

INDEPENDENT AUDITOR'S REPORT



KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
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To the Board of Directors of Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

A) Audit of Unconsolidated Financial Statements

Qualified Opinion

We have audited the accompanying unconsolidated financial statements of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ("the Bank") which comprise the unconsolidated balance sheet as at 31 December 2017 and the unconsolidated statement of income, unconsolidated statement of 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 unconsolidated notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2017, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

Basis for Qualified Opinion

As mentioned in section five footnote II.9.4.1, the accompanying unconsolidated financial statements as at 31 December 2017 include a free reserve provision of total of TL 1,475,000 thousands, of which TL 530,000 thousands have been recognized as expense in the current period and the remaining portion had been recognized as expense in prior periods, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in the economy or market conditions.

We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" ("BRSA Auditing Regulation") published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Standards on Auditing which is a component of the Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We declare that we are independent of the Bank in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of unconsolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of loans and other receivables

Refer to Section III, No: VIII to the unconsolidated financial statements relating to the details of accounting policies and significant judgments of for impairment in loans and other receivables.

<i>Key audit matter</i>	<i>How the matter is addressed in our audit</i>
<p>As of 31 December 2017, loans and other receivables comprise 69% of Bank's total assets.</p> <p>The Bank recognizes its loans and other receivables in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the "Regulation") published on the Official Gazette No. 26333 dated 1 November 2006. In accordance with the mentioned Regulation, the assessment of impairment is basically related to the proper classification of loan and other receivables.</p> <p>The classification of loans and other receivables is performed in accordance with the criteria in the Regulation.</p> <p>Those include both objective and subjective criteria which management judgment is applied.</p> <p>Because of subjective criteria there is a risk of misclassification of loans and receivables which prevent any determination of impairment.</p> <p>Disclosures related to credit risk are presented in Section III, No II Credit Risk.</p>	<p>Our procedures for testing the classification of loans and advances in accordance with the Regulation and key assumptions made by management include below:</p> <ul style="list-style-type: none"> · We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures. · We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information. In this context, the current status of the loan customer has been evaluated. · We tested the appropriateness of the provisions in accordance with the Regulation. · Additionally, we also evaluated the adequacy of financial statement disclosures related to impairment provisions.

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Pension plan

Refer to Section III No: XVI and Section V Note II.9.5.3 to the unconsolidated financial statements relating to the details of accounting policies and significant judgments for pension plan.

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Bank's defined benefit pension plan (the "Plan") is managed by "T.C. Ziraat Bankası ve T. Halk Bankası Mensupları Emekli ve Yardım Sandığı (TZHEMSAN) Vakfı" (the "Fund") established as per the provisional article 20 of the Social Security Law No. 506 and the Bank's employees are the members of this Fund (TZHEMSAN).</p> <p>As disclosed in the section III note XVI to the unconsolidated financial statements, the Plan is composed of benefits which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the non-transferable social rights and pension benefits provided under the Plan will be covered by the funds and the institutions that employ the funds' members.</p> <p>As of 31 December 2017, the Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377.</p> <p>The valuation of the Pension Fund liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in Pension Plan.</p> <p>Management uses independent actuaries to assist in assessing the uncertainty around these assumptions.</p> <p>Considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p>	<p>Our procedures for testing the defined benefit pension plan in accordance with the key assumptions made by management include below:</p> <ul style="list-style-type: none"> · We have involved our own actuarial specialist to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary. · We have assessed whether there have been any significant changes in actuarial assumptions, methods and underlying regulations used in calculations. Significant changes during the period in pension plan benefits, plan assets or membership profiles which affect liabilities have been evaluated. · Additionally, the adequacy of financial statement disclosures, including disclosures of key assumptions and judgments have been evaluated. · We have evaluated whether the TZHEMSAN plan assets are adequate to cover the Pension Plan liabilities, under the methods and assumptions used.

Other Matter

The unconsolidated financial statements of the Bank as at and for the year ended 31 December 2016 was audited by another auditor who expressed a qualified opinion due to the free reserve provisions provided by the Bank on 17 February 2017.

Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation, 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.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Other Legal and Regulatory Requirements

Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; 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 2017 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Additional paragraph for convenience translation to English:

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

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



Erdal Tıkmak, SMMM
Partner
2 February 2018
İstanbul, Turkey

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

THE UNCONSOLIDATED FINANCIAL REPORT OF TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 31 DECEMBER 2017

The Bank's Headquarter Address: Anafartalar Mahallesi Atatürk Bulvarı
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Facsimile: (312) 584 49 63
Website: www.ziraatbank.com.tr

The unconsolidated year end 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
- INDEPENDENT AUDITORS' REPORT

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



Ali KIRBAŞ
Banking Operations and Communication
Executive Vice President



Atakan BEKTAŞ
Senior Vice President
of Reporting and Data
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 2017

(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. All shares of The Bank, which was given the authority to perform all the banking activities, belonged to the Republic of Turkey Prime Ministry Undersecretariat of Treasury ("Treasury") transferred to the Turkish Wealth Fund with the decision of the Council of Ministers numbered 2017/9756 dated 24 January 2017. The Bank's head office is located 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

The total share capital of the Bank is TL 5,600,000. This capital is divided into 5,600,000,000 registered share with a nominal value of TL 1 each and is fully paid. The Bank's sole shareholder is the Turkish Wealth Fund.

The decision of increasing the capital by TL 500,000 to TL 5,600,000 is approved in General Assembly in 9 June 2017. Increase of capital and amendments according to the relevant materials of the Articles of Association was registered on 11 July 2017. It has been announced in the Trade Registry Gazette numbered 9367 dated 14 July 2017. The offsetting transactions of the mentioned capital increase was accounted on 3 August 2017 accordance with the permission from the Banking Regulation and Supervision Agency.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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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)

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
Members of the Board of Directors	
Muharrem KARSLI	Chairman
Hüseyin AYDIN	CEO and Member
Yusuf DAĞCAN	Vice Chairman and Member
Cemalettin BAŞLI	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Mustafa ÇETİN	Member
Salim ALKAN	Member
Yusuf BİLMEZ	Member
Audit Committee Members	
Muharrem KARSLI	Member
Feyzi ÇUTUR	Member
Executive Vice Presidents	
Ali KIRBAŞ	Banking Operations and Communication
Alpaslan ÇAKAR	Payment Systems
Bilgehan KURU	Treasury and International Banking
Bülent SÜER	Internal Operations
Mehmet Cengiz GÖĞEBAKAN	Loan Policies
Musa ARDA	Loan Allocation and Management
Peyami Ömer ÖZDİLEK	Human Resources
Süleyman TÜRETKEN	Branch Banking
Yüksel CESUR	Internal Systems

The Bank's Chairman and Members of the Board of Directors, Members of the Audit Committee, General Manager and Deputy General Managers do not own any shares of the Bank.

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
Turkish Wealth Fund	5,600,000	100	5,600,000	-

The Bank's sole shareholder is the Turkish Wealth Fund.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(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 2017, Bank carries its activities with a grand total of 1,781 branches; 1,759 domestic branches including 20 corporate branches, 95 entrepreneurial branches, 1,639 branches and 5 mobile branches (31 December 2016: 1,786 domestic branches including 1,606 branches, 20 corporate branches, 79 entrepreneurial branches, 76 dynamic entrepreneurial branches, 5 mobile branches) and 22 branches abroad London branch in England, Baghdad and Arbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia, Plovdiv, Kardzhali and Varna branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina branch in Kosovo, Bahrain branch in Bahrain, Lefkoşa, Girne, Güzyurt, Gazimağusa, Gonyeli, Akdoğan, Karaoğlanoğlu and İskele branches in Turkish Republic of Northern Cyprus. The Bank also has 1 representative office in Tehran, Iran. The Bank's number of employee is 24,554 (31 December 2016: 25,015).

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 Bankalararası Kart Merkezi. Moreover, the project, which was launched in 2017, has reached the final stage for the establishment of the card branding and loyalty program of Ziraat Bank and it is planned to be put into practice in February 2018. Within the scope of the program, the credit card product will be presented together to the users with the bank card product by one plastic. In addition, new features of saving and budget friendly qualities will be brought into action for both credit card and bank card products which the bank is the leader.

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(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, Arap Türk Bankası A.Ş., one of the associates of the Parent Bank, and Turkmen Turkish Joint Stock Commercial Bank which is an entity of Parent Bank under common control will be taken into the scope of consolidation "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. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE IMMEDIATE TRANSFER OF SHAREHOLDERS' EQUITY OR REPAYMENT OF DEBT BETWEEN THE BANK AND ITS SUBSIDIARIES

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet
- II. Off-balance sheet commitments
- III. Income statement
- IV. Statement of income and expense items accounted under shareholders' equity
- V. Statement of changes in shareholders' equity
- VI. Statement of cash flows
- VII. Statement of profit distribution

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2017

(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 (31/12/2017)			Prior Period (31/12/2016)		
ASSETS			TL	FC	Total	TL	FC	Total
I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)		4,970,977	39,297,687	44,268,664	7,541,324	31,625,773	39,167,097
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)		888,200	515,682	1,403,882	1,209,019	475,772	1,684,791
2.1 Financial Assets Held for Trading			888,200	515,682	1,403,882	1,209,019	475,772	1,684,791
2.1.1 Public Sector Debt Securities			8,184	5,134	13,318	12,855	4,549	17,404
2.1.2 Securities Representing a Share in Capital			-	-	-	-	-	-
2.1.3 Derivative Financial Assets Held for Trading	(3)		880,016	510,548	1,390,564	1,196,164	471,223	1,667,387
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	(4)		798,732	3,504,017	4,302,749	527,107	3,374,567	3,901,674
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)	(5, 6)		45,444,531	17,574,244	63,018,775	43,863,060	14,768,893	58,631,953
5.1 Securities Representing a Share in Capital			112,788	844,158	956,946	104,142	539,323	643,465
5.2 Public Sector Debt Securities			45,331,743	16,629,561	61,961,304	43,700,624	14,119,670	57,820,294
5.3 Other Marketable Securities			-	100,525	100,525	58,294	109,900	168,194
VI. LOANS AND RECEIVABLES	(7)		221,859,779	76,398,253	298,258,032	168,980,221	63,663,314	232,643,535
6.1 Loans and Receivables			221,634,293	76,398,253	298,032,546	168,728,772	63,663,314	232,392,086
6.1.1 Loans Granted to Risk Group of The Bank			4,854	1,617,844	1,622,698	31,598	1,159,214	1,190,812
6.1.2 Public Sector Debt Securities			-	-	-	-	-	-
6.1.3 Other			221,629,439	74,780,409	296,409,848	168,697,174	62,504,100	231,201,274
6.2 Loans under Follow-up			4,755,226	19,103	4,774,329	4,200,259	16,838	4,217,097
6.3 Specific Provisions (-)			4,529,740	19,103	4,548,843	3,948,810	16,838	3,965,648
VII. FACTORING RECEIVABLES			-	-	-	-	-	-
VIII. INVESTMENTS HELD TO MATURITY (Net)	(8)		2,833,728	4,762,159	7,595,887	3,601,088	5,148,376	8,749,464
8.1 Public Sector Debt Securities			2,727,442	4,761,212	7,488,654	3,462,285	5,140,155	8,602,440
8.2 Other Marketable Securities			106,286	947	107,233	138,803	8,221	147,024
IX. INVESTMENTS IN ASSOCIATES (Net)	(9)		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)	(10)		3,035,473	2,109,014	5,144,487	2,532,473	1,575,116	4,107,589
10.1 Unconsolidated Financial Subsidiaries			3,029,236	2,109,014	5,138,250	2,526,236	1,575,116	4,101,352
10.2 Unconsolidated Non-Financial Subsidiaries			6,237	-	6,237	6,237	-	6,237
XI. ENTITIES UNDER COMMON CONTROL (Net)	(11)		-	72,495	72,495	-	109,239	109,239
11.1 Accounted with Equity Method			-	-	-	-	-	-
11.2 Unconsolidated Entities Under Common Control			-	72,495	72,495	-	109,239	109,239
11.2.1 Financial Entities Under Common Control			-	72,495	72,495	-	109,239	109,239
11.2.2 Non Financial Entities Under Common Control			-	-	-	-	-	-
XII. RECEIVABLES FROM LEASING TRANSACTIONS	(12)		-	-	-	-	-	-
12.1 Finance Lease Receivables			-	-	-	-	-	-
12.2 Operating Lease Receivables			-	-	-	-	-	-
12.3 Other			-	-	-	-	-	-
12.4 Unearned Income (-)			-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(13)		-	-	-	-	-	-
13.1 Fair Value Hedges			-	-	-	-	-	-
13.2 Cash Flow Hedges			-	-	-	-	-	-
13.3 Hedges for Investments Made in Foreign Countries			-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(16)		5,233,467	7,304	5,240,771	5,300,983	14,220	5,315,203
XV. INTANGIBLE ASSETS (Net)	(17)		428,403	8,230	436,633	305,716	7,098	312,814
15.1 Goodwill			-	-	-	-	-	-
15.2 Other			428,403	8,230	436,633	305,716	7,098	312,814
XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(14)		-	-	-	-	-	-
XVII. TAX ASSET			815	115	930	76,878	-	76,878
17.1 Current Tax Asset			815	115	930	1,121	-	1,121
17.2 Deferred Tax Asset	(18)		-	-	-	75,757	-	75,757
XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(15)		670,215	-	670,215	562,033	-	562,033
18.1 Held for Sale			670,215	-	670,215	562,033	-	562,033
18.2 Held from Discontinued Operations			-	-	-	-	-	-
XIX. OTHER ASSETS	(19)		2,570,007	1,196,070	3,766,077	1,214,427	1,189,756	2,404,183
TOTAL ASSETS			288,829,239	145,445,270	434,274,509	235,809,241	121,952,124	357,761,365

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 2017

(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)								
LIABILITIES AND EQUITY	Note (Section Five II)	Current Period (31/12/2017)			Prior Period (31/12/2016)			
		TL	FC	Total	TL	FC	Total	
I. DEPOSITS	(1)	161,933,028	104,451,161	266,384,189	149,857,453	73,161,481	223,018,934	
1.1 Deposits Held By the Risk Group of the Bank		1,286,498	491,752	1,778,250	1,191,017	354,900	1,545,917	
1.2 Other		160,646,530	103,959,409	264,605,939	148,666,436	72,806,581	221,473,017	
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	235,506	312,263	547,769	239,703	403,925	643,628	
III. FUNDS BORROWED	(3)	1,650,412	27,414,383	29,064,795	1,788,942	21,027,794	22,816,736	
IV. MONEY MARKET BALANCES		43,157,357	13,100,369	56,257,726	34,941,538	12,270,423	47,211,961	
4.1 Interbank Money Market Borrowings		41,850,000	-	41,850,000	4,640,000	-	4,640,000	
4.2 Istanbul Stock Exchange Takasbank Borrowings		-	-	-	50,000	-	50,000	
4.3 Funds Provided under Repurchase Agreements	(4)	1,307,357	13,100,369	14,407,726	30,251,538	12,270,423	42,521,961	
V. MARKETABLE SECURITIES ISSUED (Net)	(5)	3,590,796	9,166,573	12,757,369	2,156,778	4,676,223	6,833,001	
5.1 Bills		3,590,796	-	3,590,796	2,156,778	-	2,156,778	
5.2 Asset-backed Securities		-	-	-	-	-	-	
5.3 Bonds		-	9,166,573	9,166,573	-	4,676,223	4,676,223	
VI. FUNDS		6,030,575	-	6,030,575	6,020,839	-	6,020,839	
6.1 Borrower Funds		-	-	-	-	-	-	
6.2 Other		6,030,575	-	6,030,575	6,020,839	-	6,020,839	
VII. MISCELLANEOUS PAYABLES		2,411,419	1,610,642	4,022,061	1,266,894	1,213,827	2,480,721	
VIII. OTHER LIABILITIES	(6)	1,874,678	582,440	2,457,118	2,999,827	449,462	3,449,289	
IX. FACTORING PAYABLES		-	-	-	-	-	-	
X. PAYABLES FROM LEASING TRANSACTIONS (Net)	(7)	-	447	447	-	492	492	
10.1 Finance Lease Payables		-	454	454	-	499	499	
10.2 Operating Lease Payables		-	-	-	-	-	-	
10.3 Other		-	-	-	-	-	-	
10.4 Deferred Finance Lease Expenses (-)		-	7	7	-	7	7	
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(8)	-	-	-	-	-	-	
11.1 Fair Value Hedges		-	-	-	-	-	-	
11.2 Cash Flow Hedges		-	-	-	-	-	-	
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	
XII. PROVISIONS	(9)	8,458,157	60,810	8,518,967	5,981,623	71,388	6,053,011	
12.1 General Provisions		5,376,195	15,675	5,391,870	3,908,739	12,886	3,921,625	
12.2 Restructuring Provisions		-	-	-	-	-	-	
12.3 Employee Benefits Provisions		1,315,548	-	1,315,548	877,689	-	877,689	
12.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-	
12.5 Other Provisions		1,766,414	45,135	1,811,549	1,195,195	58,502	1,253,697	
XIII. TAX LIABILITY	(10)	1,222,555	1,110	1,223,665	848,332	1,983	850,315	
13.1 Current Tax Liability		917,189	1,110	918,299	848,332	1,983	850,315	
13.2 Deferred Tax Liability		305,366	-	305,366	-	-	-	
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-	
14.1 Held for Sale		-	-	-	-	-	-	
14.2 Held from Discontinued Operations		-	-	-	-	-	-	
XV. SUBORDINATED LOANS	(12)	-	-	-	-	-	-	
XVI. SHAREHOLDERS' EQUITY	(13)	46,064,823	945,005	47,009,828	38,736,881	(354,443)	38,382,438	
16.1 Paid-in Capital		5,600,000	-	5,600,000	5,100,000	-	5,100,000	
16.2 Capital Reserves		2,864,443	945,005	3,809,448	3,472,869	(354,443)	3,118,426	
16.2.1 Share Premium		-	-	-	-	-	-	
16.2.2 Share Cancellation Profits		-	-	-	-	-	-	
16.2.3 Marketable Securities Valuation Differences		(892,099)	945,005	52,906	(644,043)	(354,443)	(998,486)	
16.2.4 Tangible Assets Revaluation Reserves		3,858,888	-	3,858,888	4,177,866	-	4,177,866	
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		(119,734)	-	(119,734)	(78,342)	-	(78,342)	
16.3 Profit Reserves		29,660,259	-	29,660,259	22,681,247	-	22,681,247	
16.3.1 Legal Reserves		3,604,355	-	3,604,355	3,203,307	-	3,203,307	
16.3.2 Statutory Reserves		-	-	-	-	-	-	
16.3.3 Extraordinary Reserves		24,630,569	-	24,630,569	18,052,605	-	18,052,605	
16.3.4 Other Profit Reserves		1,425,335	-	1,425,335	1,425,335	-	1,425,335	
16.4 Profit or Loss		7,940,121	-	7,940,121	7,482,765	-	7,482,765	
16.4.1 Prior Years Profit/Loss		-	-	-	906,345	-	906,345	
16.4.2 Net Period Profit/Loss		7,940,121	-	7,940,121	6,576,420	-	6,576,420	
TOTAL LIABILITIES AND EQUITY		276,629,306	157,645,203	434,274,509	244,838,810	112,922,555	357,761,365	

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 2017

(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 (31/12/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
A OFF-BALANCE SHEET COMMITMENTS (I+II+III)		69,318,241	154,878,728	224,196,969	59,657,458	123,271,460	182,928,918
I. GUARANTEES AND WARRANTIES	(1),(3)	32,933,711	63,173,415	96,107,126	24,763,329	54,391,779	79,155,108
1.1 Letters of Guarantee		32,669,962	43,023,095	75,693,057	24,571,621	41,207,958	65,779,579
1.1.1 Guarantees Subject to State Tender Law		1,565,066	7,776,033	9,341,099	1,482,932	7,391,519	8,874,451
1.1.2 Guarantees Given for Foreign Trade Operations		27,424,105	34,376,931	61,801,036	20,772,639	33,311,238	54,083,877
1.1.3 Other Letters of Guarantee		3,680,791	870,131	4,550,922	2,316,050	505,201	2,821,251
1.2 Bank Acceptances		30,004	6,271,964	6,301,968	34,549	4,219,583	4,254,132
1.2.1 Import Letter of Acceptance		30,004	6,265,331	6,295,335	29,427	4,216,440	4,245,867
1.2.2 Other Bank Acceptances		-	6,633	6,633	5,122	3,143	8,265
1.3 Letters of Credit		233,745	13,878,356	14,112,101	157,159	8,964,238	9,121,397
1.3.1 Documentary Letters of Credit		233,745	13,838,232	14,071,977	157,159	8,918,813	9,075,972
1.3.2 Other Letters of Credit		-	40,124	40,124	-	45,425	45,425
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		-	-	-	-	-	-
II. COMMITMENTS	(1),(3)	23,689,109	8,738,845	32,427,954	18,457,103	4,909,554	23,366,657
2.1 Irrevocable Commitments		23,689,109	8,738,845	32,427,954	18,457,091	4,905,642	23,362,733
2.1.1 Asset Purchase and Sale Commitments		202,675	4,565,070	4,767,745	368,494	1,754,807	2,123,301
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		5,048,840	5,813	5,054,653	3,538,378	60,375	3,598,753
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		3,697,066	-	3,697,066	3,138,916	-	3,138,916
2.1.8 Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9 Commitments for Credit Card Limits		8,645,831	-	8,645,831	7,258,758	-	7,258,758
2.1.10 Commitments for Credit Cards and Banking Services Promotions		26,137	-	26,137	22,138	-	22,138
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		6,068,560	4,167,962	10,236,522	4,130,407	3,090,460	7,220,867
2.2 Revocable Commitments		-	-	-	12	3,912	3,924
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	3,912	3,912
2.2.2 Other Revocable Commitments		-	-	-	12	-	12
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	12,695,421	82,966,468	95,661,889	16,437,026	63,970,127	80,407,153
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 2017

(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		Note (Section Five III)	Current Period (31/12/2017)			Prior Period (31/12/2016)		
COMMITMENTS			TL	FC	Total	TL	FC	Total
3.2	Trading Transactions		12,695,421	82,966,468	95,661,889	16,437,026	63,970,127	80,407,153
3.2.1	Forward Foreign Currency Buy/Sell Transactions		3,617,638	6,924,910	10,542,548	1,353,480	3,946,217	5,299,697
3.2.1.1	Forward Foreign Currency Transactions-Buy		1,536,329	3,734,219	5,270,548	628,181	2,026,549	2,654,730
3.2.1.2	Forward Foreign Currency Transactions-Sell		2,081,309	3,190,691	5,272,000	725,299	1,919,668	2,644,967
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		8,709,947	75,685,916	84,395,863	15,072,546	60,012,592	75,085,138
3.2.2.1	Foreign Currency Swap-Buy		14,555	37,312,694	37,327,249	13,193,333	20,280,990	33,474,323
3.2.2.2	Foreign Currency Swap-Sell		8,695,392	27,876,600	36,571,992	1,879,213	30,408,968	32,288,181
3.2.2.3	Interest Rate Swap-Buy		-	5,248,311	5,248,311	-	4,661,317	4,661,317
3.2.2.4	Interest Rate Swap-Sell		-	5,248,311	5,248,311	-	4,661,317	4,661,317
3.2.3	Foreign Currency, Interest rate and Securities Options		367,836	355,642	723,478	11,000	11,318	22,318
3.2.3.1	Foreign Currency Options-Buy		183,918	177,821	361,739	5,500	5,659	11,159
3.2.3.2	Foreign Currency Options-Sell		183,918	177,821	361,739	5,500	5,659	11,159
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		1,109,727,974	139,992,904	1,249,720,878	918,306,978	124,983,490	1,043,290,468
IV.	ITEMS HELD IN CUSTODY		366,635,232	19,496,516	386,131,748	250,919,547	14,347,876	265,267,423
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		8,210,037	6,993,963	15,204,000	3,548,171	6,190,399	9,738,570
4.3	Checks Received for Collection		8,770,728	935,671	9,706,399	6,091,308	550,260	6,641,568
4.4	Commercial Notes Received for Collection		8,089,851	463,789	8,553,640	6,333,865	474,990	6,808,855
4.5	Other Assets Received for Collection		8,816	-	8,816	8,834	-	8,834
4.6	Assets Received for Public Offering		328,861,408	-	328,861,408	230,493,772	-	230,493,772
4.7	Other Items Under Custody		12,692,743	11,103,093	23,795,836	4,441,948	7,132,227	11,574,175
4.8	Custodians		1,649	-	1,649	1,649	-	1,649
V.	PLEDGES RECEIVED		742,129,511	118,416,306	860,545,817	666,794,362	108,762,025	775,556,387
5.1	Marketable Securities		1,498,312	51,776	1,550,088	1,536,809	37,532	1,574,341
5.2	Guarantee Notes		15,206,384	1,133,950	16,340,334	13,839,965	1,051,907	14,891,872
5.3	Commodity		1,092,765	81,269	1,174,034	1,089,260	70,224	1,159,484
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		652,639,237	85,012,978	737,652,215	588,923,360	83,692,739	672,616,099
5.6	Other Pledged Items		71,687,604	32,122,212	103,809,816	61,399,759	23,896,905	85,296,664
5.7	Pledged Items-Depository		5,209	14,121	19,330	5,209	12,718	17,927
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		963,231	2,080,082	3,043,313	593,069	1,873,589	2,466,658
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			1,179,046,215	294,871,632	1,473,917,847	977,964,436	248,254,950	1,226,219,386

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
**UNCONSOLIDATED STATEMENT OF
 INCOME AS OF 31 DECEMBER 2017**

(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. STATEMENT OF INCOME				
		Note (Section Five IV)	Current Period 01/01-31/12/2017	Prior Period 01/01-31/12/2016
I. INTEREST INCOME		(1)	35,463,463	27,290,689
1.1 Interest Income from Loans			28,357,308	21,512,183
1.2 Interest Income from Reserve Deposits			379,068	184,904
1.3 Interest Income from Banks			138,413	86,129
1.4 Interest Income from Money Market Placements			330,961	222
1.5 Interest Income from Marketable Securities			6,192,579	5,487,868
1.5.1 Financial Assets Held for Trading			4,014	1,362
1.5.2 Financial Assets at Fair Value through Profit and Loss			-	-
1.5.3 Financial Assets Available-for-Sale			5,526,833	4,709,663
1.5.4 Investments Held-to-Maturity			661,732	776,843
1.6 Finance Lease Income			-	-
1.7 Other Interest Income			65,134	19,383
II. INTEREST EXPENSES		(2)	18,561,385	13,342,418
2.1 Interest Expense on Deposits			12,249,174	9,911,323
2.2 Interest on Borrowings			700,779	469,531
2.3 Interest on Money Market Borrowings			4,845,742	2,524,582
2.4 Interest on Marketable Securities Issued			677,607	382,299
2.5 Other Interest Expense			88,083	54,683
III. NET INTEREST INCOME/EXPENSES (I - II)			16,902,078	13,948,271
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES			2,217,385	1,642,848
4.1 Fees and Commissions Received			2,673,493	2,022,852
4.1.1 Non-cash Loans			466,107	340,407
4.1.2 Other		(12)	2,207,386	1,682,445
4.2 Fees and Commissions Paid			456,108	380,004
4.2.1 Non-cash Loans			397	362
4.2.2 Other			455,711	379,642
V. DIVIDEND INCOME		(3)	284,531	259,184
VI. TRADING PROFIT/LOSS (Net)		(4)	(813,839)	(187,837)
6.1 Profit/Loss from Capital Market Operations			39,665	30,488
6.2 Profit/losses on Derivative Financial Transactions			(800,570)	(1,822,587)
6.3 Profit/Loss from Foreign Exchanges			(52,934)	1,604,262
VII. OTHER OPERATING INCOME		(5)	1,377,577	1,554,538
VIII. TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)			19,967,732	17,217,004
IX. PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)		(6)	3,190,566	3,344,870
X. OTHER OPERATING EXPENSES (-)		(7)	6,490,467	5,302,999
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)			10,286,699	8,569,135
XII. GAINS RECORDED AFTER MERGER			-	-
XIII. PROFIT/LOSS ON EQUITY METHOD APPLIED SUBSIDIARIES			-	-
XIV. GAIN/LOSS ON NET MONETARY POSITION			-	-
XV. INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)		(8)	10,286,699	8,569,135
XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)		(9)	(2,346,578)	(1,992,715)
16.1 Current Tax Provision			(2,300,432)	(1,895,194)
16.2 Deferred Tax Provision			(46,146)	(97,521)
XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)		(10)	7,940,121	6,576,420
XVIII. INCOME FROM DISCONTINUED OPERATIONS			-	-
18.1 Income from Non-current Assets Held for Sale			-	-
18.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)			-	-
18.3 Other Income from Discontinued Operations			-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)			-	-
19.1 Expenses for Non-current Assets Held for Sale			-	-
19.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)			-	-
19.3 Other Expenses from Discontinued Operations			-	-
XX. PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)			-	-
XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)			-	-
21.1 Current tax provision			-	-
21.2 Deferred tax provision			-	-
XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)			-	-
XXIII. NET PROFIT/LOSSES (XVII+XXII)		(11)	7,940,121	6,576,420
Earnings per Share (Full TL)			1.497	1.300

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2017

(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 INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY			
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		Current Period (01/01-31/12/2017)	Prior Period (01/01-31/12/2016)
I.	ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	1,022,171	(951,047)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	(198,594)	790,587
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	253,845	140,481
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	(51,425)	8,420
IX.	DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(334,977)	(88,452)
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	691,020	(100,011)
XI.	CURRENT YEAR PROFIT/LOSS	7,940,121	6,576,420
11.1	Net change in fair value of marketable securities (transfer to profit-loss)	39,665	30,488
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	7,900,456	6,545,932
XII.	TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	8,631,141	6,476,409

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 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 V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Canc. 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		-	-	-	-	-
	Balance at the end of the period (I+II+III+.....+ XVI+XVII+XVIII)		5,100,000	-	-	-	3,203,307

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 CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2017

(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

		Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Canc. Profits	Legal Reserves
	31 December 2017						
I.	Balance at the Beginning of the Period		5,100,000	-	-	-	3,203,305
	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		500,000	-	-	-	-
12.1	Cash		500,000	-	-	-	-
12.2	From Internal Resources		-	-	-	-	-
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		-	-	-	-	401,050
18.1	Dividend Distributed		-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	401,050
18.3	Other		-	-	-	-	-
	Balance at the end of the period (I+II+III+.....+ XVI+XVII+XVIII)		5,600,000	-	-	-	3,604,355

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
	-	18,052,605	1,346,993	-	7,482,765	(998,484)	4,177,866	17,388	-	-	38,382,438
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	797,293	-	-	-	-	797,293
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(318,978)	-	-	-	(318,978)
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	(252)	-	-	254,097	-	-	-	-	253,845
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	500,000
	-	-	-	-	-	-	-	-	-	-	500,000
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	(41,140)	-	-	-	-	-	-	-	(41,140)
	-	-	-	7,940,121	-	-	-	-	-	-	7,940,121
	-	6,577,964	-	-	(7,482,765)	-	-	-	-	-	(503,751)
	-	-	-	-	(503,751)	-	-	-	-	-	(503,751)
	-	6,577,964	-	-	(6,979,014)	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	24,630,569	1,305,601	7,940,121	-	52,906	3,858,888	17,388	-	-	47,009,828

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
**UNCONSOLIDATED STATEMENT OF
CASH FLOWS AS OF 31 DECEMBER 2017**

(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. STATEMENT OF CASH FLOWS		Note (Section Five VI)	Current Period 01/01-31/12/2017	Prior Period 01/01-31/12/2016
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		6,865,830	5,930,079
1.1.1	Interest Received		33,449,782	26,056,965
1.1.2	Interest Paid		(18,010,343)	(12,988,609)
1.1.3	Dividend Received		281,531	254,283
1.1.4	Fees and Commissions Received		2,673,493	2,018,778
1.1.5	Other Income		904,564	1,511,580
1.1.6	Collections from Previously Written-off Loans and Other Receivables		1,508,942	1,307,370
1.1.7	Payments to Personnel and Service Suppliers		(2,703,319)	(2,286,812)
1.1.8	Taxes Paid		(2,767,737)	(2,321,527)
1.1.9	Other		(8,471,083)	(7,621,949)
1.2	Changes in Operating Assets and Liabilities		(11,835,125)	5,910,642
1.2.1	Net (Increase)/Decrease in Trading Securities		4,074	(785)
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3	Net (Increase)/Decrease in Banks		(7,991,159)	5,422,001
1.2.4	Net (Increase)/Decrease in Loans		(64,667,228)	(46,425,679)
1.2.5	Net (Increase)/Decrease in Other Assets		(1,306,478)	(392,084)
1.2.6	Net Increase/(Decrease) in Bank Deposits		12,354,467	4,191,960
1.2.7	Net Increase/(Decrease) in Other Deposits		39,611,827	36,377,643
1.2.8	Net Increase/(Decrease) in Funds Borrowed		6,173,956	3,231,377
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		3,985,416	3,506,209
I.	Net Cash Provided from Banking Operations		(4,969,295)	11,840,721
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES			
II.	Net Cash Provided from Investing Activities		(4,891,580)	(6,190,109)
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		(597,281)	(1,452,444)
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3	Fixed Assets Purchases		(464,575)	(63,790)
2.4	Fixed Assets Sales		224,167	263,287
2.5	Cash Paid for Purchase of Financial Assets Available for Sale		(18,939,706)	(15,914,106)
2.6	Cash Obtained from Sale of financial Assets Available for Sale		16,074,784	11,879,467
2.7	Cash Paid for Purchase of Investment Securities		(433,646)	(937,047)
2.8	Cash Obtained from Sale of Investment Securities		1,910,559	2,798,047
2.9	Other		(2,665,882)	(2,763,523)
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net Cash Provided from Financing Activities		5,965,927	809,173
3.1	Cash Obtained from Funds Borrowed and Securities Issued		7,993,072	4,030,900
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(2,277,100)	(2,990,333)
3.3	Issued Equity Instruments		500,000	-
3.4	Dividends Paid		(250,000)	(231,200)
3.5	Payments for Finance Leases		(45)	(194)
3.6	Other		-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(1)	1,344,144	1,042,601
V.	Net Decrease/Increase in Cash and Cash Equivalents (I+II+III+IV)		(2,550,804)	7,502,386
VI.	Cash and Cash Equivalents at the Beginning of the Period	(1)	15,566,483	8,064,097
VII.	Cash and Cash Equivalents at the End of the Period	(1)	13,015,679	15,566,483

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION AS OF 31 DECEMBER 2017

(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 DISTRIBUTION STATEMENT ^(*)		Current Period (31/12/2017)	Prior Period ^(**) (31/12/2016)
I.	DISTRIBUTION OF CURRENT YEAR INCOME		
1.1	Current Year Income	10,286,699	8,569,135
1.2	Taxes And Duties Payable (-) ⁽³⁾	2,346,578	1,992,715
1.2.1	Corporate Tax (Income tax)	2,300,432	1,895,194
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	46,146	97,521
A.	NET INCOME FOR THE YEAR (1.1-1.2)	7,940,121	6,576,420
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	-	328,821
1.5	Other Statutory Reserves (-)	-	-
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	-	6,247,599
1.6	First Dividend To Shareholders (-)	-	255,000
1.6.1	To Owners Of Ordinary Shares	-	255,000
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 (-)	-	230,000
1.8	Dividends To Board Of Directors (-)	-	-
1.9	Second Dividend To Shareholders (-)	-	39,118
1.9.1	To Owners Of Ordinary Shares	-	39,118
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 (-)	-	26,912
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	5,696,569
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
II.	DISTRIBUTION OF RESERVES		
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 (-)	-	-
III.	EARNINGS PER SHARE		
3.1	To Owners Of Ordinary Shares	1.4966	1.2999
3.2	To Owners Of Ordinary Shares (%)	149.66	129.99
3.3	To Owners Of Privileged Shares	-	-
3.4	To Owners Of Privileged Shares (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1	To Owners Of Ordinary Shares	-	0.05
4.2	To Owners Of Ordinary Shares (%)	-	5.00
4.3	To Owners Of Privileged Shares	-	-
4.4	To Owners Of Privileged Shares (%)	-	-

^(*) 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.

^(**) The profit distribution table for the prior period becomes definite with the decision of Ordinary General Assembly after the publishing of 31 December 2016 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 principles on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA) and circulars and interpretations published by BRSA (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards, within the scope of Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS") and related appendices and interpretations (referred as "Turkish Accounting and Financial Reporting Regulations" or "Reporting Standards") 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.

As of 31 December 2017 balance sheet and statement of off-balance sheet commitments income statement, statement of income and expense items accounted under shareholders' equity, statement of cash flows and statement of changes in shareholders' equity are presented comparatively with balances as of 31 December 2016.

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

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

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

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 is Turkish Lira deposits, repurchase agreements, issued securities, shareholders' equity and government funds transferred from the budget, ministerial offices and other public resources to the Bank by means of legislative and administrative decisions. 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.

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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 expense limit commitments for credit card 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 İstanbul ("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 deducting the provision for 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, OPTIONS AND DERIVATIVE INSTRUMENTS

The Bank's derivative transactions include cross swap transactions related to currency, swap transactions related to interest rates, currency and precious metal swaps, long-term financing transactions, full indemnity options and forward foreign currency buy/sell transaction 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.

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.

The Bank ceases accruing interest income on non-performing loans and reverses any interest income accrued from such loans. No income is accounted until the collection is made according to the related regulation.

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.

The value difference between the settlement date and transaction date of financial assets accounted with their acquisition cost are subjected to rediscount (valuation).

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.

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.

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 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". However, there is no judgement in the related Regulation and the BRSA's related disclosures that would prevent further provision of the minimum amounts required. Allocated provisions are deducted from the income for the period. The Bank reserves specific provisions for non-performing loans over the minimum ratios specified in the Regulation without considering the collaterals. 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.

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, Turkish Trade Bank in receivership, Borsa İstanbul, Borica Bank Services AD, 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.

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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 Expenses 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 and receivables are explained in detail in Note VII. of this section.

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

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

The assets that meet the criteria of being classified under assets held for sale are measured at the lower of their book values or fair value less costs to be incurred for sale, depreciation for these assets is ceased and these assets are presented separately in the balance sheet. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold immediately under usual conditions and should have a high possibility to be sold. To have a high possibility of sale, a plan should have been made for the sale of the asset (or the asset group to be disposed) and an active program should have been started by the management, aiming to complete the plan and determine the buyers.

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

A discontinued operation is a part of an entity which is classified as to be disposed or held for sale. The results related to discontinuing operations are presented separately in the income statement. The Bank does not have any discontinued operations.

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.

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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 five 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

Tangible assets are 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 Bank's inventory, appraisal study was carried by independent expertise companies, and from 31 December 2016 valuation results are reflected in the accounting records. As a result of the fair valuation of the real estates, TL 3,858,888 net is followed under shareholders' equity as of 31 December 2017. As of 30 January 2014, the net book amount of real estates of the tangible assets before valuation was TL 816,950.

Tangible assets (except for immovables) 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. Tangible assets 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.

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".

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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 from the Bank cannot be made, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

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

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

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

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Employment Termination and Vacation Benefits

The Bank recognizes its liabilities of employment terminations and vacation benefits in accordance with TAS 19 "Turkish Accounting Standard about Benefits for Employee" and estimates the net present value of future liabilities arising from employment terminations and vacation benefits and reflects this provision amount in the financial statements.

Under the Turkish legislation as supplemented by union agreements, Employment Termination Benefit payments are made in case of retirement or employment termination or resignation depending on the arise of the legal conditions. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, retirement bonus pension/severance payments are calculated for the hours that the personnel has worked. Employment termination is calculated based on actuarial assumptions. This assumptions based on the calculation are below:

The Bank uses independent actuaries in determining liability, and also makes assumptions about issues such as discount rate and inflation. These assumptions are reviewed on an sixth month basis. Retirement benefit obligation is TL 813,548 (31 December 2016: TL 690,189).

	Current Period 31.12.2017	Prior Period 31.12.2016
Discount Rate	12.10%	11.40%
Inflation	8.90%	8.00%

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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. Actuarial loss amounting to TL 119,483 was classified as "Other Reserves" under shareholders' equity in the financials.

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

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

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 20th provisional article of Social Security Law Act numbered 506. As of 31 December 2017 the number of personnel who benefit from the Fund, excluding dependents, is 22,531 (31 December 2016: 22,221). 18,723 of these members are active while 3,808 are passive members. (31 December 2016: 18,450 active members, 3,771 passive members).

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

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

According to the new law bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution and would be subject to its legislation within three years beginning from the date of publication without any required transaction. Three years transfer period would be extended by two years at most with the decision of Council of Ministers. In accordance with the related legislation, as of the transfer date, the cash value of the liabilities will be calculated by considering the income and expenses of the transferred funds by the insurance branches and by using the actuarial interest rate of 9.80%. Moreover, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

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

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

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

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

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

The technical balance sheet report as of 31 December 2017 which is prepared in accordance with the new law and the 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

Current Tax

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

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

Corporations are required to pay advance corporate tax quarterly at a rate of 22% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

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

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

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

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Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warranters' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax. (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%.)

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

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

Deferred Tax

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

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

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

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

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

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

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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

The decision of increasing the capital by TL 500,000 to TL 5,600,000 is approved in General Assembly in 9 June 2017. Increase of capital and amendments according to the relevant materials of the Articles of Association was registered on 11 July 2017. It has been announced in the Trade Registry Gazette numbered 9367 dated 14 July 2017. The offsetting transactions of the mentioned capital increase was accounted on 3 August 2017 accordance with the permission from the Banking Regulation and Supervision Agency.

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.

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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 X of Section Four.

XXIV. EXPLANATIONS ON OTHER MATTERS

Explanations on Profit Distribution

In accordance with the decision taken in the General Assembly of the year 2016, which was carried out on 9 June 2017, from TL 6,576,420 net profit, which is subject to distribution, TL 328,821 is transferred to first legal reserve and TL 26,912 is transferred to second legal reserve TL 230,000 was decided to be paid to employees and TL 255,000 for the first legal reserve, TL 39,118 for second legal reserve in total a payment of gross amounting to TL 294,118 is decided to be distributed to Treasury. In this framework, the portion of the profit amounting to TRY 5,696,569 has been left in the Bank and dividend payment has been made to the Treasury on 14 June 2017. Additionally, reserves amounting to TRY 45,317 has been allocated from retained earnings amounting to TRY 906,345 and remaining amount, TRY 861,028, has been left in the Bank. In accordance with the decision taken at the General Assembly Meeting, the remaining amount, TL 20,367, of the total amount which was decided to be paid to employees has been transferred to "profit reserve" account.

Developments related to TFRS 9 Transition Process

The last version of TFRS 9 "Financial Instruments" Standard published in January 2017 by POA, has changed the existing guidance on TAS 39 "Financial Instruments: Recognition and Measurement" and moved the implementations about accounting, classification, measurement and off balance sheet of financial instruments to TFRS 9. The latest version of TFRS 9 includes guidance issued in previous versions of TFRS 9, including the new application of the expected credit loss model for the calculation of impairment in financial assets, as well as updated applications for new general hedge accounting requirements. TFRS 9 is put into force on 1 January 2018. In this context, banks have become obliged to apply TFRS 9 as of 1 January 2018 with the "Regulation on Procedures and Principles for Classification of Loans and Provisions to be Issued" of the BRSA published in the Official Gazette dated 22 June 2016 and numbered 29750.

The Bank created Finance, Risk and Information Technology Departments and project team that includes advisors for the purpose of adaptation of TFRS 9 financial reporting process. As a result of statistical models, calculation methods and applying new methods that is developed by project team, expected transition effects about accounting policy was calculated. The mentioned Accounting policy change is expected to affect Bank's balance sheet equity approximately between 8-12% positively. The controls and developments regarding the implementation of TFRS 9 are in progress.

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 2017 Bank's total capital has been calculated as TL 50,097,067 (31 December 2016: TL 41,061,245), capital adequacy ratio is 15.20% (31 December 2016: 14.55%). This ratio is well above the minimum ratio required by the legislation.

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1. Information Related to The Components of Shareholders' Equity

	Current Period 31 December 2017	Amount as per the regulation before 1/1/2014*
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5,600,000	-
Share issue premiums	-	-
Reserves	29,660,259	-
Gains recognized in equity as per TAS	5,708,945	-
Profit	7,940,121	-
Current Period Profit	7,940,121	-
Prior Period Profit	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17,388	-
Common Equity Tier 1 Capital Before Deductions	48,926,713	-
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1 st 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	1,916,885	-
Improvement costs for operating leasing	64,822	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	349,306	436,633
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4 th clause of the 56 th 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 nd 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	-	-

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	Current Period 31 December 2017	Amount as per the regulation before 1/1/2014*
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions from Common Equity Tier I Capital	2,331,013	-
Total Common Equity Tier I Capital	46,595,700	-
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items to be defined by the BRSA (-)	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	87,327	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	46,508,373	-
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	3,590,403	-
Tier II Capital Before Deductions	3,590,403	-
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	3,590,403	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	50,098,776	-

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	Current Period 31 December 2017	Amount as per the regulation before 1/1/2014*
Deductions from Total Capital	50,098,776	-
Deductions from Capital Loans granted contrary to the 50 th and 51 st Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	1,709	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	50,097,067	-
Total Risk Weighted Assets	329,495,006	-
CAPITAL ADEQUACY RATIOS		
CET 1 Capital Ratio (%)	14.14	-
Tier I Capital Ratio (%)	14.12	-
Capital Adequacy Ratio (%)	15.20	-
BUFFERS		
Total additional core capital requirement ratio (a+b+c)	1.26	-
a) Capital conservation buffer requirement (%)	1.25	-
b) Bank specific countercyclical buffer requirement (%)	0.013	-
c) Higher bank buffer requirement ratio (%)	-	-
Additional CET 1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	6.14	-
Amounts Lower than Excesses as per Deduction Rules	-	-
Remaining 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	156,212	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	68,380	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	-	-
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand	5,391,870	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,590,403	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 11.2018-11.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(*) Amounts considered within transition provisions

(**) The systemic significant bank buffer ratio has been shown as 0 in the unconsolidated financial report since it is necessary to fill in the systematic significant banks that are not required to prepare financial statements in the context of the 4th paragraph of Article 4 of the "Regulation on Systemic Significant Banks".

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	Prior Period 31 December 2016	Amount as per the regulation before 1/1/2014*
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5,100,000	-
Share issue premiums	-	-
Reserves	22,681,247	-
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	-
Common Equity Tier 1 Capital Before Deductions	40,102,002	-
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1 st 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 (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	187,688	312,814
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4 th clause of the 56 th 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 nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions from Common Equity Tier I Capital	1,989,853	-
Total Common Equity Tier I Capital	38,112,149	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-

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	Prior Period 31 December 2016	Amount as per the regulation before 1/1/2014*
Deductions from Additional Tier I Capital	-	-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items to be defined by the BRSA (-)	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 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 (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	37,987,023	-
TIER II CAPITAL	-	-
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	3,114,746	-
Tier II Capital Before Deductions	3,114,746	-
Deductions from Tier II Capital	-	-
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	3,114,746	-
Total Tier II Capital	41,101,769	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	41,101,769	-
Deductions from Total Capital	-	-
Deductions from Capital Loans granted contrary to the 50 th and 51 st Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	38,071	-
Other items to be defined by the BRSA (-)	2,453	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier1 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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	Prior Period 31 December 2016	Amount as per the regulation before 1/1/2014*
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	41,061,245	-
Total Risk Weighted Assets	282,252,505	-
CAPITAL ADEQUACY RATIOS		
CET 1 Capital Ratio (%)	13.50	-
Tier I Capital Ratio (%)	13.46	-
Capital Adequacy Ratio (%)	14.55	-
BUFFERS		
Bank-specific total CET 1 Capital Ratio	-	-
Capital Conservation Buffer Ratio (%)	0.63	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.004	-
Additional CET 1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5.50	-
Amounts Lower than Excesses as per Deduction Rules	-	-
Remaining 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	153,707	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	97,415	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	75,757	-
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand	3,921,625	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,114,746	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(*) Amounts considered within transition provisions

2. Information Related to the Components which Subject to Temporary Implementation in the Calculation of Equity

None.

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3. 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. Besides, losses that are subject to deductions from Common Equity Tier I and reflected to Equity in line with the TAS, are determined by excluding the losses related to cash flow hedge transactions. 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 other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

II. EXPLANATIONS ON CREDIT RISK

1. Information on 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.

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.

On 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.

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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 24% and 29% respectively (31 December 2016: 26% and 31%).

The percentage of top 100 and top 200 non-cash loans in the total non-cash loan portfolio is 54% and 65% respectively (31 December 2016: 57% and 67%).

The percentage of top 100 and top 200 cash and non-cash loans in the total cash and non-cash loan portfolio is 23% and 27% respectively (31 December 2016: 27% and 34%).

General provision made by the Bank for the credit risk is TL 5,391,870 (31 December 2016: TL 3,921,625).

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2. The Profile of Important Risks of Important Regions

	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 organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
Current Period							
Domestic	72,189,375	643,605	646,789	-	-	4,215,263	163,216,073
European Union Countries	27,916	-	-	-	-	23,070,707	810,399
OECD Countries ⁽¹⁾	-	-	-	-	-	678,725	113
Off-shore Banking Regions	-	-	-	-	-	40,679	283,110
USA, Canada	-	-	-	-	-	2,091,305	1,448,529
Other Countries	273,089	7,995	23	-	-	739,078	566,152
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	5,513,154	1,717,897
Unallocated Assets/ Liabilities ⁽²⁾	-	-	-	-	-	-	-
Total	72,490,380	651,600	646,812	-	-	36,348,911	168,042,273

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

⁽¹⁾ OECD Countries other than EU countries, USA and Canada⁽²⁾ Assets and liabilities that could not be distributed on a consistent basis

	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
Prior Period							
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 ⁽¹⁾	-	-	-	-	-	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 ⁽²⁾	-	-	-	-	-	-	-
Total	80,625,998	584,467	552,434	-	-	63,366,558	135,005,679

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

⁽¹⁾ OECD Countries other than EU countries, USA and Canada⁽²⁾ Assets and liabilities that could not be distributed on a consistent basis

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 ⁽³⁾	Other receivables	Total
119,864,412	47,607,742		552,922	-	-	-	1,102,157	111,213	18,658,670	428,808,221
59,104	-		-	-	-	-	-	7	-	23,968,133
-	-		-	-	-	-	-	-	-	678,838
-	-		-	-	-	-	-	-	-	323,789
491	-		-	-	-	-	-	-	-	3,540,325
113,741	14,155		788,270	-	-	-	-	26,187	-	2,528,690
6,066	-		881,000	-	-	-	1,300,000	-	-	9,418,117
-	-	-	-	-	-	-	-	-	-	-
120,043,814	47,621,897	-	2,222,192	-	-	-	2,402,157	137,407	18,658,670	469,266,113

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	Other Receivables ⁽³⁾	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

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3. 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
Current Period									
Sectors/Counter Parties									
Agriculture	955	873	12,484	-	-	-	2,502,034	4,897,362	923,014
Farming and Stockbreeding	359	529	8,789	-	-	-	2,064,354	4,087,431	781,167
Forestry	596	9	17	-	-	-	285,899	161,127	16,607
Fishing	-	335	3,678	-	-	-	151,781	648,804	125,240
Manufacturing	59,644	4,307	24,574	-	-	-	70,807,286	7,624,225	1,282,115
Mining and Quarrying	-	28	20	-	-	-	5,179,999	136,470	10,155
Production	59,644	513	17,903	-	-	-	48,652,936	7,414,516	1,210,389
Electric, Gas and Water	-	3,766	6,651	-	-	-	16,974,351	73,239	61,571
Construction	-	19	30,491	-	-	-	31,123,128	4,164,129	823,346
Services	2,813,141	5,185	405,911	-	-	26,385,655	60,038,530	23,242,615	3,909,971
Wholesale and Retail Trade	113	1,315	4,005	-	-	-	18,107,312	16,449,170	2,189,105
Hotel Food and Beverage Services	671	95	3,878	-	-	-	3,795,748	1,414,294	422,841
Transportation and Telecommunication	1,213	636	262,694	-	-	-	7,920,206	2,558,014	431,149
Financial Institutions	2,626,670	84	22,397	-	-	25,104,953	11,293,821	18,059	2,005
Real Estate and Leasing Services	113,624	934	1,022	-	-	1,280,702	18,204,766	2,187,180	743,226
Self Employment Services	-	-	-	-	-	-	-	-	-
Education Services	68,494	14	98,139	-	-	-	269,711	214,021	29,998
Health and Social Services	2,356	2,107	13,776	-	-	-	446,966	401,877	91,647
Other	69,616,640	641,216	173,352	-	-	9,963,256	3,571,295	80,115,483	40,683,451
Total	72,490,380	651,600	646,812	-	-	36,348,911	168,042,273	120,043,814	47,621,897

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 corporates	Investments similar to collective investment funds	Investments in Equity Instruments	Other receivables	TL	FC	Total
-	-	15,941	-	-	-	-	-	354,859	8,202,277	505,245	8,707,522
-	-	15,298	-	-	-	-	-	350,882	7,116,656	192,153	7,308,809
-	-	202	-	-	-	-	-	1,040	230,552	234,945	465,497
-	-	441	-	-	-	-	-	2,937	855,069	78,147	933,216
-	-	40,885	-	-	-	-	-	180,431	33,465,290	46,558,177	80,023,467
-	-	706	-	-	-	-	-	33	1,104,072	4,223,339	5,327,411
-	-	40,150	-	-	-	-	-	180,238	27,782,669	29,793,620	57,576,289
-	-	29	-	-	-	-	-	160	4,578,549	12,541,218	17,119,767
-	-	26,716	-	-	-	52,385	-	36,474	13,701,896	22,554,792	36,256,688
-	-	907,042	-	-	-	2,349,772	137,407	90,178	62,733,667	57,551,740	120,285,407
-	-	182,064	-	-	-	-	-	58,802	30,371,591	6,620,295	36,991,886
-	-	115,343	-	-	-	-	-	5,934	2,227,813	3,530,991	5,758,804
-	-	1,521	-	-	-	-	-	19,566	4,143,082	7,051,917	11,194,999
-	-	603,888	-	-	-	1,471,450	137,407	684	13,970,709	27,310,709	41,281,418
-	-	3,686	-	-	-	878,322	-	4,576	10,572,856	12,845,182	23,418,038
-	-	-	-	-	-	-	-	-	-	-	-
-	-	166	-	-	-	-	-	169	520,752	159,960	680,712
-	-	374	-	-	-	-	-	447	926,864	32,686	959,550
-	-	1,231,608	-	-	-	-	-	17,996,728	163,845,698	60,147,331	223,993,029
-	-	2,222,192	-	-	-	2,402,157	137,407	18,658,670	281,948,828	187,317,285	469,266,113

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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	
Sectors/Counter Parties										
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	
Total	80,625,998	584,467	552,434	-	-	63,366,558	135,005,679	89,947,846	36,931,394	

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 corporates	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
	-	328,693	-	-	-	1,673,629	118,153	15,871,966	268,309,978	156,696,839	425,006,817

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4. 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	1,259,796	155,397	173,005	3,159,252	67,742,930
Conditional and unconditional exposures to regional governments or local authorities	18,243	21	-	77,432	555,904
Conditional and unconditional receivables from administrative units and non-commercial enterprises	13,280	2,694	8,350	131,817	490,671
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	17,943,217	4,896,408	2,203,837	2,625,480	8,679,969
Conditional and unconditional exposures to corporates	158,576	3,416,434	1,670,340	44,455,577	118,341,346
Conditional and unconditional retail exposures	1,018,320	315,531	792,865	30,677,534	87,239,564
Conditional and unconditional exposures secured by real estate property	1,658	13,096	17,770	6,269,599	41,319,774
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	369,069	9,066	108,711	246,153	1,489,193
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	58,758	-	-	31,268	2,312,131
Investments in Equity Instruments	-	-	-	-	137,407
Grand Total	20,840,917	8,808,647	4,974,878	87,674,112	328,308,889

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

Grades of Fitch Ratings International Rating Agency and The Islamic International Rating Agency (IIRA) 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.

5. 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	69,552,796	-	14,464,061	-	38,617,421	165,777,320	178,632,323	2,222,192	-	-	-	503,163
2	Exposures after Credit Risk Mitigation	98,885,531	-	9,045,613	40,264,373	48,527,356	106,347,320	163,974,867	2,221,053	-	-	-	503,163

Prepared with the numbers after conversion rate to credit.

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6. Information in terms of major sectors and type of counterparties:

Impaired Credits

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

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 (¹)	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	685,172	1,192,641	44,518	466,542
Farming and Stockbreeding	678,882	1,186,381	44,284	460,252
Forestry	3,140	4,301	161	3,140
Fishery	3,150	1,959	73	3,150
Manufacturing	950,281	787,475	29,394	950,281
Mining and Quarrying	15,292	7,207	269	15,292
Production	920,475	587,590	21,933	920,475
Electricity, Gas and Water	14,514	192,678	7,192	14,514
Construction	978,899	451,479	16,853	972,238
Services	1,163,263	1,894,846	70,730	1,163,263
Wholesale and Retail Trade	955,731	1,130,374	42,194	955,731
Accommodation and Dining	50,546	273,338	10,203	50,546
Transportation and Telecom.	57,862	86,017	3,211	57,862
Financial Institutions	2,019	2,809	105	2,019
Real Estate and Rental Services	70,307	202,528	7,560	70,307
Professional Services	-	-	-	-
Educational Services	14,938	24,339	908	14,938
Health and Social Services	11,860	175,441	6,549	11,860
Other	996,714	982,940	36,690	996,519
Total	4,774,329	5,309,381	198,185	4,548,843

⁽¹⁾ Valuation adjustments represent general provisions reserved for overdue loans.

7. Information about Value Adjustment and Change in Provisions

		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	3,965,648	1,127,901	(544,706)	-	4,548,843
2	General Provisions	3,921,625	1,470,245	-	-	5,391,870

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The table below shows the maximum credit sensitivity of financial statement items.

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	1,403,882	1,684,791
Banks	4,302,749	3,901,674
Interbank Money Market Placements	-	-
Available-for-sale Financial Assets	63,018,775	58,631,953
Held-to-maturity Investments	7,595,887	8,749,464
Loans	298,258,032	232,643,535
Other Assets	2,169,308	2,257,069
Total credit risk exposure of balance sheet items	376,748,633	307,868,486
Financial Guarantees	96,107,126	79,155,108
Commitments	32,427,954	23,366,657
Total credit risk exposure of off-balance sheet items	128,535,080	102,521,765
Total credit risk exposure	505,283,713	410,390,251

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
Banks	4,302,749	-	4,302,749	3,901,674	-	3,901,674
Financial Assets at Fair Value Through Profit or Loss	1,403,882	-	1,403,882	1,684,791	-	1,684,791
Loans:	292,723,165	5,309,381	298,032,546	227,976,255	4,415,831	232,392,086
Corporate/Entrepreneurial Loans	155,891,622	3,265,750	159,157,372	120,437,368	2,370,758	122,808,126
Consumer Loans	83,598,503	852,172	84,450,675	62,296,314	1,070,056	63,366,370
Specialized Loans	53,233,040	1,191,459	54,424,499	45,242,573	975,017	46,217,590
Available-for-sale Financial Assets	63,018,775	-	63,018,775	58,631,953	-	58,631,953
Held-to-maturity Investments	7,595,887	-	7,595,887	8,749,464	-	8,749,464

Carrying amount per class of financial assets whose terms have been renegotiated are below.

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Loans ^(*)	11,292,800	8,112,945
Corporate/Entrepreneurial Loans	4,236,504	3,081,223
Consumer Loans	1,560,233	1,397,886
Specialized Loans	5,496,063	3,633,836
Other	-	-
Available-for-sale Financial Assets	-	-
Held-to-maturity Investments	-	-

^(*) Accruals amounting to TL 509,525 are not included.

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III. RISKS INCLUDED CAPITAL CAPACITY BUFFER CALCULATIONS

Country	Banking Accounts RWA	Trading Accounts RWA	TOTAL
USA	2,192,122	29,403	2,221,525
UK	936,285	872,493	1,808,778
Germany	1,343,351	1,700	1,345,051
Bosnia and Herzegovina	1,292,030	-	1,292,030
Iraq	586,744	-	586,744
France	367,879	205,576	573,455
Turkish Republic of Northern Cyprus	417,550	1,327	418,877
Singapore	305,419	-	305,419
Saudi Arabia	253,429	-	253,429
Holland	165,230	54,228	219,458
Other	1,607,595	66,431	1,674,026

IV. EXPLANATIONS ON THE CURRENCY RISK

1. Whether the Bank is exposed to foreign currency risk, whether the effects of this matter are estimated, whether limits for the daily followed positions are determined by the Board of Directors

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

2. Hedge against foreign exchange debt instruments and net foreign exchange investments by hedging derivative instruments, if material

None.

3. 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.

4. 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
25.12.2017	3.7897	4.4965	2.9291	0.6047	0.4544	3.8346	2.9786	0.4551	5.0676	1.0106	3.3466
26.12.2017	3.7898	4.4993	2.9265	0.6044	0.4544	3.8327	2.9834	0.4541	5.0628	1.0106	3.3464
27.12.2017	3.8030	4.5267	2.9534	0.6081	0.4593	3.8488	3.0108	0.4577	5.1013	1.0141	3.3566
28.12.2017	3.7559	4.4876	2.9274	0.6029	0.4561	3.8385	2.9818	0.4539	5.0510	1.0016	3.3291
29.12.2017	3.7748	4.5268	2.9449	0.6072	0.4595	3.8657	3.0019	0.4587	5.0991	1.0051	3.3504
31.12.2017	3.7748	4.5268	2.9449	0.6072	0.4595	3.8657	3.0019	0.4587	5.0991	1.0051	3.3504

5. 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
3.8240	4.5266	2.9256	0.6082	0.4560	3.8713	2.9973	0.4592	5.1258	1.0196	3.3865

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6. Information on the foreign currency risk of the Bank

	EUR	USD	Other FC ⁽¹⁾	Total
Current Period				
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	9,352,920	20,768,385	9,176,382	39,297,687
Banks	815,758	2,331,694	356,565	3,504,017
Financial Assets at Fair Value Through Profit and Loss ⁽⁵⁾	-	5,134	-	5,134
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,076,185	13,441,789	56,270	17,574,244
Loans ⁽²⁾	31,430,451	47,002,822	123,495	78,556,768
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) ⁽⁴⁾	1,364,365	763,539	53,605	2,181,509
Investments Held-to-Maturity	668,717	4,092,857	585	4,762,159
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	4,833	249	2,222	7,304
Intangible Assets	2,644	493	5,093	8,230
Other Assets ⁽⁶⁾	678,167	500,971	11,073	1,190,211
Total Assets	48,394,040	88,907,933	9,785,290	147,087,263
Liabilities				
Interbank Deposits	5,870,458	4,485,375	118,121	10,473,954
Foreign Currency Deposits	53,820,419	33,984,559	6,172,229	93,977,207
Money Market Borrowings	374,971	12,725,398	-	13,100,369
Funds Provided from Other Financial Institutions	6,971,293	20,439,526	3,564	27,414,383
Issued Marketable Securities	45,515	9,090,517	30,541	9,166,573
Sundry Creditors	1,562,316	45,646	2,680	1,610,642
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	260,435	353,685	30,687	644,807
Total Liabilities	68,905,407	81,124,706	6,357,822	156,387,935
Net Balance Sheet Position	(20,511,367)	7,783,227	3,427,468	(9,300,672)
Net Off-Balance Sheet Position ⁽³⁾	23,054,551	(9,906,110)	(3,168,819)	9,979,622
Financial Derivative Assets	27,175,489	16,757,136	2,540,420	46,473,045
Financial Derivative Liabilities	4,120,938	26,663,246	5,709,239	36,493,423
Non-Cash Loans	24,590,211	34,244,001	4,339,203	63,173,415
Prior Period				
Total Assets	38,063,799	77,926,169	6,959,476	122,949,444
Total Liabilities	51,600,535	57,223,275	4,049,263	112,873,073
Net Balance Sheet Position	(13,536,736)	20,702,894	2,910,213	10,076,371
Net Off-Balance Sheet Position ⁽³⁾	14,404,536	(21,814,361)	(2,611,272)	(10,021,097)
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
Non-Cash Loans	18,783,775	31,762,066	3,845,938	54,391,779

⁽¹⁾ Of the foreign currencies presented in the other FC column of assets 93.05% is Gold, 2.13% is GBP, 1.72% is IQD, 0.98% is SAR, and the remaining 2.12% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 64.17% is Gold, 17.54% is GBP, 8.17% is CHF, 3.09% is DKK, 1.27% SAR, 1.26% is SEK, 0.74% is BGN and the remaining 3.76% is other foreign currencies. (31 December 2016: 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% is SEK, 1.19% is SAR, 0.71% is BGN and the remaining 2.64% is other foreign currencies).

⁽²⁾ TL 1,356,454 equivalent of USD, TL 800,021 equivalent of EUR and TL 2,040 equivalent of GBP loans are originated as foreign currency indexed loans (31 December 2016: TL 874,972 equivalent of USD and TL 598,672 equivalent of EUR).

⁽³⁾ Indicates the net balance of receivables and payables on derivative financial instruments.

⁽⁴⁾ 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 equivalents. No exchange rate difference arises from such investments.

⁽⁵⁾ Derivative financial assets held for trading and liabilities are not included in the table.

⁽⁶⁾ Prepaid expenses in other assets amounting to TL 5,974 are not included in the table.

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V. EXPLANATIONS ON THE INTEREST RATE RISK

1. Information Related to Interest Rate Sensitivity of Assets, Liabilities and Off-Balance Sheet Items

(Based on days to repricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	33,665,995	-	-	-	-	10,602,669	44,268,664
Banks	2,374,898	259,040	629,578	-	-	1,039,233	4,302,749
Financial Assets at Fair Value Through Profit and Loss	622,361	466,003	269,435	41,073	5,010	-	1,403,882
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	4,318,676	6,203,183	14,440,815	16,488,747	20,564,344	1,003,010	63,018,775
Loans Given ⁽⁴⁾	77,647,883	20,759,870	73,007,848	103,727,833	22,889,112	225,486	298,258,032
Investments Held-to-Maturity	2,841,118	38,661	1,284,665	1,628,610	1,802,833	-	7,595,887
Other Assets ⁽³⁾	-	-	-	-	-	15,426,520	15,426,520
Total Assets ⁽¹⁾	121,470,931	27,726,757	89,632,341	121,886,263	45,261,299	28,296,918	434,274,509
Liabilities							
Interbank Deposits	7,936,511	2,043,470	2,855,884	75,496	-	2,457,290	15,368,651
Other Deposits	129,633,539	24,773,395	29,693,906	518,350	8	66,396,340	251,015,538
Money Market Borrowings	52,066,385	1,823,512	1,524,704	843,125	-	-	56,257,726
Sundry Creditors	-	-	-	-	-	4,022,061	4,022,061
Issued Marketable Securities	1,037,669	1,589,707	1,247,993	6,994,600	1,887,400	-	12,757,369
Funds Provided from Other Financial Institutions	4,413,676	6,970,116	13,834,711	2,836,524	1,009,768	-	29,064,795
Other Liabilities ^{(2) (5)}	230,985	165,293	100,049	6,024,457	-	59,267,585	65,788,369
Total Liabilities ⁽¹⁾	195,318,765	37,365,493	49,257,247	17,292,552	2,897,176	132,143,276	434,274,509
Balance Sheet Long Position	-	-	40,375,094	104,593,711	42,364,123	-	187,332,928
Balance Sheet Short Position	(73,847,834)	(9,638,736)	-	-	-	(103,846,358)	(187,332,928)
Off-Balance Sheet Long Position	479,826	1,397,138	-	-	-	-	1,876,964
Off-Balance Sheet Short Position	-	-	(9,626)	(1,113,533)	-	-	(1,123,159)
Total Position	(73,368,008)	(8,241,598)	40,365,468	103,480,178	42,364,123	(103,846,358)	753,805

⁽¹⁾ Balances without fixed maturity are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.⁽²⁾ TL 5,972,568 of fund balance, whose risk does not belong to the Bank, in other liabilities is shown under the "1 - 5 Years" column. TL 58,007 of fund balance is not granted as loan and is shown under the "Non-Interest Bearing" column.⁽³⁾ Deferred tax asset is shown under the "Non-Interest Bearing" column.⁽⁴⁾ Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in loans given.⁽⁵⁾ Total shareholders' equity is shown under the "Non-Interest Bearing" column. (Based on days to repricing dates)

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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
Assets							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the 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 ⁽⁴⁾	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 ⁽³⁾	-	-	-	-	-	12,982,851	12,982,851
Total Assets ⁽¹⁾	107,405,516	26,390,109	64,814,608	93,553,590	37,040,491	28,557,051	357,761,365
Liabilities							
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 ^{(2) (5)}	216,934	325,705	51,950	5,999,588	-	48,805,835	55,400,012
Total Liabilities ⁽¹⁾	165,706,225	36,448,471	34,347,464	13,672,466	1,431,962	106,154,777	357,761,365
Balance Sheet Long Position	-	-	30,467,144	79,881,124	35,608,529	-	145,956,797
Balance Sheet Short Position	(58,300,709)	(10,058,362)	-	-	-	(77,597,726)	(145,956,797)
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)
Total Position	(57,492,424)	(7,868,476)	30,093,446	78,452,556	35,608,529	(77,597,726)	1,195,905

⁽¹⁾ Balances without fixed maturity are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.⁽²⁾ 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.⁽³⁾ Deferred tax asset is shown under the "Non-Interest Bearing" column.⁽⁴⁾ Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in loans given.⁽⁵⁾ Total shareholders' equity is shown under the "Non-Interest Bearing" column.

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2. Average Interest Rate Applied to the Monetary Financial Instruments (%)

	EUR	USD	JPY	TL
Current Period				
Assets				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾	-	0.81	-	3.99
Banks	0.42	2.28	-	12.28
Financial Assets at Fair Value Through Profit and Loss	-	5.36	-	10.72
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.74	5.61	-	9.90
Loans Given ⁽²⁾	4.51	6.02	-	13.44
Investments Held-to-Maturity	6.63	7.20	-	11.05
Liabilities				
Interbank Deposits ⁽³⁾	0.48	1.57	-	12.47
Other Deposits ⁽⁴⁾	1.05	1.73	-	7.67
Money Market Borrowings	0.92	2.44	-	12.74
Sundry Creditors	-	-	-	-
Issued Marketable Securities	1.00	4.74	1.50	13.72
Funds Provided from Other Financial Institutions	1.21	3.02	-	10.51

⁽¹⁾ The ratio on TL column denotes the interest rates applied for required reserve at CBRT.⁽²⁾ Credit card loan balances are not included.⁽³⁾ Rates shown in the table are calculated by using the annual domestic simple interest rates, except for foreign currency interbank deposits.⁽⁴⁾ Rates include also demand deposit data.

	EUR	USD	JPY	TL
Prior Period				
Assets				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾	0.03	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 ⁽²⁾	4.30	5.52	-	12.82
Investments Held-to-Maturity	6.48	7.20	-	9.75
Liabilities				
Interbank Deposits ⁽³⁾	0.45	1.09	-	8.24
Other Deposits ⁽⁴⁾	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

⁽¹⁾ The ratio on TL column denotes the interest rates applied for required reserve at CBRT.⁽²⁾ Credit card loans balances are not included.⁽³⁾ Rates shown in the table are calculated by using the annual domestic simple interest rates, except for foreign currency interbank deposits.⁽⁴⁾ Rates include also demand deposit data.

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VI. EXPLANATIONS ON THE POSITION RISK OF EQUITY SECURITIES

1. Equity Securities Position Risk Derived from Banking Books

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

Investments in Equity Instruments	Comparison		
	Balance Sheet Value	Fair Value	Market Value
1. Investment in Equity Instruments Group A	-	-	-
Traded on Stock Exchange	-	-	-
2. Investment in Equity Instruments Group B	-	-	-
Traded on Stock Exchange	-	-	-
3. Investment in Equity Instruments Group C	-	-	-
Traded on Stock Exchange	-	-	-
4. Investment in Equity Instruments Group Other	-	-	-
Other ^(*)	137,407	137,407	-

^(*) The market values are taken into account as fair values because the equity investments are not traded in the stock exchange.

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 137,407 and 100% of them are risk weighted (31 December 2016: 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 situation management and the related application procedures are considered in the scope of "Regulation for Liquidity Risk and Liquidity and Financial Emergency Situation Management and ICAAP Regulations".

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 maturity structure and legal liquidity rates are monitored.

1. Liquidity Risk

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 ICAAP Regulations" of the Parent Bank. In this context, liquidity risk strategies, policies implementations 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.

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.

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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.

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.

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.

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.

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 "Regulation on Risk Management, Stress Test Program and ICAAP Regulations".

Within the framework of "Regulation on Calculation of Liquidity Covered Rate of Banks" published in the Official Gazette dated 21 March 2014 and numbered 28948 by the BRSA, the Bank calculates the Liquidity Cover Rate and transmits unconsolidated on weekly and consolidated on monthly basis to the BRSA. Within the last 3 months the unconsolidated lowest ratios are as follows: Take place for FC as 184.50% in the week of 10 November 2017; and for the total 90.14% in the week of 15 December 2017. As for the highest ratios take place for FC as 252.43% in the week of 6 October 2017 and for the total as 108.09% in the week of 20 October 2017 (31 December 2016: 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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	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
Current Period				
High Quality Liquid Assets				
High Quality Liquid Assets			51,990,108	40,322,702
Cash Outflows				
Retail and Small Business Customers, of which;	175,184,051	68,348,200	14,374,069	6,834,820
Stable deposits	62,886,712	-	3,144,335	-
Less stable deposits	112,297,339	68,348,200	11,229,734	6,834,820
Unsecured wholesale funding, of which;	82,710,386	32,522,190	44,522,787	19,745,309
Operational deposit	4,311,083	128,204	1,077,771	32,051
Non-operational deposits	65,389,711	24,659,350	31,108,251	12,646,729
Other unsecured funding	13,009,592	7,734,636	12,336,765	7,066,529
Secured funding			-	-
Other cash outflows, of which;	34,920,356	8,214,972	5,986,870	4,575,039
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2,448,025	2,819,093	2,448,025	2,819,093
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	32,472,331	5,395,879	3,538,845	1,755,946
Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	39,743,078	28,354,606	2,473,441	1,836,495
Total Cash Outflows			67,357,167	32,991,663
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	19,140,288	5,236,066	12,512,781	4,007,020
Other cash inflows	1,546,184	9,397,561	1,546,184	9,397,561
Total Cash Inflows	20,686,472	14,633,627	14,058,965	13,404,581
			Upper Limit Applied Amounts	
Total HQLA Stock			51,990,108	40,322,702
Total Net Cash Outflows			53,298,202	19,587,082
Liquidity Coverage Ratio (%)			97.55	205.86

(*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

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Prior Period	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			47,540,579	25,883,196
Cash Outflows				
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
Total Cash Outflows			70,879,118	34,920,125
Cash Inflows				
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
Total Cash Inflows	16,866,637	7,788,882	12,134,911	6,986,805
			Upper Limit Applied Amounts	
Total HQLA Stock			47,540,579	25,883,196
Total Net Cash Outflows			58,744,207	27,933,320
Liquidity Coverage Ratio (%)			80.93	92.66

(*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

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3. Minimum Statements Concerning Liquidity Coverage Ratio by Banks

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

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

As well as its low turn into cash ratio, since the non-cash loans has 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 warrant of increasing repo transactions in time, bond and bill has been used which issuance by the Republic of Turkey Prime Ministry Undersecretariat of Treasury. Making repo transactions with these securities that consisting a huge part of the security portfolio, affect free securities which are accepted in high quality liquid asset classification in calculation of liquidity coverage ratio. Since the securities used in repo transactions lose the characteristic of being free, even if all other conditions fulfilled, they are not considered as high quality liquid asset.

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 are; 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).

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.

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.

The concentration limits regarding collateral and counterparty and product based fund resources

For the counterparty and product based concentration limits are determined under Regulation on 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.

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.

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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4. Presentation of Assets and Liabilities According to Their Remaining Maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed ^{(1) (2)}	Total
Current Period								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	44,268,664	-	-	-	-	-	-	44,268,664
Banks	1,039,233	2,374,898	259,040	629,578	-	-	-	4,302,749
Financial Assets at Fair Value Through Profit and Loss	-	622,360	608,805	119,719	47,987	5,011	-	1,403,882
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	304,508	1,532,365	6,167,492	22,919,439	31,138,025	956,946	63,018,775
Loans Given	-	11,432,382	18,856,319	104,149,557	128,368,233	35,226,055	225,486	298,258,032
Investments Held-to-Maturity	-	1,134,478	38,661	1,284,665	3,335,250	1,802,833	-	7,595,887
Other Assets	2,103,341	-	-	930	59,518	-	13,262,731	15,426,520
Total Assets	47,411,238	15,868,626	21,295,190	112,351,941	154,730,427	68,171,924	14,445,163	434,274,509
Liabilities								
Interbank Deposits	2,457,290	7,936,511	2,043,470	2,855,884	75,496	-	-	15,368,651
Other Deposits	66,396,340	129,625,727	24,762,370	29,616,810	582,404	31,887	-	251,015,538
Funds Provided from Other Financial Institutions	-	1,479,872	4,150,374	15,004,378	5,778,590	2,651,581	-	29,064,795
Money Market Borrowings	-	52,066,385	1,823,512	1,524,704	843,125	-	-	56,257,726
Issued Marketable Securities	-	1,037,669	1,589,707	1,247,993	6,994,600	1,887,400	-	12,757,369
Sundry Creditors	2,596,965	1,425,096	-	-	-	-	-	4,022,061
Other Liabilities ⁽³⁾	2,472,538	780,918	596,190	95,525	6,024,457	1,315,548	54,503,193	65,788,369
Total Liabilities	73,923,133	194,352,178	34,965,623	50,345,294	20,298,672	5,886,416	54,503,193	434,274,509
Liquidity Gap	(26,511,895)	(178,483,552)	(13,670,433)	62,006,647	134,431,755	62,285,508	(40,058,030)	-
Net Off-Balance Sheet Position	-	291,086	(48,566)	(9,626)	520,911	-	-	753,805
Financial Derivative Assets	-	31,403,786	5,393,817	3,674,751	2,487,182	-	-	42,959,536
Financial Derivative Liabilities	-	31,112,700	5,442,383	3,684,377	1,966,271	-	-	42,205,731
Non-cash Loans	44,386,984	1,797,621	4,116,299	23,142,701	19,205,108	3,458,413	-	96,107,126
Prior Period								
Total Assets	43,053,681	13,181,160	19,559,096	96,956,280	120,432,400	52,953,387	11,625,361	357,761,365
Total Liabilities	60,235,498	164,181,428	34,696,846	35,503,946	16,011,098	3,594,314	43,538,235	357,761,365
Liquidity Gap	(17,181,817)	(151,000,268)	(15,137,750)	61,452,334	104,421,302	49,359,073	(31,912,874)	-
Net Off-Balance Sheet Position	-	106,768	(2,364)	503,202	588,299	-	-	1,195,905
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

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

⁽²⁾ Deferred tax asset is included under the "Undistributed" column

⁽³⁾ TL 5,972,268 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 58,007 is not granted as loan and is included under "Up to One Month" column.

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5. Presentation of Liabilities According to Their Remaining Maturities

Current Period ^(*)	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Bank deposits	10,404,749	2,047,384	2,866,861	78,030	-	15,397,024
Other deposits	196,401,403	24,993,889	30,238,337	612,447	70,421	252,316,497
Funds borrowed from other financial institutions	1,486,435	4,209,252	15,383,565	6,569,207	3,928,919	31,577,378
Funds borrowed from Interbank money market	52,136,449	1,830,587	1,542,807	846,503	-	56,356,346
Total	260,429,036	33,081,112	50,031,570	8,106,187	3,999,340	355,647,245
Prior Period ^(*)						
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
Total	217,257,206	32,881,129	35,864,101	5,736,315	1,558,015	293,296,766

(*) 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

1. Explanations on the Difference Between the Prior and Current Period of Leverage Ratio

The Bank's leverage calculated by force of the regulation "Regulation on Measurement and Assessment of Leverage Ratios of Banks" is 8.13% (31 December 2016: 8.20%). The decrease on leverage results occur from the increase on total risk amount. The regulation sentenced the minimum leverage as 3%.

Balance sheet assets	Current Period ^(*)	Prior Period ^(*)
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	430,766,423	346,632,324
(Assets deducted in determining Tier 1 capital)	(2,516,479)	(1,692,335)
Total on-balance sheet risks (sum of lines 1 and 2)	428,249,944	344,939,989
Derivative financial instruments and credit derivatives		
Replacement cost associated with all derivative financial instruments and credit Derivatives	1,581,527	1,504,647
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	499,682	387,907
Total risks of derivative financial instruments and credit derivatives	2,081,209	1,892,554
Securities or commodity financing transactions (SCFT)		
Risks from SCFT assets	5,102,762	4,866,676
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	5,102,762	4,866,676
Other off-balance sheet transactions		
Gross notional amounts of off-balance sheet transactions	127,578,228	100,106,176
(Adjustments for conversion to credit equivalent amounts)	-	(6,360)
Total risks of off-balance sheet items	127,578,228	100,099,816
Capital and total risks		
Tier 1 capital	45,764,096	36,997,585
Total risks	563,012,143	451,799,035
Leverage ratio		
Leverage ratio %	8.13	8.20

(*) 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

1.1 Bank's Risk Management Approach

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.

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.

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.

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.

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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.

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.

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.

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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, operational 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'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. Creditabilities 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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Overview of Risk Weighted Amounts

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	281,524,899	244,241,413	22,521,992
2	Standardised approach	281,524,899	244,241,413	22,521,992
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3,363,968	3,268,338	269,117
5	Standardised approach for counterparty credit risk	3,363,968	3,268,338	269,117
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	2,343,399	1,669,911	187,472
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	18,610,561	14,083,788	1,488,845
17	Standardised approach	18,610,561	14,083,788	1,488,845
18	Internal model approaches	-	-	-
19	Operational risk	23,652,179	18,989,055	1,892,174
20	Basic Indicator approach	23,652,179	18,989,055	1,892,174
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	329,495,006	282,252,505	26,359,600

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2. Connections Between Financial Statements and the Risk Amounts

Differences Between Accounting Consolidation and Legal Consolidation and Matching of the Subject

Current Period	Carrying values as reported in published financial statements (*)	Carrying values of items				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	
Assets						
Cash and balances at central bank	44,268,664	44,268,664	-	-	-	-
Financial assets held for trading	1,403,882	-	1,390,564	-	13,318	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	4,302,749	4,302,749	-	-	-	-
Receivables from money markets	-	-	-	-	-	-
Available for sale financial assets (net)	63,018,775	18,083,409	2,179,191	-	42,756,175	-
Loans and receivables	298,258,032	298,256,323	-	-	-	1,709
Factoring receivables	-	-	-	-	-	-
Held to maturity investments (net)	7,595,887	5,317,621	2,278,266	-	-	-
Investments in associates (net)	94,912	94,912	-	-	-	-
Investments in subsidiaries (net)	5,144,487	5,144,487	-	-	-	-
Investments in joint ventures (net)	72,495	72,495	-	-	-	-
Leasing receivables	-	-	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	5,240,771	5,175,950	-	-	-	64,821
Intangible assets (net)	436,633	-	-	-	-	436,633
Investment properties (net)	-	-	-	-	-	-
Tax assets	930	930	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	670,215	670,215	-	-	-	-
Other assets	3,766,077	3,766,077	-	-	-	-
Total assets	434,274,509	385,153,832	5,848,021	-	42,769,493	503,163
Liabilities						
Deposits	266,384,189	-	-	-	-	-
Derivative financial liabilities held for trading	547,769	-	-	-	-	-
Loans	29,064,795	-	2,726,897	-	-	-
Debt to money markets	56,257,726	-	14,407,726	-	-	-
Debt securities in issue	12,757,369	-	-	-	-	-
Funds	6,030,575	-	-	-	-	-
Various debts	4,022,061	-	-	-	-	-
Other liabilities	2,457,118	-	-	-	-	-
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	447	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-	-
Provisions	8,518,967	-	-	-	-	-
Tax liability	1,223,665	-	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	-	-	-	-	-	-
Equity	47,009,828	-	-	-	-	-
Total liabilities	434,274,509	-	17,134,623	-	-	-

(*) It shows the Bank's unconsolidated financial statements.

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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	434,274,509	385,153,832	5,848,021	42,769,493
Liabilities carrying value amount under regulatory scope of consolidation	-	-	17,134,623	-
Total net amount under regulatory scope of consolidation	434,274,509	385,153,832	(11,286,602)	42,769,493
Differences in valuations	171,975,182	54,986,217	48,207,847	-
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	-	-	-	-
Amount of Risk	606,249,691	440,140,049	36,921,245	42,769,493

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.

3. Credit Risk Explanations

3.1. 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 structures.

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.

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.

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3.2. 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.

3.3 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.

3.4. 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.

3.5. 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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3.6. Credit Quality of Assets

	Defaulted	Non-defaulted	Allowances/amortisation and impairments	Net values
Loans	4,774,329	298,032,546	4,548,843	298,258,032
Debt Securities	-	73,741,276	1,722,732	72,018,544
Off-balance sheet exposures	-	128,673,137	138,057	128,535,080
Total	4,774,329	500,446,959	6,409,632	498,811,656

3.7. Changes in the Defaulted Receivables and Debt Instruments

1	Defaulted loans and debt securities at end of the previous reporting period	4,217,097
2	Loans and debt securities that have defaulted since the last reporting period	2,066,174
3	Returned to non-defaulted status	37,244
4	Amounts written off	-
5	Other changes	(1,471,698)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions	4,774,329

3.8. Additional Explanations On Credit Quality Of Assets

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".

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.

3.8. Additional Explanations on Credit Quality of Assets

Definitions of methods used for determining provision amount

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". However, there is no judgement in the related Regulation and the BRSA's related disclosures that would prevent further provision of the minimum amounts required.

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.

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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	291,554,499	4,732,945	4,507,396	291,780,048
European Union Countries	303,371	15,011	15,011	303,371
USA, Canada	3,111	-	-	3,111
OECD Countries	-	-	-	-
Off-Shore Banking Regions	11,035	-	-	11,035
Other	6,160,530	26,373	26,436	6,160,467
Total	298,032,546	4,774,329	4,548,843	298,258,032

	Loans and Receivables	Loans Under Follow Up	Specific Provisions	Total
Agriculture	58,578,594	685,172	466,542	58,797,224
Farming and Stockbreeding	57,876,398	678,882	460,252	58,095,028
Forestry	371,001	3,140	3,140	371,001
Fishing	331,195	3,150	3,150	331,195
Manufacturing	57,437,966	950,281	950,281	57,437,966
Mining and Quarrying	5,040,621	15,292	15,292	5,040,621
Production	37,905,278	920,475	920,475	37,905,278
Electric, Gas and Water	14,492,067	14,514	14,514	14,492,067
Construction	22,810,755	978,899	972,238	22,817,416
Services	67,798,651	1,163,263	1,163,263	67,798,651
Wholesale and Retail Trade	27,588,846	955,731	955,731	27,588,846
Hotel Food and Beverage Services	4,972,932	50,546	50,546	4,972,932
Transportation and Telecommunication	8,636,372	57,862	57,862	8,636,372
Financial Institutions	5,665,920	2,019	2,019	5,665,920
Real Estate and Leasing Services	19,652,295	70,307	70,307	19,652,295
Self Employment Services	-	-	-	-
Education Services	555,616	14,938	14,938	555,616
Health and Social Services	726,670	11,860	11,860	726,670
Other	91,406,580	996,714	996,519	91,406,775
Total	298,032,546	4,774,329	4,548,843	298,258,032

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	-	11,432,382	18,856,319	104,149,557	128,368,233	35,226,055	225,486	298,258,032

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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 ⁽¹⁾				
Corporate/Entrepreneur Loans	171,068	37,195	69,804	278,067
Retail Loans	39,632	9,052	3,574	52,258
Specialized Loans	650,860	113,326	46,076	810,262
Total	861,560	159,573	119,454	1,140,587

⁽¹⁾ 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 instalment results with a grand total of TL 4,168,794.

Breakdown of restructured receivables by allocation of provision

Out of the Bank's total restructured loans amounting to TL 11,992,233, a portion of TL 11,802,325 consists of performing loans and remaining portion of TL 189,908 consists of non-performing loans. While the specific provision allocated for non-performing loans amounts to TL 189,215, no specific provision was allocated for non-performing loans of TL 693, whose risk is not assumed by the Bank.

3.9. Credit risk mitigation

3.9.1. Qualitative requirements to be disclosed to public regarding credit risk mitigation techniques

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.

3.10. 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	260,812,155	9,363,583	1,229,502	28,082,294	22,633,132	-	-
Debt Securities	72,018,544	-	-	-	-	-	-
Total	332,830,699	9,363,583	1,229,502	28,082,294	22,633,132	-	-
Of which defaulted	4,774,329	-	-	-	-	-	-

3.11. Credit risk if standard approach is used

3.11.1. Qualitative explanations on ratings used by the banks while calculating credit risk with standard approach

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 and Islamic International Rating Agency (IIRA) while calculating the amount subject to credit risk through standard approach.

Risk classes using CRA and ERA ratings

Grades of Fitch Ratings International Rating Agency are used for Receivables from Banks and Brokerage Houses. 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.

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Explanation on how credit rating of debtor is used for other assets of debtor in banking accounts

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.

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.

3.12. 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	72,037,259	1,038,524	95,526,354	1,349,004	12,808,572	13.2%
Exposures to regional and local governments	586,804	250,973	552,043	87,005	301,771	47.2%
Exposures to administrative bodies and non-commercial entities	260,243	839,262	666,462	394,194	590,049	55.6%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	30,930,228	11,732,015	31,275,171	5,834,388	9,253,951	24.9%
Exposures to corporates	123,722,612	83,203,175	112,140,243	43,521,056	152,063,104	97.7%
Retail exposures	116,090,907	25,783,919	103,801,436	3,418,145	79,813,367	74.4%
Exposures secured by residential property	40,322,262	71,565	40,254,870	34,155	14,107,921	35.0%
Exposures secured by commercial property	7,047,490	416,229	6,781,281	209,935	3,568,296	51.0%
Past-due items	-	-	-	-	-	-
Exposures in high-risk categories	2,106,164	247,718	2,106,108	116,028	3,331,647	149.9%
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	2,379,850	45,897	2,379,850	22,307	2,343,399	97.6%
Other exposures	18,658,670	-	18,658,671	-	8,912,782	47.8%
Equity share investments	137,407	-	137,407	-	137,407	100.0%
Total	414,279,896	123,629,277	414,279,896	54,986,217	287,232,266	61.2%

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3.12. 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% ^(*)	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	71,504,542	-	1,050	-	-	25,122,805	-	246,961	-	-	-	96,875,358
Exposures to regional and local government	43,442	-	34	-	-	587,612	-	7,960	-	-	-	639,048
Exposures to administrative bodies and non-commercial entities	90,553	-	64	-	-	760,006	-	210,033	-	-	-	1,060,656
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	14,958,422	-	8,458,127	-	-	12,261,369	-	1,431,641	-	-	-	37,109,559
Exposures to corporates	1,863,199	-	318,308	-	-	2,960,700	-	150,519,092	-	-	-	155,661,299
Retail exposures	607,878	-	264,383	-	-	-	106,347,320	-	-	-	-	107,219,581
Exposures secured by residential property	7,861	-	1,751	40,264,373	-	-	-	15,040	-	-	-	40,289,025
Exposures secured by commercial property	4,240	-	1,562	-	6,834,864	-	-	150,550	-	-	-	6,991,216
Past-due items	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	752	-	329	-	-	-	-	2	2,221,053	-	-	2,222,136
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	58,758	-	-	-	-	-	-	2,343,399	-	-	-	2,402,157
Equity share investments	-	-	-	-	-	-	-	137,407	-	-	-	137,407
Other exposures	9,745,884	-	5	-	-	-	-	8,912,782	-	-	-	18,658,671
Total	98,885,531	-	9,045,613	40,264,373	6,834,864	41,692,492	106,347,320	163,974,867	2,221,053	-	-	469,266,113

(*) Demonstrates all receivables that are consisting of 50% risk weighted and out of the line "Exposures secured by commercial property".

3.14. Credit risk under Internal Ratings-Based (IRB) Approach

Standard approach is used in the Bank's credit risk calculations.

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3.15. Counter Party Credit Risk Explanations

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.

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.

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.

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.

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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3.16. 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)	1,228,837	470,938			1,699,775	687,293
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)					9,247,508	1,593,888
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)					3,292,474	1,049,736
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	Total						3,330,917

(*) Effective Expected Positive Exposure

3.17. 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	1,699,775	33,051
4	Total subject to the CVA capital charge	1,699,775	33,051

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3.18. Standardised approach - CCR exposures by risk class and risk weights

Risk Weight										Total credit exposure ^(*)
Regulatory portfolio	0%	10%	20%	50%	75%	100%	150%	Other		
Exposures to sovereigns and their central banks	1,200,685	-	-	-	-	-	-	-	-	1,200,685
Exposures to regional and local governments	18,243	-	-	-	-	-	-	-	-	18,243
Exposures to administrative bodies and non-commercial entities	10,861	-	-	-	-	-	-	-	-	10,861
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	13,533,249	-	5,413,099	4,284,914	-	1,327	-	-	-	23,232,589
Exposures to corporates	8,396	-	-	-	-	135,429	-	-	-	143,825
Retail exposures	7,618	-	-	-	2,847	-	-	-	-	10,465
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	58,758	-	-	-	-	-	-	-	-	58,758
Equity share investments	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-
Other assets ^(**)	-	-	-	-	-	-	-	-	-	-
Total	14,837,810	-	5,413,099	4,284,914	2,847	136,756	-	-	-	24,675,426

^(*) 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.

3.19. Risk classes and counterparty credit risk explanations

None.

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	-	-	-	-	2,180,840	-
Cash-foreign currency	-	-	-	-	14,791,915	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	16,972,755	-

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Credit Derivatives

None.

Risk Weight changes under CCR on the Internal Modeling Management Methods.

None.

Risks Related with Other Parts of the Center

None.

Explanations on Securitization Disclosures

None.

4. Explanations on Market Risk

4.1. 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.

4.2. 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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4.3. 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 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.

Standard approach

		RWA
	Outright products	
1	Interest rate risk (general and specific)	16,070,060
2	Equity risk (general and specific)	1,639,080
3	Foreign exchange risk	901,421
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	18,610,561

Standard method is being used by the Bank to calculate the risk of the sector.

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5. 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.

	31.12.2014	31.12.2015	31.12.2016	Total/Number of Positive GI years	Ratio (%)	Total
Gross Income	9,882,356	12,046,693	15,914,437	12,614,495	15	1,892,174
Amount Subject to Operational Risk						23,652,179

6. 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.

Type of Currency	Shock Applied (+/- x basis point)	Gains/(Losses)	Gains/Equity- (Losses)/Equity
1. TL	500	(8,225,752)	(16.42%)
2. TL	(400)	8,041,194	16.05%
3. EUR	200	79,838	0.16%
4. EUR	(200)	214,983	0.43%
5. USD	200	(661,922)	(1.32%)
6. USD	(200)	926,963	1.85%
Total (of negative shocks)		9,183,140	18.33%
Total (of positive shocks)		(8,807,836)	(17.58%)

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X. EXPLANATIONS ON OPERATING SEGMENTS

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

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

Known as having the most extensive branch network in retail 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 are conducted by the Treasury Management and International Banking Executive Vice Presidency. By foregoing departments, the Bank's liquidity is used for Turkish Lira, foreign exchange and securities transactions in local and international organized and over-the-counter markets, and enables sources of funds in Turkish Lira and foreign currencies according to the needs of the Bank. The Bank acts as an intermediary for transaction of securities and Eurobonds by the related departments, for transaction of shares and public offerings as an agency of Ziraat Yatırım Menkul Değerler A.Ş. and for transaction of investment funds founded by Ziraat Portföy Yönetimi A.Ş. and other portfolio management companies', and keeps records of these financial instruments and the Bank performs repo/reverse repo transactions. Besides the Bank performs derivative transactions which are accounted as held for trading. As financial derivative transactions, the Bank performs foreign currency forward agreements and currency swap transactions. Besides, the Bank has commission revenue from insurance and other finance institutions by rendering agency services through its branches.

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

As of 31 December 2017 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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1. Table for Segment Reporting

Current Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE						
Interest Income	9,069,642	13,003,027	5,666,738	7,658,922	65,134	35,463,463
Interest Income from Loans	9,069,642	13,003,027	5,666,738	617,901	-	28,357,308
Interest Income from Banks	-	-	-	138,413	-	138,413
Interest Income from Securities	-	-	-	6,192,579	-	6,192,579
Other Interest Income	-	-	-	710,029	65,134	775,163
Interest Expense	7,641,814	3,785,235	-	7,046,253	88,083	18,561,385
Interest Expense on Deposits	7,641,814	3,785,235	-	822,125	-	12,249,174
Interest Expense on Funds Borrowed	-	-	-	700,779	-	700,779
Interest Expense on Money Market Transactions	-	-	-	4,845,742	-	4,845,742
Interest Expense on Securities Issued	-	-	-	677,607	-	677,607
Other Interest Expense	-	-	-	-	88,083	88,083
Net Interest Income/Expense	1,427,828	9,217,792	5,666,738	612,669	(22,949)	16,902,078
Net Fees and Commission Income/Expense	1,409,762	988,233	108,431	(344,025)	54,984	2,217,385
Fees and Commissions Received	1,409,762	988,233	108,431	6,835	160,232	2,673,493
Fees and Commissions Paid	-	-	-	350,860	105,248	456,108
Dividend Income	-	-	-	284,531	-	284,531
Trading Income/Loss (Net)	-	-	-	(813,839)	-	(813,839)
Other Operating Income	39,539	297,751	22,212	1,807	1,016,268	1,377,577
Provision for Loans or Other Receivables Losses	759,762	1,346,175	491,575	254	592,800	3,190,566
Other Operating Expense	117,315	747,648	51,861	-	5,573,643	6,490,467
Income Before Tax	2,000,052	8,409,953	5,253,945	(259,111)	(5,118,140)	10,286,699
Profit/Loss on Equity Method Applied Subsidiaries	-	-	-	-	-	-
Tax Provision	-	-	-	-	(2,346,578)	(2,346,578)
Net Profit/Loss	2,000,052	8,409,953	5,253,945	(259,111)	(7,464,718)	7,940,121
SEGMENT ASSETS						
Financial Assets at FV Through P/L	-	-	-	1,403,882	-	1,403,882
Banks and Other Financial Institutions	-	-	-	4,302,749	-	4,302,749
Financial Assets Available for Sale (Net)	-	-	-	63,018,775	-	63,018,775
Loans	84,454,431	149,639,442	54,642,948	9,521,211	-	298,258,032
Held to Maturity Investments (Net)	-	-	-	7,595,887	-	7,595,887
Associates, Subsidiaries and Joint Ventures	-	-	-	5,311,894	-	5,311,894
Other Assets	-	-	-	-	54,383,290	54,383,290
TOTAL SEGMENT ASSETS	84,454,431	149,639,442	54,642,948	91,154,398	54,383,290	434,274,509
SEGMENT LIABILITIES						
Deposits	191,167,462	55,760,907	-	15,368,651	4,087,169	266,384,189
Derivative Financial Liabilities Held for Trading	-	-	-	547,769	-	547,769
Funds Borrowed	-	-	-	29,064,795	-	29,064,795
Money Market Funds	-	-	-	56,257,726	-	56,257,726
Securities Issued (Net)	-	-	-	12,757,369	-	12,757,369
Provisions	-	-	-	-	8,518,967	8,518,967
Other Liabilities	-	-	-	-	13,733,866	13,733,866
Shareholders' Equity	-	-	-	-	47,009,828	47,009,828
TOTAL SEGMENT LIABILITIES	191,167,462	55,760,907	-	113,996,310	73,349,830	434,274,509
OTHER SEGMENT ITEMS						
Capital Investment	-	-	-	-	-	-
Amortization Expense	-	-	-	-	303,589	303,589
Restructuring Costs	-	-	-	-	-	-

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Prior Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Other /Undistributed	Total
OPERATING INCOME/EXPENSE						
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 Applied Subsidiaries	-	-	-	-	-	-
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
SEGMENT ASSETS						
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
SEGMENT LIABILITIES						
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
OTHER SEGMENT ITEMS						
Capital Investment	-	-	-	-	-	-
Amortization Expense	-	-	-	-	352,946	352,946
Restructuring Costs	-	-	-	-	-	-

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XI. EXPLANATIONS ON THE FAIR VALUE REALIZATION OF FINANCIAL ASSETS AND LIABILITIES

1. Information Regarding the Fair Value of Financial Assets and Liabilities

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	373,175,443	303,926,626	373,583,925	304,338,015
Due from Interbank Money Market	-	-	-	-
Banks	4,302,749	3,901,674	4,302,749	3,901,674
Available-for-sale Financial Assets	63,018,775	58,631,953	63,018,775	58,631,953
Held-to-maturity Investments	7,595,887	8,749,464	8,004,369	9,160,853
Loans	298,258,032	232,643,535	298,258,032	232,643,535
Financial Liabilities	312,228,414	255,149,392	312,228,414	255,149,392
Bank Deposits	15,383,002	12,059,950	15,383,002	12,059,950
Other Deposits	251,001,187	210,958,984	251,001,187	210,958,984
Funds Borrowed from Other Financial Institutions	29,064,795	22,816,736	29,064,795	22,816,736
Issued Marketable Securities	12,757,369	6,833,001	12,757,369	6,833,001
Miscellaneous Payables	4,022,061	2,480,721	4,022,061	2,480,721

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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2. 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:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or (Loss)	13,318	1,390,564	-	1,403,882
Government Debt Securities	13,318	-	-	13,318
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	1,390,564	-	1,390,564
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
Available-for-Sale Financial Assets	62,796,700	198,889	-	62,995,589
Equity Securities ⁽¹⁾	819,541	114,219	-	933,760
Government Debt Securities	61,961,304	-	-	61,961,304
Other Marketable Securities	15,855	84,670	-	100,525
Total Assets	62,810,018	1,589,453	-	64,399,471
Trading Derivative Financial Liabilities	-	547,769	-	547,769
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	-	547,769	-	547,769

⁽¹⁾ 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.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or (Loss)	17,404	1,667,387	-	1,684,791
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	-	-	-	-
Available-for-Sale Financial Assets	58,436,951	171,816	-	58,608,767
Equity Securities ⁽¹⁾	525,314	94,965	-	620,279
Government Debt Securities	57,820,294	-	-	57,820,294
Other Marketable Securities	91,343	76,851	-	168,194
Total Assets	58,454,355	1,839,203	-	60,293,558
Trading Derivative Financial Liabilities	-	643,628	-	643,628
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	-	643,628	-	643,628

⁽¹⁾ 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 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.

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. 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	2,293,745	1,297,282	1,720,392	925,443
Central Bank of the Republic of Turkey	2,677,232	37,998,478	5,817,157	30,694,784
Other	-	1,927	3,775	5,546
Total	4,970,977	39,297,687	7,541,324	31,625,773

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 maturities 12%; for FC deposit accounts with 1-year and longer maturity 8%, for FC liabilities other than deposits up to 1-year maturity 24%; for FC liabilities other than deposits up to 2-years maturity 19%; for FC liabilities other than deposits up to 3-years maturity 14%; for FC liabilities other than deposits up to 5-years maturity 6%; and for FC liabilities other than deposits more than 5-years maturity 4%.

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.

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Information on the account of the Central Bank of the Republic of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	2,497,091	4,497,767	5,719,162	2,254,136
Unrestricted Time Deposit	-	-	-	2,312,376
Restricted Time Deposit	-	6,316	-	-
Other ⁽¹⁾	180,141	33,494,395	97,995	26,128,272
Total	2,677,232	37,998,478	5,817,157	30,694,784

⁽¹⁾ Includes required reserves and CBRT Restricted Electronic Money Funds amounting to TL 8,541 (31 December 2016: None). Required reserve of branches abroad amounting to TL 108,320 is presented in this line (31 December 2016: TL 88,706). TL 18,077,886 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2016: TL 12,506,189).

2. Information on Financial Assets at Fair Value Through Profit and Loss Given or Blocked as Collateral or Subject to Repurchase Agreements

None.

3. 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	75,494	33,745	34,251	53,817
Swap Transactions	803,137	472,961	1,161,871	417,406
Futures Transactions	-	-	-	-
Options	1,385	3,842	42	-
Other	-	-	-	-
Total	880,016	510,548	1,196,164	471,223

4. Information on Banks and Other Financial Institutions

4.1. Information on Bank Balances

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	672,035	891,020	460,807	103,935
Foreign Banks	126,697	2,612,997	66,300	3,270,632
Foreign Head Office and Branches	-	-	-	-
Total	798,732	3,504,017	527,107	3,374,567

4.2. Information on Foreign Bank Accounts

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	1,798,917	1,698,421	-	-
USA, Canada	92,147	1,022,476	-	-
OECD Countries ⁽¹⁾	16,814	21,197	-	-
Off-shore Banking Regions	-	-	-	-
Other	831,816	594,838	-	-
Total	2,739,694	3,336,932	-	-

⁽¹⁾ OECD countries except EU countries, USA and Canada.

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5. 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	15,365,959	41,249,265
Assets Blocked/Given as Collateral	45,242,823	5,865,705
Total	60,608,782	47,114,970

6. Information on Financial Assets Available For Sale

	Current Period	Prior Period
Debt Securities	63,768,397	59,985,217
Quoted in Stock Exchange	63,683,727	59,908,367
Not Quoted in Stock Exchange	84,670	76,850
Share Certificates	973,001	676,873
Quoted in Stock Exchange	819,540	525,325
Not Quoted in Stock Exchange	153,461	151,548
Provision for Impairment (-)	1,722,623	2,030,137
Total	63,018,775	58,631,953

7. Information Related to Loans

7.1 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 ^{(1) (2)}	318,346	-	273,923	-
Total	318,346	-	273,923	-

⁽¹⁾ Interest rediscount and interest accrual amounting TL 2,911, are not included in the table above.⁽²⁾ Since the balance of overdraft accounts related to employees amounting TL 16,543, is showed under Table 7.4. as overdraft accounts (real person), it is not included to the table above.

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7.2 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	Other		Loans and other receivables with revised contract terms ⁽¹⁾	Other
Non-Specialized Loans	232,632,027	3,623,925	-	1,665,483	2,172,812	-
Commercial Loans	139,567,086	2,291,556	-	1,023,186	1,944,948	-
Export Loans	3,949,399	-	-	24,032	-	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	5,547,781	-	-	-	-	-
Consumer Loans	78,319,577	1,332,295	-	570,369	225,455	-
Credit Cards	4,104,235	74	-	43,314	2,409	-
Other	1,143,949	-	-	4,582	-	-
Specialized Lending ^{(1) (2)}	45,829,370	4,943,655	-	564,931	552,408	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals ⁽²⁾	5,424,714	269,474	-	113,696	240,051	-
Total	283,886,111	8,837,054	-	2,344,110	2,965,271	-

⁽¹⁾ Agricultural loans of funds originated are shown in specialized lendings.⁽²⁾ Farmer support agricultural loans are shown in specialized lendings.

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended	8,283,861	2,748,557
3 - 4 or 5 Times Extended	550,318	213,720
Over 5 Times Extended	2,875	2,994

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	7,554,917	1,954,951
6 - 12 Months	256,211	161,136
1 - 2 Years	264,567	348,512
2 - 5 Years	716,167	436,757
5 Years and Over	45,192	63,915
Total	8,837,054	2,965,271

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7.3. Loans According to Maturity Structure

	Standard Loans and Other Receivables ⁽¹⁾		Loans and Other Receivables under Close Monitoring ⁽¹⁾	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans	50,622,208	2,242,848	445,840	341,183
Non-specialized Loans	42,835,392	109,312	347,985	108,861
Specialized Loans ⁽²⁾	7,786,816	2,133,536	97,855	232,322
Other Receivables	-	-	-	-
Medium and Long-term Loans and Other Receivables	227,839,189	6,324,732	1,784,574	2,384,037
Non-specialized Loans	189,796,635	3,514,613	1,317,498	2,063,951
Specialized Loans ⁽²⁾	38,042,554	2,810,119	467,076	320,086
Other Receivables	-	-	-	-

⁽¹⁾ Rediscounts are not included.⁽²⁾ Agricultural loans originated from funds are shown under Specialized Lending.

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7.4. Information on Consumer Loans, Individual Credit Cards and Personnel Loans and Personnel Credit Cards

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	567,511	78,455,782	79,023,293
Real Estate Loans ⁽²⁾	10,748	47,297,773	47,308,521
Vehicle Loans	3,020	182,747	185,767
Consumer Loans ⁽²⁾	549,807	30,598,675	31,148,482
Abroad	3,936	376,587	380,523
Other	-	-	-
Consumer Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	530	30,005	30,535
Real Estate Loans	-	6,397	6,397
Vehicle Loans	-	-	-
Consumer Loans	-	3,556	3,556
Abroad	530	20,052	20,582
Other	-	-	-
Individual Credit Cards-TL	3,317,702	65,152	3,382,854
With Installment	1,134,531	62,085	1,196,616
Without Installment	2,183,171	3,067	2,186,238
Individual Credit Cards-FC	430	-	430
With Installment	-	-	-
Without Installment	430	-	430
Personnel Loans-TL	9,422	209,906	219,328
Real Estate Loans	-	114	114
Vehicle Loans	-	-	-
Consumer Loans	9,317	207,754	217,071
Abroad	105	2,038	2,143
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	97,882	1,118	99,000
With Installment	38,757	1,038	39,795
Without Installment	59,125	80	59,205
Personnel Credit Cards-FC	18	-	18
With Installment	-	-	-
Without Installment	18	-	18
Overdraft Accounts-TL (Real Person)	1,174,540	-	1,174,540
Overdraft Accounts-FC (Real Person)	-	-	-
Total ⁽¹⁾	5,168,035	78,761,963	83,929,998

⁽¹⁾ TL 520,675 of interest income accrual is not included in the table above.⁽²⁾ Consumer loans originated from funds amounting to TL 3,730,985 of are included in the table above.

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7.5. Information on Commercial Installment Loans and Corporate Credit Cards

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	1,411,109	30,023,581	31,434,690
Business Loans	434	464,390	464,824
Vehicle Loans	47,094	839,587	886,681
Consumer Loans	1,363,581	28,719,604	30,083,185
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	7,723	18,430,487	18,438,210
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	7,723	18,430,487	18,438,210
Other	-	-	-
Corporate Credit Cards-TL	657,070	10,522	667,592
With Installment	234,228	10,474	244,702
Without Installment	422,842	48	422,890
Corporate Credit Cards-FC	138	-	138
With Installment	-	-	-
Without Installment	138	-	138
Overdraft Account-TL (Legal Entity)	182,646	-	182,646
Overdraft Account-FC (Legal Entity)	-	-	-
Total ⁽¹⁾	2,258,686	48,464,590	50,723,276

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

7.6. Loans According to Types Of Borrowers

	Current Period	Prior Period
Public	1,948,056	2,353,565
Private	290,036,555	225,526,484
Interest Income Accruals of Loans	6,047,935	4,512,037
Total	298,032,546	232,392,086

7.7. Breakdown of Domestic and International Loans

	Current Period	Prior Period
Domestic Loans	285,716,655	222,345,932
Foreign Loans	6,267,956	5,534,117
Interest Income Accruals of Loans	6,047,935	4,512,037
Total	298,032,546	232,392,086

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7.8. Loans Granted to Subsidiaries and Associates

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	1,622,698	1,168,414
Indirect loans granted to subsidiaries and associates	-	-
Total	1,622,698	1,168,414

7.9. Specific provisions provided against loans

	Current Period	Prior Period
Loans and other receivables with limited collectability	355,335	340,774
Loans and other receivables with doubtful collectability	487,655	934,428
Uncollectible loans and other receivables	3,705,853	2,690,446
Total	4,548,843	3,965,648

7.10. Information On Non-Performing Receivables (Net)

7.10.1. 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 receivables
Current Period	8,215	29,876	151,817
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	8,215	29,876	151,817
Rescheduled loans and other receivables	-	-	-
Prior Period	14,498	58,203	127,037
(Gross amounts before the specific provisions)	-	-	-
Loans and other receivables which are restructured	14,498	58,203	127,037
Rescheduled loans and other receivables	-	-	-

7.10.2. Information on the Movement of Non-Performing Receivables

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Prior Period Ending Balance	342,701	943,119	2,931,277
Additions (+)	1,654,384	158,695	253,095
Transfers from Other Categories of Loans under Follow-Up (+)	-	1,478,117	1,891,442
Transfers to Other Categories of Loans under Follow-Up (-)	1,478,117	1,891,442	-
Collections (-) ⁽¹⁾	163,303	198,217	1,147,422
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance ⁽²⁾	355,665	490,272	3,928,392
Specific Provision (-)	355,335	487,655	3,705,853
Net Balance on Balance Sheet ⁽²⁾	330	2,617	222,539

⁽¹⁾ The restructured and rescheduled loans, are included on the stated sum.⁽²⁾ Includes the loans originated from funds amounting to TL 225,486 whose risk does not belong to the Bank.

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7.10.3. Information on Foreign Currency Non-Performing Loans

	Group III Loans and other receivables with limited collectability	Group IV Loans and other receivables with doubtful collectability	Group V Uncollectible loans and other receivables
Current Period:			
Period Ending Balance	796	732	17,575
Specific Provision (-)	796	732	17,575
Net Balance on Balance Sheet	-	-	-
Prior Period:			
Period Ending Balance	254	34	16,550
Specific Provision (-)	254	34	16,550
Net Balance on Balance Sheet	-	-	-

7.10.4. Gross and Net Amounts of Non-Performing Receivables According to User Groups

	Group III Loans and other receivables with limited collectability	Group IV Loans and other receivables with doubtful collectability	Group V Uncollectible loans and other receivables
Current Period (Net)	330	2,617	222,539
Loans to Real Persons and Legal Entities (Gross)	355,665	405,447	3,928,392
Specific Provisions (-)	355,335	402,830	3,705,853
Loans to Real Persons and Legal Entities (Net)	330	2,617	222,539
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	84,825	-
Specific Provisions (-)	-	84,825	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	1,927	8,691	240,831
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)	-	-	-

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7.10.5. 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.

7.10.6. 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.

7.10.7. Other Explanations and Disclosures

Current Period	Corporate and Entrepreneurial	Consumer	Agricultural	Total
Neither Past Due nor Impaired Loans ⁽¹⁾	155,891,622	83,598,503	53,233,040	292,723,165
Past Due but not Impaired Loans	3,265,750	852,171	1,191,460	5,309,381
Impaired Loans	3,216,233	876,337	681,759	4,774,329
Total	162,373,605	85,327,011	55,106,259	302,806,875
Specific Provisions of Impaired Loans (-)	3,212,953	872,579	463,311	4,548,843
Net Loan Amount	159,160,652	84,454,432	54,642,948	298,258,032

⁽¹⁾ TL 3,730,985 consumer, TL 2,016,203 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.

Prior Period	Commercial	Consumer	Agricultural	Total
Neither Past Due nor Impaired Loans ⁽¹⁾	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
Total	125,560,448	64,191,102	46,857,633	236,609,183
Specific Provisions of Impaired Loans (-)	2,751,739	818,250	395,659	3,965,648
Net Loan Amount	122,808,709	63,372,852	46,461,974	232,643,535

⁽¹⁾ TL 3,636,941 consumer, TL 2,061,670 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.

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8. Information on Held-To-Maturity Investments

8.1. Information on Comparative Net Values of Held-to-Maturity Investments Subject to Repo Transactions and Given as a Collateral/ Blocked

Held-to-maturity investments subject to repo transactions

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	174,799	2,103,464	2,301,823	2,384,104
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	174,799	2,103,464	2,301,823	2,384,104

Held-to-maturity investments given as collateral or blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	2,369,824	2,651,289	1,089,898	2,252,339
Other	-	-	-	-
Total	2,369,824	2,651,289	1,089,898	2,252,339

8.2. Information on Held-to-Maturity Government Bonds and Treasury Bills

	Current Period	Prior Period
Government Bonds	7,488,654	8,602,440
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Total	7,488,654	8,602,440

8.3 Information on Held-to-Maturity Investments

	Current Period	Prior Period
Debt securities	7,595,887	8,749,464
Quoted in a Stock Exchange	7,488,654	8,602,440
Not Quoted in a Stock Exchange	107,233	147,024
Provision for Impairment (-)	-	-
Total	7,595,887	8,749,464

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8.4 Movements of Held-to-Maturity Investments

	Current Period	Prior Period
Beginning Balance	8,749,464	10,144,142
Foreign Currency Differences on Monetary Assets	323,336	466,322
Purchases During the Year ⁽¹⁾	433,646	937,047
Disposals through Sales and Redemptions	(1,910,559)	(2,798,047)
Provision for Impairment (-)	-	-
Period End Balance	7,595,887	8,749,464

⁽¹⁾ Accruals are shown in "Purchases During the Year".

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 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 8,873 thousand and EUR 502 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 20,020 thousand and USD 65,536 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 32,798 would have been recorded. As of 31 December 2017, the reclassification from held for trading securities to held-to-maturity investments has an expense impact of TL 22,165.

9. Information about Associates Accounts (Net)

9.1. Information about 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
3	Arap Türk Bankası A.Ş.	Istanbul/Turkey	22.22	15.43

	Total Assets ⁽²⁾	Shareholders' Equity ⁽²⁾	Total Non- Current Assets ^{(2) (3)}	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit/Loss ⁽²⁾	Prior Period Profit/Loss ⁽²⁾	Fair Value ⁽¹⁾
1	93,761	51,077	53,466	1,547	-	11,181	10,403	-
2	263,183	158,185	150,459	1,720	-	36,272	34,759	-
3	5,063,759	785,384	115,205	164,771	58,528	80,268	61,597	-

⁽¹⁾ Since shares of associates are not traded in the stock market, fair values cannot be identified.⁽²⁾ Current period information of associates has been provided from limited reviewed financial statements as of 31 December 2017. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 December 2016.⁽³⁾ Total fixed assets include tangible and intangible assets.

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9.2. Information about Associates (Net)

	Current Period	Prior Period
Balance at the Beginning of the Period	88,846	88,846
Movement During the Period	-	-
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Transfer	-	-
Sales	-	-
Revaluation Increase	-	-
Impairment Provision	-	-
Balance at the End of the Period	88,846	88,846
Capital Commitments	-	-
Period Ending Share of Capital Participation (%)	15.43	15.43

9.3. Sectoral Information and Related Amounts of Associates

	Current Period	Prior Period
Banks	88,846	88,846
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

9.4. Associates Quoted to a Stock Exchange

None (31 December 2016: None).

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10. Information on Subsidiaries (Net)

10.1. Information on 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.	İstanbul/Turkey	100.00	100.00
2	Ziraat Sigorta A.Ş.	İstanbul/Turkey	100.00	100.00
3	Ziraat Finansal Kiralama A.Ş.	İstanbul/Turkey	100.00	100.00
4	Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	100.00	99.60
5	Ziraat Portföy Yönetimi A.Ş.	İstanbul/Turkey	100.00	99.70
6	Ziraat Katılım Bankası A.Ş.	İstanbul/Turkey	100.00	100.00
7	Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	100.00	100.00
8	Ziraat Teknoloji A.Ş.	İstanbul/Turkey	100.00	100.00
9	Ziraat Bank International A.G.	Frankfurt/Germany	100.00	100.00
10	Ziraat Bank BH d.d.	Sarajevo/Bosnia Herzegovina	100.00	100.00
11	Ziraat Bank (Moscow) JSC	Moscow/Russia	100.00	100.00
12	Kazakhstan Ziraat Int. Bank	Almaty/Kazakhstan	100.00	99.58
13	Ziraat Bank Azerbaycan ASC	Baku/Azerbaijan	100.00	100.00
14	Ziraat Bank Montenegro AD	Podgorica/Montenegro	100.00	100.00
15	JSC Ziraat Bank Georgia ^(*)	Tbilisi/Georgia	100.00	100.00
16	Ziraat Uzbekistan JSC ^(**)	Tashkent/Uzbekistan	100.00	100.00

^(*) Tbilisi, Batumi and Marneuli branches of the Bank which were operating in Georgia have been gathered under the Bank's roof as of 2 May 2017 and continues to operate as a subsidiary with JSC Ziraat Bank Georgia title and all of the capital belonging to the Bank.

^(**) The share of partnership has increased to 100% and its status become subsidiary from entity under common control and continues its operations as Ziraat Bank Uzbekistan JSC.

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	Total Assets ⁽³⁾	Shareholders' Equity ⁽³⁾	Total Non- Current Assets ⁽³⁾	Interest Income ^{(3) (4)}	Income from Marketable Securities ^{(2) (3)}	Current Period Profit/ Loss ⁽³⁾	Prior Period Profit/ Loss ⁽³⁾	Fair Value ⁽¹⁾	Shareholders equity amount needed
1	5,785,955	663,224	2,457	200,552	-	449,105	231,541	-	-
2	1,152,752	439,579	1,450	94,377	-	226,794	128,912	-	-
3	2,637,889	331,959	1,498	1,720	-	65,203	30,003	-	-
4	185,304	127,203	494	78,960	856,821	51,053	24,935	-	-
5	44,966	39,205	618	3,800	28,198	15,820	8,582	-	-
6	12,043,556	1,352,853	74,261	625,722	32,865	98,592	12,437	-	-
7	1,551,822	1,550,783	1,253,180	168	-	236,712	13,585	-	-
8	62,950	13,444	19,131	961	150	2,823	2,467	-	-
9	7,894,189	979,381	18,750	221,983	2,440	74,888	40,843	971,937	-
10	2,409,237	371,514	81,996	89,695	253	10,973	(36,478)	337,820	-
11	412,101	164,371	11,889	35,441	252	11,162	6,596	150,954	-
12	648,822	289,377	15,193	38,218	8,078	23,486	23,030	286,462	-
13	410,543	140,611	26,999	24,712	433	8,676	11,278	162,098	-
14	238,128	32,067	4,074	7,525	258	(3,759)	(4,851)	30,508	-
15	136,031	44,890	5,477	2,466	910	1,204	-	53,605	-
16	198,326	98,046	1,544	10,981	-	53,719	11,186	115,629	-

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

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

⁽³⁾ Information on Ziraat Katılım Bankası A.Ş. has been provided from limited reviewed financial statements as of 30 September 2017, the prior period profit/loss balances have been provided from limited reviewed financial statements as of 30 September 2016. Information on other subsidiaries shown in the table above has been provided from limited reviewed financial statements as of 31 December 2017, the prior period profit/loss balances have been provided from audited financial statements as of 31 December 2016.

⁽⁴⁾ The amount of Ziraat Katılım Bankası A.Ş. shown in interest income column includes incomes from the participation funds.

	Current Period	Prior Period
Balance at the Beginning of the Period	4,101,352	2,442,943
Movements During the Period	1,036,898	1,658,409
Additions to Scope of Consolidation	-	-
Purchases ^{(*) (**) (3)}	668,492	1,446,624
Bonus Shares Obtained	3,000	2,996
Dividends from current year income	-	-
Transfers to available for sale assets	-	-
Sales	-	-
Revaluation Increase	376,366	281,824
Impairment Provision (-)	10,960	73,035
Balance at the End of the Period	5,138,250	4,101,352
Capital Commitments	-	-
Share percentage at the end of the period (%)	-	-

^(*) Paid Capital Increases made during the period are classified under "Purchases" account.

^(**) The share of partnership has increased to 100% and its status become subsidiary from entity under common control and continues its operations as Ziraat Bank Uzbekistan JSC.

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10.2. Sectoral Information and Related Amounts of Subsidiaries

	Current Period	Prior Period
Banks	3,359,014	2,322,116
Insurance Companies	129,972	129,972
Factoring Companies	-	-
Leasing Companies	282,839	282,839
Financing Companies	-	-
Other Financial Subsidiaries	1,366,425	1,366,425

10.3. Subsidiaries which are Quoted on a Stock Exchange

None (31 December 2016: None).

11. Information on Entities Under Common Control (Joint Ventures)

	Parent Bank's Share ^(*)	Group's Share	Current Assets	Non- Current Assets	Long Term Liabilities	Income	Expense
Entities under Common Control (Joint Ventures) ^(*)							
Turkmen Turkish Joint Stock Commercial Bank	51,730	51,730	2,303,598	12,166	12,266	46,932	31,595
Total	51,730	51,730	2,303,598	12,166	12,266	46,932	31,595

^(*) Information on entity under joint control is provided from the unaudited financial statements as of 31 December 2017.^(*) Represents the Bank's share in the shareholders' equity of this entity 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.

12. Information on Finance Lease Receivables (Net)

The Bank has no finance lease receivables (31 December 2016: None).

13. Information on Derivative Financial Assets for Hedging Purposes

The Bank has no derivative financial assets for hedging purposes (31 December 2016: None).

14. Information on Investment Property

None (31 December 2016: None).

15. 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 668,295 consisting of TL 14,731 due to consumer loans, TL 591,901 on its commercial loans and TL 61,663 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1,920.

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16. Explanations on Property And Equipment

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End						
Cost	5,779,796	12,349	44,429	229,108	833,077	6,898,759
Accumulated Depreciation (-)	963,644	3,323	25,671	146,507	442,099	1,581,244
Impairment (-)	2,312	-	-	-	-	2,312
Net Book Value	4,813,840	9,026	18,758	82,601	390,978	5,315,203
Current Period End						
Net Book Value at the Beginning of the Period	4,813,840	9,026	18,758	82,601	390,978	5,315,203
Change During the Period (Net)	(110,017)	332	(3,959)	(17,779)	56,991	(74,432)
- Cost	(77,599)	1,739	750	20,349	183,570	128,809
- Depreciation - net (-)	31,962	1,407	4,709	38,128	126,579	202,785
- Impairment (-)	456	-	-	-	-	456
Net Currency Translation from Foreign Subsidiaries	-	-	-	-	-	-
Cost at Period End	5,702,197	14,088	45,179	249,457	1,016,647	7,027,568
Accumulated Depreciation at Period End (-)	995,606	4,730	30,380	184,635	568,678	1,784,029
Impairment (-)	2,768	-	-	-	-	2,768
Closing Net Book Value	4,703,823	9,358	14,799	64,822	447,969	5,240,771

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.

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.

17. Explanations on Intangible Assets

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Establishment Costs	5,384	5,181	203	4,859	4,618	241
Goodwill	-	-	-	-	-	-
Intangible Rights	648,691	212,261	436,430	461,458	148,885	312,573
Total	654,075	217,442	436,633	466,317	153,503	312,814

Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements:

None.

Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition:

None.

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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.

The book value of intangible fixed assets that are pledged or restricted for use:

None.

Amount of purchase commitments for intangible fixed assets:

None

Information on revalued intangible assets according to their types:

None.

Amount of total research and development expenses recorded in income statement within the period if any:

None.

Positive or negative consolidation goodwill on entity basis:

Not applicable for the unconsolidated financial statements

Information on Goodwill:

None.

18. 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	213,110	175,538
Deferred Tax Liabilities	(518,476)	(99,781)
Net Deferred Tax (Assets)/Liabilities	(305,366)	75,757
Net Deferred Tax Income/Expense	(46,146)	(97,521)
	Current Period	Prior Period
Reserve for Employment Termination Benefits	162,710	138,038
Short Term Employee Benefits	50,400	37,500
Financial Assets Valuation	(182,935)	(93,267)
Other	(335,541)	(6,514)
Net Deferred Tax Assets/Liabilities	(305,366)	75,757
	Current Period	Prior Period
As of 1 January	75,757	261,730
Effect of Change in the Effective Tax Rate	(35,635)	-
Deferred Tax Expense/Income	(10,511)	(97,521)
Deferred Tax Expenses (Net)	(46,146)	(97,521)
Deferred Tax Recognized Under Shareholders' Equity ^(*)	(334,977)	(88,452)
Deferred Tax (Assets)/Liabilities	(305,366)	75,757

^(*) As a result of the amendment to the Tax Law; the tax exemption on immovable sales has been reduced from 75% to 50% and the deferred tax effect due to the change has been shown.

19. Information on Other Assets

As of 31 December 2017 and 31 December 2016, 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. Information on Deposits/Funds Collected

1.1. Information on Maturity Structure of Deposits Collected

Current Period	Demand	7 Day 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	25,822,956	-	3,066,261	65,251,283	5,031,853	1,055,363	931,150	96,557	101,255,423
Foreign Currency Deposits	22,376,737	-	6,597,996	29,752,887	6,475,113	6,649,167	18,059,676	463	89,912,039
Residents in Turkey	18,507,224	-	5,971,727	23,341,881	3,847,168	2,992,629	5,538,804	290	60,199,723
Residents Abroad	3,869,513	-	626,269	6,411,006	2,627,945	3,656,538	12,520,872	173	29,712,316
Public Sector Deposits	6,029,578	-	7,000,618	6,846,554	795,962	5,490,372	8,744	-	26,171,828
Commercial Inst. Deposits	6,921,525	-	5,259,417	6,998,219	419,939	1,462,045	7,386	-	21,068,531
Other Inst. Deposits	1,727,694	-	2,092,789	3,384,376	377,185	614,891	323,613	-	8,520,548
Precious Metals	3,517,850	-	45,192	425,436	44,078	23,955	30,658	-	4,087,169
Interbank Deposits	2,457,290	-	6,720,510	2,148,282	1,098,715	2,299,790	644,064	-	15,368,651
CBRT	869	-	-	-	-	-	-	-	869
Domestic Banks	88,134	-	6,702,772	131,776	193,193	2,047	2,046	-	7,119,968
Foreign Banks	1,075,622	-	17,738	2,016,506	905,522	2,297,743	642,018	-	6,955,149
Participation Banks	1,292,665	-	-	-	-	-	-	-	1,292,665
Other	-	-	-	-	-	-	-	-	-
Total	68,853,630	-	30,782,783	114,807,037	14,242,845	17,595,583	20,005,291	97,020	266,384,189

Prior Period	Demand	7 Day 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	-	-	-	-	-	-	-	-	-
Total	54,868,221	-	27,027,711	99,095,590	12,866,950	12,242,427	16,873,246	44,789	223,018,934

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1.2. 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
Saving Deposits				
Saving Deposits ⁽¹⁾	67,218,784	60,568,084	33,625,630	29,701,060
Foreign Currency Saving Deposits ⁽¹⁾	27,562,476	21,431,931	39,848,407	28,972,511
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance ⁽²⁾	858,357	636,306	101,979	42,853
Deposits at Off-Shore Banking Regions' and under Foreign Authorities' Insurance	-	-	-	-

⁽¹⁾ Related deposit balances do not include foreign branches.⁽²⁾ 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 92,323 and TL 20,507 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2016: Bulgaria and Greece, TL 47,282 and TL 13,226, respectively).

Based on the Council of Minister's decree dated 29 December 2003 and numbered 2003/6668, TL 917 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 718,659 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.

1.3. 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.

1.4. Saving Deposits of Real Persons Not Covered by the Deposit Insurance Fund

	Current Period	Prior Period
Deposits and other Accounts in Branches Abroad	65,522	81,373
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	7,045	6,448
Deposits Obtained through Illegal Acts Defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

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2. Negative Differences Related to the Derivative Financial Liabilities Held for Trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	71,896	25,208	33,498	51,481
Swap Transactions	161,436	285,251	206,170	352,444
Futures Transactions	-	-	-	-
Options	2,174	1,804	35	-
Other	-	-	-	-
Total	235,506	312,263	239,703	403,925

3. Information on Banks and Other Financial Institutions

3.1. General Information on Banks and Other Financial Institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	726,531	1,281,611	854,994	613,745
Foreign Banks, Institutions and Funds	923,881	26,132,772	933,948	20,414,049
Total	1,650,412	27,414,383	1,788,942	21,027,794

3.2. Maturity Structure of Funds Borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	713,749	8,266,906	844,858	6,024,836
Medium and Long-Term	936,663	19,147,477	944,084	15,002,958
Total	1,650,412	27,414,383	1,788,942	21,027,794

3.3. Further Information is Disclosed for the Areas Of Liability Concentrations. Main Liability Concentration Areas are Fund Suppliers, Sector Groups or other Risk Concentration Criteria

61.34% of the Bank's total liabilities and equity consist of deposits. Deposits have a diversified base and have steady structures. The Bank's liabilities are not subject to a significant concentration risk (31 December 2016: None).

4. Information on Funds Supplied from Repurchase Agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	1,307,357	-	30,251,538	-
Financial Institutions and Organizations	1,211,018	-	30,077,731	-
Other Institutions and Organizations	90,588	-	166,520	-
Real Person	5,751	-	7,287	-
From Overseas Operations	-	13,100,369	-	12,270,423
Financial Institutions and Organizations	-	13,100,369	-	12,270,423
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
Total	1,307,357	13,100,369	30,251,538	12,270,423

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5. Information on Securities Issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	3,590,796	-	2,156,778	-
Asset-Backed Securities	-	-	-	-
Treasury Bills	-	9,166,573	-	4,676,223
Total	3,590,796	9,166,573	2,156,778	4,676,223

6. 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.

7. Information on Finance Lease Payables (Net)

In the finance 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 represented in the table below:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	454	447	499	492
Between 1-4 Years	-	-	-	-
More than 4 Years	-	-	-	-
Total	454	447	499	492

8. Information on Derivative Financial Liabilities for Hedging Purposes

There are no derivative financial liabilities for hedging purposes (31 December 2016: None).

9. Explanations on Provisions

9.1. Information on General Provisions

	Current Period	Prior Period
General Provisions	5,391,870	3,921,625
Allocated for Group-I Loans and Receivables	4,511,156	3,190,815
Additional Provision for Loans and Receivables with Extended Maturities	311,325	233,456
Allocated for Group-II Loans and Receivables	198,185	175,700
Additional Provision for Loans and Receivables with Extended Maturities	79,110	61,127
Allocated for Non-cash Loans	587,718	465,263
Other	94,811	89,847

9.2. 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 6,944 (31 December 2016: TL 327).

9.3. Specific Provisions for Unindemnified Non-Cash Loans

Specific provisions for unindemnified non-cash loans amount to TL 138,057 (31 December 2016: TL 150,916).

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9.4. Information on Other Provisions

9.4.1. 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 1,475,000 which has a part of TL 530,000 from the current period, 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 25,150 and other provision of TL 234 exist for cash transfers made by Bank officials.

	Current Period	Prior Period
Free provisions for possible risks	1,500,384	964,944

9.4.2. 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, TL 63,600 provision has been provided in financial statements for the lawsuits against the Bank which are not finalized yet amounting to TL 94,838.

Based on the decision of the Bank management, provision amounting to TL 38,850 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 conservatism principle without taking into consideration the guarantees of these loans (31 December 2016: TL 60,400).

The Bank also provided provisions amounting to TL 138,057 (31 December 2016: TL 150,916) for unindemnified non-cash loans, and TL 70,658 (31 December 2016: TL 41,728) for other provisions. As a result of the provisions mentioned above, the other provision balance on the Bank's balance sheet amounts to TL 1,811,549 (31 December 2016: TL 1,253,697).

9.5. Liabilities on Reserve for Employee Termination Benefits

9.5.1. 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 2017, unpaid vacation liability amounted to TL 252,000 (31 December 2016: TL 187,500), and employment termination amounted to TL 813,548 (31 December 2016: TL 690,189) 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	690,189	683,269
Current Service Cost	64,242	55,867
Interest Cost	180,238	73,999
Severance Pay	(71,301)	(114,314)
Payment/Abating Benefits/Loss/(Gain) in consequence of Layoff	1,606	(212)
Actuarial Loss/(Gain)	(51,426)	(8,420)
Balance at period end	813,548	690,189

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9.5.2. Additional Bonus Provision Paid to Personnel

The Bank provided provisions amounting to TL 250,000 of additional bonus provision with the decision of General Assembly.

9.5.3. 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 2017 and 31 December 2016.

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 3,442,106 as of 31 December 2017 (31 December 2016: TL 2,835,975).

	Current Period	Prior Period
Non Medical Assets	3,074,811	2,654,080
Non Medical Liabilities	(2,610,396)	(2,292,445)
Cash Value of Medical Premium	1,407,143	1,214,948
Cash Value of Medical Liabilities	(467,476)	(379,490)
Fund Assets	2,038,024	1,638,883
Actual and Technique Deficit/Surplus Amount	3,442,106	2,835,975

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	Prior Period
Bank Placements	1,612,918	1,284,298
Property and Equipment	127,096	66,844
Marketable Securities	125,000	-
Other	173,010	287,741
Total	2,038,024	1,638,883

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10. Information on Tax Liability

10.1. Information on Current Tax Liability

10.1.1. Information on Tax Provisions

As of 31 December 2017, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 418,724 (31 December 2016: TL 404,409).

10.1.2. Information on Current Taxes Payable

	Current Period	Prior Period
Corporate Tax Payable	418,724	404,409
Taxation on Income From Securities	186,736	211,632
Property Tax	2,402	2,399
Banking Insurance Transactions Tax (BITT)	154,213	138,046
Foreign Exchange Transactions Tax	106	59
Value Added Tax Payable	6,143	5,881
Other	121,948	62,453
Total	890,272	824,879

10.2. Information on Premiums

	Current Period	Prior Period
Social Security Premiums - Employee	37	33
Social Security Premiums - Employer	50	47
Bank Social Aid Pension Fund Premium - Employee	9,779	8,840
Bank Social Aid Pension Fund Premium - Employer	13,629	12,400
Pension Fund Membership Fees and Provisions - Employee	2	13
Pension Fund Membership Fees and Provisions - Employer	6	59
Unemployment Insurance - Employee	1,507	1,348
Unemployment Insurance - Employer	3,017	2,696
Other	-	-
Total	28,027	25,436

10.3. Information on Deferred Tax Liabilities, if any

The Bank's deferred tax liability amounts to TL 305,366 (31 December 2016: TL 75,757 deferred tax asset).

11. 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.

12. Explanations on Subordinated Debts

The Bank does not have any subordinated debts.

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13. Information on Shareholders' Equity

13.1. Presentation on Paid-In Capital

	Current Period	Prior Period
Common stock	5,600,000	5,100,000
Preferred stock	-	-

13.2. 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.

13.3. Information on Share Capital Increases and Their Sources; Other Information on Increased Capital Shares in the Current Period

The decision of increasing the capital by TL 500,000 to TL 5,600,000 is approved in General Assembly in 9 June 2017. Increase of capital and amendments according to the relevant materials of the Articles of Association was registered on 11 July 2017. It has been announced in the Trade Registry Gazette numbered 9367 dated 14 July 2017. The offsetting transactions of the mentioned capital increase was accounted on 3 August 2017 accordance with the permission from the Banking Regulation and Supervision Agency.

13.4. Information on Additions from Capital Reserves to Capital in the Current Period

There is no share capital amount included in capital.

13.5. 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.

13.6. 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.

13.7. Information on Preferred Shares Representing The Capital

The Bank has no preferred shares.

13.8. Information on Marketable Securities Value Increase Fund

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	843,688	146,801	615,642	1,025
Revaluation Difference	(26,256)	146,801	-	1,025
Foreign Exchange Difference	869,944	-	615,642	-
From Available for Sale Marketable Securities	(1,735,787)	798,204	(1,259,685)	(355,468)
Revaluation Difference	(2,022,076)	798,204	(1,656,280)	(355,468)
Deferred Tax Effect	286,289	-	396,595	-
Foreign Exchange Difference	-	-	-	-
Total	(892,099)	945,005	(644,043)	(354,443)

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III. EXPLANATIONS AND NOTES TO OFF-BALANCE SHEET ACCOUNTS

1. Information on Off-Balance Sheet Liabilities

1.1. Nature and Amount Of Irrevocable Loan Commitments

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	8,645,831	7,258,758
Other Irrevocable Commitments	10,236,522	7,220,867
Loan Granting Commitments	5,054,653	3,598,753
Payment Commitments for Cheques	3,697,066	3,138,916
Asset Purchase Commitments	4,767,745	2,123,301
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	26,137	22,138
Subsidiaries and Associates Capital Contribution Commitments	-	-
Total	32,427,954	23,362,733

1.2. Nature and Amount of Possible Losses and Commitments Arising From The Off-Balance Sheet Items Including The Below Mentioned

Information related to possible losses of the Bank arising from off-balance sheet items is explained in 9th note explanations on provisions of Section Five Explanations and Notes Related to Liabilities.

1.2.1. Non-Cash Loans Including Guarantees, Acceptances, Financial Guarantees and Other Letter Of Credits

	Current Period	Prior Period
Guarantee Letters	75,693,057	65,779,579
Letter of Credits	14,112,101	9,121,397
Bank Acceptances	6,301,968	4,254,132
Total	96,107,126	79,155,108

1.2.2. Certain Guarantees, Temporary Guarantees, Surety Ships and Similar Transactions

	Current Period	Prior Period
Letters of Certain Guarantees	50,005,153	41,993,880
Letters of Advance Guarantees	18,096,539	17,582,696
Letters of Temporary Guarantees	3,040,443	3,381,752
Letters of Guarantees Given to Customs Offices	1,281,851	753,939
Other Letters of Guarantees	3,269,071	2,067,312
Total	75,693,057	65,779,579

1.3. Explanations on Non-Cash Loans

1.3.1. Total Non-Cash Loans

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	811,524	810,996
With Original Maturity of One Year or Less	12,761	2,183
With Original Maturity of More than One Year	798,763	808,813
Other Non-Cash Loans	95,295,602	78,344,112
Total	96,107,126	79,155,108

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1.3.2. Information on Sectoral Risk Concentrations Of Non-Cash Loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	90,969	0.28	25,014	0.04	66,276	0.27	14,374	0.03
Farming and Raising Livestock	28,383	0.09	-	-	24,908	0.10	92	-
Forestry	62,586	0.19	25,014	0.04	41,368	0.17	14,282	0.03
Fishing	-	-	-	-	-	-	-	-
Manufacturing	8,920,823	27.09	33,450,001	52.95	6,369,469	25.72	27,491,362	50.54
Mining and Quarrying	269,589	0.82	332,678	0.53	234,866	0.95	265,710	0.49
Production	5,055,235	15.35	30,840,639	48.82	3,947,744	15.94	25,159,690	46.26
Electric, Gas and Water	3,595,999	10.92	2,276,684	3.60	2,186,859	8.83	2,065,962	3.80
Construction	9,512,795	28.88	16,520,050	26.15	6,327,345	25.55	14,905,357	27.40
Services	13,815,986	41.95	12,376,224	19.59	11,542,354	46.61	11,355,670	20.88
Wholesale and Retail Trade	6,436,332	19.54	4,632,292	7.33	5,562,864	22.46	3,421,018	6.29
Hotel, Food and Beverage Services	186,215	0.57	383,594	0.61	132,315	0.53	264,205	0.49
Transportation and Telecommunication	1,453,499	4.41	2,423,894	3.84	1,122,151	4.53	3,419,070	6.29
Financial Institutions	4,165,548	12.65	3,781,673	5.99	3,465,541	13.99	2,772,707	5.10
Real Estate and Leasing Services	1,402,836	4.26	1,061,405	1.68	1,143,793	4.62	1,413,797	2.60
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	99,736	0.30	32,417	0.05	68,136	0.28	7,067	0.01
Health and Social Services	71,820	0.22	60,949	0.10	47,554	0.19	57,806	0.11
Other	593,138	1.80	802,126	1.27	457,885	1.85	625,016	1.15
Total	32,933,711	100.00	63,173,415	100.00	24,763,329	100.00	54,391,779	100.00

1.3.3. Information on the Non-Cash Loans Classified Under Group I and Group II

	Group I:		Group II:	
	TL	FC	TL	FC
Non-Cash Loans	32,735,051	63,007,944	198,660	165,471
Letters of Guarantee	32,471,302	42,858,368	198,660	164,727
Bank Acceptances	30,004	6,271,964	-	-
Letters of Credit	233,745	13,877,612	-	744
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	-	-	-

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2. Explanations on Derivative Transactions

	Current Period	Prior Period
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions: (I)	85,165,267	71,084,519
Forward Transactions	10,542,548	5,299,697
Swap Transactions	73,899,241	65,762,504
Futures Transactions	-	-
Option Transactions	723,478	22,318
Interest Related Derivative Transactions (II)	10,496,622	9,322,634
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	10,496,622	9,322,634
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivative Transactions: (III)	-	-
A. Total Trading Derivative Transactions (I+II+III)	95,661,889	80,407,153
Types of Hedging Derivative Transactions		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
B. Total Hedging Derivative Transactions	-	-
Total Derivative Transactions (A+B)	95,661,889	80,407,153

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
Derivatives held for trading						
Foreign exchange derivatives	292,904	(50,384)	(9,626)	520,911	-	753,805
- Inflow	30,206,844	6,590,759	3,674,751	2,487,182	-	42,959,536
- Outflow	(29,913,940)	(6,641,143)	(3,684,377)	(1,966,271)	-	(42,205,731)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	201,322	5,046,989	5,248,311
- Outflow	-	-	-	(201,322)	(5,046,989)	(5,248,311)
Derivatives held for hedging						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total Inflow	30,206,844	6,590,759	3,674,751	2,688,504	5,046,989	48,207,847
Total Outflow	(29,913,940)	(6,641,143)	(3,684,377)	(2,167,593)	(5,046,989)	(47,454,042)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Derivatives held for trading						
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)
Derivatives held for hedging						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total Inflow	23,462,232	7,454,445	2,592,683	2,630,852	4,661,317	40,801,529
Total Outflow	(23,355,470)	(7,456,806)	(2,089,481)	(2,042,550)	(4,661,317)	(39,605,624)

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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.

The Bank's liability resulting from the cheques given to its customers amounts to TL 3,697,066 (31 December 2016: TL 3,138,916).

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 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. Within The Scope of Interest Income

1.1. Information on Interest Income from Loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans ⁽¹⁾	24,581,785	3,775,523	18,686,712	2,825,471
Short Term Loans	6,255,007	156,533	4,627,255	88,518
Medium and Long Term Loans	18,203,012	3,618,939	13,937,004	2,736,916
Interest on Non-Performing Loans	123,766	51	122,453	37
Premiums from Resource Utilization Support Fund	-	-	-	-

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

1.2. Information on Interest Received from the Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	22,831	-	4,508	-
Domestic Banks	65,666	858	39,866	2,688
Foreign Banks	5,493	43,565	2,182	36,885
Foreign Head Office and Branches	-	-	-	-
Total	93,990	44,423	46,556	39,573

1.3. Information on Interest Income on Marketable Securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	1,037	2,977	938	424
Financial Assets at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	4,686,379	840,454	4,032,825	676,838
Investments Held-to-Maturity	344,675	317,057	416,053	360,790
Total	5,032,091	1,160,488	4,449,816	1,038,052

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1.4. Information on Interest Income from Subsidiaries and Associates

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	48,506	38,409

2. Within the Scope of Interest Expense

2.1. Information on Interest Expense on Borrowings

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks ⁽¹⁾	140,300	560,479	118,890	350,641
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	48,864	11,036	33,935	5,957
Foreign Banks	91,436	549,443	84,955	344,684
Foreign Head Office and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	140,300	560,479	118,890	350,641

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

2.2 Information on Interest Expenses Given to Subsidiaries and Associates

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	176,940	61,146

2.3 Information on Interest Given on Securities Issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	358,755	318,852	219,766	162,533

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2.4 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	-	756,908	-	-	-	-	-	756,908
Saving Deposit	1	238,910	5,926,038	422,492	80,831	71,484	2,542	6,742,298
Public Sector Deposit	904	380,737	564,360	175,195	523,936	929	-	1,646,061
Commercial Deposit	235	506,869	805,103	124,436	150,573	1,234	-	1,588,450
Other Deposit	56	108,078	269,750	32,394	42,122	98,256	-	550,656
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Total	1,196	1,991,502	7,565,251	754,517	797,462	171,903	2,542	11,284,373
FC								
Foreign Currency Deposit	634	116,461	427,435	67,702	55,433	229,045	4	896,714
Bank Deposit	12	65,061	-	210	1	-	-	65,284
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	183	2,097	223	147	153	-	2,803
Total	646	181,705	429,532	68,135	55,581	229,198	4	964,801
Grand Total	1,842	2,173,207	7,994,783	822,652	853,043	401,101	2,546	12,249,174

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	4,760	30,302
Other ⁽¹⁾	279,771	228,882
Total	284,531	259,184

⁽¹⁾ Shows the Bank's dividend income from subsidiaries, associates and entities under common control.

4. Information on Trading Profit/Loss (Net)

	Current Period	Prior Period
Profit	36,060,681	33,233,065
Foreign Exchange Gains	34,822,027	29,741,034
Profit on Derivative Financial Instruments	1,198,720	3,457,893
Profit from the Capital Market Transactions	39,934	34,138
Loss (-)	36,874,520	33,420,902
Foreign Exchange Loss	34,874,961	28,136,772
Loss on Derivative Financial Instruments	1,999,290	5,280,480
Loss from the Capital Market Transactions	269	3,650

5. Information on Other Operating Income

5.1. 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. Besides, of the Bank's other operating income consists of reversals from prior period provisions amounting to TL 612,621 (31 December 2016: TL 839,296) and income from sales of assets amounting to TL 211,106 (31 December 2016: TL 212,041).

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6. Provision Expenses for Impairment on Loans and Other Receivables

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables ⁽¹⁾	1,127,901	2,250,153
Group III Loans and Receivables	369,890	378,938
Group IV Loans and Receivables	408,040	925,264
Group V Loans and Receivables	349,971	945,951
General Provision Expenses	1,470,245	1,078,085
Provision Expenses for the Possible Losses	535,450	3,960
Marketable Securities Impairment Expense	254	119
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available for Sale	254	119
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	56,716	12,553
Total	3,190,566	3,344,870

⁽¹⁾ The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL 562,481 are presented in other operating income (31 December 2016: TL 459,750).

7. Information on Other Operating Expenses

	Current Period	Prior Period
Personnel Expenses	2,493,686	2,286,812
Reserve for Employee Termination Benefits	90,892	19,639
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	239,934	304,805
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	63,654	45,338
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
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	1,984,241	1,302,561
Operational Leasing Expenses	266,409	212,513
Maintenance Expenses	64,999	78,622
Advertisement Expenses	123,041	83,419
Other Expenses	1,529,792	928,007
Loss on Sales of Assets	719	1,290
Other ⁽¹⁾	1,617,341	1,339,751
Total	6,490,467	5,302,999

⁽¹⁾ TL 549,373 of other items consists of Saving Deposit Insurance Fund accrual expense (31 December 2016: TL 475,532) while TL 529,343 consists of taxes, duties and charges expense (31 December 2016: TL 499,342).

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8. 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:

	Current Period	Prior Period
Net Interest Income	16,902,078	13,948,271
Net Fees and Commissions Income	2,217,385	1,642,848
Other Operating Income	1,377,577	1,554,538
Dividend Income	284,531	259,184
Trading Income/Expense (Net)	(813,839)	(187,837)
Provision for Loan or Other Receivables Losses (-)	3,190,566	3,344,870
Other Operating Expenses (-)	6,490,467	5,302,999
Profit/(Loss) From Continuing Operations	10,286,699	8,569,135

9. Information on Tax Provision for Continuing and Discontinuing Operations

As of 31 December 2017, TL 2,346,578 (31 December 2016: TL 1,992,715) of the Bank's total tax provision expense amounting to TL 2,300,432 (31 December 2016: TL 1,895,194), consists of current tax expense while remaining balances amounting to TL 46,146 (31 December 2016: TL 97,521 deferred tax expense) consists of deferred tax expense.

10. Explanation on Net Income/Loss for the Period for Continued and Discontinued Operations

The Bank's net operating income after tax amounts to TL 7,940,121 (31 December 2016: TL 6,576,420).

11. Information on Net Profit/Loss

11.1. 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.

11.2. 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 2016: None).

12. If Other Items in the Income Statement Exceed 10% of the Income Statement Total, Sub-Accounts Constituting At Least 20% of These Items are Shown Below

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

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V. EXPLANATIONS AND NOTES RELATED TO THE CHANGES IN SHAREHOLDERS' EQUITY

1. Explanations on Changes in Shareholders' Equity according to Turkey Accounting Standards and Inflation Adjustment Differences for Equity Items Considering the Ranking of Items in the Table

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.

2. Explanations on Profit Distribution

In accordance with the decision taken in the General Assembly of the year 2016, which was carried out on 9 June 2017, from TL 6,576,420 net profit, which is subject to distribution, TL 328,821 is transferred to first legal reserve and TL 26,912 is transferred to second legal reserve TL 230,000 was decided to be paid to employees and TL 255,000 for the first legal reserve, TL 39,118 for second legal reserve in total a payment of gross amounting to TL 294,118 is decided to be distributed to Treasury. In this framework, the portion of the profit amounting to TRY 5,696,569 has been left in the Bank and dividend payment has been made to the Treasury on 14 June 2017. Additionally, reserves amounting to TRY 45,317 has been allocated from retained earnings amounting to TRY 906,345 and remaining amount, TRY 861,028, has been left in the Bank. In accordance with the decision taken at the General Assembly Meeting, the remaining amount, TL 20,367, of the total amount which was decided to be paid to employees has been transferred to "profit reserve" 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.

3. 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.

4. Profit Reserves

As of the balance sheet date, profit reserves amount to TL 29,660,259, legal reserves amount to TL 3,604,355, extraordinary reserves amount to TL 24,630,569 and other profit reserves amount to TL 1,425,335.

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VI. EXPLANATIONS ON CASH FLOW STATEMENTS

1. Explanations on The "Other" items and "The Effect Of The Change in Foreign Currency on Cash and Cash Equivalent" item in the Cash Flow Statement

Operating Profit before Changes in Operating Assets and Liabilities" amounting to TL 6,865,830 is composed mainly from interest received from loans and securities amounting to TL 33,449,782 and interest paid to deposit and money market operations which is amounting to TL 18,010,343. 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 1,344,144 as of 31 December 2016 (31 December 2016: TL 1,042,601).

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

Period Opening	Current Period	Prior Period
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	-	-
Total Cash and Cash Equivalents	15,566,483	8,064,097
Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	3,592,955	2,655,156
Central Bank of the Republic of Turkey and Other Banks	9,422,724	12,911,327
Money Market Operations	-	-
Total Cash and Cash Equivalents	13,015,679	15,566,483

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VII. EXPLANATIONS AND NOTES TO THE RISK GROUP OF THE BANK

1. The Transaction Volume of The Risk Group Of The Bank, incompleted Credit and Deposit Transactions Of The End of The Period and Income And Expenses Related To The Period

Current Period

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	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	1,190,812	3,502,628	-	-	-	-
Closing Balance	1,622,698	4,507,703	-	-	-	-
Interest and Commissions Income	48,506	884	-	-	-	-

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	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	856,298	1,919,303	-	-	-	-
Closing Balance	1,190,812	3,502,628	-	-	-	-
Interest and Commissions Income	38,355	220	-	-	-	-

2. 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	1,545,917	553,962	-	-	-	-
Closing Balance	1,778,250	1,545,917	-	-	-	-
Interest Expense on Deposits	176,940	61,146	-	-	-	-

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3. Information on Forward Transactions, Option Agreements and Similar Transactions Between the Bank's Risk Group

	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	127,897	66,595	-	-	-	-
Closing Balance	555,062	127,897	-	-	-	-
Total Profit/Loss	20,526	(5,424)	-	-	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

4. Information about Fees Paid to the Bank's Key Management

Fees paid to the Bank's key management amount to TL 29,394 (31 December 2016: TL 29,166).

VIII. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

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			
Domestic Branch ⁽¹⁾	1,759	24,472			
			Country of Incorporation		
Foreign Representative Office ⁽²⁾	1	-	1- Iran		
				Total Assets	Statutory Share Capital
Foreign Branch ⁽²⁾	1	3	1- England	3,872,257	199,338
	4	3	2- Bulgaria	340,173	64,063
	2	4	3- Iraq	551,450	189,100
	4	4	4- Greece	386,688	149,556
	1	2	5- Saudi Arabia	146,512	56,730
	1	-	6- Kosovo	116,098	45,320
	8	40	7- T.R. of Northern Cyprus	1,680,287	145,101
Off-Shore Banking Region Branches	1	3	1- Bahrain	8,672,530	18,910

⁽¹⁾ Includes the employees of the domestic branches, including the employees of head office and regional management.⁽²⁾ Excluding the local employees of the foreign branches.

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2. Information on The Bank About Opening, Closing, Changing its Organization Considerably for Domestic and Foreign Branches and Foreign Representatives of The Bank:

In 2017, 6 new branches were opened, 33 branches were closed in Turkey. New York branch in U.S.A. and Karakum and the Near East University branches in T.R. in Northern Cyprus are closed abroad.

Tbilisi, Batum and Marneuli branches of the Bank which were operating in Georgia have been gathered under the Bank's roof as of 2 May 2017 and continues to operate as a subsidiary with JSC Ziraat Bank Georgia title and all of the capital belonging to the Bank.

SECTION SIX

OTHER EXPLANATIONS

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 Investors Service, Fitch Ratings and JCR Eurasia are as follows:

Moody's Investors Service: March 2017

Outlook	Negative
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
Basic Credit Note	ba2
Adjusted Basic Credit Note	ba2

Fitch Ratings: October 2017

Outlook	Stable
FC Long Term	BB+
FC Short Term	B
TL Long Term	BBB-
TL Short Term	F3
National Long Term	AAA (tur)
Support	3
Support Rating Base	BB+
Financial Capability Grade	bb+

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JCR Eurasia: September 2017

Long Term International FC	BBB -
Outlook	Stable
Long Term International TL Grade	BBB -
Outlook	Stable
Long Term National Grade	AAA (Trk)
Outlook	Stable
Short Term International FC	A - 3
Outlook	Stable
Short Term International TL Grade	A - 3
Outlook	Stable
Short Term National Grade	A-1+ (Trk)
Supporting Grade	1
Independence from Affiliates Grade	A

II. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

As of 31 December 2017, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 2 February 2018 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.