-
12	260.101	117.708	22.396	13.784	72	10.149	9.262	135.261	-
13	148.846	21.664	4.070	2.754	160	(3.736)	(3.205)	29.540	-

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

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

<sup>(3)</sup> Information on subsidiaries shown in the above table has been provided from unaudited financial statements as of 31 December 2016, the prior period profit/loss balances have been provided from audited financial statements as of 31 December 2015.

<sup>(4)</sup> The amounts shown in Interest Income column belong to Ziraat Katılım Bankası A.Ş. and contain dividend income.

**2) Information about consolidated subsidiaries:**

	Current Period	Prior Period
Balance at the Beginning of the Period	2.442.943	1.453.735
Movements During the Period	1.658.409	989.208
Additions to Scope of Consolidation	-	-
Purchases <sup>(1)</sup>	1.446.624	997.857
Bonus Shares Obtained	2.996	16.921
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales	-	-
Revaluation Increase	281.824	227.760
Impairment Provision (-)	73.035	253.330
Balance at the End of the Period	4.101.352	2.442.943
Capital Commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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

	Current Period	Prior Period
Banks	2.322.116	1.966.702
Insurance Companies	129.972	129.972
Factoring Companies	-	-
Leasing Companies	282.839	282.839
Financing Companies	-	-
Other Financial Subsidiaries	1.366.425	63.430

**c) Subsidiaries which are quoted on a stock exchange:**

None (31 December 2015: None).

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

Entities under Common Control (Joint Ventures) <sup>(1)</sup>	Parent Bank's Share <sup>(2)</sup>	Group's Share	Current Assets	Non-Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	47.649	47.649	967.937	12.930	11.755	37.513	25.788
UTBANK JSC	51.015	51.035	257.090	3.474	21	29.323	20.389
<b>Total</b>	<b>98.664</b>	<b>98.684</b>	<b>1.225.027</b>	<b>16.404</b>	<b>11.776</b>	<b>66.836</b>	<b>46.177</b>

<sup>(1)</sup> Information on entities under joint control is provided from the unaudited financial statements as of 31 December 2016.

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

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

**10. Information on finance lease receivables (net):**

The Bank has no finance lease receivables (31 December 2015: None).

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

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

**12. Information on investment property:**

None (31 December 2015: None).

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

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

The Bank's immovables acquired amount to TL 566.195 consisting of TL 14.160 due to consumer loans, TL 487.583 on its commercial loans and TL 64.452 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 2.798. Total depreciation expense is TL 6.960 for these held for sale assets. (31 December 2015: The Bank's immovables acquired amount to TL 243.415 consisting of TL 13.494 due to consumer loans, TL 184.069 on its commercial loans and TL 45.852 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1.849. Total depreciation expense is TL 4.658 for these held for sale assets.

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

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
<b>Prior Period End:</b>						
Cost	5.261.605	9.759	44.735	196.387	721.746	6.234.232
Accumulated Depreciation (-)	902.143	2.090	22.547	110.332	351.742	1.388.854
Impairment (-)	3.740	-	-	-	-	3.740
<b>Net Book Value</b>	<b>4.355.722</b>	<b>7.669</b>	<b>22.188</b>	<b>86.055</b>	<b>370.004</b>	<b>4.841.638</b>
<b>Current Period End:</b>						
Net Book Value at the Beginning of the Period	4.355.722	7.669	22.188	86.055	370.004	4.841.638
Change During the Period (Net)	458.118	1.357	(3.430)	(3.454)	20.974	473.565
- Cost	518.191	2.590	(306)	32.721	111.331	664.527
- Depreciation – net (-)	61.501	1.233	3.124	36.175	90.357	192.390
- Impairment (-)	(1.428)	-	-	-	-	(1.428)
- Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	5.779.796	12.349	44.429	229.108	833.077	6.898.759
Accumulated Depreciation at Period End (-)	963.644	3.323	25.671	146.507	442.099	1.581.244
Impairment (-)	2.312	-	-	-	-	2.312
<b>Closing Net Book Value</b>	<b>4.813.840</b>	<b>9.026</b>	<b>18.758</b>	<b>82.601</b>	<b>390.978</b>	<b>5.315.203</b>

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.

**15. Explanations on intangible assets:**

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Establishment Costs	4.859	4.618	241	4.098	3.788	310
Goodwill	-	-	-	-	-	-
Intangible Rights	461.458	148.885	312.573	312.499	101.298	211.201
<b>Total</b>	<b>466.317</b>	<b>153.503</b>	<b>312.814</b>	<b>316.597</b>	<b>105.086</b>	<b>211.511</b>

a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None.

d) The book value of intangible fixed assets that are pledged or restricted for use: None.

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- e) Amount of purchase commitments for intangible fixed assets: None
- f) Information on revalued intangible assets according to their types: None.
- g) Amount of total research and development expenses recorded in income statement within the period if any: None.
- h) Positive or negative consolidation goodwill on entity basis: Not applicable for the unconsolidated financial statements
- i) Information on Goodwill: None.

### 16. Information on deferred tax asset:

Deferred tax is recognized on 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 in accordance with the Turkish Accounting Standards (TAS 12) “Income Taxes”. In the computation of deferred tax, effective tax rates as of the balance sheet date are used in accordance with the current tax legislation.

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. Calculated deferred tax assets and deferred tax liabilities are net off in the financial statements.

Information on calculated deferred tax including deductible temporary differences, financial losses, tax deductibles and tax exemptions is shown below:

	Current Period	Prior Period
Deferred Tax Assets	175.538	261.730
Deferred Tax Liabilities	(99.781)	-
Net Deferred Tax Assets	75.757	261.730
Net Deferred Tax Income/(Expense)	(97.521)	(583.824)
	Current Period	Prior Period
Reserve for Employment Termination Benefits	138.038	136.654
Short Term Employee Benefits	37.500	33.720
Financial Assets Valuation	(93.267)	49.940
Other	(6.514)	41.416
<b>Net Deferred Tax Assets</b>	<b>75.757</b>	<b>261.730</b>
	Current Period	Prior Period
<b>As of 1 January</b>	<b>261.730</b>	<b>220.823</b>
Effect of Change in the Effective Tax Rate	-	-
Deferred Tax (Expense)/Income	(97.521)	(583.824)
<b>Deferred Tax Expenses (Net)</b>	<b>(97.521)</b>	<b>(583.824)</b>
Deferred Tax Recognized Under Shareholders' Equity	(88.452)	624.731
<b>Deferred Tax Assets</b>	<b>75.757</b>	<b>261.730</b>

### 17. Information on other assets:

As of 31 December 2016 and 2015, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

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

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

**1) For deposit banks:**

Current Period	Demand	7 Days Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	21.995.821	-	3.023.954	59.361.003	4.378.317	974.707	798.679	44.170	90.576.651
Foreign Currency Deposits	15.258.270	-	6.027.777	17.500.205	4.968.506	3.839.907	14.361.729	619	61.957.013
Residents in Turkey	13.495.718	-	5.793.930	14.835.795	4.270.715	3.044.420	10.808.628	619	52.249.825
Residents Abroad	1.762.552	-	233.847	2.664.410	697.791	795.487	3.553.101	-	9.707.188
Public Sector Deposits	6.142.683	-	2.831.975	6.846.612	2.056.284	4.742.350	13.571	-	22.633.475
Commercial Inst. Deposits	5.909.878	-	7.469.751	9.373.969	461.512	13.101	29.439	-	23.257.650
Other Inst. Deposits	1.786.765	-	2.708.390	4.149.597	343.730	353.031	851.744	-	10.193.257
Precious Metals	2.042.960	-	32.607	213.683	23.155	15.622	12.911	-	2.340.938
Interbank Deposits	1.731.844	-	4.933.257	1.650.521	635.446	2.303.709	805.173	-	12.059.950
CBRT	3.750	-	-	-	-	-	-	-	3.750
Domestic Banks	397.818	-	4.405.820	69.430	191.176	-	6.363	-	5.070.607
Foreign Banks	245.568	-	527.437	1.581.091	444.270	2.303.709	798.810	-	5.900.885
Participation Banks	1.084.708	-	-	-	-	-	-	-	1.084.708
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>54.868.221</b>	<b>-</b>	<b>27.027.711</b>	<b>99.095.590</b>	<b>12.866.950</b>	<b>12.242.427</b>	<b>16.873.246</b>	<b>44.789</b>	<b>223.018.934</b>

Prior Period	Demand	7 Days Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	15.816.483	-	2.735.768	53.726.579	4.216.969	983.553	725.483	5.538	78.210.373
Foreign Currency Deposits	11.985.041	-	8.833.462	16.142.462	4.764.012	3.584.819	12.365.829	431	57.676.056
Residents in Turkey	10.818.260	-	8.648.524	14.110.439	4.266.621	2.916.587	9.711.963	431	50.472.825
Residents Abroad	1.166.781	-	184.938	2.032.023	497.391	668.232	2.653.866	-	7.203.231
Public Sector Deposits	5.760.534	-	3.350.698	4.464.880	1.246.059	2.865.402	12.219	-	17.699.792
Commercial Inst. Deposits	4.162.028	-	3.961.935	4.971.688	1.051.130	49.035	56.548	-	14.252.364
Other Inst. Deposits	1.529.794	-	1.855.891	3.036.021	258.961	737.257	261.839	-	7.679.763
Precious Metals	1.038.839	-	25.203	123.100	18.600	9.382	8.662	-	1.223.786
Interbank Deposits	336.455	-	6.095.526	989.548	1.078.159	1.116.474	111.139	-	9.727.301
CBRT	875	-	-	-	-	-	-	-	875
Domestic Banks	32.900	-	5.046.468	51.023	93.274	36.885	-	-	5.260.550
Foreign Banks	89.063	-	1.049.058	938.525	984.885	1.079.589	111.139	-	4.252.259
Participation Banks	213.617	-	-	-	-	-	-	-	213.617
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>40.629.174</b>	<b>-</b>	<b>26.858.483</b>	<b>83.454.278</b>	<b>12.633.890</b>	<b>9.345.922</b>	<b>13.541.719</b>	<b>5.969</b>	<b>186.469.435</b>

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**b) Information on saving deposits:**

**1) Amounts exceeding the deposit insurance limit:**

**a) Saving deposits under the guarantee of deposit insurance and exceeding the deposit insurance limit:**

	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
<b>Saving Deposits</b>				
Saving Deposits <sup>(2)</sup>	60.568.084	52.356.589	29.701.060	25.598.381
Foreign Currency Saving Deposits <sup>(2)</sup>	21.431.931	19.394.479	28.972.511	23.644.817
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(1)</sup>	636.306	549.775	42.853	57.489
Deposits at Off-Shore Banking Regions’ and under Foreign Authorities’ Insurance	-	-	-	-

<sup>(1)</sup> In Bulgaria and Greece, since both real person and legal entity’s saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 47.282 and TL 13.226 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2015: Bulgaria and Greece, TL 57.299 and TL 7.465, respectively).

<sup>(2)</sup> Related deposit balances do not include foreign branches.

Based on the Council of Minister’s decree dated 29 December 2003 and numbered 2003/6668, TL 940 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş.

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of the Banks. As total of capital amount and interest expense accruals of saving deposits up to TL 100 attributable to a real person is covered by the insurance, TL 514.083 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 15 February 2013 and numbered 28560.

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

The Bank’s head office is located in Turkey.

**3) Amounts which are not covered by deposit insurance:**

**a) Saving deposits of real persons not covered by the deposit insurance fund:**

	Current Period	Prior Period
Deposits and other Accounts in Branches Abroad	81.373	52.302
Deposits of Ultimate Shareholders and Their Close Family Members	-	-
Deposits of Chairman and Members of the Board of Directors, CEO, Executive Vice Presidents and Their Close Family Members	6.448	3.923
Deposits Obtained through Illegal Acts Defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated 26 September 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	33.498	51.481	26.696	43.551
Swap Transactions	206.170	352.444	3.956	218.044
Futures Transactions	-	-	-	-
Options	35	-	3	21
Other	-	-	-	-
<b>Total</b>	<b>239.703</b>	<b>403.925</b>	<b>30.655</b>	<b>261.616</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	854.994	613.745	448.444	363.932
Foreign Banks, Institutions and Funds	933.948	20.414.049	944.015	17.786.257
<b>Total</b>	<b>1.788.942</b>	<b>21.027.794</b>	<b>1.392.459</b>	<b>18.150.189</b>

#### b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	844.858	6.024.836	434.340	6.076.594
Medium and Long-Term	944.084	15.002.958	958.119	12.073.595
<b>Total</b>	<b>1.788.942</b>	<b>21.027.794</b>	<b>1.392.459</b>	<b>18.150.189</b>

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

62,34% of the Bank's liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Bank's liabilities are not subject to a significant concentration risk.

#### 3. d Information on funds supplied from repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Domestic Transactions</b>	<b>30.251.538</b>	<b>-</b>	<b>27.240.963</b>	<b>-</b>
Financial Institutions and Organizations	30.077.731	-	27.020.179	-
Other Institutions and Organizations	166.520	-	212.000	-
Real Person	7.287	-	8.784	-
<b>From Overseas Operations</b>	<b>-</b>	<b>12.270.423</b>	<b>-</b>	<b>14.744.813</b>
Financial Institutions and Organizations	-	12.270.423	-	14.744.813
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
<b>Total</b>	<b>30.251.538</b>	<b>12.270.423</b>	<b>27.240.963</b>	<b>14.744.813</b>

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### e) Information on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.156.778	-	2.199.333	756.233
Asset-Backed Securities	-	-	-	-
Treasury Bills	-	4.676.223	-	2.332.040
<b>Total</b>	<b>2.156.778</b>	<b>4.676.223</b>	<b>2.199.333</b>	<b>3.088.273</b>

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

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

### 5. Information on finance lease payables (net):

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

Information on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	499	492	699	686
Between 1-4 Years	-	-	-	-
More than 4 Years	-	-	-	-
<b>Total</b>	<b>499</b>	<b>492</b>	<b>699</b>	<b>686</b>

### 6. Information on derivative financial liabilities for hedging purposes:

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

### 7. Explanations on provisions:

#### a) Information on general provisions:

	Current Period	Prior Period
<b>General Provisions</b>	<b>3.921.625</b>	<b>2.844.184</b>
Allocated for Group-I Loans and Receivables	3.190.815	2.459.607
Additional Provision for Loans and Receivables with Extended Maturities	233.456	121.600
Allocated for Group-II Loans and Receivables	175.700	151.763
Additional Provision for Loans and Receivables with Extended Maturities	61.127	28.425
Allocated for Non-cash Loans	465.263	163.020
Other	89.847	69.794

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

Foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables amount to TL 327 (31 December 2015: TL 5.561).

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

Specific provisions for unindemnified non-cash loans amount to TL 150.916 (31 December 2015: TL 55.629).

**d) Information on other provisions:**

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

These financial statements include a free provision which is not in accordance with BRSA Principles amounting to TL 945.000 (TL 295.400 of this provision amount was reversed from the income statement in the current year), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions. Moreover, the provision of TL 19.700 and other provision of TL 244 exist for cash transfers made by Bank officials.

	<b>Current Period</b>	<b>Prior Period</b>
Provisions for Possible Risks	964.944	1.257.419

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

Based on the information provided by the legal department, lawsuits against the Bank over TL 100 amounts to TL 65.095. Full provision has been provided in these financial statements for law suits ended against the Bank but not finalized yet, amounting to TL 35.709.

Based on the decision of the Bank management, provision amounting to TL 60.400 is provided for the consumer loans followed under standard loan portfolio that also have amounts in the non-performing loan portfolio in compliance with the Act on Preservation of Consumers numbered 4077. The provision is made in accordance with the “Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”, published in Official Gazette numbered 26333, dated 1 November 2006 and considering the conservatism principle without taking into consideration the guarantees of these loans.

The Bank also provided provisions amounting to TL 150.916 (31 December 2015: TL 55.629) for unindemnified non-cash loans, and TL 41.728 (31 December 2015: TL 28.436) for other provisions. As a result of the provisions mentioned above, the other provision balance on the Bank’s balance sheet amounts to TL 1.253.697 (31 December 2015: TL 1.464.843).

**e) Liabilities on reserve for employee termination benefits**

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

The Bank accounts for its vacation and retirement pay obligations in accordance with the TAS 19 “Employee Benefits”. The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation. As of 31 December 2016, unpaid vacation liability amounted to TL 187.500 (31 December 2015: TL 168.600) and employment termination amounted to TL 690.189 (31 December 2015: TL 683.269) are presented under the “Employee Benefits Provision” in the financial statements.

Movement of employment termination benefits liability in the balance sheet:

	<b>Current Period</b>	<b>Prior Period</b>
As of 1 January	683.269	666.464
Current Service Cost	55.867	46.701
Interest Cost	73.999	46.244
Severance Pay	(114.314)	(93.519)
Payment/Abating Benefits/Gain (Loss) in consequence of Layoff	(212)	(76)
Actuarial Gain (Loss)	(8.420)	17.455
<b>Balance at period end</b>	<b>690.189</b>	<b>683.269</b>

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**2) Pension Rights**

The technical balance sheet reports which are prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9,80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2016 and 2015.

The liability related to Bank’s benefits to be transferred to SSI as of the balance sheet date is expected payment to be made to SSI during the transfer. Actuarial parameters and results used in calculation of this amount reflects the Act’s, numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, principles related to pension and health benefits to be transferred to SSI (9,80% real discount rate, etc.).

According to related Actuary Report, the Fund’s surplus is TL 2.835.975 as of 31 December 2016 (31 December 2015: TL 2.284.502).

	<b>Current Period</b>	<b>Prior Period</b>
Present value of funded obligations	1.197.092	911.002
- Pension benefits transferable to SSI	361.635	212.216
- Post employment medical benefits transferable to SSI	835.457	698.786
Fair value of plan assets	1.638.883	1.373.500
<b>Actuarial Surplus</b>	<b>2.835.975</b>	<b>2.284.502</b>

The principal actuarial assumptions used are as follows:

	<b>Current Period</b>	<b>Prior Period</b>
Discount rate		
- Pension benefits transferable to SSI	9,80%	9,80%
- Post employment medical benefits transferable to SSI	9,80%	9,80%

To represent mortality rates both before and after retirement, CSO 1980 Female/Male mortality table is used.

Plan assets are comprised as follows:

	<b>Current Period</b>	<b>Prior Period</b>
Bank Placements	1.284.298	1.114.760
Property and Equipment	66.844	149.281
Marketable Securities	-	-
Other	287.741	109.459
<b>Total</b>	<b>1.638.883</b>	<b>1.373.500</b>

**8. Information on tax liability:**

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

**1) Information on tax provisions:**

As of 31 December 2016, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 404.409 (31 December 2015: TL 402.339).

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### 2) Information on current taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	404.409	402.339
Taxation on Income From Securities	211.632	201.694
Property Tax	2.399	2.186
Banking Insurance Transactions Tax (BITT)	138.046	113.890
Foreign Exchange Transactions Tax	59	28
Value Added Tax Payable	5.881	4.307
Other	62.453	50.243
<b>Total</b>	<b>824.879</b>	<b>774.687</b>

### 3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	33	30
Social Security Premiums - Employer	47	42
Bank Social Aid Pension Fund Premium - Employee	8.840	330
Bank Social Aid Pension Fund Premium - Employer	12.400	528
Pension Fund Membership Fees and Provisions - Employee	13	10
Pension Fund Membership Fees and Provisions - Employer	59	45
Unemployment Insurance - Employee	1.348	544
Unemployment Insurance - Employer	2.696	1.089
<b>Total</b>	<b>25.436</b>	<b>2.618</b>

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

The Bank's deferred tax asset amounts to TL 912.442 (31 December 2015: TL 538.021). However, this amount is netted off against the deferred tax liability and accordingly deferred tax liability amounting to TL 75.757 (31 December 2015: TL 261.730) is presented in the financial statements.

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

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

### 9. Explanations on subordinated debts:

The Bank does not have any subordinated debts.

### 10. Information on shareholders' equity:

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

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

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

The Bank does not have a registered capital system.

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

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

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

There is no share capital amount included in capital.

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

The Bank has no capital commitments.

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

In the current period, the Bank follows its operations in line with the previous periods. The Bank's balance sheet has been managed with precaution by being affected by the interest, rate of exchange and credit risks at the minimum level. This helps to reduce the effects of fluctuations in the market to the Bank's performance and contributes to the profitability structure to be sustainable.

**g) Information on preferred shares representing the capital:**

The Bank has no preferred shares.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	615.642	1.025	342.182	61.381
Revaluation Difference	-	1.025	-	61.381
Foreign Exchange Difference	615.642	-	342.182	-
From Available for Sale Marketable Securities	(1.259.685)	(355.468)	(1.344.071)	619.468
Revaluation Difference	(1.656.280)	(355.468)	(1.619.618)	619.468
Deferred Tax Effect	396.595	-	275.547	-
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(644.043)</b>	<b>(354.443)</b>	<b>(1.001.889)</b>	<b>680.849</b>

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### III. EXPLANATIONS AND NOTES TO 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	7.258.758	7.130.144
Other Irrevocable Commitments	7.220.867	4.712.618
Loan Granting Commitments	3.598.753	2.805.813
Payment Commitments for Cheques	3.138.916	3.076.439
Asset Purchase and Sale Commitments	2.123.301	1.848.592
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	22.138	20.185
Subsidiaries and Associates Capital Contribution Commitments	-	-
<b>Total</b>	<b>23.362.733</b>	<b>19.593.791</b>

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

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

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

	Current Period	Prior Period
Guarantee Letters	65.779.579	49.241.937
Letter of Credits	9.121.397	6.852.933
Bank Acceptances	4.254.132	4.191.305
<b>Total</b>	<b>79.155.108</b>	<b>60.286.175</b>

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

	Current Period	Prior Period
Letters of Certain Guarantees	41.993.880	31.838.860
Letters of Advance Guarantees	17.582.696	12.911.588
Letters of Temporary Guarantees	3.381.752	2.734.608
Letters of Guarantees given to Customs Offices	753.939	655.083
Other Letters of Guarantees	2.067.312	1.101.798
<b>Total</b>	<b>65.779.579</b>	<b>49.241.937</b>

##### c) 1) Total non-cash loans:

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>810.996</b>	<b>786.280</b>
With Original Maturity of One Year or Less	2.183	284
With Original Maturity of More than One Year	808.813	785.996
<b>Other Non-Cash Loans</b>	<b>78.344.112</b>	<b>59.499.895</b>
<b>Total</b>	<b>79.155.108</b>	<b>60.286.175</b>

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### c) 2) Information on sectoral risk concentrations of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	66.276	0,27	14.374	0,03	38.976	0,20	23.711	0,06
Farming and Raising Livestock	24.908	0,10	92	-	154	-	-	-
Forestry	41.368	0,17	14.282	0,03	38.822	0,20	23.711	0,06
Fishing	-	-	-	-	-	-	-	-
Manufacturing	6.369.469	25,72	27.491.362	50,54	5.042.506	25,59	21.459.362	52,88
Mining and Quarrying	234.866	0,95	265.710	0,49	147.703	0,75	205.000	0,51
Production	3.947.744	15,94	25.159.690	46,26	3.195.510	16,21	19.169.229	47,24
Electric, Gas and Water	2.186.859	8,83	2.065.962	3,80	1.699.293	8,62	2.085.133	5,14
Construction	6.327.345	25,55	14.905.357	27,40	4.314.151	21,89	10.822.868	26,67
Services	11.542.354	46,61	11.355.670	20,88	9.205.882	46,71	6.307.578	15,54
Wholesale and Retail Trade	5.562.864	22,46	3.421.018	6,29	5.048.269	25,62	2.868.971	7,07
Hotel, Food and Beverage Services	132.315	0,53	264.205	0,49	111.654	0,57	169.961	0,42
Transportation and Telecommunication	1.122.151	4,53	3.419.070	6,29	844.375	4,28	1.714.324	4,22
Financial Institutions	3.465.541	13,99	2.772.707	5,10	2.166.818	11,00	374.183	0,92
Real Estate and Leasing Services	1.143.793	4,62	1.413.797	2,60	943.923	4,79	1.103.379	2,72
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	68.136	0,28	7.067	0,01	52.607	0,27	18.500	0,05
Health and Social Services	47.554	0,19	57.806	0,11	38.236	0,19	58.260	0,14
Other	457.885	1,85	625.016	1,15	1.105.630	5,61	1.965.511	4,84
<b>Total</b>	<b>24.763.329</b>	<b>100,00</b>	<b>54.391.779</b>	<b>100,00</b>	<b>19.707.145</b>	<b>100,00</b>	<b>40.579.030</b>	<b>100,00</b>

### c) 3) Information on the non-cash loans classified under Group I and Group II:

	Group I:		Group II:	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>24.609.091</b>	<b>54.314.613</b>	<b>154.238</b>	<b>77.166</b>
Letters of Guarantee	24.417.383	41.134.282	154.238	73.676
Bank Acceptances	34.549	4.218.355	-	1.228
Letters of Credit	157.159	8.961.976	-	2.262
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	-	-	-

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	Current Period	Prior Period
<b>Types of Trading Transactions</b>		
Foreign Currency Related Derivative Transactions: (I)	71.084.519	51.314.233
Forward Transactions	5.299.697	5.429.493
Swap Transactions	65.762.504	45.828.320
Futures Transactions	-	-
Option Transactions	22.318	56.420
Interest Related Derivative Transactions (II)	9.322.634	6.235.626
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	9.322.634	6.235.626
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivative Transactions: (III)	-	-
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>80.407.153</b>	<b>57.549.859</b>
<b>Types of Hedging Derivative Transactions</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
<b>B. Total Hedging Derivative Transactions</b>	<b>-</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>80.407.153</b>	<b>57.549.859</b>

The Bank has no derivative instruments for hedging purposes. There are no unrealized transactions (those are estimated in the prior period and recognized based on this assumption however; it is clear that those transactions would not be realized) or expense and income from agreements in the income statement in the current period.

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Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	106.762	(2.361)	503.202	588.302	-	1.195.905
- Inflow	23.462.232	7.454.445	2.592.683	2.630.852	-	36.140.212
- Outflow	(23.355.470)	(7.456.806)	(2.089.481)	(2.042.550)	-	(34.944.307)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	4.661.317	4.661.317
- Outflow	-	-	-	-	(4.661.317)	(4.661.317)
<b>Derivatives held for hedging</b>	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total Inflow</b>	<b>23.462.232</b>	<b>7.454.445</b>	<b>2.592.683</b>	<b>2.630.852</b>	<b>4.661.317</b>	<b>40.801.529</b>
<b>Total Outflow</b>	<b>(23.355.470)</b>	<b>(7.456.806)</b>	<b>(2.089.481)</b>	<b>(2.042.550)</b>	<b>(4.661.317)</b>	<b>(39.605.624)</b>

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	57.831	11.138	33.267	485.629	-	587.865
- Inflow	21.191.213	729.772	1.615.897	2.414.167	-	25.951.049
- Outflow	(21.133.382)	(718.634)	(1.582.630)	(1.928.538)	-	(25.363.184)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	3.117.813	3.117.813
- Outflow	-	-	-	-	(3.117.813)	(3.117.813)
<b>Derivatives held for hedging</b>	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total Inflow</b>	<b>21.191.213</b>	<b>729.772</b>	<b>1.615.897</b>	<b>2.414.167</b>	<b>3.117.813</b>	<b>29.068.862</b>
<b>Total Outflow</b>	<b>(21.133.382)</b>	<b>(718.634)</b>	<b>(1.582.630)</b>	<b>(1.928.538)</b>	<b>(3.117.813)</b>	<b>(28.480.997)</b>

### 3. Explanations on contingent assets and liabilities:

Provision is allocated for transactions with complete and accurate data that may have an effect on the financial structure of the Bank and otherwise, provision is provided based on the estimations.

The Bank's liability resulting from the cheques given to its customers amounts to TL 3.138.916 (31 December 2015: TL 3.076.439).

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

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**4. Explanations on services in the name of others:**

The Bank acts as an intermediary for purchases and sales of government securities on behalf of individuals and entities, conducts repo transactions, and provides custody services. The Bank does not provide consultancy and management services.

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

**1. a) Information on interest income from loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Interest on Loans <sup>(1)</sup></b>	<b>18.686.712</b>	<b>2.825.471</b>	<b>14.640.081</b>	<b>2.036.868</b>
Short Term Loans	4.627.255	88.518	3.762.406	80.679
Medium and Long Term Loans	13.937.004	2.736.916	10.712.432	1.956.166
Interest on Non-Performing Loans	122.453	37	165.243	23
Premiums from Resource Utilization Support Fund	-	-	-	-

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

**b) Information on interest received from the banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	4.508	-	1.231	-
Domestic Banks	39.866	2.688	35.763	449
Foreign Banks	2.182	36.885	1.547	27.971
Head Office and Branches	-	-	-	-
<b>Total</b>	<b>46.556</b>	<b>39.573</b>	<b>38.541</b>	<b>28.420</b>

**c) Information on interest income on marketable securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	938	424	1.299	252
Financial Assets at Fair Value through Profit and Loss	-	-	-	-
Financial Assets Available-for-Sale	4.032.825	676.838	3.924.583	492.433
Investments Held-to-Maturity	416.053	360.790	412.024	366.630
<b>Total</b>	<b>4.449.816</b>	<b>1.038.052</b>	<b>4.337.906</b>	<b>859.315</b>

**d) Information on interest income from subsidiaries and associates:**

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	22.674	14.892

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**2. a) Information on interest expense on borrowings:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks <sup>(1)</sup>	118.890	350.641	107.542	295.799
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	33.935	5.957	21.073	3.946
Foreign Banks	84.955	344.684	86.469	291.853
Head Office and Branches	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>118.890</b>	<b>350.641</b>	<b>107.542</b>	<b>295.799</b>

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

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

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	61.146	31.645

**c) Information on interest given on securities issued:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	219.766	162.533	174.551	106.600

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

Account Name	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 year		
TL								
Bank Deposit	-	378.609	-	-	-	-	-	378.609
Saving Deposit	1	217.549	5.144.517	365.263	75.923	57.058	2.558	5.862.869
Public Sector Deposit	215	340.316	417.077	100.430	306.369	762	-	1.165.169
Commercial Deposit	174	516.269	585.329	50.493	32.432	6.428	-	1.191.125
Other Deposit	100	138.541	365.111	37.398	69.267	29.371	-	639.788
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>490</b>	<b>1.591.284</b>	<b>6.512.034</b>	<b>553.584</b>	<b>483.991</b>	<b>93.619</b>	<b>2.558</b>	<b>9.237.560</b>
FC								
Foreign Currency Deposit	814	75.095	236.719	55.330	47.220	205.902	15	621.095
Bank Deposit	60	51.155	-	62	-	-	-	51.277
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	118	969	142	79	83	-	1.391
<b>Total</b>	<b>874</b>	<b>126.368</b>	<b>237.688</b>	<b>55.534</b>	<b>47.299</b>	<b>205.985</b>	<b>15</b>	<b>673.763</b>
<b>Grand Total</b>	<b>1.364</b>	<b>1.717.652</b>	<b>6.749.722</b>	<b>609.118</b>	<b>531.290</b>	<b>299.604</b>	<b>2.573</b>	<b>9.911.323</b>

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**3. Explanations on dividend income:**

	<b>Current Period</b>	<b>Prior Period</b>
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-Sale Financial Assets	30.302	2.188
Other <sup>(1)</sup>	228.882	210.868
<b>Total</b>	<b>259.184</b>	<b>213.056</b>

<sup>(1)</sup> Shows the Bank's dividend income from equity investments, subsidiaries, associates and entities under common control.

**4. Information on trading profit/loss (net):**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Profit</b>	<b>33.233.065</b>	<b>37.881.153</b>
Foreign Exchange Gains	29.741.034	34.269.050
Profit on Derivative Financial Instruments	3.457.893	3.534.354
Profit from the Capital Market Transactions	34.138	77.749
<b>Loss (-)</b>	<b>33.420.902</b>	<b>38.046.692</b>
Foreign Exchange Loss	28.136.772	33.265.185
Loss on Derivative Financial Instruments	5.280.480	4.780.181
Loss from the Capital Market Transactions	3.650	1.326

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

	<b>Current Period</b>	<b>Prior Period</b>
Effect of the change in exchange rates on profit/loss	1.506.876	156.786
Effect of the change in interest rates on profit/loss	(3.329.463)	(1.402.613)
<b>Total</b>	<b>(1.822.587)</b>	<b>(1.245.827)</b>

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

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

There are no significant matters covering the recent developments which have significant effect on the Bank's income. Main component of the Bank's other operating income consists of reversals from prior period provisions amounting to TL 839.296 (31 December 2015: TL 776.168) and income from sales of assets amounting to TL 212.041 (31 December 2015: TL 98.170).

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

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables <sup>(1)</sup>	2.250.153	880.862
Group III Loans and Receivables	378.938	161.286
Group IV Loans and Receivables	925.264	413.388
Group V Loans and Receivables	945.951	306.188
General Provision Expenses <sup>(2)</sup>	1.078.085	529.360
Provision Expenses for the Possible Losses	3.960	7.350
Marketable Securities Impairment Expense	119	1.714
Financial Assets at Fair Value through Profit and Loss	-	33
Financial Assets Available for Sale	119	1.681
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Business Partners)	-	-
Investment Securities Held to Maturity	-	-
Other	12.553	1.268
<b>Total</b>	<b>3.344.870</b>	<b>1.420.554</b>

<sup>(1)</sup> The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL 459.750 are presented in other operating income (31 December 2015: TL 545.644).

<sup>(2)</sup> The relevant balances include the expenses related to the current period. The provision reversals within the period amounting to TL 644 are presented in other operating income.

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

	Current Period	Prior Period
Personnel Expenses	2.286.812	2.065.716
Reserve for Employee Termination Benefits	19.639	21.185
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	304.805	277.953
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	45.338	44.304
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	2.803	2.619
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	1.302.561	1.183.752
Operational Leasing Expenses	212.513	182.999
Maintenance Expenses	78.622	84.341
Advertisement Expenses	83.419	95.112
Other Expenses	928.007	821.300
Loss on Sales of Assets	1.290	1.605
Other <sup>(1)</sup>	1.339.751	1.611.108
<b>Total</b>	<b>5.302.999</b>	<b>5.208.242</b>

<sup>(1)</sup> TL 475.532 of other item consists of Saving Deposit Insurance Fund accrual expense (31 December 2015: TL 405.201) while TL 499.342 consists of taxes, duties and charges expense (31 December 2015: TL 407.768).

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**9. Information on profit/loss before tax from continuing and discontinuing operations:**

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

	<b>Current Period</b>	<b>Prior Period</b>
Net Interest Income	13.948.271	10.508.926
Net Fees and Commissions Income	1.642.848	1.300.081
Dividend Income	1.554.538	1.339.895
Trading Income/Expense (Net)	259.184	213.056
Other Operating Income	(187.837)	(165.539)
Provision for Loan or Other Receivables Losses (-)	3.344.870	1.420.554
Other Operating Expenses (-)	5.302.999	5.208.242
<b>Profit/(Loss) From Continuing Operations</b>	<b>8.569.135</b>	<b>6.567.623</b>

**10. Information on tax provision for continuing and discontinuing operations**

As of 31 December 2016, TL 1.992.715 (31 December 2015: TL 1.405.153) of the Bank’s total tax provision expense amounting to TL 1.895.194 (31 December 2015: 821.329), consists of current tax expense while remaining balances amounting to TL 97.521 (31 December 2015: TL 583.824 deferred tax expense) consists of deferred tax income.

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

The Bank’s net operating income after tax amounts to TL 6.576.420 (31 December 2015: TL 5.162.470).

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

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

The Bank, mainly utilizes its resources from domestic deposits on loans, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations and insurance agencies.

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

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period (31 December 2015: None).

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## **NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016**

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

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

### **V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY**

#### **a) Explanations on inflation adjustment differences for equity items:**

As per the BRSA's Circular numbered 5 announced on 28 April 2005, it is stated that the indicators of hyperinflationary period are eliminated to a large extent, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 on 21 April 2005.

#### **b) Explanations on profit distribution:**

In accordance with the decision taken in the General Assembly of the year 2015, which was carried out on 30 March 2016, from TL 5.162.470 net profit, which is subject to distribution, TL 258.124 is transferred to first legal reserve and TL 24.200 is transferred to second legal reserve TL 220.000 was paid to employees and TL 231.200 is distributed to Treasury after deducting withholding tax of 15% (TL 40.800) in cash. In this context, TL 4.388.146 of the profit is preserved; dividend payment made to Treasury on 15 April 2016, and TL 186.788 was paid to employees as an additional premium. With respect to the decision of the Board of Directors the remaining amount of additional premium to employees, which amounts TL 33.212 has been transferred to the “Profit Reserves” account.

Bank is planning to distribute its profit on 2016 in accordance with its articles of association. However, as of the report date, there is no decision taken regarding the profit distribution.

#### **c) Explanations on Available For Sale Financial Assets:**

Available for sale financial assets are not included in the current income statement, until their collections, disposals, sales or losses are realized and those assets are recognized under the “Marketable Securities Revaluation Fund” under equity. In accordance with TAS 39 and due to the change in the Bank's intention to hold the previously classified as available for sale securities to maturity the Bank has reclassified the securities under available for sale portfolio to held to maturity portfolio. The valuation differences of these securities is presented under shareholders' equity as a “Marketable Securities Valuation Differences” and transferred to profit/loss with subject to redemption with proportional to the maturity of security.

Subsidiaries and jointly controlled entities domiciled and operating abroad are followed by their fair values. For such subsidiaries and entities under common control, the fair value is determined with revaluation report prepared by independent valuation firm and revaluation differences are recognized under “Marketable Securities Revaluation Fund” under equity.

#### **d) Profit Reserves:**

As of the balance sheet date, profit reserves amount to TL 22.681.245, legal reserves amount to TL 3.203.305, extraordinary reserves amount to TL 18.052.605 and other profit reserves amount to TL 1.425.335.

#### **e) Explanations Related to Prior Period Profit/Loss**

The revaluation increase in the account “Tangible Assets Revaluation Reserves” amounting to TL 746.547 related with the properties transferred as capital in kind to Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş. is classified in the profit/loss of the previous year under the “TAS 16 Property, Plant and Equipment” standard.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.  
**NOTES TO THE UNCONSOLIDATED  
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(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

**VI. EXPLANATIONS ON CASH FLOW STATEMENTS**

Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 5.930.079 is composed mainly from interest received from loans and securities amounting to TL 26.056.965 and interest paid to deposit and money market operations which is amounting to TL 12.988.609. Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 1.042.601 as of 31 December 2016 (31 December 2015: TL 549.935).

Cash in TL, cash in foreign currency, Central Bank of the Republic of Turkey, money in transit, bank cheques purchased and cash on money market operations are defined as “cash”; interbank money transactions placements having maturities less than three months, and time deposits in banks are defined as “cash equivalents”.

**Period opening and end cash and cash equivalents balance:**

<b>Period Opening</b>	<b>Current Period</b>	<b>Prior Period</b>
Cash in TL and in Foreign Currency	2.427.513	1.783.890
Central Bank of the Republic of Turkey and Other Banks	5.636.584	3.082.482
Money Market Operations	-	-
<b>Total Cash and Cash Equivalents</b>	<b>8.064.097</b>	<b>4.866.372</b>

<b>Period End</b>	<b>Current Period</b>	<b>Prior Period</b>
Cash in TL and in Foreign Currency	2.655.156	2.427.513
Central Bank of the Republic of Turkey and Other Banks	12.911.327	5.636.584
Money Market Operations	-	-
<b>Total Cash and Cash Equivalents</b>	<b>15.566.483</b>	<b>8.064.097</b>

**VII. EXPLANATIONS AND NOTES TO THE RISK GROUP OF THE BANK**

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

**a) Current Period:**

<b>Risk Group of the Bank</b>	<b>Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)</b>		<b>Direct or Indirect Shareholders of the Bank</b>		<b>Other Real and Legal Persons in the Risk Group</b>	
	<b>Cash<sup>(2)</sup></b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	4.693.525	1.919.303	-	-	-	-
Closing Balance	6.880.240	3.502.628	-	-	-	-
<b>Interest and Commissions Income</b>	<b>22.674</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

<sup>(2)</sup> Placements to foreign banks in the risk group amounting to TL 1.377.688 are included in the cash loans.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

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

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

**b) Prior Period:**

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash <sup>(2)</sup>	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	3.320.000	1.612.751	-	-	-	-
Closing Balance	4.693.525	1.919.303	-	-	-	-
<b>Interest and Commissions Income</b>	<b>14.892</b>	-	-	-	-	-

<sup>(1)</sup> The cash loans balance includes the investments to associates, subsidiaries and entities under common control.<sup>(2)</sup> Placements to foreign banks in the risk group amounting to TL 1.177.445 are included in the cash loans.**c) 1) Deposits held by the Bank's risk group:**

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Opening Balance	553.962	411.176	-	-	-	-
Closing Balance	1.545.917	553.962	-	-	-	-
<b>Interest Expense on Deposits</b>	<b>61.146</b>	<b>31.645</b>	-	-	-	-

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss						
Opening Balance	66.595	-	-	-	-	-
Closing Balance	127.897	66.595	-	-	-	-
<b>Total Profit/Loss</b>	<b>(5.424)</b>	<b>4.735</b>	-	-	-	-
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

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

Fees paid to the Bank's key management amount to TL 29.166 (31 December 2015: TL 27.329).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.  
**NOTES TO THE UNCONSOLIDATED  
 FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016**

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

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

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

1) The Bank was continuing its national and international banking activities via its domestic/foreign branches and subsidiaries that serve in different financial areas under the ownership of Undersecretariat of Treasury. With the decision agreed, decree no. 2017/9756 dated 24 January 2017, the Bank will continue its operations under the ownership of the Turkey Wealth Fund.

2) A protocol has been signed with SSK on 1 February 2017 regarding the payment of promotions by the Bank to customers who receive Emekli Sandığı, SSK, Bağ-Kur (all referred as Social Security Organization) pension payments through the Bank.

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

**1. Information on the Bank’s domestic and foreign branches and foreign representatives of the Bank:**

	Number	Number of Employees	Country of Incorporation	Total Assets	Statutory Share Capital
Domestic Branch <sup>(1)</sup>	1.786	24.932			
Foreign Representative Office <sup>(2)</sup>	1	-	1- Iran		
Foreign Branch <sup>(2)</sup>	1	2	1- USA	1.295.174	412.020
	1	2	2- England	5.375.390	184.104
	4	2	3- Bulgaria	199.844	52.051
	3	6	4- Georgia	97.975	20.149
	2	3	5- Iraq	307.190	49.106
	4	4	6- Greece	382.891	122.093
	1	2	7- Saudi Arabia	120.251	52.614
	1	-	8- Kosovo	68.419	36.998
	10	42	9- T.R. of Northern Cyprus	1.201.983	136.238
Off-Shore Banking Region Branches	1	1	1- Bahrain	2.434.370	17.538

<sup>(1)</sup> Includes the employees of the domestic branches, including the employees of head office and regional management.

<sup>(2)</sup> Excluding the local employees of the foreign branches.

**2. Information on the Bank about opening, closing, changing its organization considerably for domestic and foreign branches and foreign representatives of the Bank:**

In 2016, 15 new branches were opened, 15 branches were closed in Turkey. On the other side, Bahrain branch in Bahrain has started its operations in 28 November 2016 in abroad.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.  
**NOTES TO THE UNCONSOLIDATED  
 FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016**

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

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

**SECTION SIX**

**OTHER EXPLANATIONS AND NOTES**

**I. INFORMATION ON THE BANK'S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL RATING AGENCIES**

Information on the assessment done by the international rating agencies Moody's Investor Services, Fitch Ratings and JCR Eurasia are as follows:

<b>Moody's Investor Services: September 2016</b>	
<b>Outlook</b>	<b>Stable</b>
Long term Foreign Currency Deposit	Ba2
Short term Foreign Currency Deposit	Not-Prime
Long term Turkish Liras Deposit	Ba1
Short term Turkish Liras Deposit	Not-Prime
Long term Foreign Currency Bond	Ba1
Long term Turkish Lira Bond	Ba1
<b>Basic Credit Note</b>	<b>ba2</b>
<b>Adjusted Basic Credit Note</b>	<b>ba2</b>
<b>Fitch Ratings: October 2016</b>	
Foreign Currency Commitments	BBB-
<b>Outlook</b>	<b>Negative</b>
FC Long Term	F3
TL Long Term	BBB-
<b>Outlook</b>	<b>Negative</b>
TL Short Term	F3
National Long Term	AAA (tur)
<b>Outlook</b>	<b>Stable</b>
<b>Support</b>	<b>2</b>
<b>Support Rating Base</b>	<b>BBB-</b>
<b>Financial Capability Grade</b>	<b>bbb-</b>
<b>JCR Eurasia: November 2016</b>	
Long Term International FC	BBB -
<b>Outlook</b>	<b>Stable</b>
Long Term International TL Grade	BBB -
<b>Outlook</b>	<b>Stable</b>
Long Term National Grade	AAA (Trk)
<b>Outlook</b>	<b>Stable</b>
Short Term International FC	A - 3
<b>Outlook</b>	<b>Stable</b>
Short Term International TL Grade	A - 3
<b>Outlook</b>	<b>Stable</b>
Short Term National Grade	A-1+ (Trk)
<b>Supporting Grade</b>	<b>1</b>
<b>Independence from Affiliates Grade</b>	<b>A</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## **NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016**

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

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

### **II. OTHER EXPLANATIONS ON THE BANK’S OPERATIONS**

None.

### **SECTION SEVEN**

#### **EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT**

##### **I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT**

As of 31 December 2016, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and Independent Auditor’s Report dated 17 February 2017 is presented preceding the financial statements.

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

None.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT AT 31 DECEMBER 2016**

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

## INDEPENDENT AUDITOR’S REPORT



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

### **Report on Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“the Bank”) and its subsidiaries (collectively referred to as the “Group”) as at 31 December 2016 and the related consolidated statement of income, consolidated income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### *Management’s Responsibility for the Consolidated Financial Statements*

Bank management is responsible for the preparation and fair presentation of the consolidated 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, other regulations on accounting records of Banks published by BRSA, circulars and interpretations published by BRSA, and Turkish Accounting Standards for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Independent Auditor’s Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with the “Regulation on Independent Audit of Banks” published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and Independent Auditing Standards that are part of Turkish Standards on Auditing published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor’s professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the bank’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank’s internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT



### *Basis for the qualified opinion*

As mentioned in Section II. Note 7.d1 of Explanations and Notes to the Consolidated Financial Statements; as of 31 December 2016, the accompanying consolidated financial statements include a free provision amounting to TL 945.000 thousand (TL 295.400 thousand of this provision amount was reversed from the income statement in the current year), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions.

### *Qualified opinion*

In our opinion, except for the effect of the matter described in the "Basis for the qualified opinion" paragraph above, on the consolidated financial statements, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and its subsidiaries as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

### **Report on Other Responsibilities Arising From Regulatory Requirements**

In accordance with subparagraph 4 of Article 402 of the Turkish Commercial Code No. 6102 ("TCC"); no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2016 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

### **Additional Paragraph for Convenience Translation**

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

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

A handwritten signature in black ink, appearing to read "Didem Demer Kaya", written over a vertical line.

Didem Demer Kaya, SMMM  
Partner  
Istanbul, 17 February 2017

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## THE CONSOLIDATED FINANCIAL REPORT OF TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 31 DECEMBER 2016

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

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

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

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

### DOMESTIC SUBSIDIARIES

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

### FOREIGN SUBSIDIARIES

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

### ASSOCIATES

Arap Türk Bankası A.Ş.

### JOINT VENTURES

Turkmen Turkish Joint Stock Commercial Bank  
UTBANK JSC

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



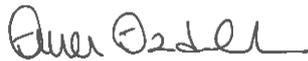
Muharrem KARSLI  
Chairman of the Board,



Hüseyin AYDIN  
Member of the Board,  
CEO



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



Peyami Ömer ÖZDİLEK  
Financial Coordination  
Executive Vice President



Atakan BEKTAŞ  
Senior Vice President of Financial Reporting and  
Budget Management

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

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

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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016**

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

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

### **SECTION ONE**

#### **GENERAL INFORMATION ABOUT THE GROUP**

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

The foundation of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“Ziraat Bankası” or “the Parent Bank”) is based on Government Funds established in 1863. In 1883, Government Funds were replaced with Benefit Funds. The Parent Bank was officially established by the re-organization of the Benefit Funds in 1888, to grant loans to farmers, to accept interest-bearing deposits and to act as a moneylender and an intermediary for agricultural operations. While all of the shares of the Parent Bank that are entitled to carry out all kinds of banking activities belong to The Undersecretariat of Treasury (“the Treasury”) of the Prime Ministry of Turkish Republic, all of the Parent Bank’s shares have been transferred to the Turkey Wealth Fund in accordance with the decision of the Council of Ministers dated 24 January 2017 and with decree no. 2017/9756. The head office of the Parent Bank is in Ankara.

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

While the only shareholder of the Parent Bank is the Treasury, all of the Parent Bank’s shares have been transferred to the Turkey Wealth Fund in accordance with the decree of the Council of Ministers dated 24 January 2017 and numbered 2017/9756.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

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

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

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

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

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

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

While the only shareholder of the Parent Bank is the Treasury, all of the Parent Bank’s shares have been transferred to the Turkey Wealth Fund in accordance with the decree of the Council of Ministers dated 24 January 2017 and numbered 2017/9756.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

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

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

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

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

As of 31 December 2016, The Parent Bank carries its activities with a grand total of 1.786 domestic branches; including 20 corporate branches, 79 entrepreneurial branches, 76 dynamic entrepreneurial branches, 1.606 branches and 5 mobile branches (31 December 2015: 1.786 domestic branches including 1.596 branches, 22 corporate branches, 80 entrepreneurial branches, 83 dynamic entrepreneurial branches, 5 mobile branches) and 28 branches abroad including 23 branches and 5 sub branches (New York branch in United States, London branch in England, Tbilisi branch and Batumi, Marneuli sub branches in Georgia, Baghdad and Arbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina in Kosovo, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Akdoğan, Near East University, Karaoğlanoğlu, Karakum and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has a representative office in Tehran, Iran.

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

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

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

As of 31 December 2016, the number of the Group’s employees is 27.030 (31 December 2015: 27.397).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016**

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

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

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

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

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

All other subsidiaries are fully consolidated.

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

None.

## **SECTION TWO**

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- I. Consolidated balance sheet
- II. Consolidated statement of off-balance sheet commitments
- III. Consolidated statement of income
- IV. Consolidated statement of profit and loss items accounted under shareholders’ equity
- V. Consolidated statement of changes in shareholders’ equity
- VI. Consolidated statement of cash flows
- VII. The Parent Bank’s statement of profit appropriation

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2016

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

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

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)							
ASSETS	Note (Section Five I)	Current Period (31/12/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	8.174.747	32.470.759	40.645.505	4.102.225	32.832.452	36.934.677
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	1.232.112	487.459	1.719.571	687.695	284.571	972.266
2.1 Financial Assets Held for Trading		1.232.112	487.459	1.719.571	687.695	284.571	972.266
2.1.1 Public Sector Debt Securities		35.694	5.131	40.825	35.031	4.377	39.408
2.1.2 Securities Representing a Share in Capital		-	-	-	580	-	580
2.1.3 Derivative Financial Assets Held for Trading		1.196.418	482.328	1.678.746	652.084	280.194	932.278
2.1.4 Other Marketable Securities		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	(3)	1.586.083	2.733.983	4.320.066	1.911.314	3.054.377	4.965.691
IV. MONEY MARKET PLACEMENTS		33.968	218.976	252.944	50.408	65.765	116.173
4.1 Interbank Money Market Placements		-	113.813	113.813	-	48.732	48.732
4.2 Istanbul Stock Exchange Money Market Placements		30.800	-	30.800	41.143	-	41.143
4.3 Receivables from Reverse Repurchase Agreements		3.168	105.163	108.331	9.265	17.033	26.298
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	44.271.134	14.857.080	59.128.214	42.359.768	11.677.170	54.036.938
5.1 Securities Representing a Share in Capital		109.021	540.377	649.398	108.407	500.274	608.681
5.2 Public Sector Debt Securities		43.700.624	14.199.635	57.900.259	42.100.780	11.067.797	53.168.577
5.3 Other Marketable Securities		461.489	117.068	578.557	150.581	109.099	259.680
VI. LOANS AND RECEIVABLES	(5)	173.678.548	70.395.797	244.074.345	142.067.085	50.441.311	192.508.396
6.1 Loans and Receivables		173.427.099	70.395.797	243.822.896	141.197.622	50.429.880	191.627.502
6.1.1 Loans Granted to Risk Group of The Bank		-	22.397	22.397	-	25.125	25.125
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		173.427.099	70.373.400	243.800.499	141.197.622	50.404.755	191.602.377
6.2 Loans under Follow-up		4.210.742	169.748	4.380.490	3.129.083	93.617	3.222.700
6.3 Specific Provisions (-)		3.959.293	169.748	4.129.041	2.259.620	82.186	2.341.806
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENTS HELD TO MATURITY (Net)	(6)	3.630.564	5.164.351	8.794.915	4.567.447	5.656.028	10.223.475
8.1 Public Sector Debt Securities		3.491.761	5.156.130	8.647.891	4.533.588	5.613.041	10.146.629
8.2 Other Marketable Securities		138.803	8.221	147.024	33.859	42.987	76.846
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	104.935	951	105.886	98.927	1.914	100.841
9.1 Accounted with Equity Method		98.869	-	98.869	92.861	-	92.861
9.2 Unconsolidated Associates		6.066	951	7.017	6.066	1.914	7.980
9.2.1 Financial Associates		-	-	-	-	1.097	1.097
9.2.2 Non-financial Associates		6.066	951	7.017	6.066	817	6.883
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	7.457	-	7.457	7.457	-	7.457
10.1 Unconsolidated Financial Subsidiaries		1.220	-	1.220	1.220	-	1.220
10.2 Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237	6.237	-	6.237
XI. ENTITIES UNDER COMMON CONTROL (Net)	(9)	-	101.105	101.105	-	77.771	77.771
11.1 Accounted with Equity Method		-	101.105	101.105	-	77.771	77.771
11.2 Unconsolidated Entities Under Common Control		-	-	-	-	-	-
11.2.1 Financial Entities Under Common Control		-	-	-	-	-	-
11.2.2 Non Financial Entities Under Common Control		-	-	-	-	-	-
XII. RECEIVABLES FROM LEASING TRANSACTIONS	(10)	705.449	1.778.218	2.483.667	594.625	1.768.777	2.363.402
12.1 Finance Lease Receivables		855.662	2.000.508	2.856.170	728.968	2.014.538	2.743.506
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		150.213	222.290	372.503	134.343	245.761	380.104
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1 Fair Value Hedges		-	-	-	-	-	-
13.2 Cash Flow Hedges		-	-	-	-	-	-
13.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(14)	5.749.260	122.749	5.872.009	4.874.436	83.248	4.957.684
XV. INTANGIBLE ASSETS (Net)	(15)	333.302	34.562	367.864	232.759	13.358	246.117
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		333.302	34.562	367.864	232.759	13.358	246.117
XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	643.290	-	643.290	-	-	-
XVII. TAX ASSET		87.690	5.914	93.604	271.567	1.091	272.658
17.1 Current Tax Asset		1.121	5.914	7.035	4.740	1.091	5.831
17.2 Deferred Tax Asset	(16)	86.569	-	86.569	266.827	-	266.827
XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	562.983	32	563.015	241.558	-	241.558
18.1 Held for Sale		562.983	32	563.015	241.558	-	241.558
18.2 Held from Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	1.398.325	1.310.143	2.708.468	1.385.582	857.132	2.242.714
TOTAL ASSETS		242.199.847	129.682.078	371.881.925	203.452.853	106.814.965	310.267.818

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2016

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

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

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)							
LIABILITIES AND EQUITY	Note (Section Five II)	Current Period (31/12/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(1)	152.475.037	80.436.956	232.911.993	120.975.369	69.944.728	190.920.097
1.1 Deposits Held By the Risk Group of the Bank		33.645	18.875	52.520	27.015	11.370	38.385
1.2 Other		152.441.392	80.418.081	232.859.473	120.948.354	69.933.358	190.881.712
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	239.703	413.662	653.365	28.659	271.523	300.182
<b>III. FUNDS BORROWED</b>	(3)	1.338.546	23.087.983	24.426.529	1.213.775	19.573.628	20.787.403
<b>IV. MONEY MARKET BALANCES</b>		35.075.206	12.270.423	47.345.629	28.389.499	14.744.813	43.134.312
4.1 Interbank Money Market Borrowings		4.640.000	-	4.640.000	1.100.000	-	1.100.000
4.2 Istanbul Stock Exchange Takasbank Borrowings		50.000	-	50.000	-	-	-
4.3 Funds Provided under Repurchase Agreements		30.385.206	12.270.423	42.655.629	27.289.499	14.744.813	42.034.312
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		2.390.059	4.680.692	7.070.751	2.331.124	3.088.273	5.419.397
5.1 Bills		2.156.778	-	2.156.778	2.199.333	756.233	2.955.566
5.2 Asset-backed Securities		101.459	-	101.459	-	-	-
5.3 Bonds		131.822	4.680.692	4.812.514	131.791	2.332.040	2.463.831
<b>VI. FUNDS</b>		6.020.839	-	6.020.839	5.931.129	-	5.931.129
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		6.020.839	-	6.020.839	5.931.129	-	5.931.129
<b>VII. MISCELLANEOUS PAYABLES</b>		1.305.967	1.260.934	2.566.901	1.509.413	869.723	2.379.136
<b>VIII. OTHER LIABILITIES</b>	(4)	3.046.595	479.291	3.525.886	2.053.649	414.619	2.468.268
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. PAYABLES FROM LEASING TRANSACTIONS (Net)</b>	(5)	-	-	-	-	-	-
10.1 Finance Lease Payables		-	-	-	-	-	-
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	(6)	-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(7)	7.378.704	159.957	7.538.661	6.272.108	93.629	6.365.737
12.1 General Provisions		3.983.630	58.795	4.042.425	2.871.184	54.634	2.925.818
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		885.586	1.888	887.474	858.476	1.823	860.299
12.4 Insurance Technical Reserves (Net)		1.294.767	-	1.294.767	1.097.588	-	1.097.588
12.5 Other Provisions		1.214.721	99.274	1.313.995	1.444.860	37.172	1.482.032
<b>XIII. TAX LIABILITY</b>	(8)	899.544	10.030	909.574	801.633	7.582	809.215
13.1 Current Tax Liability		899.544	6.567	906.111	800.981	5.877	806.858
13.2 Deferred Tax Liability		-	3.463	3.463	652	1.705	2.357
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(9)	-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(10)	-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	(11)	39.451.361	(539.564)	38.911.797	30.874.192	878.750	31.752.942
16.1 Paid-in Capital		5.100.000	-	5.100.000	5.000.000	-	5.000.000
16.2 Capital Reserves		3.270.984	(539.564)	2.731.420	2.162.865	878.750	3.041.615
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(844.719)	(549.296)	(1.394.015)	(1.376.470)	871.303	(505.167)
16.2.4 Tangible Assets Revaluation Reserves		4.178.008	9.732	4.187.740	3.607.167	7.447	3.614.614
16.2.5 Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6 Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7 Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17.388	-	17.388	17.388	-	17.388
16.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other Capital Reserves		(79.693)	-	(79.693)	(85.220)	-	(85.220)
16.3 Profit Reserves		22.871.718	-	22.871.718	18.146.025	-	18.146.025
16.3.1 Legal Reserves		3.393.778	-	3.393.778	3.061.444	-	3.061.444
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		18.052.605	-	18.052.605	13.659.246	-	13.659.246
16.3.4 Other Profit Reserves		1.425.335	-	1.425.335	1.425.335	-	1.425.335
16.4 Profit or Loss		8.207.208	-	8.207.208	5.564.157	-	5.564.157
16.4.1 Prior Years Profit/Loss		1.322.284	-	1.322.284	186.366	-	186.366
16.4.2 Net Period Profit/Loss		6.884.924	-	6.884.924	5.377.791	-	5.377.791
16.5 Minority Shares		1.451	-	1.451	1.145	-	1.145
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>249.621.561</b>	<b>122.260.364</b>	<b>371.881.925</b>	<b>200.380.550</b>	<b>109.887.268</b>	<b>310.267.818</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET  
 COMMITMENTS AS OF 31 DECEMBER 2016**

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

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

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS							
	Note Section Five III)	Current Period (31/12/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>61.626.173</b>	<b>127.615.763</b>	<b>189.241.936</b>	<b>38.991.884</b>	<b>100.500.525</b>	<b>139.492.409</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>(1),(3)</b>	<b>26.076.864</b>	<b>56.644.251</b>	<b>82.721.115</b>	<b>19.789.565</b>	<b>41.101.309</b>	<b>60.890.874</b>
1.1 Letters of Guarantee		25.872.985	42.719.354	68.592.339	19.689.042	30.018.744	49.707.786
1.1.1 Guarantees Subject to State Tender Law		1.490.146	7.994.602	9.484.748	1.182.000	5.742.948	6.924.948
1.1.2 Guarantees Given for Foreign Trade Operations		21.980.667	33.311.238	55.291.905	17.004.896	23.740.445	40.745.341
1.1.3 Other Letters of Guarantee		2.402.172	1.413.514	3.815.686	1.502.146	535.351	2.037.497
1.2 Bank Acceptances		34.549	4.227.349	4.261.898	12.965	4.181.142	4.194.107
1.2.1 Import Letter of Acceptance		29.427	4.224.206	4.253.633	12.965	4.173.792	4.186.757
1.2.2 Other Bank Acceptances		5.122	3.143	8.265	-	7.350	7.350
1.3 Letters of Credit		157.159	9.170.443	9.327.602	87.558	6.869.898	6.957.456
1.3.1 Documentary Letters of Credit		157.159	9.125.262	9.282.421	87.558	6.831.047	6.918.605
1.3.2 Other Letters of Credit		-	45.181	45.181	-	38.851	38.851
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 Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		12.000	520.131	532.131	-	31.525	31.525
1.9 Other Collaterals		171	6.974	7.145	-	-	-
<b>II. COMMITMENTS</b>	<b>(1),(3)</b>	<b>18.528.082</b>	<b>6.321.850</b>	<b>24.849.932</b>	<b>16.023.661</b>	<b>4.062.087</b>	<b>20.085.748</b>
2.1 Irrevocable Commitments		18.508.007	5.047.801	23.555.808	16.009.885	3.932.546	19.942.431
2.1.1 Asset Purchase and Sale Commitments		372.517	1.764.007	2.136.524	153.461	1.695.131	1.848.592
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		3.538.378	204.109	3.742.487	2.693.280	314.414	3.007.694
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		3.173.733	34	3.173.767	3.079.620	10	3.079.630
2.1.8 Tax and Fund Liabilities from Export Commitments		458	-	458	27	-	27
2.1.9 Commitments for Credit Card Limits		7.258.758	17.155	7.275.913	7.130.144	1.130	7.131.274
2.1.10 Commitments for Credit Cards and Banking Services Promotions		22.138	-	22.138	20.185	-	20.185
2.1.11 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		4.142.025	3.062.496	7.204.521	2.933.168	1.921.861	4.855.029
2.2 Revocable Commitments		20.075	1.274.049	1.294.124	13.776	129.541	143.317
2.2.1 Revocable Loan Granting Commitments		-	3.966	3.966	-	4.898	4.898
2.2.2 Other Revocable Commitments		20.075	1.270.083	1.290.158	13.776	124.643	138.419
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>17.021.227</b>	<b>64.649.662</b>	<b>81.670.889</b>	<b>3.178.658</b>	<b>55.337.129</b>	<b>58.515.787</b>
3.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2 Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET  
 COMMITMENTS AS OF 31 DECEMBER 2016**

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

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

		Note (Section Five III)	Current Period (31/12/2016)			Prior Period (31/12/2015)		
			TL	FC	Total	TL	FC	Total
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.353.480	3.719.751	5.073.231	1.301.255	4.034.444	5.335.699
3.2.1.1	Forward Foreign Currency Transactions-Buy		628.181	1.913.250	2.541.431	659.599	2.010.626	2.670.225
3.2.1.2	Forward Foreign Currency Transactions-Sell		725.299	1.806.501	2.531.800	641.656	2.023.818	2.665.474
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		15.656.747	60.918.593	76.575.340	1.864.357	51.259.311	53.123.668
3.2.2.1	Foreign Currency Swap-Buy		13.485.251	20.739.673	34.224.924	482.054	23.157.990	23.640.044
3.2.2.2	Foreign Currency Swap-Sell		2.171.496	30.856.286	33.027.782	1.382.303	21.865.695	23.247.998
3.2.2.3	Interest Rate Swap-Buy		-	4.661.317	4.661.317	-	3.117.813	3.117.813
3.2.2.4	Interest Rate Swap-Sell		-	4.661.317	4.661.317	-	3.117.813	3.117.813
3.2.3	Foreign Currency, Interest rate and Securities Options		11.000	11.318	22.318	13.046	43.374	56.420
3.2.3.1	Foreign Currency Options-Buy		5.500	5.659	11.159	6.523	21.687	28.210
3.2.3.2	Foreign Currency Options-Sell		5.500	5.659	11.159	6.523	21.687	28.210
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>933.725.665</b>	<b>147.072.049</b>	<b>1.080.797.714</b>	<b>651.413.498</b>	<b>103.351.722</b>	<b>754.765.220</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>251.122.581</b>	<b>14.575.165</b>	<b>265.697.746</b>	<b>87.806.488</b>	<b>11.305.131</b>	<b>99.111.619</b>
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		3.549.338	6.213.402	9.762.740	30.615.944	4.389.662	35.005.606
4.3	Checks Received for Collection		6.276.854	553.317	6.830.171	4.604.119	344.759	4.948.878
4.4	Commercial Notes Received for Collection		6.345.097	568.396	6.913.493	4.785.677	309.112	5.094.789
4.5	Other Assets Received for Collection		8.834	-	8.834	8.934	-	8.934
4.6	Assets Received for Public Offering		230.498.311	3.354	230.501.665	44.394.987	10.431	44.405.418
4.7	Other Items Under Custody		4.441.948	7.179.931	11.621.879	3.394.628	6.246.167	9.640.795
4.8	Custodians		2.199	56.765	58.964	2.199	5.000	7.199
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>682.010.015</b>	<b>130.623.295</b>	<b>812.633.310</b>	<b>563.004.107</b>	<b>90.760.553</b>	<b>653.764.660</b>
5.1	Marketable Securities		1.557.574	37.532	1.595.106	938.313	28.100	966.413
5.2	Guarantee Notes		14.412.792	2.535.527	16.948.319	13.252.277	2.088.733	15.341.010
5.3	Commodity		1.508.261	70.224	1.578.485	1.158.807	18.248	1.177.055
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		601.855.777	103.085.496	704.941.273	500.207.394	68.056.740	568.264.134
5.6	Other Pledged Items		62.670.402	24.881.798	87.552.200	47.442.107	20.558.160	68.000.267
5.7	Pledged Items-Depository		5.209	12.718	17.927	5.209	10.572	15.781
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>593.069</b>	<b>1.873.589</b>	<b>2.466.658</b>	<b>602.903</b>	<b>1.286.038</b>	<b>1.888.941</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>			<b>995.351.838</b>	<b>274.687.812</b>	<b>1.270.039.650</b>	<b>690.405.382</b>	<b>203.852.247</b>	<b>894.257.629</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.  
**CONSOLIDATED INCOME STATEMENT**  
**AS OF 31 DECEMBER 2016**

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

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

**III. CONSOLIDATED INCOME STATEMENT**

<b>INCOME AND EXPENSE ITEMS</b>		<b>Note 3 (Section Five IV)</b>	<b>Current Period 1/1-31/12/2016</b>	<b>Prior Period 1/1-31/12/2015</b>
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>28.245.867</b>	<b>22.652.115</b>
1.1	Interest Income from Loans		22.087.279	16.913.431
1.2	Interest Income from Reserve Deposits		189.263	60.293
1.3	Interest Income from Banks		220.658	183.023
1.4	Interest Income from Money Market Placements		12.888	6.690
1.5	Interest Income from Marketable Securities		5.527.745	5.247.722
1.5.1	Financial Assets Held for Trading		3.300	1.551
1.5.2	Financial Assets at Fair Value through Profit and Loss		6.757	6.851
1.5.3	Financial Assets Available-for-Sale		4.736.009	4.447.190
1.5.4	Investments Held-to-Maturity		781.679	792.130
1.6	Finance Lease Income		169.087	158.873
1.7	Other Interest Income		38.947	82.083
<b>II.</b>	<b>INTEREST EXPENSES</b>	<b>(2)</b>	<b>13.571.301</b>	<b>11.626.986</b>
2.1	Interest Expense on Deposits		10.058.576	8.700.897
2.2	Interest on Borrowings		527.712	441.424
2.3	Interest on Money Market Borrowings		2.532.653	2.128.599
2.4	Interest on Marketable Securities Issued		397.521	294.559
2.5	Other Interest Expense		54.839	61.507
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSES (I - II)</b>		<b>14.674.566</b>	<b>11.025.129</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>1.516.567</b>	<b>1.230.276</b>
4.1	Fees and Commissions Received		1.874.407	1.561.382
4.1.1	Non-cash Loans		358.369	256.628
4.1.2	Other	(13)	1.516.038	1.304.754
4.2	Fees and Commissions Paid		357.840	331.106
4.2.1	Non-cash Loans		4.624	58
4.2.2	Other		353.216	331.048
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(3)</b>	<b>32.901</b>	<b>6.419</b>
<b>VI.</b>	<b>TRADING PROFIT/LOSS (Net)</b>	<b>(4)</b>	<b>(169.993)</b>	<b>(141.717)</b>
6.1	Profit/Loss from Capital Market Operations		31.757	78.468
6.2	Profit/losses on Derivative Financial Transactions	(5)	(1.817.527)	(1.260.621)
6.3	Profit/Loss from Foreign Exchanges		1.615.777	1.040.436
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(6)</b>	<b>3.227.587</b>	<b>2.433.906</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>		<b>19.281.628</b>	<b>14.554.013</b>
<b>IX.</b>	<b>PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)</b>	<b>(7)</b>	<b>3.576.252</b>	<b>1.547.271</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES(-)</b>	<b>(8)</b>	<b>6.687.827</b>	<b>6.146.784</b>
<b>XI.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>9.017.549</b>	<b>6.859.958</b>
<b>XII.</b>	<b>GAINS RECORDED AFTER MERGER</b>		-	-
<b>XIII.</b>	<b>PROFIT/LOSS ON EQUITY METHOD</b>		21.914	28.025
<b>XIV.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV.</b>	<b>INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>(9)</b>	<b>9.039.463</b>	<b>6.887.983</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS(±)</b>	<b>(10)</b>	<b>(2.154.328)</b>	<b>(1.510.009)</b>
16.1	Current Tax Provision		(2.061.503)	(927.367)
16.2	Deferred Tax Provision		(92.825)	(582.642)
<b>XVII.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>(11)</b>	<b>6.885.135</b>	<b>5.377.974</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1	Income from Non-current Assets Held for Sale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
18.3	Other Income from Discontinued Operations		-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1	Expenses for Non-current Assets Held for Sale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3	Other Expenses from Discontinued Operations		-	-
<b>XX.</b>	<b>PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXI.</b>	<b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
<b>XXII.</b>	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXII.</b>	<b>NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(12)</b>	<b>6.885.135</b>	<b>5.377.974</b>
23.1	Group's Profit/Loss		6.884.924	5.377.791
23.2	Minority Shares Profit/Loss		211	183
	Earnings/Loss per Share		1,361	1,070

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2016

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

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

IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		Current Period (31/12/2016)	Prior Period (31/12/2015)
<b>PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>			
I.	ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	(1.142.948)	(3.100.004)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	793.533	(19.696)
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	169.453	145.354
V.	PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)	-	-
VI.	PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	6.909	(17.130)
IX.	DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(88.539)	624.463
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(261.592)	(2.367.013)
XI.	CURRENT YEAR PROFIT/LOSS	6.885.135	5.377.974
11.1	Net change in fair value of marketable securities (transfer to profit-loss)	31.757	78.468
11.2	Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3	Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4	Other	6.853.378	5.299.506
XII.	<b>TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)</b>	<b>6.623.543</b>	<b>3.010.961</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2015**

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

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

**V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

31 December 2015		Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Canc. Profits	Legal Reserves
I.	Balance at the Beginning of the Period		2.500.000	543.482	-	-	2.852.218
	Changes During the Period						
II.	Increase/Decrease Related to Merger		-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	25.764
IV.	Hedging Funds (Active Part)		-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	(12.397)
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-
XII.	Increase in Capital		2.500.000	(543.482)	-	-	-
12.1	Cash		675.000	-	-	-	-
12.2	From Internal Resources		1.825.000	(543.482)	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-
XVI.	Other		-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	195.859
18.1	Dividend Distributed		-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	195.859
18.3	Other		-	-	-	-	-
	Balance at the End of the Period (I+II+III+.....+XVI+XVII+XVIII)		5.000.000				3.061.444

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

	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
	-	11,880,556	850,461	-	4,495,841	1,841,393	3,634,310	17,388	-	-	1,383	28,617,032
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	(2,504,311)	-	-	-	-	(421)	(2,478,968)
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(19,696)	-	-	-	-	(19,696)
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	157,751	-	-	-	-	-	145,354
	-	-	-	-	-	-	-	-	-	-	-	-
	-	(1,281,518)	-	-	-	-	-	-	-	-	-	675,000
	-	(1,281,518)	-	-	-	-	-	-	-	-	-	675,000
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	(13,703)	-	(258,966)	-	-	-	-	-	-	(272,669)
	-	-	-	5,377,791	-	-	-	-	-	-	183	5,377,974
	-	3,060,208	503,357	-	(4,050,509)	-	-	-	-	-	-	(291,085)
	-	-	-	-	(291,085)	-	-	-	-	-	-	(291,085)
	-	3,060,208	503,357	-	(3,759,424)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	13,659,246	1,340,115	5,377,791	186,366	(505,167)	3,614,614	17,388	-	-	1,145	31,752,942

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2016

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

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

### V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	31 December 2016	Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves
I.	Balance at the Beginning of the Period		5.000.000	-	-	-	3.061.444
	Changes During the Period						
II.	Increase/Decrease Related to Merger		-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	21.038
IV.	Hedging Funds (Active Part)		-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	28.972
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-
XII.	Increase in Capital		100.000	-	-	-	-
12.1	Cash		72.000	-	-	-	-
12.2	From Internal Resources		28.000	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-
XVI.	Other		-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	282.324
18.1	Dividend Distributed		-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	282.324
18.3	Other		-	-	-	-	-
	Balance at the End of the Period (I+II+III+.....+XVI+XVII+XVIII)		5.100.000	-	-	-	3.393.778

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

	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
-	-	13.659.246	1.340.115	-	5.564.157	(505.167)	3.614.614	17.388	-	-	1.145	31.752.942
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(1.029.329)	-	-	-	-	(1.407)	(1.009.698)
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	573.126	-	-	-	-	573.126
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	140.481	-	-	-	-	-	169.453
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	(28.000)	-	-	-	-	-	-	-	-	-	72.000
-	-	(28.000)	-	-	-	-	-	-	-	-	-	72.000
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	5.527	-	920.597	-	-	-	-	-	1.502	927.626
-	-	-	6.884.924	-	-	-	-	-	-	-	211	6.885.135
-	4.421.359	-	-	(5.162.470)	-	-	-	-	-	-	-	(458.787)
-	-	-	-	(458.787)	-	-	-	-	-	-	-	(458.787)
-	4.421.359	-	-	(4.703.683)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	18.052.605	1.345.642	6.884.924	1.322.284	(1.394.015)	4.187.740	17.388	-	-	-	1.451	38.911.797

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**AS OF 31 DECEMBER 2016**

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

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

<b>VI. CONSOLIDATED STATEMENT OF CASH FLOWS</b>		<b>Note (Section Five VI)</b>	<b>Current Period 01/01-31/12/2016</b>	<b>Prior Period 01/01-31/12/2015</b>
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		8.121.027	6.323.398
1.1.1	Interest Received		27.012.143	21.545.770
1.1.2	Interest Paid		(13.228.937)	(9.551.706)
1.1.3	Dividend Received		32.901	5.910
1.1.4	Fees and Commissions Received		1.870.333	1.559.056
1.1.5	Other Income		1.859.502	2.778.322
1.1.6	Collections from Previously Written-off Loans and Other Receivables		1.320.006	1.672.811
1.1.7	Payments to Personnel and Service Suppliers		(2.503.144)	(2.205.013)
1.1.8	Taxes Paid		(2.461.592)	(1.376.568)
1.1.9	Other		(5.780.185)	(8.105.184)
1.2	Changes in Operating Assets and Liabilities		1.773.837	(1.514.862)
1.2.1	Net (Increase)/Decrease in Trading Securities		(8.198)	(10.699)
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	72
1.2.3	Net (Increase)/Decrease in Banks		3.585.434	(6.895.275)
1.2.4	Net (Increase)/Decrease in Loans		(50.566.370)	(46.446.483)
1.2.5	Net (Increase)/Decrease in Other Assets		(1.463.783)	(355.201)
1.2.6	Net Increase/(Decrease) in Bank Deposits		1.922.269	7.394.228
1.2.7	Net Increase/(Decrease) in Other Deposits		44.174.863	38.589.301
1.2.8	Net Increase/(Decrease) in Funds Borrowed		3.596.415	5.153.250
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		533.207	1.055.945
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>9.894.864</b>	<b>4.808.536</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>		<b>(5.106.003)</b>	<b>(3.298.144)</b>
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		-	-
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3	Fixed Assets Purchases		(121.439)	(469.500)
2.4	Fixed Assets Sales		267.620	47.741
2.5	Cash Paid for Purchase of Financial Assets Available for Sale		(15.709.293)	(16.459.962)
2.6	Cash Obtained from Sale of financial Assets Available for Sale		11.685.516	16.928.030
2.7	Cash Paid for Purchase of Investment Securities		(937.418)	(154.288)
2.8	Cash Obtained from Sale of Investment Securities		2.841.260	1.234.485
2.9	Other		(3.132.249)	(4.424.650)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>		<b>809.398</b>	<b>572.608</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued		4.030.931	3.046.208
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.990.333)	(2.367.350)
3.3	Marketable Securities Issued		-	-
3.4	Dividends Paid		(231.200)	(106.250)
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	(1)	<b>1.183.517</b>	<b>589.946</b>
<b>V.</b>	<b>Net Decrease/Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>6.781.776</b>	<b>2.672.946</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	(1)	<b>9.118.137</b>	<b>6.445.191</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	(1)	<b>15.899.913</b>	<b>9.118.137</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## THE PARENT BANK'S STATEMENT OF PROFIT APPROPRIATION AS OF 31 DECEMBER 2016

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

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

VII. THE PARENT BANK'S STATEMENT OF PROFIT APPROPRIATION <sup>(1)</sup>		Current Period (31/12/2016)	Prior Period <sup>(2)</sup> (31/12/2015)
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1	Current Year Income	8.569.135	6.567.623
1.2	Taxes And Duties Payable (-)	1.992.715	1.405.153
1.2.1	Corporate Tax (Income tax)	1.895.194	821.329
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	97.521	583.824
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>6.576.420</b>	<b>5.162.470</b>
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	-	258.124
1.5	Other Statutory Reserves (-)	-	-
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>6.576.420</b>	<b>4.904.346</b>
1.6	First Dividend To Shareholders (-)	-	250.000
1.6.1	To Owners Of Ordinary Shares	-	250.000
1.6.2	To Owners Of Privileged Shares	-	-
1.6.3	To Owners Of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.7	Dividends To Personnel (-)	-	186.788
1.8	Dividends To Board Of Directors (-)	-	-
1.9	Second Dividend To Shareholders (-)	-	22.000
1.9.1	To Owners Of Ordinary Shares	-	22.000
1.9.2	To Owners Of Privileged Shares	-	-
1.9.3	To Owners Of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	24.200
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	4.421.358
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>		
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends To Shareholders (-)	-	-
2.3.1	To Owners Of Ordinary Shares	-	-
2.3.2	To Owners Of Privileged Shares	-	-
2.3.3	To Owners Of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders Of Profit And Loss Sharing Certificates	-	-
2.4	Dividends To Personnel (-)	-	-
2.5	Dividends To Board Of Directors (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>		
3.1	To Owners Of Ordinary Shares	1,2999	1,0488
3.2	To Owners Of Ordinary Shares (%)	129,99	104,88
3.3	To Owners Of Privileged Shares	-	-
3.4	To Owners Of Privileged Shares (%)	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>		
4.1	To Owners Of Ordinary Shares	-	-
4.2	To Owners Of Ordinary Shares (%)	-	-
4.3	To Owners Of Privileged Shares	-	-
4.4	To Owners Of Privileged Shares (%)	-	-

<sup>(1)</sup> Profit distribution is approved by the Parent Bank's Ordinary General Assembly and is based on the unconsolidated financial statements. As of the date of preparation of the financial statements, the meeting for Ordinary General Assembly has not been held.

<sup>(2)</sup> The profit distribution table for the prior period becomes definite with the decision of the Ordinary General Assembly after the publishing of 31 December 2015 audited financial statements. It is rearranged in this direction.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016**

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

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

### **SECTION THREE**

#### **EXPLANATIONS ON ACCOUNTING POLICIES**

##### **I. BASIS OF PRESENTATION**

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

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

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

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

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

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

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

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

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

#### **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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

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

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

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

Main activity of the Parent Bank comprises banking services, such as; launching all kinds of cash and non-cash loans in terms of Turkish Lira and foreign currencies, performing transactions in local, international money and capital markets, supporting agricultural sector financially and collecting deposits in Turkish Lira and foreign currencies. The Parent Bank’s main funding source is Turkish Lira deposits, repurchase agreements, issued securities, and shareholders’ equity. The Parent Bank directs these funds to assets with high return and low risk. These assets include predominantly domestic government bonds and loans. The Parent Bank’s liquidity structure covers the financing of all liabilities at due date. Although most of the sources in the Parent Bank’s balance sheet are with fixed interest rate, some of the securities in assets have floating interest rate. Since the remaining time to re-pricing date of sources is short, cost of sources is repriced in short periods based on the market conditions. Moreover, the Parent Bank adopts high return principle for its long-term placements.

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

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

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

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

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

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

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

#### a. Consolidation principles applied:

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

#### 1. Consolidation principles for subsidiaries:

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.  
**NOTES TO THE CONSOLIDATED  
 FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016**

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

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

Title	Address (City/Country)	Main Activities	31 December 2016		31 December 2015	
			Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)	Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)
Ziraat Hayat ve Emeklilik A.Ş.	Istanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Sigorta A.Ş.	Istanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Finansal Kiralama A.Ş.	Istanbul/Turkey	Leasing	100,00	100,00	100,00	100,00
Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	Investment Management Portfolio	99,60	99,60	99,60	99,60
Ziraat Portföy Yönetimi A.Ş.	Istanbul/Turkey	Management	99,70	99,80	99,70	99,80
Ziraat Katılım Bankası A.Ş.	Istanbul/Turkey	Banking	100,00	100,00	100,00	100,00
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	Real Estate	100,00	100,00	-	-
Ziraat Bank International AG	Frankfurt/Germany	Banking	100,00	100,00	100,00	100,00
Ziraat Bank BH d.d.	Sarajevo/Bosnia Herzegovina	Banking	100,00	100,00	100,00	100,00
Ziraat Bank (Moscow) JSC	Moscow/Russia	Banking	100,00	100,00	100,00	100,00
Kazakhstan Ziraat Int. Bank	Almaty/Kazakhstan	Banking	99,58	99,58	99,58	99,58
Ziraat Bank Azerbaycan ASC	Baku/Azerbaijan	Banking	100,00	100,00	100,00	100,00
Ziraat Bank Montenegro AD	Podgorica/ Montenegro	Banking	100,00	100,00	100,00	100,00

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

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

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

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

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

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

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

4. Transactions with minority shareholders:

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

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

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

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

**IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTION CONTRACT and DERIVATIVE INSTRUMENTS**

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

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

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

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

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

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

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

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

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

### **VII. EXPLANATIONS ON FINANCIAL ASSETS**

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

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

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

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

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

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

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

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

#### **b. Held-to-maturity financial assets:**

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

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

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

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

Held to maturity assets are initially recognized at cost value.

**c. Loans and receivables:**

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

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

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

**d. Available-for-sale financial assets:**

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

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

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

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

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

Regarding the banking operations of Ziraat Bank, there exist ineffective shares of Kredi Garanti Fonu, Central Bank of the Republic of Turkey and Milli Reasürans T.A.Ş. The related investments are classified under available-for-sale financial assets 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.

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

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

If revalued amounts of financial assets at fair value through profit/loss is less than the prior revalued amounts, initially, value of prior records regarding the value increase are adjusted according to the recent value and if the impairment loss is more than the prior value increase,

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difference is reflected to “Impairment Expense for Marketable Securities”. If there is an increase in value, initially recognized impairment loss is reversed.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Parent Bank has no discontinued operations.

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

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

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

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

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

### **XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. As of 31 January 2014 the Bank has changed its accounting policies and has decided to pursue the real estates registered in its portfolio at fair values. In this context, for all real estates registered in the Parent Bank’s inventory, appraisal study was carried by independent expertise companies, and from 1 January 2014 valuation results are reflected in the accounting records. As a result of the fair valuation of the real estates which is included in tangible fixed assets, TL 4.177.866 revaluation difference is followed under shareholders’ equity as of 31 December 2016. As of 30 January 2014, the net book amount of real estates of the tangible assets before valuation was TL 816.950.

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

Estimated depreciation rates of tangible fixed assets are as follows;

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

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

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

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

### **XIV. EXPLANATIONS ON INVESTMENT PROPERTY**

Investment properties consist of assets held for rent and/or gain on valuation. The related real estates, which the Group owns, are shown in the attached consolidated financial statements by fair value method within the framework of TAS 40 “Investment Property”. Gains and losses arising from changes in fair value of investment properties are recognized in profit or loss when incurred.

### **XV. EXPLANATIONS ON LEASING TRANSACTIONS**

The Group performs financial operations as “Lessor” and “Lessee”.

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### **a. Accounting of leasing transactions for the lessee:**

#### **Financial Lease**

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

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

#### **Operational Lease**

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

### **b. Accounting of leasing transactions for lessor:**

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

## **XVI. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES**

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

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

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

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

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

## **XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS**

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

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

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

The Parent Bank uses independent actuaries in determining liability, and also makes assumptions relating to the discount rate, future salary increases, and the employee turnover. These assumptions are reviewed on an annual basis. Retirement benefit obligation is TL 695.237 as of 31 December 2016. (31 December 2015: TL 689.727)

	Current Period	Prior Period
Discount rate (%)	11,40	10,70
Expected Inflation rate (%)	8,00	7,00

Communiqué on “Turkish Accounting Standard (TAS19) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. After the deferred tax effect, the Parent Bank classified the actuarial loss of TL 78.342 as “Other Comprehensive Expenses” in financial statements. (31 December 2015: TL 85.078 actuarial loss).

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

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

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

Some of the Parent Bank’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees’ Pension Fund (“Fund”) which was established by 20<sup>th</sup> provisional article of Social Security Law Act numbered 506. As of 31 December 2016 the number of personnel who benefit from the Fund, excluding dependents is 22.221 (31 December 2015: 21.347). 18.450 of these members are active while 3.771 are passive members. (31 December 2015: 17.644 active members, 3.703 passive members).

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

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

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

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

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

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

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

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

The technical balance sheet report as of 31 December 2016 which is prepared in accordance with the new law and the rate determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Parent Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

### **XVIII. EXPLANATIONS ON TAXATION**

#### **a. Current Tax**

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

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

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

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

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

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

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

Tax rates used in tax calculation considering the related countries’ tax legislation as of 31 December 2016 are presented below:

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

**b. Deferred tax**

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

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

The carrying amount of a deferred tax asset is audited 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 through offsetting them on individual financial statements of consolidated subsidiaries.

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

**XIX. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES**

**Technical Reserves**

Reserve for unearned premiums:

Reserve for unearned premiums consists of the part of the premiums accrued for the insurance contracts in force without gaining any commission or other deductions and remaining on the gross basis on the day of the next accounting period or accounting period.

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Unexpired risk provision:

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

Reserve for outstanding claims:

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

Offset provision:

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

Mathematical provisions:

Mathematical provisions indicate sum of bonus provisions and actuarial mathematical provisions calculated separately according to technical principles in tariff for each agreement in force. Life branch mathematical provision of the company consists of actuarial mathematical provisions calculated for long-term life insurances on credit. Actuarial mathematical provisions are the differences between risk premiums taken for risks undertaken by the Company and cash values of the liabilities to beneficiaries and insureds.

### **XX. EXPLANATIONS ON BORROWINGS**

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

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

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

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### **XXI. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES**

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

### **XXII. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES**

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

### **XXIII. EXPLANATIONS ON GOVERNMENT GRANTS**

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

### **XXIV. CASH AND CASH EQUIVALENTS**

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

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

### **XXV. EXPLANATIONS ON SEGMENT REPORTING**

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

### **XXVI. EXPLANATIONS ON OTHER MATTERS**

In accordance with the decision taken in the General Assembly of the year 2015, which was carried out on 30 March 2016, from TL 5.162.470 net profit, which is subject to distribution, TL 258.124 is transferred to first legal reserve and TL 24.200 is transferred to second legal reserve TL 220.000 was paid to employees and TL 231.200 is distributed to Treasury after deducting withholding tax of 15% (TL 40.800) in cash. In this context, TL 4.388.146 of the profit is preserved; dividend payment made to Treasury on 15 April 2016, and TL 186.788 was paid to employees as an additional premium. In accordance with the decision taken at the General Assembly Meeting of the Parent Bank, the remaining amount of TL 33.212 was transferred to “profit reserves” account.

## **SECTION FOUR**

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

#### **I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY**

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

As of 31 December 2016 Bank’s total capital has been calculated as TL 41.715.232, Capital adequacy ratio is 13,86%. As of 31 December 2015, Bank’s total capital amounted to TL 35.243.638, Capital adequacy ratio was 14,56% calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

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

	Amount	Amount as per the regulation before 1/1/2014*
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.100.000	
Share issue premiums	-	
Reserves	22.871.718	
Gains recognized in equity as per TAS	4.804.405	
Profit	8.207.208	
Current period profit	6.884.924	
Prior period profit	1.322.284	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17.388	
Minorities' Share	139	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>41.000.858</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1 <sup>st</sup> clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	2.090.373	
Improvement costs for operating leasing	100.306	
Goodwill netted with related deferred tax liabilities	-	
Other intangible assets netted off related deferred tax liabilities except mortgage servicing rights	220.718	367.865
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net off related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and Indirect Investments of the Bank in its own Tier I Capital	-	
Shares obtained contrary to the 4 <sup>th</sup> clause of the 56 <sup>th</sup> 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 2 <sup>nd</sup> 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	-	

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	Amount	Amount as per the regulation before 1/1/2014*
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>2.411.397</b>	
<b>Total Common Equity Tier I Capital</b>	<b>38.589.461</b>	
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred stock not included in Common Equity Tier I Capital and the related share premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Covered by Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Covered by Temporary Article 3)	-	
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items to be defined by the BRSA	-	
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	147.146	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions from Additional Tier I Capital</b>	<b>-</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>38.442.315</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Covered by Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on the Equity of Banks)	3.313.441	
<b>Tier II Capital Before Deductions</b>	<b>3.313.441</b>	

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	Amount	Amount as per the regulation before 1/1/2014*
<b>Deductions from Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>3.313.441</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>41.755.756</b>	
<b>The sum of Tier I Capital and Tier II Capital (Total Capital)</b>	<b>41.755.756</b>	
Loans Granted against the Articles 50 and 51 of the Banking Law	-	
Net book values of movables and immovables exceeding the limit defined in the Article 57, Clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years	38.071	
Other items to be defined by the BRSA (-)	2.453	
<b>Items to be deducted from the sum of Tier I and Tier II Capital (“Capital”) during the Transition Period</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	41.715.232	
Total Risk Weighted Assets	300.953.790	
<b>CAPITAL ADEQUACY RATIOS</b>		
Common Equity Tier I Capital Adequacy Ratio (%)	12,82	
Tier I Capital Adequacy Ratio (%)	12,77	
Capital Adequacy Ratio (%)	13,86	

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	Amount	Amount as per the regulation before 1/1/2014*
<b>BUFFERS</b>		
Bank-specific total buffer ratio		
Capital conservation buffer ratio (%)	0,63	
Bank-specific counter-cyclical capital buffer ratio (%)	0,01	
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	4,82	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	153.707	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	97.415	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	86.569	
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	4.042.425	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	3.313.441	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subject to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subject to temporary Article 4	-	

\* Amounts considered within transition provisions

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

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	Prior Period (*)
<b>Deductions from Common Equity Tier 1 Capital</b>	
<b>Additional Tier 1 Capital before Deductions</b>	-
<b>Deductions from Additional Tier 1 Capital</b>	-
Bank's direct or indirect investment in Tier 1 Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from Additional Tier 1 Capital (-)	-
<b>Total Deductions from Additional Tier 1 Capital</b>	-
<b>Total Additional Tier 1 Capital</b>	-
<b>Deductions From Tier 1 Capital</b>	147.670
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	147.670
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-
<b>Tier 1 Capital</b>	32.664.325
<b>TIER 2 CAPITAL</b>	
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	-
Pledged assets of the shareholders to be used for the Bank's capital increases	-
General Provisions	2.580.430
Third parties share in Tier 2 capital	-
<b>Tier 2 Capital Before Deductions</b>	2.580.430
<b>Deductions From Tier 2 Capital</b>	
Bank's direct or indirect investment in Tier 2 capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other Items Determined by BRSA (-)	-
<b>Total Deductions From Tier 2 Capital</b>	-
<b>Tier 2 Capital</b>	2.580.430
<b>TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS</b>	35.244.755

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

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

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	Prior Period <sup>(*)</sup>
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	1.044
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-
Securitization positions that is deducted -preferably- from the shareholders' equity (Article 20 paragraph 2) (-)	-
Other items to be defined by BRSA (-)	73
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%, but exceeding 10% of Common Equity Tier 1 not deducted from Common Equity Tier 1, Tier 1 or Tier 2 (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of the bank (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of bank(-)	-
<b>TOTAL CAPITAL</b>	<b>35.243.638</b>
<b>Amounts below deduction thresholds</b>	
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%	121.043
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%	82.240
Mortgage servicing rights	-
Deferred tax assets arising from temporary differences (net of related tax liability) (-)	266.827

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

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

None.

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

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

## II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK

Credit risk is the possibility of loss that the Parent Bank may be exposed due to the partial or complete default of the debtor by not complying to the obligations of the agreement made, or due to the decrease in credit worthiness.

The limits of the credit customers are identified, after combined assessment of various factors like the financial and non-financial information of the credit customers, credit requirements, sectoral and geographical features and, in conformity with the legal legislation, in line with the credit authorization limits of the branches, Regional Managements, Group Presidencies, Department Presidencies, Assistant General Management, General Manager, Credit Committee and Board of Directors.

The average limits identified related the credit portfolio are approved by the Board of Directors and revised when required. The identified limits are allocated by related departments on Regional Managements basis by considering the factors like portfolio structure, potentials of the customers and credit, regional and sectoral characteristics, competencies of the personnel.

In order to prevent the risk intensity on the corporate and entrepreneurial loan portfolio, limits are determined and followed on the basis of group companies, private and public firms, and different debtor groups. The Parent Bank's credit authority limits on given consumer loans are defined with the separation of type and guarantee and these limits are updated according to economic conjuncture and demands of Regional Managements/Branches.

In line with the budgeted targets, TL/FC Cash/Non-Cash/Corporate/Entrepreneurial loan placements are issued and followed on sectoral and regional basis.

The loans issued by the branches are periodically analyzed on the basis of the limits, subjects, guarantees, maturities, accounts followed, outstanding balances, numbers of the customers, and followed on customer and regional basis.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016**

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After the opening of the lines of the corporate/entrepreneurial loans, the firms are continued to be monitored and the changes at the financial structures and market relations of the credit firms are followed. The credit limits are identified and approved for one year and renewed in case of no negative change in the situation of the customer (financial structure, market, guarantee, etc.).

The Parent Bank is assessing credibility of the customer as the essential factor in issuing credits and creditors' credit worthiness are ascertained during credit application and limit allocation/renewal. Documents to be obtained during the application are evidently mentioned in regulations and appropriateness of the documents obtained during application is controlled by internal audit departments. The Parent Bank considers guarantees as important in minimization and elimination of the risk. As a result of policies and process based on obtaining reliable and robust guarantees, the Parent Bank's credit risk significantly declines.

In January 2011 the Parent Bank started applying internal ratings processes as a decision support system for analyzing credit worthiness and determining credit allocation for corporate/entrepreneurial consumer loans.

The Parent Bank is not engaging in credit transactions that are not defined at the legislation and not put into the practice.

The Parent Bank makes provision in conformity with the “Communiqué on Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions”.

Identification of limits for domestic and foreign banks are done by rating which is determined by considering the needs of clients and departments together with financial and economic conditions of the banks and their countries. When banks and/or countries are financially or economically risky, identified limits can be restricted with maturity, amount or type of transaction or use of credit is called off.

Since the Parent Bank's abroad lending operations have no significant effect on the financial statements, and operations and transactions are diversified via the use of different financial institutions in various countries, the Parent Bank is not believed to be exposed to a significant credit risk as a result of these operations.

Foreign financial institution and country risks of the Parent Bank are generally taken on financial institutions and countries which are rated by international rating institutions. Treasury operations are executed in the frame of pre-determined authorization and limits, these authorization and limits are monitored. Client transactions within the context of Fund Management are done in the frame of general loan limits determined for the clients.

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016**

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

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The Parent Bank engages in foreign currency swaps and forward transactions considering its asset-liability balance and legal limits. These are not considered to generate material risk given the amount of these transactions in the balance sheet.

In line with the regulation on provisions, if the cash risk of a customer classified as nonperforming, the non-cash is classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured and rescheduled loans are also booked in line with procedures and under accounts defined by the related regulation. Furthermore, they are monitored by the Parent Bank in line with credit risk policies. In this context, financial situation and commercial operations of related customers are analyzed and in terms of restructured plan, whether principal and interest payments have been paid is being checked and necessary measures are taken.

The percentage of top 100 and top 200 cash loans of the Parent Bank in the total cash loan portfolio is 26% and 31% respectively (31 December 2015: 24% and 29%).

The percentage of top 100 and top 200 non-cash loans of the Parent Bank in the total non-cash loan portfolio is 57% and 67% respectively (31 December 2015: 57% and 68%).

The percentage of top 100 and top 200 cash and non-cash loans of the Parent Bank in the total cash and non-cash loan portfolio is 27% and 34% respectively (31 December 2015: 32% and 38%).

General provision made by the Group for the credit risk is TL 4.042.425 (31 December 2015: TL 2.925.818).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

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

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

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Current Period</b>							
Domestic	81.494.892	565.919	556.142	-	-	35.659.916	141.901.115
European Union Countries	90.707	-	-	-	-	20.866.347	250.162
OECD Countries <sup>(1)</sup>	-	-	-	-	-	580.628	-
Off-shore Banking Regions	-	-	-	-	-	18.223	-
USA, Canada	902.384	-	-	-	-	2.170.335	182.428
Other Countries	987.708	19.131	202	-	-	1.312.871	2.365.345
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	110.453	2.756.198
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>83.475.691</b>	<b>585.050</b>	<b>556.344</b>	<b>-</b>	<b>-</b>	<b>60.718.773</b>	<b>147.455.248</b>

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Prior Period</b>							
Domestic	80.008.237	458.047	543.175	6	-	31.214.385	116.607.457
European Union Countries	132.481	1.125	-	-	-	9.117.569	814.682
OECD Countries <sup>(1)</sup>	-	-	-	-	-	265.927	47.787
Off-shore Banking Regions	-	-	-	-	-	-	-
USA, Canada	1.823.928	-	1.235	-	-	558.297	349.731
Other Countries	445.255	1.741	289	-	-	1.282.648	1.418.544
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	329.317	5.219
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>82.409.901</b>	<b>460.913</b>	<b>544.699</b>	<b>6</b>	<b>-</b>	<b>42.768.143</b>	<b>119.243.420</b>

Prepared with the numbers after conversion rate to credit and before credit risk reduction.

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada<sup>(2)</sup> Assets and liabilities that could not be distributed on a consistent basis.<sup>(3)</sup> “Investments in Equity Securities” are added to the risk classes in the current period and the prior period related balances are included in “Other receivables”.

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Investments in Equity Instruments (3)	Other receivables	Total
	90.940.885	36.926.407	-	317.409	-	-	-	1.690.437	108.269	17.916.021	408.077.412
	51.486	-	-	2.352	-	-	-	-	5	1.621	21.262.680
	-	-	-	-	-	-	-	-	-	-	580.628
	-	-	-	-	-	-	-	-	-	-	18.223
	851	-	-	-	-	-	-	-	-	-	3.255.998
	214.851	4.987	-	8.932	-	-	-	-	16.177	106.908	5.037.112
	95.256	-	-	-	-	-	-	-	-	-	2.961.907
	-	-	-	-	-	-	-	-	-	-	-
	91.303.329	36.931.394	-	328.693	-	-	-	1.690.437	124.451	18.024.550	441.193.960

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	Total
	71.678.263	18.125.101	567.395	9.210.227	-	-	-	105.708	14.893.725	343.411.726
	90.882	-	2.383	16.653	-	-	-	84	-	10.175.859
	-	-	-	-	-	-	-	-	-	313.714
	-	-	-	-	-	-	-	-	-	-
	587	-	-	610	-	-	-	-	-	2.734.388
	362.740	458	11.053	12.603	-	-	-	-	-	3.535.331
	-	-	2	5.097	-	-	-	-	394.578	734.213
	-	-	-	-	-	-	-	-	-	-
	72.132.472	18.125.559	580.833	9.245.190	-	-	-	105.792	15.288.303	360.905.231

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

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

### Risk Profile by Sectors or Counterparties

	Risk Classes								
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages
<b>Current Period</b>									
<b>Sectors/Counter Parties</b>									
Agriculture	702	1.482	7.029	-	-	-	5.548.643	3.505.501	817.466
Farming and Stockbreeding	207	401	6.838	-	-	-	5.134.000	3.052.231	701.481
Forestry	495	19	15	-	-	-	289.016	95.127	24.753
Fishing	-	1.062	176	-	-	-	125.627	358.143	91.232
Manufacturing	61.780	1.878	34.153	-	-	-	58.742.461	5.001.098	1.273.596
Mining and Quarrying	-	28	18	-	-	-	4.636.921	93.345	15.466
Production	61.769	557	34.126	-	-	-	40.126.593	4.882.437	1.209.498
Electric, Gas and Water	11	1.293	9	-	-	-	13.978.947	25.316	48.632
Construction	2	17	35.024	-	-	-	24.751.829	2.484.734	1.197.335
Services	4.706.730	3.191	359.674	-	-	37.671.538	45.771.291	14.339.452	4.523.846
Wholesale and Retail Trade	194	974	5.266	-	-	-	16.161.645	9.956.769	1.979.728
Hotel Food and Beverage Services	553	92	1.617	-	-	-	3.255.399	793.261	314.825
Transportation and Telecommunication	1.135	230	240.829	-	-	-	7.833.000	1.717.855	308.005
Financial Institutions	4.546.680	742	28.560	-	-	36.609.842	8.154.742	344.920	1.789
Real Estate and Leasing Services	77.823	621	5.897	-	-	1.061.696	9.443.830	1.187.505	1.711.146
Self Employment Services	-	-	-	-	-	-	5	-	-
Education Services	71.623	13	57.499	-	-	-	206.370	117.682	40.692
Health and Social Services	8.722	519	20.006	-	-	-	716.300	221.460	167.661
Other	78.706.477	578.482	120.464	-	-	23.047.235	12.641.024	65.972.544	29.119.151
<b>Total</b>	<b>83.475.691</b>	<b>585.050</b>	<b>556.344</b>	<b>-</b>	<b>-</b>	<b>60.718.773</b>	<b>147.455.248</b>	<b>91.303.329</b>	<b>36.931.394</b>

Prepared with the numbers after conversion rate to credit and before credit risk reduction.

Risk Classes										
Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Investments in Equity Instruments (3)	Other receivables	TL	FC	Total
-	3.415	-	-	-	-	-	376.398	9.755.635	505.001	10.260.636
-	2.068	-	-	-	-	-	372.845	9.147.991	122.080	9.270.071
-	221	-	-	-	-	-	1.277	154.897	256.026	410.923
-	1.126	-	-	-	-	-	2.276	452.747	126.895	579.642
-	16.577	-	-	-	-	-	189.306	24.811.195	40.509.654	65.320.849
-	111	-	-	-	-	-	228	871.956	3.874.161	4.746.117
-	13.082	-	-	-	-	-	188.900	19.664.555	26.852.407	46.516.962
-	3.384	-	-	-	-	-	178	4.274.684	9.783.086	14.057.770
-	24.060	-	-	-	44.445	-	38.133	9.197.463	19.378.116	28.575.579
-	23.109	-	-	-	1.629.184	124.451	85.707	73.781.636	35.456.537	109.238.173
-	14.293	-	-	-	-	-	55.447	22.019.263	6.155.053	28.174.316
-	1.861	-	-	-	-	-	5.327	1.568.326	2.804.609	4.372.935
-	2.148	-	-	-	-	-	19.387	2.999.659	7.122.930	10.122.589
-	2.419	-	-	-	1.409.018	124.052	728	40.819.172	10.404.320	51.223.492
-	1.811	-	-	-	220.166	-	3.883	5.314.326	8.400.052	13.714.378
-	-	-	-	-	-	-	-	-	5	5
-	128	-	-	-	-	-	245	396.355	97.897	494.252
-	449	-	-	-	-	399	690	664.535	471.671	1.136.206
-	261.532	-	-	-	16.808	-	17.335.006	158.909.402	68.889.321	227.798.723
-	<b>328.693</b>	-	-	-	<b>1.690.437</b>	<b>124.451</b>	<b>18.024.550</b>	<b>276.455.331</b>	<b>164.738.629</b>	<b>441.193.960</b>

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

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	Risk Classes									
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	
<b>Prior Period</b>										
<b>Sectors/Counter Parties</b>										
Agriculture	-	-	-	-	-	-	5.367.692	29.522.167	372.435	
Farming and Stockbreeding	-	-	-	-	-	-	5.008.120	29.327.342	350.327	
Forestry	-	-	-	-	-	-	249.657	101.415	2.844	
Fishing	-	-	-	-	-	-	109.915	93.410	19.264	
Manufacturing	-	-	99.937	-	-	-	49.676.668	3.600.767	129.348	
Mining and Quarrying	-	-	17	-	-	-	2.943.934	65.519	3.896	
Production	-	-	99.910	-	-	-	37.307.778	3.522.345	124.765	
Electric, Gas and Water	-	-	10	-	-	-	9.424.956	12.903	687	
Construction	-	-	25.807	-	-	-	15.577.566	2.133.204	50.527	
Services	3.364.216	420	255.291	6	-	25.498.855	38.329.576	11.750.851	713.311	
Wholesale and Retail Trade	-	17	4.292	-	-	-	16.767.663	8.233.270	420.414	
Hotel Food and Beverage Services	-	132	65	-	-	-	2.546.544	745.067	66.731	
Transportation and Telecommunication	-	79	73.236	-	-	-	5.611.522	1.517.944	93.142	
Financial Institutions	3.364.216	192	120	6	-	24.679.740	2.735.243	4.986	1.044	
Real Estate and Leasing Services	-	-	78.240	-	-	819.115	9.949.784	952.002	101.853	
Self Employment Services	-	-	-	-	-	-	-	-	-	
Education Services	-	-	69.773	-	-	-	252.627	102.145	5.540	
Health and Social Services	-	-	29.565	-	-	-	466.193	195.437	24.587	
Other	79.045.685	460.493	163.664	-	-	17.269.288	10.291.918	25.125.483	16.859.938	
<b>Total</b>	<b>82.409.901</b>	<b>460.913</b>	<b>544.699</b>	<b>6</b>	<b>-</b>	<b>42.768.143</b>	<b>119.243.420</b>	<b>72.132.472</b>	<b>18.125.559</b>	

Prepared with the numbers after conversion rate to credit and before credit risk reduction.

<sup>(1)</sup> “Investments in Equity Securities” are added to the risk classes in the current period and the prior period related balances are included in “Other receivables”.

Risk Classes										
	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	939	14.732	-	-	-	-	2.135.196	37.037.707	375.454	37.413.161
	868	13.200	-	-	-	-	2.135.196	36.736.567	98.486	36.835.053
	52	956	-	-	-	-	-	118.741	236.183	354.924
	19	576	-	-	-	-	-	182.399	40.785	223.184
	13.206	55.336	-	-	-	-	-	21.476.532	32.098.730	53.575.262
	728	767	-	-	-	-	-	609.615	2.405.246	3.014.861
	12.467	53.360	-	-	-	-	-	18.163.848	22.956.777	41.120.625
	11	1.209	-	-	-	-	-	2.703.069	6.736.707	9.439.776
	476.784	28.053	-	-	-	-	-	6.802.064	11.489.877	18.291.941
	25.290	235.951	-	-	-	105.792	444.911	53.030.495	27.693.975	80.724.470
	14.298	85.580	-	-	-	-	-	20.818.213	4.707.321	25.525.534
	1.510	13.478	-	-	-	-	-	1.383.613	1.989.914	3.373.527
	1.122	13.982	-	-	-	-	-	2.676.702	4.634.325	7.311.027
	35	89.157	-	-	-	3.692	444.911	22.292.626	9.030.716	31.323.342
	8.044	25.612	-	-	-	102.100	-	4.980.141	7.056.609	12.036.750
	-	-	-	-	-	-	-	-	-	-
	94	1.327	-	-	-	-	-	356.120	75.386	431.506
	187	6.815	-	-	-	-	-	523.080	199.704	722.784
	64.614	8.911.118	-	-	-	-	12.708.196	103.137.799	67.762.598	170.900.397
	580.833	9.245.190	-	-	-	105.792	15.288.303	221.484.597	139.420.634	360.905.231

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Analysis of Maturity-Bearing Exposures According to Remaining Maturities:

Exposure Classifications	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	2.706.887	463.633	244.145	294.538	79.766.488
Conditional and unconditional exposures to regional governments or local authorities	5.789	5	-	10.602	568.654
Conditional and unconditional receivables from administrative units and non-commercial enterprises	19.932	14	5.040	135.688	395.670
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	43.893.505	7.831.441	716.006	3.061.227	5.216.594
Conditional and unconditional exposures to corporates	1.158.216	3.998.386	5.913.535	29.267.002	107.118.109
Conditional and unconditional retail exposures	812.394	287.229	796.669	19.636.529	69.770.508
Conditional and unconditional exposures secured by real estate property	505	17.421	34.340	3.024.620	33.854.508
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	65.909	-	4.735	2.647	255.402
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	3.729	-	-	6.660	1.680.048
<b>Grand Total</b>	<b>48.666.866</b>	<b>12.598.129</b>	<b>7.714.470</b>	<b>55.439.513</b>	<b>298.750.432</b>

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

Grades of Fitch Ratings International Rating Agency are used in determining risk weights for risk classes being used rating grade of risk classes indicated in article 6 of Communiqué on “Measurement and Assessment of Capital Adequacy of Banks”. Additionally, grades of Fitch Ratings International Rating Agency were used for receivables from central government and central bank of our country and counter parties abroad. Counter parties resident are accepted as “gradeless” and take risk weight suited for “gradeless” category in relevant risk class.

For determination of risk weight regarding items that export or issuer rating not included to purchase/sale accounts is firstly considered to export rating, and also issuer’s credit rating is considered in the absence of export rating.

### Exposures by Risk Weights:

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1 Exposures before Credit Risk Mitigation	50.099.581	-	42.900.897	-	64.079.237	124.752.469	159.033.083	328.693	-	-	-	508.694
2 Exposures after Credit Risk Mitigation	90.732.960	-	11.133.702	27.239.255	72.622.990	90.503.101	148.633.963	327.989	-	-	-	508.694

Prepared with the numbers after conversion rate to credit.

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### Information in Terms of Major Sectors and Type of Counterparties:

**Impaired Credits;** are the credits that were deemed to be impaired because of the credibility or delaying more than 90 days as of the end of the reporting period. For these credits “Special Provision” calculation is made within the scope of Regulation on Provisions.

**Past Due Credits;** are the credits whose maturity delayed up to 90 days as of the end of the reporting period but not incurred to impairment. For these credits “General Provision” calculation is made within the scope of Regulation for Provisions.

	Credits			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture	644.185	975.960	38.832	399.592
Farming and Stockbreeding	636.678	970.533	38.616	392.085
Forestry	3.611	2.768	110	3.611
Fishery	3.896	2.659	106	3.896
Manufacturing	747.251	710.467	28.104	747.251
Mining and Quarrying	17.647	9.964	396	17.647
Production	714.232	591.060	23.353	714.232
Electricity, Gas and Water	15.372	109.443	4.355	15.372
Construction	928.570	225.290	8.904	921.909
Services	993.099	1.334.373	52.553	993.099
Wholesale and Retail Trade	809.886	941.100	37.322	809.886
Accommodation and Dining	37.549	107.784	4.289	37.549
Transportation and Telecom.	47.916	94.304	3.752	47.916
Financial Institutions	2.935	8.272	118	2.935
Real Estate and Rental Services	66.572	140.478	5.572	66.572
Professional Services	1.299	-	-	1.299
Educational Services	13.666	24.233	964	13.666
Health and Social Services	13.276	18.202	536	13.276
Other	1.067.385	1.205.505	53.228	1.067.190
<b>Total</b>	<b>4.380.490</b>	<b>4.451.595</b>	<b>181.621</b>	<b>4.129.041</b>

<sup>(1)</sup> Valuation adjustments represent general provisions reserved for overdue loans.

### Information about Value Adjustment and Change in Provisions:

		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	2.341.806	2.227.262	(440.027)	-	4.129.041
2	General Provisions	2.925.818	1.122.469	(5.862)	-	4.042.425

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The table below shows the maximum exposure to credit risk for the components of the financial statements:

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	1.719.571	972.266
Banks	4.320.066	4.965.691
Interbank Money Market Placements	252.944	116.173
Available-for-Sale Financial Assets	59.128.214	54.036.938
Held-to-Maturity Investments	8.794.915	10.223.475
Loans	244.074.345	192.508.396
Other Assets	2.272.834	1.779.481
<b>Total Credit Risk Exposure of Balance Sheet Items</b>	<b>320.562.889</b>	<b>264.602.420</b>
Financial Guarantees	82.721.115	60.890.874
Commitments	24.849.932	20.085.748
<b>Total Credit Risk Exposure of Off-Balance Sheet Items</b>	<b>107.571.047</b>	<b>80.976.622</b>
<b>Total Credit Risk Exposure</b>	<b>428.133.936</b>	<b>345.579.042</b>

**Information about Credit Quality per Class of Financial Assets**

	Current Period			Prior Period		
	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
<b>Financial Assets</b>						
Banks	4.320.066	-	4.320.066	4.965.691	-	4.965.691
Financial Assets at Fair Value Through Profit or Loss	1.719.571	-	1.719.571	972.266	-	972.266
Loans Given:	239.371.301	4.451.595	243.822.896	187.583.048	4.044.454	191.627.502
Corporate/Entrepreneurial Loans	130.127.678	2.405.053	132.532.731	101.080.065	1.683.745	102.763.810
Consumer Loans	64.001.050	1.071.525	65.072.575	50.067.212	1.384.628	51.451.840
Specialized Loans	45.242.573	975.017	46.217.590	36.435.772	976.081	37.411.853
Available-for-Sale Financial Assets	59.128.214	-	59.128.214	54.036.938	-	54.036.938
Held-to-Maturity Investments	8.794.915	-	8.794.915	10.223.475	-	10.223.475

Carrying amount per class of financial assets whose terms have been renegotiated by the Parent Bank and the management of other associates:

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Loans Given:	8.113.296	4.093.485
Corporate/Entrepreneurial Loans	3.081.574	1.210.992
Consumer Loans	1.397.886	768.734
Specialized Loans	3.633.836	2.113.759
Other	-	-
Available-for-Sale Financial Assets	-	-
Held-to-Maturity Investments	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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### III. RISKS INCLUDING THE CONSOLIDATED CAPITAL CAPACITY BUFFER CALCULATIONS

Country	Banking Accounts RWA	Trade Accounts RWA	TOTAL
Bosnia and Herzegovina	2.085.257	-	2.085.257
Germany	1.660.909	-	1.660.909
United Kingdom	832.642	-	832.642
USA	820.449	-	820.449
France	699.077	-	699.077
Kazakhstan	472.266	-	472.266
Turkish Republic of Northern Cyprus	368.126	-	368.126
Iraq	230.787	-	230.787
Netherlands	220.864	-	220.864
Uzbekistan	167.514	-	167.514
Other	1.647.707	-	1.647.707

### IV. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

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

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

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

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
23.12.2016	3,4990	3,6519	2,5088	0,4913	0,3791	3,4074	2,5833	0,4013	4,2845	0,9330	2,9814
26.12.2016	3,4924	3,6524	2,5107	0,4914	0,3801	3,4039	2,5852	0,4011	4,2915	0,9311	2,9844
27.12.2016	3,5071	3,6645	2,5202	0,4929	0,3795	3,4092	2,5917	0,4017	4,2983	0,9350	2,9853
28.12.2016	3,5307	3,6701	2,5318	0,4938	0,3837	3,4285	2,6012	0,4037	4,3141	0,9413	3,0000
29.12.2016	3,5126	3,6718	2,5277	0,4941	0,3848	3,4293	2,5950	0,4041	4,2974	0,9366	3,0097
31.12.2016	3,5076	3,6998	2,5350	0,4977	0,3874	3,4527	2,6110	0,4065	4,3431	0,9352	3,0054

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
	3,4836	3,6693	2,5570	0,4935	0,3780	3,4151	2,6098	0,4057	4,3460	0,9290	3,0011

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

	EUR	USD	Other FC	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	9.300.739	16.571.048	6.598.971	32.470.758
Banks	879.305	1.277.127	577.551	2.733.983
Financial Assets at Fair Value Through Profit and Loss <sup>(4)</sup>	-	4.549	582	5.131
Money Market Placements	-	51.508	167.468	218.976
Financial Assets Available-for-Sale	4.081.076	10.720.858	55.146	14.857.080
Loans <sup>(1)</sup>	25.233.765	46.279.570	1.507.788	73.021.123
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(3)</sup>	17.856	83.249	951	102.056
Investments Held-to-Maturity	1.344.761	3.819.092	498	5.164.351
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	8.172	1.403	113.174	122.749
Intangible Assets	21.345	1	13.216	34.562
Other Assets <sup>(5)</sup>	2.145.956	849.210	77.049	3.072.215
<b>Total Assets<sup>(4)</sup></b>	<b>43.032.975</b>	<b>79.657.615</b>	<b>9.112.394</b>	<b>131.802.984</b>
<b>Liabilities</b>				
Interbank Deposits	5.017.303	4.196.585	639.590	9.853.478
Foreign Currency Deposits	44.057.736	22.389.687	4.136.055	70.583.478
Money Market Borrowings	306.464	11.963.959	-	12.270.423
Funds Provided from Other Financial Institutions	7.471.450	15.613.721	2.812	23.087.983
Issued Marketable Securities	-	4.679.782	910	4.680.692
Sundry Creditors	1.138.814	88.602	33.518	1.260.934
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	380.234	200.772	68.272	649.278
<b>Total Liabilities</b>	<b>58.372.001</b>	<b>59.133.108</b>	<b>4.881.157</b>	<b>122.386.266</b>
<b>Net Balance Sheet Position</b>	<b>(15.339.026)</b>	<b>20.524.507</b>	<b>4.231.237</b>	<b>9.416.718</b>
<b>Net Off-Balance Sheet Position <sup>(2)</sup></b>	<b>14.918.785</b>	<b>(22.310.574)</b>	<b>(2.618.075)</b>	<b>(10.009.864)</b>
Financial Derivative Assets	17.015.895	7.710.930	2.593.074	27.319.899
Financial Derivative Liabilities	2.097.110	30.021.504	5.211.149	37.329.763
<b>Non-Cash Loans</b>	<b>19.785.282</b>	<b>32.994.991</b>	<b>3.863.978</b>	<b>56.644.251</b>
<b>Prior Period</b>				
Total Assets	28.646.698	70.463.073	8.430.490	107.540.261
Total Liabilities	47.955.846	57.791.690	2.989.459	108.736.995
<b>Net Balance Sheet Position</b>	<b>(19.309.148)</b>	<b>12.671.383</b>	<b>5.441.031</b>	<b>(1.196.734)</b>
<b>Net Off-Balance Sheet Position <sup>(2)</sup></b>	<b>19.608.010</b>	<b>(13.277.253)</b>	<b>(5.051.654)</b>	<b>1.279.103</b>
Financial Derivative Assets	21.904.831	5.192.850	1.210.435	28.308.116
Financial Derivative Liabilities	2.296.821	18.470.103	6.262.089	27.029.013
<b>Non-Cash Loans</b>	<b>13.108.152</b>	<b>24.916.400</b>	<b>3.076.757</b>	<b>41.101.309</b>

<sup>(1)</sup> TL 1.335.293 equivalent of EUR and TL 1.290.033 equivalent of USD loans are originated as foreign currency indexed loans (31 December 2015: TL 296.717 equivalent of EUR and TL 721.987 equivalent of USD).

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

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

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

<sup>(5)</sup> Prepaid expenses amounting TL 22.092 among other expenses are not included in the table.

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### V. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Y ears	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	26.781.761	-	-	-	-	13.863.744	40.645.505
Banks	1.477.014	428.485	52.425	-	-	2.362.142	4.320.066
Financial Assets at Fair Value Through Profit and Loss	557.806	715.937	377.618	63.530	4.433	247	1.719.571
Money Market Placements	252.944	-	-	-	-	-	252.944
Financial Assets Available-for-Sale	6.262.067	6.231.045	10.886.839	16.553.494	18.466.636	728.133	59.128.214
Loans Given	71.989.277	19.739.060	54.872.411	77.739.693	19.482.455	251.449	244.074.345
Investments Held-to-Maturity	3.616.855	830.145	71.144	2.594.090	1.682.681	-	8.794.915
Other Assets	185.447	167.603	603.548	1.421.095	183.447	10.385.225	12.946.365
<b>Total Assets</b>	<b>111.123.171</b>	<b>28.112.275</b>	<b>66.863.985</b>	<b>98.371.902</b>	<b>39.819.652</b>	<b>27.590.940</b>	<b>371.881.925</b>
<b>Liabilities</b>							
Interbank Deposits	6.867.493	1.597.664	2.014.652	-	-	1.496.123	11.975.932
Other Deposits	116.331.186	25.869.031	22.188.911	1.412.078	119.357	55.015.498	220.936.061
Money Market Borrowings	41.796.418	3.747.109	1.085.940	716.162	-	-	47.345.629
Sundry Creditors	32.684	22.243	26.398	1.089	-	2.484.487	2.566.901
Issued Marketable Securities	836.455	1.468.491	391.680	4.374.125	-	-	7.070.751
Funds Provided from Other Financial Institutions	4.098.207	4.683.460	11.771.437	2.443.385	1.430.040	-	24.426.529
Other Liabilities	1.082.103	511.427	565.202	6.511.950	33.307	48.856.133	57.560.122
<b>Total Liabilities</b>	<b>171.044.546</b>	<b>37.899.425</b>	<b>38.044.220</b>	<b>15.458.789</b>	<b>1.582.704</b>	<b>107.852.241</b>	<b>371.881.925</b>
<b>Balance Sheet Long Position</b>	-	-	<b>28.819.765</b>	<b>82.913.113</b>	<b>38.236.948</b>	-	<b>149.969.826</b>
<b>Balance Sheet Short Position</b>	<b>(59.921.375)</b>	<b>(9.787.150)</b>	-	-	-	<b>(80.261.301)</b>	<b>(149.969.826)</b>
Off-Balance Sheet Long Position	808.683	2.200.356	-	-	-	-	3.009.039
Off-Balance Sheet Short Position	-	-	(373.698)	(1.428.568)	-	-	(1.802.266)
<b>Total Position</b>	<b>(59.112.692)</b>	<b>(7.586.794)</b>	<b>28.446.067</b>	<b>81.484.545</b>	<b>38.236.948</b>	<b>(80.261.301)</b>	<b>1.206.773</b>

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

<sup>(2)</sup> TL 5.950.057 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the “1 - 5 Years” column TL 70.782 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.

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

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

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

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

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

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

	EUR	USD	JPY	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	0,03	0,49	-	3,36
Banks	1,56	2,82	-	8,44
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	7,98
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,73	5,64	-	9,20
Loans Given <sup>(2)</sup>	4,30	5,52	-	12,82
Investments Held-to-Maturity	6,48	7,20	-	9,75
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0,45	1,09	-	8,24
Other Deposits <sup>(4)</sup>	0,94	1,14	-	6,52
Money Market Borrowings	0,95	1,82	-	8,55
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	4,37	-	9,77
Funds Provided from Other Financial Institutions	0,92	2,23	-	8,38

<sup>(1)</sup> The ratio on TL column denotes the interest rates applied for required reserve at CBRT.<sup>(2)</sup> Credit card loan balances are not included.<sup>(3)</sup> Rates shown in the table are calculated by using the annual domestic simple interest rates, except for foreign currency interbank deposits.<sup>(4)</sup> Rates include also demand deposit data.

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

<sup>(1)</sup> The ratio on TL column denotes the interest rates applied for required reserve at CBRT.<sup>(2)</sup> Credit card loan balances are not included.<sup>(3)</sup> Rates shown in the table are calculated by using the annual domestic simple interest rates, except for foreign currency interbank deposits.<sup>(4)</sup> Rates include also demand deposit data.

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### **VI. EXPLANATIONS ON THE POSITION RISK OF CONSOLIDATED EQUITY SECURITIES**

#### **1. Equity securities position risk derived from banking books:**

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

There is no significant difference between balance sheet value, fair value and market value of investments in equity instruments.

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

The stock investments, partaking in banking accounts according to the credit risk standard method, are amounted TL 124.451 and 100% of them are risk weighted.

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

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

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

#### **1) Liquidity Risk**

##### **a) Explanations related to the liquidity risk management including the Parent Bank’s risk capacity, responsibilities and structure of liquidity risk management, reporting of liquidity risk in internal banking, the strategy of liquidity risk and how to provide the communication of policies and implementations with board of directors and business lines:**

The Parent Bank’s risk capacity, risk appetite, responsibilities and tasks of liquidity risk management and share issues of points related liquidity risk management with bank network are explained in “Regulations of Risk Management, Stress Test Program and İsedes Regulations” of the Parent Bank. In this context, liquidity risk strategies and policies are published in periodically on weeks, months and years with all of the units with board directors in bank. Moreover, analyses done and reports are handled in the Assets-Liability Commission Conferences, Board of Director is informed by Audit Commission.

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

Continuously the information exchange is actualized about the liquidity need and surpluses between the Parent Bank and its partners, the compulsory directions and treats are moderated by Treasury Management and International Banking Assistant General Management to direct liquidity risk and surpluses in effective way.

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

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

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

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

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

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

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

### e) Explanation regarding the usage of the stress test

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

### f) General information on liquidity urgent and unexpected situation plan:

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

## 2) Liquidity Coverage Ratio:

Within the frame of the regulation named “Regulation on the Calculation of Liquidity Coverage Ratio” issued by BRSA in the Official Gazette numbered 28948, dated 21 March 2014, the Parent Bank calculates the liquidity coverage ratio and reports it to BRSA monthly in consolidated base. The liquidity coverage ratio sails above the frontier limits determined by BRSA. Within the last 3 months (October-November-December) the consolidated ratios are as follows: Take place for FC as 86,61 in October, for TL+FC as 81,65; take place for FC as 92,29 in November, for TL+FC as 76,33; take place for FC as 102,33, for TL+FC as 77,90 in December

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Current Period	Total Unweighted Value (average)		Total Weighted Value (average)	
	TL+FC	FC	TL+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			47.060.923	26.647.052
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	143.898.400	51.675.017	11.622.939	5.167.502
Stable deposits	55.338.033	-	2.766.902	-
Less stable deposits	88.560.367	51.675.017	8.856.037	5.167.502
Unsecured wholesale funding, of which;	80.482.580	24.151.123	46.653.885	16.242.578
Operational deposit	1.687.101	291.581	421.775	72.895
Non-operational deposits	67.505.167	17.490.912	34.986.034	9.818.460
Other unsecured funding	11.290.312	6.368.630	11.246.076	6.351.223
Secured funding			-	-
Other cash outflows, of which;	20.783.315	13.237.304	5.963.394	11.556.687
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2.133.363	10.295.383	2.133.363	10.295.383
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	18.649.952	2.941.921	3.830.031	1.261.304
Other revocable off-balance sheet commitments and contractual obligations	39.627	21.913	1.981	1.096
Other irrevocable or conditionally revocable off-balance sheet obligations	40.843.572	24.557.903	9.739.071	3.337.772
<b>Total Cash Outflows</b>			<b>73.981.270</b>	<b>36.305.635</b>
<b>Cash Inflows</b>				
Secured lending	-	-	-	-
Unsecured lending	17.850.713	7.875.744	12.618.858	6.975.435
Other cash inflows	1.480.005	780.641	1.465.414	766.050
<b>Total Cash Inflows</b>	<b>19.330.718</b>	<b>8.656.385</b>	<b>14.084.272</b>	<b>7.741.485</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>47.060.923</b>	<b>26.647.052</b>
<b>Total Net Cash Outflows</b>			<b>59.896.998</b>	<b>28.564.150</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>78,57</b>	<b>93,29</b>

<sup>(3)</sup> The average of last three months' month-end consolidated liquidity ratios.

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

<sup>(\*)</sup> The average of last three months' month-end consolidated liquidity ratios.

### 3) Minimum statements concerning liquidity coverage ratio by Banks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**Presentation of assets and liabilities according to their remaining maturities:**

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(1) (2)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in vault, effectives, Money in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	40.619.305	-	-	-	-	-	26.200	40.645.505
Banks	2.362.142	1.477.014	428.485	52.425	-	-	-	4.320.066
Financial Assets at Fair Value Through Profit and Loss	247	557.807	521.717	565.534	67.188	4.433	2.645	1.719.571
Money Market Placements	3	252.941	-	-	-	-	-	252.944
Financial Assets Available-for-Sale	4.806	1.623.787	1.787.212	7.783.230	21.312.279	25.967.502	649.398	59.128.214
Loans Given	-	9.171.064	16.877.885	90.431.269	100.643.804	26.698.874	251.449	244.074.345
Investments Held-to-Maturity	-	1.192.908	830.145	71.144	5.018.037	1.682.681	-	8.794.915
Other Assets	3.675.633	96.540	165.862	578.601	1.389.090	271.208	6.769.431	12.946.365
<b>Total Assets</b>	<b>46.662.136</b>	<b>14.372.061</b>	<b>20.611.306</b>	<b>99.482.203</b>	<b>128.430.398</b>	<b>54.624.698</b>	<b>7.699.123</b>	<b>371.881.925</b>
<b>Liabilities</b>								
Interbank Deposits	1.496.123	6.867.493	1.597.664	2.014.652	-	-	-	11.975.932
Other Deposits	55.015.498	115.325.760	26.025.332	22.921.721	1.608.923	38.827	-	220.936.061
Funds Provided from Other Financial Institutions	-	1.483.610	2.546.851	12.955.209	4.739.022	2.701.837	-	24.426.529
Money Market Borrowings	-	41.796.418	3.747.109	1.085.940	716.162	-	-	47.345.629
Issued Marketable Securities	-	836.455	1.575.727	259.858	4.398.711	-	-	7.070.751
Sundry Creditors	1.997.790	502.235	18.291	1.089	-	-	47.496	2.566.901
Other Liabilities <sup>(3)</sup>	5.829.856	779.785	918.648	564.087	6.511.950	901.285	42.054.511	57.560.122
<b>Total Liabilities</b>	<b>64.339.267</b>	<b>167.591.756</b>	<b>36.429.622</b>	<b>39.802.556</b>	<b>17.974.768</b>	<b>3.641.949</b>	<b>42.102.007</b>	<b>371.881.925</b>
<b>Liquidity Gap</b>	<b>(17.677.131)</b>	<b>(153.219.695)</b>	<b>(15.818.316)</b>	<b>59.679.647</b>	<b>110.455.630</b>	<b>50.982.749</b>	<b>(34.402.884)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>101.816</b>	<b>(4.584)</b>	<b>511.465</b>	<b>598.076</b>	<b>-</b>	<b>-</b>	<b>1.206.773</b>
Financial Derivative Assets	-	23.887.140	7.574.728	2.638.403	2.677.243	-	-	36.777.514
Financial Derivative Liabilities	-	23.785.324	7.579.312	2.126.938	2.079.167	-	-	35.570.741
Non-cash Loans	39.328.862	1.045.731	5.027.611	18.874.379	14.761.801	3.682.731	-	82.721.115
<b>Prior Period</b>								
Total Assets	41.104.345	10.803.851	15.486.534	80.786.469	111.901.898	42.331.227	7.853.494	310.267.818
Total Liabilities	45.955.242	143.301.990	34.327.033	32.360.482	15.755.955	3.084.016	35.483.100	310.267.818
<b>Liquidity Gap</b>	<b>(4.850.897)</b>	<b>(132.498.139)</b>	<b>(18.840.499)</b>	<b>48.425.987</b>	<b>96.145.943</b>	<b>39.247.211</b>	<b>(27.629.606)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(123.663)</b>	<b>(7.420)</b>	<b>21.298</b>	<b>506.582</b>	<b>-</b>	<b>-</b>	<b>396.797</b>
Financial Derivative Assets	-	21.505.764	730.692	1.640.019	2.462.004	-	-	26.338.479
Financial Derivative Liabilities	-	21.629.427	738.112	1.618.721	1.955.422	-	-	25.941.682
Non-cash Loans	32.747.550	492.394	2.678.785	13.191.131	9.677.305	2.103.709	-	60.890.874

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

<sup>(2)</sup> Deferred tax asset is included under the “Undistributed” column.

<sup>(3)</sup> TL 5.950.057 of the funds balance, whose risk is not born by the Parent Bank, is included in other liabilities and shown under the “1-5 years” column, fund balance amounted to TL 70.782 is not granted as loan and is included under “Up to One Month” column.

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### Presentation of liabilities according to their remaining maturities:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Current Period<sup>(1)</sup></b>						
Bank Deposits	8.607.501	1.603.770	2.025.178	-	-	12.236.449
Other Deposits	168.765.620	26.250.886	23.335.495	1.628.281	53.240	220.033.522
Funds Borrowed from Other Financial Institutions	1.500.321	2.564.338	13.190.000	4.825.200	1.528.815	23.608.674
Funds Borrowed from Interbank Money Market	41.818.169	3.757.618	1.101.437	734.017	-	47.411.241
<b>Total</b>	<b>220.691.611</b>	<b>34.176.612</b>	<b>39.652.110</b>	<b>7.187.498</b>	<b>1.582.055</b>	<b>303.289.886</b>
<b>Prior Period<sup>(1)</sup></b>						
Bank Deposits	7.655.366	1.871.304	153.224	34.739	-	9.714.633
Other Deposits	135.809.027	23.447.423	19.064.948	1.841.496	3.686	180.166.580
Funds Borrowed from Other Financial Institutions	947.247	3.436.293	10.785.315	3.697.676	1.261.495	20.128.026
Funds Borrowed from Interbank Money Market	36.309.740	4.319.621	1.854.917	672.295	-	43.156.573
<b>Total</b>	<b>180.721.380</b>	<b>33.074.641</b>	<b>31.858.404</b>	<b>6.246.206</b>	<b>1.265.181</b>	<b>253.165.812</b>

<sup>(1)</sup> Amounts related with the fund balances are not included in the table since decomposition on the basis of their remaining maturities could not be performed.

### VIII. EXPLANATIONS ON CONSOLIDATED LEVERAGE

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

The Bank's leverage calculated by force of the regulation "Regulation on Measurement and Assessment of Leverage Ratios of Banks" is 8,00% (31 December 2015: 8,33%). The change on leverage results heavily from the increase on risk amounts of balance sheet assets. The regulation sentenced the minimum leverage as 3%.

	Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
<b>Balance sheet assets</b>		
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	359.875.628	305.987.769
(Assets deducted in determining Tier 1 capital)	(2.072.001)	(1.558.811)
Total on-balance sheet risks (sum of lines 1 and 2)	357.803.627	304.628.958
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost associated with all derivative financial instruments and credit derivatives	1.516.660	906.945
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	394.485	294.821
Total risks of derivative financial instruments and credit derivatives	1.911.145	1.201.766
<b>Securities or commodity financing transactions (SCFT)</b>		
Risks from SCFT assets	4.889.181	4.611.358
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	4.889.181	4.611.358
<b>Other off-balance sheet transactions</b>		
Gross notional amounts of off-balance sheet transactions	105.343.560	79.187.009
(Adjustments for conversion to credit equivalent amounts)	(1.415.380)	(362.843)
Total risks of off-balance sheet items	103.928.180	78.824.166
<b>Capital and total risks</b>		
Tier 1 capital	37.505.342	32.430.099
Total risks	468.532.133	389.266.248
<b>Leverage ratio</b>		
Leverage ratio %	8,00	8,33

<sup>(1)</sup> Three month average of the amounts in the table are taken.

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

	Current Period <sup>(*)</sup>	Prior Period <sup>(*)</sup>
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards <sup>(**)</sup>	371.922.921	310.301.585
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	40.996	33.767
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	76.404.601	57.881.888
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	39.216.454	38.777.772
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	1.415.380	362.843
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	(42.588.977)	(42.482.185)
<b>Total Risk Amount</b>	<b>468.532.133</b>	<b>389.266.248</b>

<sup>(\*)</sup> The amounts shown in the table are 3 month averages.<sup>(\*\*)</sup> The current account balance of the Consolidated Financial Statements prepared in accordance with paragraph 5 in Article 5 of The Communiqué on Preparation of Consolidated Financial Statements of Banks has been prepared by using the temporary financial statements dated 31 December 2016 of the non-financial partners.

### IX. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT

This section contains notes and explanations regarding the “Communiqué on Disclosures about Risk Management to be Announced to Public by Banks” released by the Banking Regulation and Supervision Agency (BRSA), published in the Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016.

As part of its controlling activities, the Risk Management Group Presidency conducts controls on Risk Management Explanations. Two different control processes, e.g. Calculation of Capital Adequacy process and other Risk Management processes, are conducted by the relevant unit periodically in line with capital adequacy control points and guidelines as well as control points for other Risk management field of activity and guideline.

Furthermore, as part of legislation compliance controls, compliance of all activities, new transactions and products planned by the Bank with relevant laws, legislation, internal Bank policies and banking practices is controlled. Accordingly, compliance of legislative regulations regarding Risk Management Explanations with internal Bank practices is also controlled.

Controlling activities conducted by the Head Office Units are performed in line with the control periods determined by considering functions of Units and risks they bear, job definitions of the Units and their impact on the Bank’s balance sheet. Control processes by the Head Office Units are performed based on control points determined according to process, duties and powers of unit’s field of activity and control techniques are elaborated in the head office control guideline.

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### 1. Explanations on Risk Management and Risk Weighted Amount

#### a) Bank’s Risk Management Approach

**i. It has to do with how the business model determines the Bank’s risk profile; how it interacts with it (e.g. key risks related to the business model and how each of these risks is reflected on explanations); and how the Bank’s risk profile interacts with the risk appetite approved by the board of directors**

While risk appetite determines the Bank’s risk level, risk capacity determines its risk appetite and, therefore, risk profile. Local and international conjuncture is also considered to determine the risk level. Establishment of forward-looking strategies and policies is also considered in this regard. The Bank’s risk level is restricted to the limits consistent with its risk appetite.

Risk limits are determined in accordance with the level of risks that may be assumed by the Bank, its activities, size and complexity of its products and services. The limits are revised and, if needed, updated regularly in line with the developments in market conditions, the Bank’s strategy and risk appetite.

Critical thresholds (signal and limit values) indicating that limits are approached due to internal or external developments have been identified. In the event that these values are approached or exceeded, relevant units take required actions.

Parameters regarding signal and limit structure as well as limit values of parameters are determined in coordination with the relevant units and implemented upon approval of the Audit Committee and Board of Directors.

Signal and limit values based on risk weighted assets are monitored by the Bank’s Risk Management Group Presidency regularly and actual values are reported periodically to the Bank’s Top Management.

**ii. Risk management structure: Responsibilities distributed at the Bank (e.g. supervision and delegation of authority); segregation of duties by risk type, business unit, etc.; relations between structures included in risk management processes (e.g. board of directors, top management, separate risk committee, risk management unit, compliance, internal audit function)**

The Bank’s Top Management and relevant units perform their risk management duties, authorities and responsibilities in line with the relevant legal legislation and internal Bank regulations.

Structure of the Bank’s risk management is consistent with the Regulation on Internal Systems and Internal Capital Adequacy Assessment Processes of Banks. Accordingly, internal system units consisting of the Inspection Board Presidency, Internal Control and Compliance Group Presidency and Risk Management Group Presidency report to the Audit Committee and Board of Directors through the Vice President who is responsible for internal systems and operates separate from executive units.

Risk measurement and monitoring activities are conducted as part of risk management and the results are considered in strategic decision-making process by relevant units and bodies. Risk management operations are conducted in accordance with the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks, issued by the BRSA, within the scope of Regulation on Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”) approved by the Bank’s Board of Directors.

Organizational structure of the Bank’s Risk Management Group Presidency consists of credit risk management, market risk management, operational risk management and statement risks management units. Duties of risk management:

- Ensuring identification, measurement, reporting, monitoring and control of risks exposed through policies, practices and limits established to monitor, control and revise, when necessary, the risk-return structure of the Bank’s cash flows in the future, quality and level of its associated activities
- Conducting stress tests and scenario analyses
- Establishing and maintaining a system that will ensure determination of capital required to cover significant risks exposed or possible risks and assessment of capital adequacy/requirement level in line with the strategic goals
- Preparing ICAAP reports periodically.

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ICAAP analyses and activities are validated by a team that reports to the Audit Committee independently from the team that develops and implements the methodology of such activities. The same team issues a Validation Report as well. Analyses and activities conducted within the process, including validation activities are reviewed by the Inspection Board Presidency and a Review Report is issued for the results.

**iii. Channels used for disseminating and implementing risk culture within the Bank (e.g. codes of conduct, manuals including operational limits or procedures to be performed when risk thresholds are exceeded, procedures for identifying and sharing risk issues between business units and risk units)**

The Bank exercises maximum efforts to perceive both risks and returns accurately during its activities and maintain its perspective for disseminating risk culture across the Bank. Accordingly, goals, vision and strategic approaches are shared in large group meetings held by the Bank’s Top Management with employees.

Signal and limit structure established based on risk weighted assets is one of the channels used to disseminate risk culture within the Bank. Parameters for signal and limit structure and limit values of parameters are determined by risk management by consulting the relevant units and approved by the Board of Directors.

It is ensured that risk signal and limit structure is forwarded to relevant units in the Bank and the structure is understood by the staff. Usage levels for signal and risk parameters are subject to reports submitted to the Top Management.

If limits are exceeded, the Bank’s Top Management is notified. In such a case, matters such as risk mitigation, risk transfer or risk-averse, increasing collaterals and so on can be considered as part of required actions. If limits are exceeded, forward-looking strategies and policies of the Bank—including budget figures—can be reviewed or, where necessary, revised.

Another channel used to disseminate the risk culture is in the scope of ICAAP activities. It is essential to include assessment results for capital adequacy in the ICAAP Report covering all significant risks of the Bank. The report is prepared in coordination with risk management and with participation from other relevant units. Similarly, the Bank’s budget goals for the upcoming years are also established with the participation of relevant units. The Bank’s Top Management and relevant units conduct their ICAAP duties, authorities and responsibilities in line with the Bank regulations and relevant legal legislation.

**iv. Principal elements and scope of risk measurement systems**

The Bank’s risk measurement system functions in line with the best practices, legal regulations, fields of activity and product ranges in a consistent, reliable and integrated way. Regarding the inclusion of risk measurement results in decision-making processes, reports are elaborated with extensive explanations and assumptions to avoid any misinterpretation that may arise from errors and deficiencies.

Required activities are performed to engage in design, selection, implementation and pre-approval processes for risk measurement models; review accuracy, reliability and performance of models regularly through various methodologies and make required revisions accordingly; and report results of analyses conducted with such models.

The Bank’s capital adequacy ratio is calculated in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks, Communiqué on Credit Risk Mitigation Techniques and other relevant legal regulations.

Counter parties/operations related to the credit risk are separated on the basis of risk classes mentioned in Appendix-1 of the Communiqué on Measurement and Assessment of Capital Adequacy of Banks, and each of them is assigned by the weight of risk in line with the matters specified for relevant risk class. Then, they are subject to risk mitigation in accordance with the principles of Communiqué on Credit Risk Mitigation Techniques and weighted based on the risk weights.

After deduction of specific provisions in accordance with Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves, non-cash loans and commitments are included in the calculation of credit-risk-weighted amount with loan conversion rates presented in article 5 of Communiqué on Measurement and Assessment of Capital Adequacy of Banks.

Trading accounts and the values deducted from the capital base in the shareholders’ equity computation are excluded from calculation of credit risk-weighted assets.

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Calculations regarding to the counter party credit risk are made for repurchase agreement and derivative transactions. These transactions are added to the calculations after applying the rates presented in the amendments of the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and Communiqué on Credit Risk Mitigation Techniques.

Calculations regarding counter parties credit risks are made with the basic financial collateral method and extensive collateral method for banking accounts and trading accounts respectively.

The amount subject to the total market risk is calculated through the standard method. Furthermore, value at risk forecasts are made on a daily basis and backward testing is performed so as to measure performance of the model.

Liquidity Coverage Ratio and Liquidity Risk Analysis reports for the liquidity risk are prepared in accordance with the relevant regulations. Furthermore, stress test is performed to assess maturity mismatch between sources and uses, contractual maturities as well as behavioral maturities of assets and liabilities, the Bank’s liquidity requirement in a worst case scenario and relevant damages that may be incurred based on scenario and sensitivity analysis activities.

Control of interest rate risk on banking accounts entails monitoring rate and maturity mismatch between sources and uses of fixed and variable interest rates, contractual maturities as well as behavioral maturities assets and liabilities and the effects of the usual and unusual changes in interest rates which is possibly uptrend and downtrend.

### **v. Explanations provided to the board of directors and top management on risk reporting processes, particularly scope and main contents of reporting**

It is essential to inform the Top Management about developments and results of the analysis and activities conducted in order to achieve efficiency in risk management. Accordingly, a reporting system for informing Top Management is established and required measures are taken for healthy functioning of the system.

Informing process as part of reporting should be based on the most current data available on a periodical basis. Reports issued contain, at minimum, information on risk amount and development, legal capital requirement, legal ratios for liquidity and interest rate risks, stress test analysis results, effect of such results on capital adequacy level and ratios, realization level of risk limits and limitations, and assumptions of risk measurement method used.

As part of the reporting system, an information systems infrastructure is established for external reporting and required actions are taken to fulfill legal obligations fully in a timely manner in this regard.

### **vi. Explanations on stress test (e.g. assets subject to stress test, scenarios applied, methodologies used and the use of stress test in risk management)**

Stress test is intended to pre-assess the effect of negative developments in specified risk factors on amounts subject to risk and capital adequacy/requirement level.

Conducting the stress test periodically is essential, and test result must be included in internal reporting and considered in strategic decision-making process or capital management. Results of stress test analysis are considered while establishing risk management policies.

In stress test activities, shock is applied to risk factors determined (factors specific to debtor or transaction or macroeconomic variables such as exchange rate, price, interest and so on), and the effects of results on risk-weighted asset amount and capital adequacy ratio are identified. Accordingly, risk factors are identified first and then assumptions to be implemented are determined and possible losses in the future are estimated. Stress test activities include creating scenarios, which are unlikely, if not impossible, and which may affect the Bank’s risk level significantly.

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The results of stress test are subject to internal Bank reporting and ICAAP Report. The results of stress test may be used in processes to determine the Bank’s risk appetite or risk limits and identify new and current business strategies as a planning instrument and their effect on capital utilization.

Analyses of credit risk based on internal and external risk factors, counter party credit risk, liquidity risk, interest rate risk and market risk are conducted in the case of stress tests which are subject to internal reporting.

The Board of Directors is responsible for assessing the results of the Stress Test Program and taking actions based on the results. Accordingly, actions such as revision of risk appetite, strategy and risk limits or restriction of activities to specific sectors or portfolios can be taken.

### **vii. The Bank’s risk management, aversion and mitigation strategies and processes based on business model and monitoring processes for continuous efficiency of safeguards and mitigants**

Amounts subject to credit risk can be mitigated by using one or more risk mitigation techniques in line with the legal regulations.

Funded or unfunded credit safeguard instruments are considered while using the risk mitigation technique. Whether credit safeguard instruments meet minimum compulsory conditions specified in legal regulations is checked via the system.

The Bank performs risk mitigation with a simple financial method. Credibilities of guarantors are monitored and assessed in the scope of credit revision maturity.

All Bank employees are responsible for control and mitigation of operational risks based on their job definitions and business processes. All Bank units are obliged to take risk mitigation measures for mitigation of operational risks that may occur in their respective fields of activity through insurance and other risk transfer mechanisms.

The Bank’s market risk is mitigated through derivatives or other financial products by considering current conjuncture and risk appetite, risk capacity and risk level. Long term liabilities are obtained and the interest rate risk arising from liquidity and banking accounts is limited through the transactions performed.

Diversification of resources is deemed important for managing the liquidity risk that may occur. While the Bank’s fundamental funding resources are deposits, the strategy of preserving the common base structure of deposits is sustained. Besides, liabilities other than deposits such as bond/bill issuance, repo and credits are deemed important for increasing the fund range and decreasing the maturity gap between assets and liabilities. As for the asset side of the Bank, policies intended to reduce average credit maturity are pursued as part of measures to improve short term cash cycle and minimize maturity mismatch between assets and liabilities. As part of management of interest rate risk, measures are taken to reduce repricing maturity mismatch of interest sensitive assets and liabilities.

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### b) Overview of RWA

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	260.065.282	203.551.045	20.805.223
2	Standardised approach	260.065.282	203.551.045	20.805.223
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3.323.247	2.113.638	265.860
5	Standardised approach for counterparty credit risk	3.323.247	2.113.638	265.860
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies-look through approach	-	-	-
9	Investments made in collective investment companies-mandate-based approach	1.686.718	102.098	134.937
10	Investments made in collective investment companies-1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB Supervisory Formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	15.358.775	17.618.138	1.228.702
17	Standardised Approach	15.358.775	17.618.138	1.228.702
18	Internal model Approaches	-	-	-
19	Operational risk	20.519.768	18.052.275	1.641.581
20	Basic Indicator Approach	20.519.768	18.052.275	1.641.581
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity(subject to a 250% risk weight)	-	667.594	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>300.953.790</b>	<b>242.104.788</b>	<b>24.076.303</b>

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**IX. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT**

**1. Connections between Consolidated Financial Statements and Risk Amounts**

**a) Differences Between Accounting Consolidation and Legal Consolidation and Matching of the Subject**

	Amount assessed in accordance with TAS as reported in financial statements <sup>(1)</sup>	Value of items according to TAS					Not subject to capital obligation or is deducted from capital
		Valued amount according to TAS within legal consolidation	Subject to Credit Risk	Subject to Counterparty Credit Risk	Securitization positions	Subject to Market Risk	
<b>Assets</b>							
Cash Balances with the Central Bank of Turkey	40.645.505	40.645.505	40.645.505	-	-	-	-
Financial Assets Held for Trading	1.719.571	1.719.571	-	1.678.746	-	40.825	-
Financial Assets at Fair Value Through Profit or Loss (Net)	-	-	-	-	-	-	-
Banks	4.320.022	4.320.066	4.320.066	-	-	-	-
Receivables from Money Market	252.944	252.944	144.613	108.331	-	-	-
Financial Assets Available for Sale (Net)	59.128.214	59.128.214	12.280.871	19.470.378	-	27.014.433	-
Loan and Receivables	244.074.345	244.074.345	244.071.892	-	-	-	2.453
Factoring Receivables	-	-	-	-	-	-	-
Investments Held To Maturity (Net)	8.794.915	8.794.915	4.108.987	4.685.928	-	-	-
Associates (Net)	118.911	105.886	105.886	-	-	-	-
Subsidiaries (Net)	1.220	7.457	7.457	-	-	-	-
Entities Under Common Control (Net)	101.105	101.105	101.105	-	-	-	-
Receivables from Leasing Transactions	2.483.667	2.483.667	2.483.667	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-	-	-
Tangible Assets (Net)	5.873.532	5.872.009	5.733.632	-	-	-	138.377
Intangible Assets (Net)	378.341	367.864	-	-	-	-	367.864
Real Estates for Investment Purposes (Net)	643.290	643.290	643.290	-	-	-	-
Tax Asset	93.604	93.604	93.604	-	-	-	-
Assets Held for Sale and Assets Held from Discontinued Operations (Net)	563.015	563.015	563.015	-	-	-	-
Other Assets	2.730.720	2.708.468	2.708.468	-	-	-	-
<b>Total Assets</b>	<b>371.922.921</b>	<b>371.881.925</b>	<b>318.012.058</b>	<b>25.943.383</b>	-	<b>27.055.258</b>	<b>508.694</b>
<b>Liabilities</b>							
Deposits	232.898.440	232.911.993	-	-	-	-	-
Derivative Financial Liabilities Held for Trading	653.365	653.365	-	-	-	-	-
Funds Borrowed	24.426.529	24.426.529	-	2.508.783	-	-	-
Money Market Debts	47.345.629	47.345.629	-	42.655.629	-	-	-
Marketable Securities Issued	7.070.751	7.070.751	-	-	-	-	-
Funds	6.020.839	6.020.839	-	-	-	-	-
Miscellaneous Payables	2.591.581	2.566.901	-	-	-	-	-
Other Liabilities	3.525.886	3.525.886	-	-	-	-	-
Factoring payables	-	-	-	-	-	-	-
Payables from Leasing Transactions (Net)	-	-	-	-	-	-	-
Derivative Financial Liabilities for Hedging	-	-	-	-	-	-	-
Provisions	7.548.961	7.538.661	-	-	-	-	-
Tax Liabilities	909.593	909.574	-	-	-	-	-
Liabilities for Assets Held for Sale and Held from Discontinued Operations (Net)	-	-	-	-	-	-	-
Subordinated Loans	-	-	-	-	-	-	-
Shareholders' Equity	38.931.347	38.911.797	-	-	-	-	-
<b>Total Liabilities</b>	<b>371.922.921</b>	<b>371.881.925</b>	-	<b>45.164.412</b>	-	-	-

<sup>(1)</sup> The current account balance of the Consolidated Financial Statements prepared in accordance with paragraph 5 of Article 5 of the Communiqué on Preparation of Consolidated Financial Statements of Banks has been prepared by using the temporary financial statements of the non-financial associates as of 31 December 2016

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### b) The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the Consolidated financial statements

	Total	Subject to Credit Risk	Securitization Positions	Subject to Counterparty Credit Risk	Subject to Market Risk
Assets valued under legal consolidation in accordance with TAS	371.881.925	318.012.058	-	25.943.383	27.055.258
Estimated amounts of liabilities under legal consolidation in accordance with TAS	-	-	-	45.164.412	-
Total net amount under legal consolidation	371.881.925	318.012.058	-	(19.221.029)	27.055.258
Off-balance sheet items	146.873.354	45.859.575	-	41.438.831	-
Valuation Differences	-	-	-	-	-
Differences arising from different netting rules	-	-	-	-	-
Differences arising from consideration of provisions	-	-	-	-	-
Differences arising from the applications of the Institution	-	-	-	-	-
<b>Risk Amounts</b>	<b>518.755.279</b>	<b>363.871.633</b>	-	<b>22.217.802</b>	<b>27.055.258</b>

### c) Explanations on the differences between the amounts assessed in accordance with TAS and the risk amounts

There is no significant difference between the financial statement values of the assets and liabilities with the values included in the capital adequacy calculation.

## 2. Credit Risk Explanations

### 1) General explanations on credit risk

#### a) General qualitative information on credit risk

##### i. Transformation of bank's business model into components in credit risk profile

The banks must allocate risk limits approved by board of directors of the banks and monitor limit utilization pursuant to Article 38 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks issued by the BRSA and published in the Official Gazette no. 29057 dated 11 July 2014. Furthermore, pursuant to paragraph 5 of the same article, it is expected to establish a signal structure that will serve as an early warning mechanism in addition to the limit structure.

Additionally, principle 5 of the Guideline for Counter Party Credit Risk Management announced to the public by the BRSA with the Agency Decision no. 6827 dated 31 March 2016 states that banks must allocate a limit for counter party credit risk (CCR).

Pursuant to aforementioned regulations, to what extent the Bank gets closer to allocated limits approved by the board of directors or to what extent these levels were exceeded must be monitored by the risk management unit which was structured independent from executive units. This practice that was included in monitoring function of the risk management unit is significant as it presents a legal obligation and it helps optimization of resource utilization.

As part of the variation in customer segmentation due to changing organizational structure of the Bank, credit risk signal and limit parameters were determined on the basis of corporate, entrepreneur and personal segment in line with the customer segment structure and they are updated according to the changes in the segmentation structure. Signal and limit values for counter party credit risk transactions were determined separately for banking accounts and trading accounts based on portfolio type. Calculations were made based on ratio of risk weighted asset amounts calculated for relevant parameters to total credit and market risk weighted asset amounts and they are reported to the Bank's Top Management periodically through relevant units.

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In an attempt to prevent significant effects of unfavorable developments in the portfolio subject to market risk, it is essential to restrict risk level to the limits in line with the Bank’s risk appetite. Market risk limits were determined as interest rate risk and currency risk limits. Current values for such limits are calculated on a daily basis with market data and reported to the Bank’s Top Management through relevant units. Market risk signal and limit values are monitored dynamically in the light of market developments and, if necessary, updated based on the developments in the Bank’s strategy and risk appetite.

### ii. Criteria and approach adopted for determining credit risk policy and credit risk limits

As part of credit risk management, the Bank’s risk management team conducts the functions of identification, measurement, monitoring and controlling of credit risk in line with the structure, size, complexity and growth rate of products and activities and reports the analysis, including stress test, and its results to the Bank’s Top Management.

In an attempt to prevent significant effects of unfavorable developments in the portfolio subject to credit risk, credit risk level was restricted to the limits in line with the Bank’s risk appetite. The limits are revised and, if needed, updated regularly in line with the developments in market conditions, the Bank’s strategy and risk appetite.

There is a signal and limit structure in place, indicating that credit risk limits are almost reached as a result of internal and external developments. Parameters for signal and limit structure and limit values of parameters are determined by risk management by consulting the relevant units. The approval of Audit Committee and Board of Directors is sought in order to implement parameters and signal/limit threshold values within the Bank. It is ensured that risk signal and limit structure is forwarded to relevant units in the Bank and the structure is understood by the relevant staff. Actual values are monitored closely by the risk management Actual values regarding signal and limit parameters are reported to the Bank’s Top Management.

### iii. Structure and organization of credit risk management and control function

The Bank’s internal system units consist of the Inspection Board Presidency, Internal Control and Compliance Presidency and Risk Management Group Presidency. Credit risk management is one of the four services under the Risk Management Group Presidency.

Activities conducted at the credit risk management unit, which is subject to inspection and controlling activities periodically, aim to establish and maintain a credit risk management infrastructure that is structured enough to meet legal obligations and flexible enough to accommodate the best practices. Accordingly, capital amount that should be reserved for credit risk is calculated; risk mitigation techniques are implemented; stress tests are conducted; credit risk signal and limit structures are monitored; activities are conducted to calculate credit risk with advanced methods and developments that may affect the Bank’s credit risk are monitored. Analyses conducted are reported to the Top Management and relevant units periodically.

### iv. Relationship between credit risk management, risk control, legal compliance and internal audit functions

Risk Management Group Presidency goes through inspection and control activities periodically. In case of any findings, they are reported and required activities are performed.

Furthermore, inspection and control units involve in the process also for the ICAAP activities that constitute a significant part of risk management activities. Accordingly, ICAAP analyses and activities are validated by Internal Control and Compliance Group Presidency that reports to the Audit Commission independent from the team that develops and implements the methodology of the ICAAP analyses. The same team issues a Validation Report as well. The entire ICAAP process is subject to an inspection by the Inspection Board Presidency and reported through Examination Report issued.

### v. Scope and main content for reporting to top management and board members on credit risk management function and credit risk exposed

It is essential to inform the Bank’s Top Management about developments in credit risk management and results of the analysis and activities conducted in order to achieve efficiency in risk management. Accordingly, a reporting system for informing the Bank’s Top Management on credit risk management is established and required measures are taken for healthy functioning of the system.

Informing process as part of reporting should be based on the most current data available on a periodical basis.

Reports issued contain, at a minimum, information on risk amount and development, legal capital requirement, stress test analysis results, effect of such results on capital adequacy level, realization level of risk limits and limitations and assumptions of risk measurement method used.

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### b) Credit Quality of Assets

	Defaulted	Non-defaulted	Allowances/ amortisation and impairments	Net values
Loans	4.380.490	243.822.896	4.129.041	244.074.345
Debt Securities	-	71.673.528	2.030.828	69.642.700
Off-balance Sheet Exposure	-	106.427.839	150.916	106.276.923
<b>Total</b>	<b>4.380.490</b>	<b>421.924.263</b>	<b>6.310.785</b>	<b>419.993.968</b>

### c) Changes in the Defaulted Receivables and Debt Instruments

1	Defaulted loans and debt securities at end of the previous reporting period	3.222.700
2	Loans and debt securities that have defaulted since the last reporting period	2.547.336
3	Receivables back to non-defaulted status	245.111
4	Amounts written off	-
5	Other changes	(1.634.657)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions	4.380.490

### d) Additional explanations on credit quality of assets

#### i. Differences between definitions and explanations of “deferred” receivables and receivables for which “provision was allocated”, and definitions of “deferred” and “provision of allocation”, if any

The Bank classifies its credits and other receivables and allocates specific and general provisions pursuant to the “Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions” published in the Official Gazette no. 26333 dated 1 November 2006. The term “deferred receivables” is used for credits named “Loans under Close Monitoring” whose maturity is deferred for up to 90 days as of the end of period without any impairments as well as for credits named “Non-performing Loans” whose maturity is deferred for more than 90 days or subject to impairment. In practice, the Bank sets general provisions for credits classified as “Standard Credits” and “Under Close Monitoring” and specific provisions for credits classified as “Non-performing Loans”.

#### ii. The portion that is not considered within the scope of “allocation of provision” among deferred receivables (over 90 days) and reasons for this practice

The Bank transfers credits whose maturity is deferred for more than 90 days automatically to monitoring accounts pursuant to the classification provisions of Regulation on Provisions, and allocates provision of respective class; whereas it does not allocate specific or general provisions for fund-based credits classified as “Non-performing Loans” pursuant to Article 13 “Exceptions” of the Regulation on Provisions as the relevant risk is not assumed by the Bank.

#### iii. Definitions of methods used for determining provision amount

Pursuant to provisions of the Regulation on Provisions, the Bank allocates a General Provision of at least one percent (1%) of total standard cash loans and at least two percent (2%) of total cash loans under close monitoring (deferred for less than 90 days) and it calculates general provision by applying general provision rates applicable to cash loans (e.g. 1% for standard loans and 2% for loans under close monitoring) over risk amount calculated pursuant to the provisions of “Communiqué on Measurement and Assessment of Capital Adequacy of Banks” for non-cash loans, commitments and derivative financial instruments. While it is determined in the Regulation on Provisions that specific provision of at least 20%, 50% and 100% must be allocated for loans in groups 3, 4 and 5, respectively, which are classified as non-performing loans (deferred for more than 90 days), a specific provision of 100% is allocated for all loans under follow-up groups of receivables, regardless of their collaterals, pursuant to the precautionary principle.

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### iv. Definitions of restructured receivables

Real/legal persons using credit may, from time to time, face usual risks of business life such as failure to include the excessive cost increases in sales prices, loss of market share and turnover, unexpected expenses, problems in collection of receivables due to some factors that are beyond reasonable control of its own businesses or other businesses worked with. They may therefore have temporary liquidity difficulties. It involves setting new loan repayment maturities in line with cash flows for businesses which have no significant problem in credit worthiness and sustain their income-generating activities but fail, or priorly imply failure, to make their loan repayment in a timely manner due to temporary liquidity problems.

### v. Breakdown of receivables by geographic regions, sectors and remaining maturity; receivable amounts subject to allocation of provision by geographic regions and sectors and their respective provisions; amounts removed from the assets

	Loans and Receivables	Loans under Follow-up	Specific Provisions	Total
Domestic	226.498.658	4.176.355	3.924.906	226.750.107
EU Countries	138.388	12.431	12.431	138.388
USA, Canada	27.793	193	193	27.793
OECD Countries	-	-	-	-
Off-shore banking region	7.260	-	-	7.260
Other Foreign Countries	5.719.987	28.118	28.118	5.719.987
<b>Total</b>	<b>232.392.086</b>	<b>4.217.097</b>	<b>3.965.648</b>	<b>232.643.535</b>

	Loans and Receivables	Loans under Follow-up	Specific Provisions	Total
Agriculture	49.899.581	644.185	399.592	50.144.174
Farming and Stockbreeding	49.295.582	636.678	392.085	49.540.175
Forestry	352.602	3.611	3.611	352.602
Fishing	251.397	3.896	3.896	251.397
Manufacturing	45.794.478	744.282	744.282	45.794.478
Mining and Quarrying	4.385.467	17.200	17.200	4.385.467
Production	29.499.936	711.979	711.979	29.499.936
Electric, Gas and Water	11.909.075	15.103	15.103	11.909.075
Construction	13.310.680	923.605	916.944	13.317.341
Services	52.206.098	979.194	979.194	52.206.098
Wholesale and Retail Trade	20.685.712	802.160	802.160	20.685.712
Hotel Food and Beverage Services	3.899.201	36.062	36.062	3.899.201
Transportation and Telecommunication	7.325.692	45.853	45.853	7.325.692
Financial Institutions	5.533.523	1.605	1.605	5.533.523
Real Estate and Leasing Services	13.438.275	66.572	66.572	13.438.275
Self Employment Services	-	-	-	-
Education Services	388.039	13.666	13.666	388.039
Health and Social Services	935.656	13.276	13.276	935.656
Other	71.181.249	925.831	925.636	71.181.444
<b>Total</b>	<b>232.392.086</b>	<b>4.217.097</b>	<b>3.965.648</b>	<b>232.643.535</b>

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-distributable	Total
<b>Current Period</b>								
Loans Granted	-	8.685.180	16.150.787	87.914.227	94.336.198	25.305.694	251.449	<b>232.643.535</b>

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### vi. Aging analysis for deferred receivables

The Aging Analysis regarding the loans which are overdue but yet have not lost its value has been presented below;

Current Period	Up to 1 Month	1-2 Months	2-3 Months	Total
Loans and Receivables <sup>(1)</sup>				
Corporate/Entrepreneur Loans	366.221	51.043	82.207	499.471
Retail Loans	41.679	9.335	4.355	55.369
Directed Loans	346.390	44.254	21.789	412.433
<b>Total</b>	<b>754.290</b>	<b>104.632</b>	<b>108.351</b>	<b>967.273</b>

<sup>(1)</sup> The amounts in the table are the installment amounts due for installment loans and the overdue principal amounts for other loans and the sum of remaining principal amounts of installment loans is 3.484.322 TL.

### vii. Breakdown of restructured receivables by allocation of provision

Out of the Bank's total restructured loans amounting to TL 8.312.683, a portion of TL 8.112.945 consists of performing loans and remaining portion of TL 199.738 consists of non-performing loans. While the specific provision allocated for non-performing loans amounts to TL 199.567, no specific provision was allocated for non-performing loans of TL 171, whose risk is not assumed by the Bank.

## 2) Credit risk mitigation

### a) Qualitative requirements to be disclosed to public regarding credit risk mitigation techniques

#### i. Basic characteristics of policies and processes on the extent of utilization of on-balance sheet and off-balance sheet netting

The practice of on-balance sheet and off-balance sheet netting is not used while mitigating credit risk within the Bank.

#### b) Credit risk mitigation techniques - Overview

	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	236.237.231	6.943.684	1.220.992	893.430	610.373	-	-
Debt instruments	69.642.700	-	-	-	-	-	-
<b>Total</b>	<b>305.879.931</b>	<b>6.943.684</b>	<b>1.220.992</b>	<b>893.430</b>	<b>610.373</b>	<b>-</b>	<b>-</b>
Default	4.380.490	-	-	-	-	-	-

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### **3) Credit risk if standard approach is used**

#### **a) Qualitative explanations on ratings used by the banks while calculating credit risk with standard approach**

##### **i. Names of Credit Rating Agencies (CRA) and Export Rating Agencies (ERA) used by the Bank and the reasons in case of any change during the reporting period**

The Bank uses ratings of Fitch Ratings International Rating Agency while calculating the amount subject to credit risk through standard approach.

##### **ii. Risk classes using CRA and ERA ratings**

Grades of Fitch Ratings International Rating Agency are used for receivables from central government and central bank of our country as well as for foreign-based counter parties. Resident counter parties are accepted as “gradeless” and take risk weight appropriate for “gradeless” category in relevant risk class.

Rating grades are used in risk classes of Receivables from Central Governments or Central Banks and Receivables from Banks and Brokerage Houses.

##### **iii. Explanation on how credit rating of debtor is used for other assets of debtor in banking accounts**

For determination of risk weight regarding items included in banking accounts which are subject to issue or issuer rating, issue rating is considered first, and issuer’s credit rating is considered in the absence of issue rating.

While the rating assigned by Fitch Ratings International Rating Agency corresponds to credit quality level 3 in the risk class “Receivables from Central Governments or Central Banks”, ratings used for the risk class “Receivables from Banks and Brokerage Houses” match with different credit quality levels.

##### **iv. Matching rating grades on the basis of risk**

Rating grade assigned by a credit rating agency that is not listed in the BRSA’s matching table is not used in calculations.

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### b) Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects:

Risk classes	The credit conversion rate and the credit amount before the credit risk mitigation		The credit conversion rate and the credit amount after the credit risk mitigation		Risk weighted amount and risk weighted amount density	
	Balance sheet amount	Off-balance sheet amount	Balance sheet amount	Off-balance sheet amount	Risk Weighted Average amount	Risk Weighted Average density
Exposures to sovereigns and their central banks	83.148.313	791.707	88.906.802	378.405	25.092.503	28,1%
Exposures to regional and local governments	527.036	232.722	484.507	84.127	277.773	48,8%
Exposures to administrative bodies and non-commercial entities	185.075	811.560	379.175	378.764	713.770	94,2%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	56.729.936	8.479.170	57.091.786	4.526.087	7.804.404	12,7%
Exposures to corporates	109.583.886	74.513.827	103.409.641	37.260.183	137.980.703	98,1%
Retail exposures	88.375.184	19.755.873	88.280.224	2.917.439	67.916.302	74,5%
Exposures secured by residential property	27.200.877	111.527	27.200.877	55.764	9.543.770	35,0%
Exposures secured by commercial property	9.458.822	420.049	9.456.125	215.932	4.898.303	50,6%
Past-due items	-	-	-	-	-	-
Exposures in high-risk categories	308.898	119.744	308.890	19.795	492.014	149,7%
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	1.667.356	47.437	1.667.356	23.081	1.686.718	99,8%
Other exposures	18.024.549	-	18.024.549	-	8.544.536	47,4%
Equity share investments	124.451	-	124.451	-	124.451	100,0%
<b>Total</b>	<b>395.334.383</b>	<b>105.283.616</b>	<b>395.334.383</b>	<b>45.859.577</b>	<b>265.075.247</b>	<b>60,1%</b>

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### c) Standard Approach: Receivables related with Risk Classes and Risk Weights

Risk Classes/Risk Weight	0%	10%	20%	35% secured by property mortgage	50% secured by property mortgage	50% <sup>(*)</sup>	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	39.856.047	-	14.761	-	-	48.649.697	-	764.702	-	-	-	89.285.207
Exposures to regional and local government	32.187	-	34	-	-	517.294	-	19.119	-	-	-	568.634
Exposures to administrative bodies and non-commercial entities	43.756	-	516	-	-	-	-	713.667	-	-	-	757.939
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	40.681.369	-	9.539.932	-	-	11.000.308	-	396.264	-	-	-	61.617.873
Exposures to corporates	116.002	-	1.395.093	-	-	2.914.090	-	136.244.639	-	-	-	140.669.824
Retail exposures	511.274	-	175.558	-	-	7.730	90.503.101	-	-	-	-	91.97.663
Exposures secured by residential property	6.594	-	951	27.239.255	-	-	-	9.841	-	-	-	27.256.641
Exposures secured by commercial property	4.389	-	3.037	-	9.533.871	-	-	130.760	-	-	-	9.672.057
Past-due items	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	632	-	41	-	-	-	-	23	327.989	-	-	328.685
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	3.718	-	-	-	-	-	-	1.686.719	-	-	-	1.690.437
Equity share investments	-	-	-	-	-	-	-	124.451	-	-	-	124.451
Other exposures	9.476.992	-	3.779	-	-	-	-	8.543.778	-	-	-	18.024.549
<b>Total</b>	<b>90.732.960</b>	<b>-</b>	<b>11.133.702</b>	<b>27.239.255</b>	<b>9.533.871</b>	<b>63.089.119</b>	<b>90.503.101</b>	<b>148.633.963</b>	<b>327.989</b>	<b>-</b>	<b>-</b>	<b>441.193.960</b>

(\*) "Demonstrates all receivables that are consisting of 50% risk weighted and out of the line "Exposures secured by commercial property."

### 4) Credit risk under Internal Ratings-Based (IRB) Approach

Standard approach is used in the Bank's credit risk calculations.

### 3. Counter Party Credit Risk Explanations

#### a) Qualitative explanations on counter party credit risk

##### i. Risk management goals and policies for CCR

As part of the Bank's counter party credit risk management, the functions of identification, measurement, monitoring and controlling of counter party credit risk are conducted in line with the structure, size, complexity and growth rate of products and activities, and the analysis, including stress test, and its results are reported to the Top Management.

As part of capital adequacy ratio calculations, activities for counter party credit risk are an integral part of planning, monitoring and controlling of total risk profile, and counter party credit risk management is integrated to periodic risk management process.

In the scope of counter party risk management, it is aimed to meet legal obligations and to establish and maintain counter party credit risk management infrastructure that is flexible and structured enough to accommodate the best practices. Accordingly, it is planned to conduct stress test activities, improve counter party credit risk signal and limit structure and conduct relevant monitoring function.

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### **ii. Operational limit allocation method specified in the scope of internal capital calculated for CCR and CCP risks**

Critical thresholds (signal and limit values) indicating that limits are approached due to internal or external developments have been identified. In the event that these values are approached or exceeded, relevant units take required actions.

Parameters for signal and limit structure and limit values of parameters are determined by consulting the relevant units and implemented at the Bank upon approval of the Audit Committee and Board of Directors.

Internal limits are determined by considering the Bank’s budget, strategy and expectations for upcoming years, developments in Turkey and abroad, and historical realization of risks.

### **iii. Policies for establishing guarantee and other risk mitigation and CCR, including CCP risk**

In an attempt to identify the counter party credit risk that the Bank may face, risk measurement and monitoring activities are performed and their results are considered in strategic decision-making process.

Our risk management structure involves activities to ensure that counter party credit risk measurement system functions and is maintained in line with the best practices, legal regulations, fields of activity and product ranges in a consistent, reliable and integrated way.

As part of counter party credit risk management, stress test scenarios were created by anticipating any unfavorable developments in macroeconomic conditions and the Bank’s balance sheet. Results of stress test analysis are considered while establishing risk management policies.

Amount subject to counter party credit risk is calculated with appraisal method based on its fair value in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and provisions in Appendix-2, and reported on a monthly basis. Accordingly, replacement cost and potential counter party credit risk amounts are calculated. Furthermore, capital obligation is also calculated for credit appraisal adjustment for all derivatives.

Additionally, compliance of transactions posing counter party credit risk with thresholds within signal and limit structure is monitored and research is conducted for counter party credit risk calculations with advanced methods.

### **iv. Rules for countertrend risk**

Boasting a strong lending and collateralization structure, the Bank avoids collateralization in positive correlation with the debtor’s credibility and activities in connection with risk mitigation techniques are performed by considering qualitative criteria specified in legal legislation for calculation of amount subject to credit risk.

### **v. Amount of additional collateral that the Bank must submit in case of a decline in credit rating**

As the Bank has no transactions in connection with credit rating, there is not any additional collateral amount it must pay.

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### b) Evaluation of counterparty credit risk in accordance with the measurement methods

	Replacement cost	Potential future exposure	EEPE Amount <sup>(*)</sup>	Alpha used for computing regulatory exposure at default	Exposure at default post Credit Risk Mitigation	Risk weighted amounts
Valuation Method according to fair value - CCR (for derivatives)	1.561.694	434.662			1.996.356	838.141
1 Standardised approach - CCR (for derivatives)	-	-		1,4	-	-
2 Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3 Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					28.145.669	1.635.788
4 Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					2.777.053	828.485
5 Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
<b>6 Total</b>						<b>3.302.414</b>

(\*) Effective Expected Positive Exposure

### c) Consolidated capital requirement for credit valuation adjustment (CVA)

	Exposure at default post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge	-	-
1 (i) Value at Risk (VaR) component (including the 3×multiplier)		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-
3 All portfolios subject to the Standardised CVA capital charge	1.996.356	20.833
<b>4 Total subject to the CVA capital charge</b>	<b>1.996.356</b>	<b>20.833</b>

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### d) Standard approach - counterparty credit risk by risk classes and risk weights

Risk Weight										Total credit risk exposure <sup>(*)</sup>
Regulatory portfolio	0%	10%	20%	50%	75%	100%	150%	Other		(*)
Exposures to sovereigns and their central banks	265.289	-	-	105.163	-	-	-	-	-	370.452
Exposures to regional and local governments	5.771	-	-	18	-	-	-	-	-	5.789
Exposures to administrative bodies and non-commercial entities	15.695	-	-	-	-	50	-	-	-	15.745
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	42.115.329	-	6.404.749	3.758.968	-	781	-	-	-	52.279.827
Exposures to corporates	12.069	-	-	-	-	108.485	-	-	-	120.554
Retail exposures	10.558	-	-	-	1.211	-	-	-	-	11.769
Exposures secured by residential property	-	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	3.718	-	-	-	-	11	-	-	-	3.729
Equity share investments	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-
Other assets <sup>(**)</sup>	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>42.428.429</b>	<b>-</b>	<b>6.404.749</b>	<b>3.864.149</b>	<b>1.211</b>	<b>109.327</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52.807.865</b>

(\*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

(\*\*) Other assets: the amount excludes exposures to “Central counterparty” which are reported in Counterparty credit risk

### e) Risk Classes and Counterparty Credit Risk Explanations (Internal Rating-Based)

None.

### f) Collaterals for consolidated CCR

	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	31.252.959	-
Cash-foreign currency	-	-	-	-	13.753.198	-
Domestic sovereign debts	-	-	-	-	3.081	-
Other sovereign debts	-	-	-	-	105.100	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45.114.338</b>	<b>-</b>

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### g) Credit Derivatives

None.

### h) Risk Weight changes under CCR on the Internal Modeling Management Methods.

None.

### i) Exposures to central counterparties (CCP):

None.

### 4. Explanations on Securitization Disclosures

None.

### 5. Market Risk Explanations

#### a) Qualitative information to be disclosed to public on market risk

**i. The Bank’s process and strategies: A disclosure on the Bank’s strategic goals for trading activities is made in a manner that includes processes for identification, measurement, monitoring and controlling of the Bank’s market risks, hedging processes and strategies/ processes for monitoring continuity of hedging efficiency**

For the purposes of market risk aversion in line with financial risk management, the Bank has identified market risk management activities in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks and has taken required precautions.

The Bank’s market risk management policies and implementation procedures have been specified in the scope of the Regulation on Risk Management, Stress Test Program and ICAAP approved by the Board of Directors.

The Bank ensures that measurement, monitoring, limiting, stress test and scenario analysis activities are conducted in line with the structure and complexity of its positions for market risk management and their results are reported periodically. Activities sustained are conducted over a trading portfolio specified by the Bank’s Treasury Management and other activities subject to market risk.

The amount subject to market risk is calculated and monitored with standard method and advanced measurement method at the Bank. Furthermore, scenario analysis and stress tests are also conducted periodically.

**ii. Organization and structure of market risk management function: Definition of market risk management structure established for implementation of the Bank’s strategies and processes as mentioned in line “i)” and definition of communication mechanism and relationship between different parties involved in market risk management**

Market risk management is a subunit of Risk Management Group Presidency, one of internal systems units established independently from executive units of the Bank.

Market risk management activities are conducted in line with the Regulation on Risk Management, Stress Test Program and ICAAP approved with the Board Decision no. 15/18 dated 28 April 2015 and performed by aiming the best practices in this structure.

The Bank’s trading activities and transactions subject to market risk are monitored and measured regularly, and required practices are performed for risk management. Required reports on market risk are submitted to relevant units and the Bank’s Top Management regularly.

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### iii. Structure and scope of risk reporting and/or measurement systems

The amount subject to the Bank's market risk is calculated on a monthly basis with the standard method and included in the Bank's capital adequacy ratio.

Apart from the standard method, Value at Risk (VaR) estimations are made for trading accounts on a daily basis and reported to relevant units. VaR calculated with Historical Simulation Method is used in daily reporting and limit measurement with a confidence level of 99%. VaR can be calculated with Parametric and Monte Carlo Methods in addition to Historical Simulation Method. Backward testing is performed so as to measure performance of used model and monitor market realization. Also, the Bank performs stress tests and scenario analyses on a daily and monthly basis so as to observe the effect of excessive market fluctuations that are not covered in the models on the Bank's financial position. Scenario analysis and stress test activities are audited and improved regularly in line with the market dynamics.

The market risk exposure is restricted with VaR-based limits (interest rate and currency risk limit) within the context of the Regulation on Risk Management, Stress Test Program and ICAAP. Market risk limits are determined by the Bank's Board of Directors.

### c) Standardised Approach

		Risk Weighted Amount
	Outright products	
1	Interest rate risk (general and specific)	12.242.337
2	Equity risk (general and specific)	1.050.625
3	Foreign exchange risk	2.065.813
4	Commodity Risk	-
	Options	
5	Simplified Approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	<b>Total</b>	<b>15.358.775</b>

### 6. Explanations on the Operational Risk

In the Bank, Amount subject to Operational Risk is calculated with Basic Indicator Approach based on yearly. The parameter which determines the amount subject to operational risk in Basic Indicator Approach is gross revenue. Yearly gross revenue is calculated by adding net interest incomes to net fees and commission income, dividend income obtained from shares excluding shares of subsidiaries and associates, trading profit/loss (net) and other operating incomes and also by deducting profit/loss gained from sale of assets monitored out of purchase-sale account, extraordinary incomes, operating expense made against support service and amounts compensated from insurance.

Within the scope of the performances for modeling with the Advanced Measurement Approach of operational risk, based on the data in Operational Risk Loss database, Operational Value at Risk (OpVAR) measurements are calculated using Monte Carlo Simulation within the scope of Loss Distribution Method.

	31.12.2013	31.12.2014	31.12.2015	Total/ Positive GI year number	Ratio (%)	Total
Gross income	9.832.553	10.313.730	12.685.346	10.943.876	15	1.641.581
Amount subject to Operational Risk						20.519.768

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### 7. Explanations on the Interest Rate Risk for Banking Accounts

Banking accounts interest rate risk management strategy policy and implementation procedures are determined within the context of “Regulation on Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”).”

Bank performs scenario analysis with measurements that are suitable for structure and complexness of positions related to the market risk management, limiting, scenario analysis and stress test and also reports the findings cyclically. Bank’s perform analysis related to interest rate risks for the entire balance sheet. New products and services are also evaluated from the point of interest rate risk that is originated from banking accounts.

In the risk management, the following methods are followed at minimum level: The follow-up of rate and maturity mismatch between sources and uses of fixed and variable interest rates, the analysis and follow-up of the effects of the usual and unusual changes in interest rates which is possibly uptrend and downtrend on the interest margin and on the current value of assets and liabilities, the analysis and follow-up of contractual maturities as well as behavioral maturities assets and liabilities, monitoring closely of interest margins for provided Turkish Liras and foreign currency, the follow-up of the effects of interest rate changes on Bank’s economic value and capital requirement, the follow-up of potential impacts of valuation methods, the calculation and the determination of the size of interest rate shock in Bank’s internal applications, the follow-up of yield curve, basis risk and option risk. Also, in order to limit the impact of interest rate changes on Bank’s financial structure, the interest rate risk limit arising from banking accounts which is approved by the Board of Directors is followed monthly.

Currency	Applied Shock (+/-x basis points)	Gains/Losses	Gains/Shareholders' Equity- Losses/ Shareholders' Equity
1. TL	500	(5.973.447)	(14,55%)
2. TL	(400)	5.897.170	14,36%
3. EURO	200	100.055	0,24%
4. EURO	(200)	(65.175)	(0,16%)
5. USD	200	(1.075.912)	(2,62%)
6. USD	(200)	1.337.975	3,26%
<b>Total (for negative shocks)</b>		<b>7.169.970</b>	<b>17,46%</b>
<b>Total (for positive shocks)</b>		<b>(6.949.304)</b>	<b>(16,92%)</b>

### X. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

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

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

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

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

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

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

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

As of 31 December 2016, explanations on segment reporting as shown on the following page are in line with Communiqué on “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures”.

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### Table for Segment Reporting:

Current Period 31 December 2016	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Correction	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>							
Interest Income	6.926.242	10.029.557	4.629.522	6.303.425	-	357.121	28.245.867
Interest Income from Loans	6.926.242	9.979.925	4.629.507	525.514	-	26.091	22.087.279
Interest Income from Banks	-	48.786	-	67.023	-	104.849	220.658
Interest Income from Securities	-	846	-	5.515.852	-	11.047	5.527.745
Other Interest Income	-	-	15	195.036	-	215.134	410.185
<b>Interest Expense</b>	<b>6.594.586</b>	<b>3.039.158</b>	<b>-</b>	<b>3.827.398</b>	<b>-</b>	<b>110.159</b>	<b>13.571.301</b>
Interest Expense on Deposits	6.594.586	3.031.889	-	429.875	-	2.226	10.058.576
Interest Expense on Funds Borrowed	-	7.127	-	482.575	-	38.010	527.712
Interest Expense on Money Market Transactions	-	-	-	2.532.649	-	4	2.532.653
Interest Expense on Securities Issued	-	-	-	382.299	-	15.222	397.521
Other Interest Expense	-	142	-	-	-	54.697	54.839
<b>Net Interest Income/Expense</b>	<b>331.656</b>	<b>6.990.399</b>	<b>4.629.522</b>	<b>2.476.027</b>	<b>-</b>	<b>246.962</b>	<b>14.674.566</b>
<b>Net Fees and Commission Income/Expense</b>	<b>1.063.047</b>	<b>404.876</b>	<b>105.147</b>	<b>(243.219)</b>	<b>-</b>	<b>186.716</b>	<b>1.516.567</b>
Fees and Commissions Received	1.063.047	411.353	105.147	4.128	-	290.732	1.874.407
Fees and Commissions Paid	-	6.477	-	247.347	-	104.016	357.840
Dividend Income	-	-	-	259.184	(231.293)	5.010	32.901
<b>Trading Income/Loss (Net)</b>	<b>-</b>	<b>12.698</b>	<b>-</b>	<b>(180.806)</b>	<b>-</b>	<b>(1.885)</b>	<b>(169.993)</b>
Other Operating Income	35.620	304.484	34.836	-	-	2.852.647	3.227.587
Provision for Loans or Other Receivables Losses	958.623	1.829.617	693.715	119	(924)	95.102	3.576.252
Other Operating Expense	76.486	297.851	49.083	-	(1.351)	6.265.758	6.687.827
<b>Income Before Tax</b>	<b>395.214</b>	<b>5.584.989</b>	<b>4.026.707</b>	<b>2.311.067</b>	<b>(229.018)</b>	<b>(3.071.410)</b>	<b>9.017.549</b>
Profit/Loss on Equity Method	-	-	-	-	-	21.914	21.914
Tax Provision	-	-	-	-	-	(2.154.328)	(2.154.328)
<b>Net Profit/Loss</b>	<b>395.214</b>	<b>5.584.989</b>	<b>4.026.707</b>	<b>2.311.067</b>	<b>(229.018)</b>	<b>(5.203.824)</b>	<b>6.885.135</b>
<b>SEGMENT ASSETS</b>							
Financial Assets at FV Through P/L	-	9.042	-	1.684.798	-	25.731	1.719.571
Banks and Other Financial Institutions	-	767.830	-	2.904.692	-	900.488	4.573.010
Financial Assets Available for Sale (Net)	-	-	-	59.119.312	147	8.755	59.128.214
Loans	63.876.189	122.691.522	46.461.974	10.701.124	-	343.536	244.074.345
Held to Maturity Investments (Net)	-	15.975	-	8.749.464	-	29.476	8.794.915
Associates, Subsidiaries and Joint Ventures	-	951	-	4.311.740	(4.125.232)	26.989	214.448
Other Assets	-	247.399	-	-	(6.135)	53.136.158	53.377.422
<b>Total Segment Assets</b>	<b>63.876.189</b>	<b>123.732.719</b>	<b>46.461.974</b>	<b>87.471.130</b>	<b>(4.131.220)</b>	<b>54.471.133</b>	<b>371.881.925</b>
<b>SEGMENT LIABILITIES</b>							
Deposits	157.246.729	60.890.317	10.183	13.325.891	-	1.438.873	232.911.993
Derivative Financial Liabilities Held for Trading	-	-	-	642.476	-	10.889	653.365
Funds Borrowed	-	16.458	-	23.459.531	-	950.540	24.426.529
Money Market Funds	-	-	-	47.345.629	-	-	47.345.629
Securities Issued (Net)	-	4.469	-	6.934.460	-	131.822	7.070.751
Provisions	824	22.114	-	-	22.628	7.493.095	7.538.661
Other Liabilities	-	38.425	-	-	(6.135)	12.990.910	13.023.200
Shareholders' Equity	-	252.276	-	-	(4.147.715)	42.807.236	38.911.797
<b>Total Segment Liabilities</b>	<b>157.247.553</b>	<b>61.224.059</b>	<b>10.183</b>	<b>91.707.987</b>	<b>(4.131.222)</b>	<b>65.823.365</b>	<b>371.881.925</b>
<b>OTHER SEGMENT ITEMS</b>							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	376.382	376.382
Restructuring Costs	-	-	-	-	-	-	-

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	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Correction	Other/ Undistributed	Total
<b>Prior Period</b>							
<b>OPERATING INCOME/EXPENSE</b>							
<b>31 December 2015</b>							
<b>Interest Income</b>	5.775.959	7.143.107	3.481.380	5.858.253	-	393.416	22.652.115
Interest Income from Loans	5.775.959	7.097.986	3.481.380	524.564	-	33.542	16.913.431
Interest Income from Banks	-	39.267	-	53.007	-	90.749	183.023
Interest Income from Securities	-	2.183	-	5.220.380	-	25.159	5.247.722
Other Interest Income	-	3.671	-	60.302	-	243.966	307.939
<b>Interest Expense</b>	5.716.499	2.558.280	-	3.237.389	-	114.818	11.626.986
Interest Expense on Deposits	5.716.499	2.556.806	-	425.029	-	2.563	8.700.897
Interest Expense on Funds Borrowed	-	-	-	403.384	-	38.040	441.424
Interest Expense on Money Market Transactions	-	736	-	2.127.843	-	20	2.128.599
Interest Expense on Securities Issued	-	-	-	281.133	-	13.426	294.559
Other Interest Expense	-	738	-	-	-	60.769	61.507
<b>Net Interest Income/Expense</b>	59.460	4.584.827	3.481.380	2.620.864	-	278.598	11.025.129
<b>Net Fees and Commission Income/Expense</b>	815.605	327.037	79.035	(191.825)	-	200.424	1.230.276
Fees and Commissions Received	815.605	327.941	79.035	5.275	-	333.526	1.561.382
Fees and Commissions Paid	-	904	-	197.100	-	133.102	331.106
<b>Dividend Income</b>	-	-	-	213.056	(208.673)	2.036	6.419
<b>Trading Income/Loss (Net)</b>	185	9.623	-	(162.541)	-	11.016	(141.717)
<b>Other Operating Income</b>	24.519	247.764	47.778	3.731	-	2.110.114	2.433.906
<b>Provision for Loans or Other Receivables Losses</b>	402.157	776.519	295.903	1.715	5.026	65.951	1.547.271
<b>Other Operating Expense</b>	45.338	220.676	35.715	-	(142)	5.845.197	6.146.784
<b>Income Before Tax</b>	452.274	4.172.056	3.276.575	2.481.570	(213.557)	(3.308.960)	6.859.958
<b>Profit/Loss on Equity Method</b>	-	-	-	-	-	28.025	28.025
<b>Tax Provision</b>	-	-	-	-	-	(1.510.009)	(1.510.009)
<b>Net Profit/Loss</b>	452.274	4.172.056	3.276.575	2.481.570	(213.557)	(4.790.944)	5.377.974
<b>SEGMENT ASSETS</b>							
<b>31 December 2015</b>							
Financial Assets at FV Through P/L	-	-	-	945.774	-	26.492	972.266
Banks and Other Financial Institutions	-	378.545	-	3.297.543	-	1.405.776	5.081.864
Financial Assets Available for Sale (Net)	-	36.360	-	53.948.118	148	52.312	54.036.938
Loans	51.214.922	95.157.671	37.676.823	8.190.770	-	268.210	192.508.396
Held to Maturity Investments (Net)	-	13.407	-	10.144.142	-	65.926	10.223.475
Associates, Subsidiaries and Joint Ventures	-	817	-	2.655.366	(2.495.396)	25.282	186.069
Other Assets	-	197.145	-	-	(2.537)	47.064.202	47.258.810
<b>Total Segment Assets</b>	51.214.922	95.783.945	37.676.823	79.181.713	(2.497.785)	48.908.200	310.267.818
<b>SEGMENT LIABILITIES</b>							
<b>31 December 2015</b>							
Deposits	137.600.974	41.269.946	-	10.828.741	-	1.220.436	190.920.097
Derivative Financial Liabilities Held for Trading	-	-	-	290.275	-	9.907	300.182
Funds Borrowed	-	43.305	-	19.463.588	-	1.280.510	20.787.403
Money Market Funds	-	-	-	43.134.312	-	-	43.134.312
Securities Issued (Net)	-	-	-	5.287.606	-	131.791	5.419.397
Provisions	-	14.470	-	-	23.552	6.327.715	6.365.737
Other Liabilities	-	19.556	-	-	(2.537)	11.570.729	11.587.748
Shareholders' Equity	-	235.617	-	-	(2.518.802)	34.036.127	31.752.942
<b>Total Segment Liabilities</b>	137.600.974	41.582.894	-	79.004.522	(2.497.787)	54.577.215	310.267.818
<b>OTHER SEGMENT ITEMS</b>							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	333.360	333.360
Restructuring Costs	-	-	-	-	-	-	-

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### XI. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES

#### a) Information regarding the fair value of financial assets and liabilities:

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>316.570.484</b>	<b>261.850.673</b>	<b>316.981.873</b>	<b>262.357.027</b>
Due from Interbank Money Market	252.944	116.173	252.944	116.173
Banks	4.320.066	4.965.691	4.320.066	4.965.691
Available-for-Sale Financial Assets	59.128.214	54.036.938	59.128.214	54.036.938
Held-to-Maturity Investments	8.794.915	10.223.475	9.206.304	10.729.829
Loans	244.074.345	192.508.396	244.074.345	192.508.396
<b>Financial Liabilities</b>	<b>266.976.174</b>	<b>219.506.033</b>	<b>266.976.174</b>	<b>219.506.033</b>
Bank Deposits	11.975.932	9.686.885	11.975.932	9.686.885
Other Deposits	220.936.061	181.233.212	220.936.061	181.233.212
Funds Borrowed from Other Financial Institutions	24.426.529	20.787.403	24.426.529	20.787.403
Issued Marketable Securities	7.070.751	5.419.397	7.070.751	5.419.397
Miscellaneous Payables	2.566.901	2.379.136	2.566.901	2.379.136

Receivables from money markets, receivables from banks and bank deposits are of short term nature, therefore carrying values are considered as fair value.

In determination of book and fair value of available-for-sale securities, market prices are taken into consideration. If these securities are not traded in an active market, the indicator prices calculated by CBRT are taken into account.

The fair value of held to maturity financial assets is calculated by considering market prices. In cases where these prices cannot be determined, the fair value is assessed on the basis of market prices quoted for securities that have the same attributes in terms of interest, maturity and other terms.

The fair value of loans and other deposits represent the sum of the cost and the accrued interest.

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**a) Information on fair value measurements recognized in the financial statements:**

According to TFRS 7 “Financial Instruments: Explanations” Standard, the accounts recognized with the fair value in the balance sheet should be presented and classified sequentially in the related footnotes. Respectively, such financial instruments are classified in three levels representing the importance of the data used during for the measurement of fair values. At level one, the financial instruments whose fair values are determined with the recorded prices in the active markets for the assets and liabilities with identical fair values; at level two, the financial instruments whose fair value is based on the directly or indirectly observable market indicators and at level three; the financial instruments whose fair value is not based on the directly or indirectly observable market indicators are considered. The financial instruments which are recognized with their fair values at the Parent Bank’s balance sheet, are presented with respect to such basis of classification in the table below:

<b>Current Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets at Fair Value Through Profit or (Loss) (Net)</b>	<b>52.184</b>	<b>1.667.387</b>	-	<b>1.719.571</b>
Government Debt Securities	40.825	-	-	40.825
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	11.359	1.667.387	-	1.678.746
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets (Net)</b>	<b>58.518.529</b>	<b>586.499</b>	-	<b>59.105.028</b>
Equity Securities <sup>(1)</sup>	526.528	99.684	-	626.212
Government Debt Securities	57.900.259	-	-	57.900.259
Other Marketable Securities	91.742	486.815	-	578.557
<b>Total Assets</b>	<b>58.570.713</b>	<b>2.253.886</b>	-	<b>60.824.599</b>
Trading Derivative Financial Liabilities	9.737	643.628	-	653.365
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>9.737</b>	<b>643.628</b>	-	<b>653.365</b>

<sup>(1)</sup> Since equity securities under the heading of financial assets available for sale amounting to TL 23.186 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above

<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets at Fair Value Through Profit or (Loss) (Net)</b>	<b>43.982</b>	<b>928.284</b>	-	<b>972.266</b>
Government Debt Securities	39.408	-	-	39.408
Share Certificates	580	-	-	580
Trading Derivative Financial Assets	3.994	928.284	-	932.278
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets (Net)</b>	<b>53.643.249</b>	<b>275.076</b>	<b>95.427</b>	<b>54.013.752</b>
Equity Securities <sup>(1)</sup>	388.756	101.711	95.028	585.495
Government Debt Securities	53.168.577	-	-	53.168.577
Other Marketable Securities	85.916	173.365	399	259.680
<b>Total Assets</b>	<b>53.687.231</b>	<b>1.203.360</b>	<b>95.427</b>	<b>54.986.018</b>
Trading Derivative Financial Liabilities	6.897	293.285	-	300.182
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>6.897</b>	<b>293.285</b>	-	<b>300.182</b>

<sup>(1)</sup> Since equity securities under the heading of financial assets available for sale amounting to TL 23.186 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above

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### XII. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ON ACCOUNT OF OTHER PARTIES

#### 1. Transaction, Custody, Management and Consultancy Services of the Parent Bank on behalf of Third Parties:

The Parent Bank acts as an intermediary for purchases and sales of government securities on behalf of real persons and corporate, conducts repo transactions, and provides custody services. The Parent Bank does not provide consultancy and management services.

#### 2. Transactions with other financial institutions under fiduciary transaction agreements and financial services rendered to other financial institutions under the scope of fiduciary transactions and the effects of such services to the financial position of the Parent Bank or the Group:

The Parent Bank has no fiduciary transactions.

### SECTION FIVE

#### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

##### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1.738.822	1.053.954	1.723.559	853.611
Central Bank of the Republic of Turkey	6.432.150	31.248.539	2.378.666	31.888.236
Other	3.775	168.265	-	90.605
<b>Total</b>	<b>8.174.747</b>	<b>32.470.758</b>	<b>4.102.225</b>	<b>32.832.452</b>

#### 1) Information on Required Reserves:

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

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

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

As of 31 December 2016, total reserve requirement of the Group is TL 37.360.029 including Central Banks abroad (31 December 2015: TL 35.484.883).

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### 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	6.332.401	2.254.151	2.310.541	236.684
Unrestricted Time Deposit	-	2.312.376	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1) (2)</sup>	99.749	26.682.012	68.125	31.651.552
<b>Total</b>	<b>6.432.150</b>	<b>31.248.539</b>	<b>2.378.666</b>	<b>31.888.236</b>

<sup>(1)</sup> Required reserve of branches abroad amounting to TL 88.706 is presented in this line (31 December 2015: TL 78.150).<sup>(2)</sup> TL 12.506.189 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2015: TL 19.082.468).

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

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

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

Derivative Financial Assets Held-for-Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	34.505	62.310	26.116	46.643
Swap Transactions	1.161.871	420.018	625.959	233.506
Futures Transactions	-	-	-	-
Options	42	-	9	45
Other	-	-	-	-
<b>Total</b>	<b>1.196.418</b>	<b>482.328</b>	<b>652.084</b>	<b>280.194</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	1.515.980	376.346	1.884.201	408.643
Foreign Banks	70.103	2.357.637	27.113	2.645.734
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>1.586.083</b>	<b>2.733.983</b>	<b>1.911.314</b>	<b>3.054.377</b>

### b) Information on foreign banks accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	932.505	241.995	7.867	9.108
USA, Canada	1.032.444	1.902.409	-	705
OECD Countries <sup>(1)</sup>	21.643	8.874	-	-
Off-Shore Banking Regions	-	-	-	-
Other	431.433	508.885	1.848	871
<b>Total</b>	<b>2.418.025</b>	<b>2.662.163</b>	<b>9.715</b>	<b>10.684</b>

<sup>(1)</sup> OECD countries except EU countries, USA and Canada.

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	41.422.834	40.599.081
Assets Blocked/Given as Collateral	5.879.016	5.251.648
<b>Total</b>	<b>47.301.850</b>	<b>45.850.729</b>

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

	Current Period	Prior Period
Debt Securities	60.472.357	54.745.634
Quoted in Stock Exchange	60.387.940	54.688.171
Not Quoted in Stock Exchange	84.417	57.463
Share Certificates	686.242	635.564
Quoted in Stock Exchange	528.908	483.687
Not Quoted in Stock Exchange	157.334	151.877
Provision for Impairment (-)	2.030.385	1.344.260
<b>Total</b>	<b>59.128.214</b>	<b>54.036.938</b>

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**5. Information related to loans:**

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	12.654	-	202
<b>Loans Granted to Employees <sup>(1) (2)</sup></b>	290.654	155	267.353	132
<b>Total</b>	290.654	12.809	267.353	334

<sup>(1)</sup> Interest rediscount and interest accrual amounting TL 2.429, are not included in the table above.

<sup>(2)</sup> Since the balance of overdraft accounts related to employees amounting TL 15.257, is showed under Table 5-d as overdraft accounts (real person), it is not included to the table above.

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms <sup>(1)</sup>	Other		Loans and other receivables with revised contract terms	Other
<b>Non-Specialized Loans</b>	188.599.169	2.920.997	-	1.907.197	1.558.463	-
Commercial loans	113.126.539	1.704.312	-	956.828	1.376.911	-
Export Loans	3.765.945	-	-	39.940	-	-
Import Loans	412.179	-	-	5.335	77	-
Loans Given to Financial Sector	7.832.290	-	-	-	-	-
Consumer Loans	58.924.331	1.216.509	-	844.444	178.997	-
Credit Cards	3.360.318	176	-	46.179	2.478	-
Other	1.177.567	-	-	14.471	-	-
Specialized Lending <sup>(3) (4)</sup>	39.785.103	3.310.904	-	663.003	322.932	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals <sup>(2)</sup>	4.755.128	-	-	-	-	-
<b>Total</b>	233.139.400	6.231.901	-	2.570.200	1.881.395	-

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

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

<sup>(3)</sup> Fund sourced agricultural loans are shown under specialized lending

<sup>(4)</sup> Agriculturally qualified farmer standby loans have been displayed under specialized lending.

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	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
<b>No. of extensions</b>		
1 or 2 Times Extended <sup>(1)</sup>	6.105.364	1.807.552
3 - 4 or 5 Times Extended	126.534	73.126
Over 5 Times Extended	3	717

<sup>(1)</sup> Number of modification made according to extent of payment plan of individual loans cannot be decomposed systematically therefore it is shown in this line.

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
<b>Extension Periods</b>		
0 - 6 Months	2.695.049	911.280
6 Months - 12 Months	890.875	155.536
1 - 2 Years	1.976.803	347.178
2 - 5 Years	621.569	445.045
5 Years and Over	47.605	22.356
<b>Total</b>	<b>6.231.901</b>	<b>1.881.395</b>

**c) Loans according to maturity structure:**

	Standard Loans and Other Receivables <sup>(1)</sup>		Loans and Other Receivables under Close Monitoring <sup>(1)</sup>	
	Loan and Other Receivables <sup>2</sup>	Restructured or Rescheduled <sup>3</sup>	Loan and Other Receivables <sup>2</sup>	Restructured or Rescheduled <sup>3</sup>
Short-Term Loans and Other Receivables	47.425.027	1.672.881	570.303	230.969
Non-Specialized Loans	39.385.795	161.261	487.302	57.003
Specialized Loans	8.039.232	1.511.620	83.001	173.966
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	180.959.245	4.559.020	1.999.897	1.650.426
Non-Specialized Loans <sup>(2)</sup>	149.213.374	2.759.736	1.419.895	1.501.460
Specialized Loans	31.745.871	1.799.284	580.002	148.966
Other Receivables	-	-	-	-

<sup>(1)</sup> Rediscounts are not included.

<sup>(2)</sup> Agricultural loans originated from funds are shown under Specialized Lending.

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	447.204	59.353.061	59.800.265
Real Estate Loans <sup>(2)</sup>	11.713	33.090.275	33.101.988
Vehicle Loans	2.465	219.156	221.621
Consumer Loans <sup>(2)</sup>	428.759	25.616.690	26.045.449
Abroad	3.807	306.145	309.952
Other	460	120.795	121.255
Consumer Loans- Indexed to FC	635	145.473	146.108
Real Estate Loans	-	16.809	16.809
Vehicle Loans	-	147	147
Consumer Loans	-	-	-
Other	635	128.517	129.152
Consumer Loans-FC	1.098	113.005	114.103
Real Estate Loans	-	12.242	12.242
Vehicle Loans	-	-	-
Consumer Loans	168	69.543	69.711
Abroad	797	30.968	31.765
Other	133	252	385
Individual Credit Cards-TL	2.863.060	12.675	2.875.735
With Installment	999.049	9.815	1.008.864
Without Installment	1.864.011	2.860	1.866.871
Individual Credit Cards-FC	403	-	403
With Installment	-	-	-
Without Installment	403	-	403
Personnel Loans-TL	9.461	186.389	195.850
Real Estate Loans	-	1.775	1.775
Vehicle Loans	11	18	29
Consumer Loans	9.312	178.739	188.051
Abroad	114	1.561	1.675
Other	24	4.296	4.320
Personnel Loans-Indexed to FC	26	8.566	8.592
Real Estate Loans	-	2.144	2.144
Vehicle Loans	-	-	-
Consumer Loans	-	622	622
Other	26	5.800	5.826
Personnel Loans-FC	14	1.321	1.335
Real Estate Loans	-	240	240
Vehicle Loans	-	-	-
Consumer Loans	7	868	875
Other	7	213	220
Personnel Credit Cards-TL	84.589	282	84.871
With Installment	35.119	213	35.332
Without Installment	49.470	69	49.539
Personnel Credit Cards-FC	6	-	6
With Installment	-	-	-
Without Installment	6	-	6
Overdraft Accounts-TL (Real Person)	898.028	-	898.028
Overdraft Accounts-FC (Real Person)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>4.304.524</b>	<b>59.820.772</b>	<b>64.125.296</b>

<sup>(1)</sup> TL 398.562 of interest income accrual and rediscount are not included in the table above.

<sup>(2)</sup> Consumer loans originated from funds amounting to TL 3.636.941 of are included in the table above.

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

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	1.554.550	13.987.183	15.541.733
Business Loans	323	517.473	517.796
Vehicle Loans	46.341	923.281	969.622
Consumer Loans	1.408.842	12.368.189	13.777.031
Other	99.044	178.240	277.284
Commercial Installment Loans- Indexed to FC	119.011	428.732	547.743
Business Loans	-	-	-
Vehicle Loans	-	13.426	13.426
Consumer Loans	-	-	-
Other	119.011	415.306	534.317
Commercial Installment Loans - FC	108.438	16.896.596	17.005.034
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	24.541	16.597.675	16.622.216
Other	83.897	298.921	382.818
Corporate Credit Cards-TL	446.113	2.007	448.120
With Installment	144.318	1.977	146.295
Without Installment	301.795	30	301.825
Corporate Credit Cards-FC	16	-	16
With Installment	-	-	-
Without Installment	16	-	16
Overdraft Account-TL (Legal Entity)	120.195	-	120.195
Overdraft Account-FC (Legal Entity)	67	-	67
<b>Total <sup>(1)</sup></b>	<b>2.348.390</b>	<b>31.314.518</b>	<b>33.662.908</b>

<sup>(1)</sup> Accruals and rediscount amounts are not included in the table above.

### f) Loans according to types of borrowers:

	Current Period	Prior Period
Public	4.056.741	3.328.149
Private	235.011.027	184.948.406
Interest Income Accruals of Loans	4.755.128	3.350.947
<b>Total</b>	<b>243.822.896</b>	<b>191.627.502</b>

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

	Current Period	Prior Period
Domestic Loans	227.406.151	181.834.465
Foreign Loans	11.661.617	6.442.090
Interest Income Accruals of Loans	4.755.128	3.350.947
<b>Total</b>	<b>243.822.896</b>	<b>191.627.502</b>

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**h) Loans granted to subsidiaries and associates:**

None (31 December 2015: None)

**h) Specific provisions provided against loans:**

	Current Period	Prior Period
Loans and other receivables with limited collectability	377.489	187.917
Loans and other receivables with doubtful collectability	984.449	480.993
Uncollectible loans and other receivables	2.767.103	1.672.896
<b>Total</b>	<b>4.129.041</b>	<b>2.341.806</b>

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

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

	Group III: Loans and Receivables with Limited Collectability	Group IV: Loans and Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Receivables
<b>Current Period</b>	<b>14.498</b>	<b>58.203</b>	<b>127.037</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	14.498	58.203	127.037
Rescheduled loans and other receivables	-	-	-
<b>Prior Period</b>	<b>11.844</b>	<b>51.598</b>	<b>92.945</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	11.844	51.598	92.945
Rescheduled loans and other receivables	-	-	-

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

	Group III: Loans and Receivables with Limited Collectability	Group IV: Loans and Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Receivables
<b>Prior Period Ending Balance</b>	<b>331.723</b>	<b>492.416</b>	<b>2.398.561</b>
Additions (+)	1.856.951	240.956	379.889
Transfers from Other Categories of Loans under Follow-up (+)	-	1.643.570	1.224.288
Transfers to Other Categories of Loans under Follow-up (-)	1.643.570	1.224.288	-
Collections (-) <sup>(1)</sup>	<b>165.688</b>	<b>159.514</b>	<b>994.804</b>
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance <sup>(2)</sup></b>	<b>379.416</b>	<b>993.140</b>	<b>3.007.934</b>
Specific Provision (-) <sup>(3)</sup>	377.489	984.449	2.767.103
<b>Net Balance on Balance Sheet <sup>(2)</sup></b>	<b>1.927</b>	<b>8.691</b>	<b>240.831</b>

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

<sup>(2)</sup> Includes the loans originated from funds amounting to TL 251.449 whose risk does not belong to the Parent Bank.

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

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

	Group III: Loans and Other Receivables with Limited Collectability	Group IV: Loans and Other Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Other Receivables
<b>Current Period:</b>			
<b>Period Ending Balance</b>	<b>36.561</b>	<b>41.095</b>	<b>92.092</b>
Specific Provision (-)	36.561	41.095	92.092
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period:</b>			
<b>Period Ending Balance</b>	<b>50.271</b>	<b>8.652</b>	<b>34.694</b>
Specific Provision (-)	38.840	8.652	34.694
<b>Net Balance on Balance Sheet</b>	<b>11.431</b>	<b>-</b>	<b>-</b>

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

	Group III: Loans and Other Receivables with Limited Collectability	Group IV: Loans and Other Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Other Receivables
<b>Current Period (Net)</b>	<b>1.927</b>	<b>8.691</b>	<b>240.831</b>
Loans to Real Persons and Legal Entities (Gross)	379.416	917.477	3.007.934
Specific Provisions (-)	377.489	908.786	2.767.103
Loans to Real Persons and Legal Entities (Net)	1.927	8.691	240.831
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	75.663	-
Specific Provisions (-)	-	75.663	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>143.806</b>	<b>11.423</b>	<b>725.665</b>
Loans to Real Persons and Legal Entities (Gross)	331.723	415.807	2.398.561
Specific Provisions (-)	187.917	404.384	1.672.896
Loans to Real Persons and Legal Entities (Net)	143.806	11.423	725.665
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	76.609	-
Specific Provisions (-)	-	76.609	-
Other Loans and Receivables (Net)	-	-	-

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

Execution proceedings are carried out for the collection of receivables from loan services of the Parent Bank's. During this process, tangible guarantees constituting guarantees of receivables of the Parent Bank and assets of the debtor(s) are realized while receivables of the Parent Bank are also tried to be collected and liquidated by means of administrative procedures. Transactions are performed within the context of legislation agreement, which ensures the collection of receivables through administrative channels, and authorizations transferred to the Branch/Regional Management. When the debtor offers exceed authorizations transferred to the Branch/Regional Management or includes matters outside the scope of current legislation agreements and the Branch/Regional Management submit favorable opinion to the Head Office regarding this issue, receivables should be restructured on a company/debtor basis in accordance with the decisions made by the related authorities.

**k) 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.

**l) Other explanations and disclosures:**

<b>Current Period</b>	<b>Corporate and Entrepreneurial</b>	<b>Consumer<sup>(1)</sup></b>	<b>Agricultural<sup>(1)</sup></b>	<b>Total</b>
Neither Past Due nor Impaired Loans <sup>(1)</sup>	130.127.678	64.001.050	45.242.573	239.371.301
Past Due but not Impaired Loans	2.405.053	1.071.525	975.017	4.451.595
Impaired Loans	2.797.462	934.653	648.375	4.380.490
<b>Total</b>	<b>135.330.193</b>	<b>66.007.228</b>	<b>46.865.965</b>	<b>248.203.386</b>
Specific Provisions of Impaired Loans(-)	2.796.878	928.172	403.991	4.129.041
<b>Net Loan Amount</b>	<b>132.533.315</b>	<b>65.079.056</b>	<b>46.461.974</b>	<b>244.074.345</b>

<sup>(1)</sup> TL 3.636.941 consumer, TL 2.061.670 agricultural, and TL 18 corporate and entrepreneurial loans originated from funds whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

<b>Prior Period</b>	<b>Commercial<sup>(1)</sup></b>	<b>Consumer<sup>(1)</sup></b>	<b>Agricultural<sup>(1)</sup></b>	<b>Total</b>
Neither Past Due nor Impaired Loans <sup>(1)</sup>	101.080.065	50.067.212	36.435.771	187.583.048
Past Due but not Impaired Loans	1.683.745	1.384.628	976.081	4.044.454
Impaired Loans	1.900.395	767.119	555.186	3.222.700
<b>Total</b>	<b>104.664.205</b>	<b>52.218.959</b>	<b>37.967.038</b>	<b>194.850.202</b>
Specific Provisions of Impaired Loans(-)	1.312.594	738.998	290.214	2.341.806
<b>Net Loan Amount</b>	<b>103.351.611</b>	<b>51.479.961</b>	<b>37.676.824</b>	<b>192.508.396</b>

<sup>(1)</sup> TL 3.442.911 consumer, TL 2.135.499 agricultural, and TL 18 corporate and entrepreneurial loans originated from funds whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

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### 6. Information on held-to-maturity investments:

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	2.301.823	2.384.104	1.114.647	3.567.579
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>2.301.823</b>	<b>2.384.104</b>	<b>1.114.647</b>	<b>3.567.579</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	1.089.898	2.252.339	3.009.483	1.987.576
Other	-	-	-	-
<b>Total</b>	<b>1.089.898</b>	<b>2.252.339</b>	<b>3.009.483</b>	<b>1.987.576</b>

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

	Current Period	Prior Period
Government Bonds	8.647.891	10.133.222
Treasury Bills	-	-
Other Public Sector Debt Securities	-	13.407
<b>Total</b>	<b>8.647.891</b>	<b>10.146.629</b>

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

	Current Period	Prior Period
Debt securities	8.794.915	10.223.475
Quoted in a Stock Exchange	8.647.891	10.146.629
Not Quoted in a Stock Exchange	147.024	76.846
Provision for Impairment (-)	-	-
<b>Total</b>	<b>8.794.915</b>	<b>10.223.475</b>

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

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>10.223.475</b>	<b>10.239.816</b>
Foreign Currency Differences on Monetary Assets	475.282	1.064.698
Purchases During the Year	937.418	154.288
Disposals through Sales and Redemptions	(2.841.260)	(1.235.327)
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	<b>8.794.915</b>	<b>10.223.475</b>

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

Revaluation differences of reclassified available for sale securities before deferred tax are TL 68.984, EUR (23.067) thousand and USD (15.207) thousand respectively and are recorded under shareholders’ equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. At the end of balance sheet date, negative revaluation differences under shareholders’ equity are amounted as USD 10.547 thousand and EUR 999 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 24.246 thousand and USD 62.392 thousand respectively.

If the reclassification from the held for trading securities portfolio to the held-to-maturity portfolio had not been performed, income accrual amounting to TL 5.272 would have been recorded. As of 31 December 2016, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL 8.613 (expense).

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

**a) 1) Information about unconsolidated associates:**

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

	Total Assets <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non-Current Assets <sup>(2)(3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	82.182	38.919	53.921	904	-	13.002	3.869	-
2	224.364	130.960	138.543	33.538	-	39.302	33.299	-

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

<sup>(2)</sup> Current period information of associates has been provided from unaudited financial statements as of 31 December 2016. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 December 2015.

<sup>(3)</sup> Total non-current assets include tangible and intangible assets.

**b) 1) Explanation regarding consolidated associates:**

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

	Total Assets <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non-Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	4.842.849	640.756	21.157	129.633	52.565	61.597	70.106	-

<sup>(1)</sup> Since shares of Arap Türk Bankası A.Ş. are not traded in the stock market, fair values cannot be identified.

<sup>(2)</sup> Current period information of Arap Türk Bankası A.Ş. has been provided from unaudited financial statements as of 31 December 2016. Prior period profit/loss information of Arap Türk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2015.

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### 2) Information about consolidated associates:

	Current Period	Prior Period
Beginning Balance	92.861	82.116
Movement During the Period	6.008	10.745
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer	-	-
Sales	-	-
Revaluation Increase	6.008	10.745
Impairment Provision	-	-
Ending Balance	98.869	92.861
Capital Commitments	-	-
Period Ending Share of Capital Participation (%)	15,43	15,43

### 3) Sector information about consolidated associates:

	Current Period	Prior Period
Banks	98.869	92.861
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

### 4) Consolidated associates quoted to a stock exchange:

None (31 December 2015: None).

## 8. Information on subsidiaries (net):

### a) Information about unconsolidated subsidiaries:

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

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non-Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	47.820	13.011	11.784	871	96	2.703	2.984	-

<sup>(1)</sup> Since shares of subsidiaries are not traded in the stock market, fair values cannot be identified.<sup>(2)</sup> Current period information of subsidiaries has been provided from unaudited financial statements as of 31 December 2016. Prior period profit/loss information has been provided from audited financial statements as of 31 December 2015.

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### b) Information about consolidated subsidiaries:

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

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

	Total Assets <sup>(3)</sup>	Shareholders’ Equity <sup>(3)</sup>	Total Non- Current Assets <sup>(3)</sup>	Interest Income <sup>(3)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(3)</sup>	Prior Period Profit/Loss <sup>(3)</sup>	Fair Value <sup>(1)</sup>	Shareholders’ Equity Needed
1	3.792.342	394.081	3.895	135.535	-	231.541	162.350	-	-
2	837.640	265.007	2.418	60.878	-	128.912	86.936	-	-
3	2.355.261	265.209	1.348	1.079	-	28.424	37.407	-	-
4	129.226	99.745	617	9.720	48.063	24.935	23.990	-	-
5	29.775	26.156	760	2.550	18.787	8.204	5.653	-	-
6	7.959.507	764.622	66.547	366.243	24.499	30.673	(11.982)	-	-
7	1.327.028	1.326.409	1.056.312	4.169	-	26.409	-	-	-
8	6.196.471	730.421	17.419	149.943	2.752	48.173	32.382	782.931	-
9	1.618.882	294.407	69.017	56.187	728	319	27.651	280.456	-
10	318.227	132.731	9.263	18.874	228	7.271	5.307	109.090	-
11	605.795	242.045	14.295	29.330	7.559	21.508	16.676	237.838	-
12	260.101	117.708	22.396	13.784	72	10.149	9.262	135.261	-
13	148.846	21.664	4.070	2.754	160	(3.736)	(3.205)	29.540	-

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

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

<sup>(3)</sup> Information on subsidiaries shown in the above table has been provided from the unaudited financial statements as of 31 December 2016, the prior period profit/loss balances have been provided from audited financial statements as of 31 December 2015.

<sup>(4)</sup> The amounts shown in Interest Income column belong to Ziraat Katılım Bankası A.Ş. and contain dividend income.

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

	Current Period	Prior Period
Balance at the Beginning of the Period	2.442.943	1.453.735
<b>Movements During the Period</b>	<b>1.658.409</b>	<b>989.208</b>
Additions to Scope of Consolidation	-	-
Purchases <sup>(1)</sup>	1.446.624	997.857
Bonus Shares Obtained	2.996	16.921
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales	-	-
Revaluation Increase	281.824	227.760
Impairment Provision	73.035	253.330
<b>Balance at the End of the Period</b>	<b>4.101.352</b>	<b>2.442.943</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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

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

	Current Period	Prior Period
Banks	2.322.116	1.966.702
Insurance Companies	129.972	129.972
Factoring Companies	-	-
Leasing Companies	282.839	282.839
Financing Companies	-	-
Other Financial Subsidiaries	1.366.425	63.430

### c) Subsidiaries which are quoted on a stock exchange:

None (31 December 2015: None).

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

Entities under Common Control (Joint Ventures) <sup>(1)</sup>	Parent Bank's Share <sup>(2)</sup>	Group's Share	Current Assets	Non- Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	47.649	47.649	967.937	12.930	11.755	37.513	25.788
UTBANK JSC	51.015	51.035	257.090	3.474	21	29.323	20.389
<b>Total</b>	<b>98.664</b>	<b>98.684</b>	<b>1.225.027</b>	<b>16.404</b>	<b>11.776</b>	<b>66.836</b>	<b>46.177</b>

<sup>(1)</sup> Information on entities under joint control is provided from the unaudited financial statements as of 31 December 2016.<sup>(2)</sup> Represents the Parent Bank's share in the shareholders' equity of these entities under common control based on the shareholding rate of the Bank.

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

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**10. Information on finance lease receivables (net):**

Information on finance lease receivables are as below:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	1.017.502	892.067	360.879	317.383
1-5 Years	1.553.514	1.356.447	2.192.205	1.874.178
More than 5 Years	285.154	235.153	190.422	171.841
<b>Total</b>	<b>2.856.170</b>	<b>2.483.667</b>	<b>2.743.506</b>	<b>2.363.402</b>

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

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

**12. Information on investment property**

The Group has investment property amounted TL 643.290 as of 31 December 2016 (31 December 2015: None).

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

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

The Group's immovables acquired amount to TL 567.177 consisting of TL 14.160 due to consumer loans, TL 488.565 on its commercial loans and TL 64.452 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 2.798. Total depreciation expense is TL 6.960 for these held for sale assets. (31 December 2015: The Bank's immovables acquired amount to TL 244.367 consisting of TL 13.494 due to consumer loans, TL 185.021 on its commercial loans and TL 45.852 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1.849. Total depreciation expense is TL 4.658 for these held for sale assets).

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

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs <sup>(1)</sup>	Other Tangibles	Total
<b>Prior Period End:</b>						
Cost	5.287.271	9.869	45.931	210.178	824.742	6.377.991
Accumulated Depreciation (-)	869.320	2.186	23.008	111.378	410.675	1.416.567
Impairment (-)	3.740	-	-	-	-	3.740
<b>Net Book Value</b>	<b>4.414.211</b>	<b>7.683</b>	<b>22.923</b>	<b>98.800</b>	<b>414.067</b>	<b>4.957.684</b>
<b>Current Period End:</b>						
Net Book Value at the Beginning of the Period	4.414.211	7.683	22.923	98.800	414.067	4.957.684
Change During the Period (Net)	890.423	1.357	(3.404)	1.506	24.443	914.325
Cost	957.259	2.590	(81)	41.823	136.698	1.138.289
Depreciation - Net (-)	68.264	1.233	3.323	40.317	111.793	224.930
Impairment (-)	(1.428)	-	-	-	462	(966)
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	6.244.530	12.459	45.850	252.001	961.440	7.516.280
Accumulated Depreciation at Period End (-)	937.584	3.419	26.331	151.695	522.468	1.641.497
Impairment (-)	2.312	-	-	-	462	2.774
<b>Closing Net Book Value</b>	<b>5.304.634</b>	<b>9.040</b>	<b>19.519</b>	<b>100.306</b>	<b>438.510</b>	<b>5.872.009</b>

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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.

**15. Explanations on intangible assets:**

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Establishment Costs	7.686	6.815	871	5.904	5.398	506
Goodwill	-	-	-	-	-	-
Intangible Rights	531.831	164.838	366.993	366.035	120.424	245.611
<b>Total</b>	<b>539.517</b>	<b>171.653</b>	<b>367.864</b>	<b>371.939</b>	<b>125.822</b>	<b>246.117</b>

a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None.

d) The book value of intangible fixed assets that are pledged or restricted for use: None.

e) Amount of purchase commitments for intangible fixed assets: None

f) Information on revalued intangible assets according to their types: None.

g) Amount of total research and development expenses recorded in income statement within the period if any: None.

h) Positive or negative consolidation goodwill on the Group basis: Not applicable for the consolidated financial statements.

i) Information on Goodwill: None.

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

Deferred tax is recognized on 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 in accordance with the Turkish Accounting Standards (TAS 12) “Income Taxes”. In the computation of deferred tax, effective tax rates as of the balance sheet date are used in accordance with the current tax legislation.

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. Calculated deferred tax assets and deferred tax liabilities are net off in the financial statements.

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Information on calculated deferred tax including deductible temporary differences, financial losses, tax deductibles and tax exemptions is shown below:

	Current Period	Prior Period
Deferred Tax Assets	86.569	266.827
Deferred Tax Liabilities	3.463	2.357
Net Deferred Tax Assets	83.106	264.470
Net Deferred Tax Income/Expense	<b>(92.825)</b>	<b>(582.642)</b>
	Current Period	Prior Period
Reserve for Employment Termination Benefits	139.047	141.076
Short Term Employee Benefits	38.447	35.870
Financial Assets Valuation	(93.267)	49.940
Other	(1.121)	37.584
<b>Net Deferred Tax Assets</b>	<b>83.106</b>	<b>264.470</b>
	Current Period	Prior Period
<b>As of 1 January</b>	<b>264.470</b>	<b>222.649</b>
Addition to Scope of Consolidation	-	-
Effect of Change in the Effective Tax Rate	-	-
Deferred Tax (Expense)/Income	(92.825)	(582.642)
<b>Deferred Tax Expenses (Net)</b>	<b>(92.825)</b>	<b>(582.642)</b>
Deferred Tax Recognized Under Shareholders' Equity	(88.539)	624.463
<b>Deferred Tax Assets</b>	<b>83.106</b>	<b>264.470</b>

### 17. Information on other assets:

As of 31 December 2016 and 2015, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

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

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

**1) For deposit banks:**

<b>Current Period</b>	<b>Demand</b>	<b>7 Days Call Accounts</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6 Months- 1 Year</b>	<b>1 Year and Over</b>	<b>Cumulative Deposits</b>	<b>Total</b>
Saving Deposits	22.548.091	-	3.211.532	60.686.575	4.404.259	1.024.789	857.926	44.170	92.777.342
Foreign Currency Deposits	16.043.174	-	6.158.621	19.113.290	5.174.283	4.969.554	16.427.978	619	67.887.519
Residents in Turkey	13.814.369	-	5.883.031	15.986.117	4.411.314	3.059.414	10.853.638	619	54.008.502
Residents Abroad	2.228.805	-	275.590	3.127.173	762.969	1.910.140	5.574.340	-	13.879.017
Public Sector Deposits	6.223.181	-	2.935.849	7.310.177	2.090.069	4.742.350	13.571	-	23.315.197
Commercial Inst. Deposits	6.319.002	-	6.593.154	9.922.821	497.592	67.658	52.483	-	23.452.710
Other Inst. Deposits	1.815.386	-	2.709.644	4.398.157	412.382	827.365	946.954	-	11.109.888
Precious Metals	2.066.664	-	32.607	240.919	23.444	16.479	13.292	-	2.393.405
Interbank Deposits	1.496.123	-	5.033.318	1.687.431	636.144	1.973.477	1.149.439	-	11.975.932
CBRT	5.252	-	-	-	698	-	-	-	5.950
Domestic Banks	420.083	-	4.405.931	87.962	191.176	-	6.364	-	5.111.516
Foreign Banks	164.921	-	627.387	1.599.469	444.270	1.973.477	1.143.075	-	5.952.599
Participation Banks	905.867	-	-	-	-	-	-	-	905.867
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>56.511.621</b>	<b>-</b>	<b>26.674.725</b>	<b>103.359.370</b>	<b>13.238.173</b>	<b>13.621.672</b>	<b>19.461.643</b>	<b>44.789</b>	<b>232.911.993</b>

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

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### b) Information on saving deposits:

#### 1) Amounts exceeding the deposit insurance limit:

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

	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
<b>Saving Deposits</b>				
Saving Deposits <sup>(2)</sup>	60.568.084	52.356.589	29.701.060	25.598.381
Foreign Currency Saving Deposits <sup>(2)</sup>	21.431.931	19.394.479	28.972.511	23.644.817
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(1)</sup>	636.306	549.775	42.853	57.489
Deposits at Off-Shore Banking Regions' and under Foreign Authorities' Insurance	-	-	-	-

<sup>(1)</sup> In Bulgaria and Greece, since both real person and legal entity's saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 47.282 and TL 13.226 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2015: Bulgaria and Greece, TL 57.299 and TL 7.465, respectively).

<sup>(2)</sup> Related deposit balances do not include foreign branches.

Based on the Council of Minister's decree dated 29 December 2003 and numbered 2003/6668, TL 940 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş.

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of banks. As total of capital amount and interest expense accruals of saving deposits up to TL 100 attributable to a real person is covered by the insurance, TL 514.083 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 15 February 2013 and numbered 28560.

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

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

#### 3) Amounts which are not covered by deposit insurance:

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

	Current Period	Prior Period
Deposits and other Accounts in Branches Abroad	81.373	52.302
Deposits of Ultimate Shareholders and Their Close Family Members	-	-
Deposits of Chairman and Members of the Board of Directors, CEO, Executive Vice Presidents and Their Close Family Members	6.448	3.923
Deposits Obtained through Illegal Acts Defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated 26 September 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	33.498	50.329	24.700	43.551
Swap Transactions	206.170	363.333	3.956	227.951
Futures Transactions	-	-	-	-
Options	35	-	3	21
Other	-	-	-	-
<b>Total</b>	<b>239.703</b>	<b>413.662</b>	<b>28.659</b>	<b>271.523</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	403.098	1.653.704	269.760	1.001.940
Foreign Banks, Institutions and Funds	935.448	21.434.279	944.015	18.571.688
<b>Total</b>	<b>1.338.546</b>	<b>23.087.983</b>	<b>1.213.775</b>	<b>19.573.628</b>

#### b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	394.462	7.048.505	255.656	7.155.010
Medium and Long-Term	944.084	16.039.478	958.119	12.418.618
<b>Total</b>	<b>1.338.546</b>	<b>23.087.983</b>	<b>1.213.775</b>	<b>19.573.628</b>

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

62,63% of the Group's liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Group's liabilities are not subject to a significant concentration risk.

#### d) Information on funds supplied from repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Domestic Transactions</b>	<b>30.385.206</b>	<b>-</b>	<b>27.289.499</b>	<b>-</b>
Financial Institutions and Organizations	30.211.399	-	27.068.715	-
Other Institutions and Organizations	166.520	-	212.000	-
Real Person	7.287	-	8.784	-
<b>From Overseas Operations</b>	<b>-</b>	<b>12.270.423</b>	<b>-</b>	<b>14.744.813</b>
Financial Institutions and Organizations	-	12.270.423	-	14.744.813
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
<b>Total</b>	<b>30.385.206</b>	<b>12.270.423</b>	<b>27.289.499</b>	<b>14.744.813</b>

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### e) Information on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.156.778	-	2.199.333	756.233
Asset-Backed Securities	101.459	-	-	-
Treasury Bills	131.822	4.680.692	131.791	2.332.040
<b>Total</b>	<b>2.390.059</b>	<b>4.680.692</b>	<b>2.331.124</b>	<b>3.088.273</b>

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

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

### 5. Information on finance lease payables (net):

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

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

### 6. Information on derivative financial liabilities for hedging purposes:

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

### 7. Explanations on provisions:

#### a) Information on general provisions:

	Current Period	Prior Period
<b>General Provisions</b>	<b>4.042.425</b>	<b>2.925.818</b>
Allocated for Group-I Loans and Receivables	3.271.408	2.506.562
Additional Provision for Loans and Receivables with Extended Maturities	233.456	121.600
Allocated for Group-II Loans and Receivables	181.621	152.015
Additional Provision for Loans and Receivables with Extended Maturities	61.127	28.425
Allocated for Non-Cash Loans	466.954	164.752
Other	122.442	102.489

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

Foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables amount to TL 327 (31 December 2015: TL 5.561).

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

The Parent Bank's specific provisions for unindemnified non-cash loans amount to TL 150.916 (31 December 2015: TL 55.629).

#### d) Information on other provisions:

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

These financial statements include a free provision which is not in accordance with BRSA Principles amounting to TL 945.000 (TL 295.400 of this provision amount was reversed from the income statement in the current year), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions. Moreover, the provision of TL 19.700 and other provision of TL 244 exist for cash transfers made by the Parent Bank officials.

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	Current Period	Prior Period
Provisions for Possible Risks	964.944	1.257.419

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

Based on the information provided by the legal department, lawsuits against the Parent Bank over TL 100 amounts to TL 65.095. Full provision has been provided in these financial statements for law suits ended against the Bank but not finalized yet, amounting to TL 35.709

Based on the decision of the Bank management, provision amounting to TL 60.400 is provided for the consumer loans followed under standard loan portfolio that also have amounts in the non-performing loan portfolio in compliance with the Act on Preservation of Consumers numbered 4077. The provision is made in accordance with the “Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”, published in Official Gazette numbered 26333, dated 1 November 2006 and considering the conservatism principle without taking into consideration the guarantees of these loans.

The Group also provided provisions amounting to TL 150.916 for unindemnified non-cash loans (31 December 2015: TL 55.629), TL 102.026 for other provisions (31 December 2015: TL 45.625). As a result of the provisions mentioned above, the other provision balance on the Group’s balance sheet amounts to TL 1.313.995 (31 December 2015: TL 1.482.032).

**e) Liabilities on reserve for employee termination benefits:**

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

The Group accounts for its vacation and retirement pay obligations in accordance with the TAS 19 “Employee Benefits”. The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation. As of 31 December 2016, unpaid vacation liability amounted to TL 192.237 (31 December 2015: TL 170.572), and employment termination amounted to TL 695.237 (31 December 2015: TL 689.727) are presented under the “Employee Benefits Provision” in the financial statements.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
As of 1 January	683.269	666.464
Current Service Cost	55.867	46.701
Interest Cost	73.999	46.244
Severance Pay	(114.314)	(93.519)
Payment/Abating Benefits/Gain (Loss) in consequence of Layoff	(212)	(76)
Actuarial Gain (Loss)	(8.420)	17.455
<b>Balance at period end</b>	<b>690.189</b>	<b>683.269</b>

**2) Pension Rights**

The technical balance sheet reports which are prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9,80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2015 and 2014.

The liability related to Parent Bank’s benefits to be transferred to SSI as of the balance sheet date is expected payment to be made to SSI during the transfer. Actuarial parameters and results used in calculation of this amount reflects the Act’s, numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, principles related to pension and health benefits to be transferred to SSI (9,80% real discount rate, etc.).

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According to related Actuary Report, the Fund's surplus is TL 2.835.975 as of 31 December 2016 (31 December 2015: TL 2.284.502)

	Current Period	Prior Period
Present value of funded obligations	1.197.092	911.002
- Pension benefits transferable to SSI	361.635	212.216
- Post employment medical benefits transferable to SSI	835.457	698.786
Fair value of plan assets	1.638.883	1.373.500
<b>Actuarial Surplus</b>	<b>2.835.975</b>	<b>2.284.502</b>

The principal actuarial assumptions used are as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9,80%	9,80%
- Post employment medical benefits transferable to SSI	9,80%	9,80%

To represent mortality rates both before and after retirement, CSO 1980 Female/Male mortality table is used.

Plan assets are comprised as follows:

	Current Period Amount	Prior Period Amount
Bank Placements	1.284.298	1.114.760
Property and Equipment	66.844	149.281
Marketable Securities	-	-
Other	287.741	109.459
<b>Total</b>	<b>1.638.883</b>	<b>1.373.500</b>

### 8. Information on tax liability:

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

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

As of 31 December 2016, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 444.505 (31 December 2015: TL 416.922).

##### 2) Information on current taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	444.505	416.922
Taxation on Income From Securities	215.147	202.372
Property Tax	2.491	2.237
Banking Insurance Transactions Tax (BITT)	144.072	117.824
Foreign Exchange Transactions Tax	59	28
Value Added Tax Payable	7.091	4.341
Other	67.194	59.961
<b>Total</b>	<b>880.559</b>	<b>803.685</b>

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### 3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	39	239
Social Security Premiums - Employer	56	341
Bank Social Aid Pension Fund Premium - Employee	8.840	330
Bank Social Aid Pension Fund Premium - Employer	12.400	528
Pension Fund Membership Fees and Provisions - Employee	13	13
Pension Fund Membership Fees and Provisions - Employer	59	45
Unemployment Insurance - Employee	1.382	559
Unemployment Insurance - Employer	2.763	1.118
Other	-	-
<b>Total</b>	<b>25.552</b>	<b>3.173</b>

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

The Group's deferred tax liability, for the current term, amounts to TL 3.463 (31 December 2015: TL 2.357).

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

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

### 10. Explanations on subordinated debts:

The Group does not have any subordinated debts.

### 11. Information on shareholders' equity:

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

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

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

The Parent Bank does not have a registered capital system.

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

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

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

None.

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

The Parent Bank has no capital commitments.

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

In the current period, the Parent Bank follows its operations in line with the previous periods. The Parent Bank’s balance sheet has been managed with precaution by being affected by the interest, rate of exchange and credit risks at the minimum level. This helps to reduce the effects of fluctuations in the market to the Parent Bank’s performance and contributes to the profitability structure to be sustainable.

**g) Information on preferred shares representing the capital:**

The Parent Bank has no preferred shares.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	615.642	1.025	342.182	61.381
Revaluation Difference	-	1.025	-	61.381
Foreign Exchange Difference	615.642	-	342.182	-
From Available for Sale Marketable Securities	(1.460.361)	(550.321)	(1.718.652)	809.922
Revaluation Difference	(1.657.745)	(550.250)	(1.618.036)	810.012
Deferred Tax Effect	396.407	(71)	275.247	(90)
Foreign Exchange Difference	(199.023)	-	(375.863)	-
<b>Total</b>	<b>(844.719)</b>	<b>(549.296)</b>	<b>(1.376.470)</b>	<b>871.303</b>

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

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

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

	Current Period	Prior Period
Payment Commitments for Cheques	3.173.767	3.079.630
Asset Purchase and Sale Commitments	2.136.524	1.848.592
Commitments for Credit Card Expenditure Limits	7.275.913	7.131.274
Loan Granting Commitments	3.742.487	3.007.694
Other Irrevocable Commitments	7.204.521	4.855.029
Commitments for Credit Cards and Banking Services Promotions	22.138	20.185
Tax and Fund Liabilities from Export Commitments	458	27
Share Capital Commitments to Associates and Subsidiaries	-	-
<b>Total</b>	<b>23.555.808</b>	<b>19.942.431</b>

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

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

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

	Current Period	Prior Period
Guarantee Letters	68.592.339	49.707.786
Bank Acceptances	9.327.602	6.957.456
Letter of Credits	4.261.898	4.194.107
Other Guarantees	532.131	31.525
Other Securities	7.145	-
<b>Total</b>	<b>82.721.115</b>	<b>60.890.874</b>

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

	Current Period	Prior Period
Letters of Certain Guarantees	42.394.237	31.862.854
Letters of Advance Guarantees	18.614.529	13.052.987
Letters of Temporary Guarantees	3.767.887	2.754.448
Letters of Guarantees Given to Customs Offices	786.137	655.110
Other Letters of Guarantees	3.029.549	1.382.387
<b>Total</b>	<b>68.592.339</b>	<b>49.707.786</b>

### c) 1) Total non-cash loans:

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>1.675.735</b>	<b>1.054.138</b>
With Original Maturity of One Year or Less	25.218	84.954
With Original Maturity of More than One Year	1.650.517	969.184
<b>Other Non-Cash Loans</b>	<b>81.045.380</b>	<b>59.836.736</b>
<b>Total</b>	<b>82.721.115</b>	<b>60.890.874</b>

### c) 2) Information on sectoral risk concentrations of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	TL	(%)	TL	(%)	TL	(%)
Agricultural	69.794	0,27	14.374	0,03	38.976	0,20	23.711	0,06
Farming and Raising Livestock	28.426	0,11	92	-	154	0,01	-	-
Forestry	41.368	0,16	14.282	0,03	38.822	0,20	23.711	0,06
Fishing	-	-	-	-	-	-	-	-
Manufacturing	6.524.288	25,02	28.576.126	50,45	5.062.105	25,58	21.697.254	52,79
Mining and Quarrying	245.428	0,94	268.696	0,47	147.703	0,75	211.946	0,52
Production	4.092.001	15,69	26.241.468	46,33	3.215.109	16,25	19.399.630	47,20
Electric, Gas and Water	2.186.859	8,39	2.065.962	3,65	1.699.293	8,59	2.085.678	5,07
Construction	7.027.294	26,95	15.424.719	27,23	4.364.482	22,05	10.932.056	26,60
Services	11.904.745	45,65	11.824.555	20,88	9.218.292	46,58	6.328.226	15,40
Wholesale and Retail Trade	5.892.322	22,60	3.705.689	6,54	5.048.269	25,51	2.875.098	7,00
Hotel, Food and Beverage Services	141.846	0,54	327.446	0,58	111.654	0,56	176.718	0,43
Transportation and Telecommunication	1.144.919	4,39	3.593.041	6,34	844.375	4,27	1.717.099	4,18
Financial Institutions	3.465.541	13,29	2.715.909	4,79	2.166.818	10,95	374.183	0,91
Real Estate and Leasing Services	1.143.848	4,39	1.413.797	2,50	943.923	4,77	1.103.380	2,68
Self-employment Services	-	-	1.572	-	-	-	4.988	0,01
Education Services	68.225	0,26	7.067	0,01	52.607	0,27	18.500	0,05
Health and Social Services	48.044	0,18	60.034	0,11	50.646	0,26	58.260	0,14
Other	550.743	2,11	804.477	1,42	1.105.710	5,59	2.120.062	5,16
<b>Total</b>	<b>26.076.864</b>	<b>100,00</b>	<b>56.644.251</b>	<b>100,00</b>	<b>19.789.565</b>	<b>100,00</b>	<b>41.101.309</b>	<b>100,00</b>

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### c) 3) Information on the non-cash loans classified under Group I and Group II:

	Group I:		Group II:	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>25.922.626</b>	<b>56.471.056</b>	<b>154.238</b>	<b>173.195</b>
Letters of Guarantee	25.718.747	42.574.392	154.238	144.962
Bank Acceptances	34.549	4.226.121	-	1.228
Letters of Credit	157.159	9.143.438	-	27.005
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	12.171	527.105	-	-

### 2. Explanations on derivative transactions:

	Current Period	Prior Period
<b>Types of Trading Transactions</b>		
Foreign Currency Related Derivative Transactions (I)	72.348.255	52.280.161
Forward Transactions	5.073.231	5.335.699
Swap Transactions	67.252.706	46.888.042
Futures Transactions	-	-
Option Transactions	22.318	56.420
Interest Related Derivative Transactions (II)	9.322.634	6.235.626
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	9.322.634	6.235.626
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivative Transactions (III)	-	-
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>81.670.889</b>	<b>58.515.787</b>
<b>Types of Hedging Derivative Transactions</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
<b>B. Total Hedging Derivative Transactions</b>	<b>-</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>81.670.889</b>	<b>58.515.787</b>

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The Group has no derivative instruments for hedging purposes. There are no unrealized transactions (those are estimated in the prior period and recognized based on this assumption however; it is clear that those transactions would not be realized) or expense and income from agreements in the income statement in the current period.

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	113.541	(2.490)	507.204	588.518	-	1.206.773
- Inflow	23.745.723	7.461.879	2.929.318	2.640.594	-	36.777.514
- Outflow	(23.632.182)	(7.464.369)	(2.422.114)	(2.052.076)	-	(35.570.741)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	4.661.317	4.661.317
- Outflow	-	-	-	-	(4.661.317)	(4.661.317)
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total inflow</b>	<b>23.745.723</b>	<b>7.461.879</b>	<b>2.929.318</b>	<b>2.640.594</b>	<b>4.661.317</b>	<b>41.438.831</b>
<b>Total outflow</b>	<b>(23.632.182)</b>	<b>(7.464.369)</b>	<b>(2.422.114)</b>	<b>(2.052.076)</b>	<b>(4.661.317)</b>	<b>(40.232.058)</b>
<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	55.826	13.237	31.571	296.163	-	396.797
- Inflow	21.376.770	853.321	1.705.788	2.402.600	-	26.338.479
- Outflow	(21.320.944)	(840.084)	(1.674.217)	(2.106.437)	-	(25.941.682)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	3.117.813	3.117.813
- Outflow	-	-	-	-	(3.117.813)	(3.117.813)
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total inflow</b>	<b>21.376.770</b>	<b>853.321</b>	<b>1.705.788</b>	<b>2.402.600</b>	<b>3.117.813</b>	<b>29.456.292</b>
<b>Total outflow</b>	<b>(21.320.944)</b>	<b>(840.084)</b>	<b>(1.674.217)</b>	<b>(2.106.437)</b>	<b>(3.117.813)</b>	<b>(29.059.495)</b>

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**3. Explanations on contingent assets and liabilities:**

Provision is allocated for transactions with complete and accurate data that may have an effect on the financial structure of the Bank and otherwise, provision is provided based on the estimations.

Group’s liability resulting from the cheques given to its customers amounts to TL 3.173.767 (31 December 2015: TL 3.079.630).

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

**4. Explanations on services in the name of others:**

The Parent Bank acts as an intermediary for purchases and sales of government securities on behalf of individuals and entities, conducts repo transactions, and provides custody services. The Parent Bank does not provide consultancy and management services.

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

**1. a) Information on interest income from loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Interest on Loans <sup>(1)</sup></b>	<b>18.992.637</b>	<b>3.094.642</b>	<b>14.653.128</b>	<b>2.260.303</b>
Short Term Loans	4.760.476	159.502	3.801.983	108.553
Medium and Long Term Loans	14.109.708	2.933.732	10.685.902	2.151.457
Interest on Non-Performing Loans	122.453	1.408	165.243	293
Premiums from Resource Utilization Support Fund	-	-	-	-

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

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

**b) Information on interest received from the banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	4.508	-	1.231	2.024
Domestic Banks	186.166	5.365	159.958	1.197
Foreign Banks	2.182	22.437	1.547	17.066
Head Office and Branches	-	-	-	-
<b>Total</b>	<b>192.856</b>	<b>27.802</b>	<b>162.736</b>	<b>20.287</b>

**c) Information on interest income on marketable securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	938	2.362	1.299	252
Financial Assets at Fair Value through Profit or Loss	6.757	-	5.432	1.419
Financial Assets Available-for-Sale	4.057.061	678.948	3.951.477	495.713
Investments Held-to-Maturity	419.755	361.924	424.006	368.124
<b>Total</b>	<b>4.484.511</b>	<b>1.043.234</b>	<b>4.382.214</b>	<b>865.508</b>

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### d) Information on interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	171	111

### 2. a) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks <sup>(1)</sup>	122.297	394.045	118.534	322.848
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	35.496	24.041	31.347	11.289
Foreign Banks	86.801	370.004	87.187	311.559
Head Office and Branches	-	-	-	-
Other Institutions	6.395	4.975	-	42
<b>Total</b>	<b>128.692</b>	<b>399.020</b>	<b>118.534</b>	<b>322.890</b>

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

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

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	3.807	2.974

### c) Information on interest given on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	234.988	162.533	187.920	106.639

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

Account Name	Demand Deposit	Time Deposit						Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 year			
TL									
Bank Deposit	-	374.045	-	-	-	-	-	-	374.045
Saving Deposit	1	225.477	5.198.683	366.469	76.570	72.004	2.558	5.941.762	
Public Sector Deposit	215	342.069	428.687	103.464	308.449	762	-	1.183.646	
Commercial Deposit	174	475.218	609.940	51.439	35.050	7.448	-	1.179.269	
Other Deposit	100	138.653	378.420	38.739	69.423	29.390	-	654.725	
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>490</b>	<b>1.555.462</b>	<b>6.615.730</b>	<b>560.111</b>	<b>489.492</b>	<b>109.604</b>	<b>2.558</b>	<b>9.333.447</b>	
FC									
Foreign Currency Deposit	1.431	79.366	250.925	55.881	50.008	210.293	15	647.919	
Bank Deposit	17	75.252	334	207	1	-	-	75.811	
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-	
Gold Vault	-	126	969	142	79	83	-	1.399	
<b>Total</b>	<b>1.448</b>	<b>154.744</b>	<b>252.228</b>	<b>56.230</b>	<b>50.088</b>	<b>210.376</b>	<b>15</b>	<b>725.129</b>	
<b>Grand Total</b>	<b>1.938</b>	<b>1.710.206</b>	<b>6.867.958</b>	<b>616.341</b>	<b>539.580</b>	<b>319.980</b>	<b>2.573</b>	<b>10.058.576</b>	

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### 3. Explanations on dividend income:

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-Sale Financial Assets	31.318	2.188
Other <sup>(1)</sup>	1.583	4.231
<b>Total</b>	<b>32.901</b>	<b>6.419</b>

<sup>(1)</sup> Shows the Group's dividend income from equity investments, subsidiaries, associates and entities under common control.

### 4. Information on trading profit/loss (net):

	Current Period	Prior Period
<b>Profit</b>	<b>34.427.463</b>	<b>37.926.627</b>
Profit from the Capital Market Transactions	30.919.244	34.305.620
Profit on Derivative Financial Instruments	3.472.812	3.541.214
Foreign Exchange Gains	35.407	79.793
<b>Loss (-)</b>	<b>34.597.456</b>	<b>38.068.344</b>
Loss from the Capital Market Transactions	29.303.467	33.265.184
Loss on Derivative Financial Instruments	5.290.339	4.801.835
Foreign Exchange Loss	3.650	1.325

### 5. Information on profit/loss on derivative financial operations:

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	1.517.551	152.933
Effect of the change in interest rates on profit/loss	(3.335.078)	(1.413.554)
<b>Total</b>	<b>(1.817.527)</b>	<b>(1.260.621)</b>

### 6. Information on other operating income:

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

There are no significant matters covering the recent developments which have significant effect on the Parent Bank's income. Main component of the Bank's other operating income consists of reversals from prior period provisions amounting to TL 839.296 TL (31 December 2015: TL 776.168) and income from sales of assets amounting to TL 212.041 (31 December 2015: TL 98.170).

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

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables <sup>(1)</sup>	2.322.549	912.964
Group III Loans and Receivables	405.978	175.295
Group IV Loans and Receivables	960.422	414.706
Group V Loans and Receivables	956.149	322.963
General Provision Expenses <sup>(2)</sup>	1.122.469	552.669
Provision Expenses for the Possible Losses	3.960	7.350
Marketable Securities Impairment Expense	618	2.189
Financial Assets at Fair Value through Profit and Loss	142	33
Financial Assets Available for Sale	476	2.156
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	-	60
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Business Partners)	-	-
Investment Securities Held to Maturity	-	60
Other	126.656	72.039
<b>Total</b>	<b>3.576.252</b>	<b>1.547.271</b>

<sup>(1)</sup> The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL 440.027 are presented in other operating income (31 December 2015: TL 545.644).

<sup>(2)</sup> The relevant balances include the expenses related to the current period. The provision reversals within the period amounting to TL 5.862 are presented in other operating income.

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

	Current Period	Prior Period
Personnel Expenses	2.503.144	2.205.013
Reserve for Employee Termination Benefits	23.070	31.517
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	320.419	284.626
Intangible Assets Impairment Expense	-	1.177
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	53.160	48.734
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	2.803	2.619
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	1.414.660	1.261.941
Operational Leasing Expenses	237.969	191.479
Maintenance Expenses	81.235	87.416
Advertisement Expenses	98.614	113.716
Other Expenses	996.842	869.330
Loss on Sales of Assets	1.290	1.605
Other <sup>(1)</sup>	2.369.281	2.309.552
<b>Total</b>	<b>6.687.827</b>	<b>6.146.784</b>

<sup>(1)</sup> TL 475.532 of the relevant balance is Savings Deposit Insurance Fund expense accrual (31 December 2015: TL 405.201), TL 499.342 is taxes, fees and tolls expenses (31 December 2015: TL 407.768).

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

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

	Current Period	Prior Period
Net Interest Income	14.674.566	11.025.129
Net Fees and Commissions Income	1.516.567	1.230.276
Dividend Income	32.901	6.419
Trading Income/Expense (Net)	(169.993)	(141.717)
Other Operating Income	3.227.587	2.433.906
Provision for Loan or Other Receivables Losses (-)	3.576.252	1.547.271
Other Operating Expenses (-)	6.687.827	6.146.784
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	21.914	28.025
<b>Profit/(Loss) from Continuing Operations</b>	<b>9.039.463</b>	<b>6.887.983</b>

### 10. Information on tax provision for continuing and discontinuing operations

As of 31 December 2016, TL 2.154.328 (31 December 2015 TL 1.510.009) of the Group's total tax provision expense amounting to TL 2.061.503 (31 December 2015: TL 927.367), consists of current tax expense while the remaining balances amounting to TL 92.825 (31 December 2015: TL 582.642 deferred tax income) consists of deferred tax expense.

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

The Group's net operating income after tax amounts to TL 6.885.135 (31 December 2015 TL 5.377.974).

### 12. Information on net profit/loss:

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

The Parent Bank, mainly utilizes its resources from domestic deposits on loans, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations and insurance agencies.

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

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period (31 December 2015: None).

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

The “Other” item under “Fees and Commissions Received” in the Income Statement consists of fees and commission income from credit cards and banking transactions.

## V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

### 1. In accordance with the Turkish Accounting Standards, the disclosures on shareholders' equity are made accordingly in the order of financial statement items in this section:

#### a) Explanations on inflation adjustment differences for equity items:

As per the BRSA's Circular numbered 5 announced on 28 April 2005 it is stated that the indicators of hyperinflationary period are eliminated to a large extent, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 on 21 April 2005.

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### b) Explanations on profit distribution:

In accordance with the decision taken in the General Assembly of the year 2015 which was carried out on 30 March 2016, from TL 5.162.470 net profit as of 31 December 2015 which is subject to distribution, TL 258.124 is transferred to first legal reserve and TL 24.200 is transferred to second legal reserve. TL 220.000 is distributed as dividend to employees and TL 231.200 is distributed to Treasury after deducting withholding tax of 15% (TL 40.800) in cash. In this context, TL 4.388.146 of the profit is preserved; dividend payment made to Treasury on 15 April 2016, and within the framework of the dividend to be distributed to employees, at total TL 186.788 is paid. The remaining TL 33.212 from the dividends distributed to the personnel according to the decision taken in the General Assembly of the year.

The Parent Bank is planning to distribute its 2016 profit in accordance with its articles of association. However, as of the report date, there is no decision taken regarding the profit distribution.

### c) Explanations on available for sale financial assets:

Available for sale financial assets are not included in the current income statement, until their collections, disposals, sales or losses are realized and those assets are recognized under the “Marketable Securities Revaluation Fund” under equity. In accordance with TAS 39 and due to the change in the Parent Bank’s intention to hold the previously classified as available for sale securities to maturity the Parent Bank has reclassified the securities under available for sale portfolio to held to maturity portfolio. The valuation differences of these securities is presented under shareholders’ equity as a “Marketable Securities Valuation Differences” and transferred to profit/loss with subject to redemption with proportional to the maturity of security.

Subsidiaries and jointly controlled entities domiciled and operating abroad are followed by their fair values. For such subsidiaries and entities under common control, the fair value is determined with revaluation report prepared by independent valuation firm and revaluation differences are recognized under “Marketable Securities Revaluation Fund” under equity.

### d) Profit Reserves:

As of the balance sheet date, profit reserves amount to TL 22.871.718, legal reserves amount to TL 3.393.778, profit reserves amount to TL 18.052.605 and other profit reserves amount to TL 1.425.335.

### e) Explanations Related to Previous Period Profit/Loss:

The revaluation increase which was carried under “Property, Plant and Equipment Revaluation Differences” amounting to TL 746.547 related with the properties transferred to Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş. as capital is classified in the Prior Years Profit/Loss under the “TAS 16- Property, Plant and Equipment” standard.

## VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

### 1. Explanations about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:

“Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 8.121.027 is composed mainly from interest received from loans and securities amounting to TL 27.012.143 and interest paid to deposit and money market operations which is amounting to TL 13.228.937. Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 1.183.517 as of 31 December 2016 (31 December 2015: TL 589.946).

Cash in TL, cash in foreign currency, Central Bank of the Republic of Turkey, money in transit, bank cheques purchased and cash on money market operations are defined as “cash”; interbank money transactions placements having maturities less than three months, and time deposits in banks are defined as “cash equivalents”.

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**Period opening and end cash and cash equivalents balance:**

<b>Period Opening</b>	<b>Current Period</b>	<b>Prior Period</b>
Cash in TL and in Foreign Currency	2.577.170	1.869.429
Central Bank of the Republic of Turkey and Other Banks	6.424.794	4.524.233
Money Market Operations	116.173	51.529
<b>Total Cash and Cash Equivalents</b>	<b>9.118.137</b>	<b>6.445.191</b>
<b>Period End</b>	<b>Current Period</b>	<b>Prior Period</b>
Cash in TL and in Foreign Currency	2.792.776	2.577.170
Central Bank of the Republic of Turkey and Other Banks	12.854.193	6.424.794
Money Market Operations	252.944	116.173
<b>Total Cash and Cash Equivalents</b>	<b>15.899.913</b>	<b>9.118.137</b>

**VII. EXPLANATIONS AND NOTES TO THE RISK GROUP OF THE PARENT BANK**

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

**a) Current Period:**

<b>Risk Group of the Parent Bank</b>	<b>Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)</b>		<b>Direct or Indirect Shareholders of the Parent Bank</b>		<b>Other Real and Legal Persons in the Risk Group</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	25.125	-	-	-	-	-
Closing Balance	22.397	-	-	-	-	-
<b>Interest and Commissions Income</b>	<b>171</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**b) Prior Period:**

<b>Risk Group of the Parent Bank</b>	<b>Subsidiaries, Associates and Entities Under Common Control (Joint Venture)</b>		<b>Direct or Indirect Shareholders of the Parent Bank</b>		<b>Other Real and Legal Persons in the Risk Group</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	8.558	-	-	-	-	-
Closing Balance	25.125	-	-	-	-	-
<b>Interest and Commissions Income</b>	<b>111</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

<b>Risk Group of the Bank</b>	<b>Subsidiaries, Associates and Entities Under Common Control (Joint Venture)</b>		<b>Direct or Indirect Shareholders of the Bank</b>		<b>Other Real and Legal Persons in the Risk Group</b>	
	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>
<b>Deposits</b>						
Opening Balance	38.385	261.835	-	-	-	-
Closing Balance	52.520	38.385	-	-	-	-
<b>Interest Expense on Deposits</b>	<b>3.807</b>	<b>2.974</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

None (31 December 2015: None).

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

Fees paid to the Group’s key management amount to TL 44.194 (31 December 2015: TL 28.787).

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

1) The Parent Bank was continuing its national and international banking activities via its domestic/foreign branches and subsidiaries that serve in different financial areas under the ownership of Undersecretariat of Treasury. With the decision agreed, decree no. 2017/9756 dated 24 January 2017, the Parent Bank will continue its operations under the ownership of the Turkey Wealth Fund.

2) A protocol has been signed with SSO on 1 February 2017 regarding the payment of promotions by the Bank to customers who receive Emekli Sandığı, SSK, Bağ-Kur (all referred as Social Security Organization) pension payments through the Bank.

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

**1) Information on the Parent Bank’s domestic and foreign branches and foreign representatives of the Bank:**

	Number	Number of Employees	Country of Incorporation	Total Assets	Statutory Share Capital
Domestic Branch <sup>(1)</sup>	1.786	24.932			
Foreign Representative Office <sup>(2)</sup>	1	-	1- Iran		
Foreign Branch <sup>(2)</sup>	1	2	1- USA	1.295.174	412.020
	1	2	2- England	5.375.390	184.104
	4	2	3- Bulgaria	199.844	52.051
	3	6	4- Georgia	97.975	20.149
	2	3	5- Iraq	307.190	49.106
	4	4	6- Greece	382.891	122.093
	1	2	7- Saudi Arabia	120.251	52.614
	1	-	8- Kosovo	68.419	36.998
	10	42	9-T.R. of Northern Cyprus	1.201.983	136.238
Off-Shore Banking Region Branches	1	1	1-Bahrein	2.434.370	17.538

<sup>(1)</sup> Includes the employees of the domestic branches, including the employees of head office and regional management.

<sup>(2)</sup> Excluding the local employees of the foreign branches.

**2) Information on the Parent Bank about opening, closing, changing its organization considerably for domestic and foreign branches and foreign representatives of the Parent Bank:**

In the Parent Bank, 15 new branches were opened, 15 branches were closed within 2016 in Turkey. On the other side, Bahrain branch in Bahrain has started to its operations in 28 November 2016 in abroad.

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### SECTION SIX

#### OTHER EXPLANATIONS AND NOTES

#### I. INFORMATION ON THE PARENT BANK’S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL CREDIT RATING AGENCIES

Information on the assessment done by the international rating agencies Moody’s Investor Services, Fitch Ratings and JCR Eurasia are as follows:

##### Moody’s Investor Services: September 2016

<b>Outlook</b>	<b>Stable</b>
Long term Foreign Currency Deposit	Ba2
Short term Foreign Currency Deposit	Not-Prime
Long term Turkish Liras Deposit	Ba1
Short term Turkish Liras Deposit	Not-Prime
Long term Foreign Currency Bond	Ba1
Long term Turkish Lira Bond	Ba1
<b>Basic Credit Note</b>	<b>ba2</b>
<b>Adjusted Basic Credit Note</b>	<b>ba2</b>

##### Fitch Ratings: October 2016

Foreign Currency Commitments	BBB-
<b>Outlook</b>	<b>Negative</b>
FC Long Term	F3
TL Long Term	BBB-
<b>Outlook</b>	<b>Negative</b>
TL Short Term	F3
National Long Term	AAA (tur)
<b>Outlook</b>	<b>Stable</b>
<b>Support</b>	<b>2</b>
<b>Support Rating Base</b>	<b>BBB-</b>
<b>Financial Capability Grade</b>	<b>bbb-</b>

##### JCR Eurasia: November 2016

Long Term International FC	BBB -
<b>Outlook</b>	<b>Stable</b>
Long Term International TL Grade	BBB -
<b>Outlook</b>	<b>Stable</b>
Long Term National Grade	AAA (Trk)
<b>Outlook</b>	<b>Stable</b>
Short Term International FC	A - 3
<b>Outlook</b>	<b>Stable</b>
Short Term International TL Grade	A - 3
<b>Outlook</b>	<b>Stable</b>
Short Term National Grade	A-1+ (Trk)
<b>Supporting Grade</b>	<b>1</b>
<b>Independence from Affiliates Grade</b>	<b>A</b>

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### **SECTION SEVEN**

#### **EXPLANATIONS ON THE INDEPENDENT AUDITOR’S REPORT**

##### **I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT**

As of 31 December 2016, consolidated financial statements and explanatory notes of the Bank disclosed herein were audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. Independent Auditor’s Report dated 17 February 2017 is presented preceding the financial statements.

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

None.

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