

*(Convenience Translation of Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Section 3.1)*

# **Türkiye Cumhuriyeti Ziraat Bankası Anonim Şirketi**

**Consolidated Financial Statements**  
**As of and For the Six-Month Period Ended 30 June 2017**  
**With Review Report Thereon**  
*(Convenience Translation of Consolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

15 August 2017

*This report contains “Review Report” comprising 2  
pages and; “Consolidated Financial Statements and  
Related Disclosures and Footnotes” comprising 99  
pages.*

*Convenience Translation of the Review Report  
Originally Prepared and Issued in Turkish (See Section 3.1)*

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

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

### **Report on the Consolidated Interim Financial Statements**

We have reviewed the accompanying consolidated statements of balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (the "Bank") and its financial subsidiaries (together the "Group") as at 30 June 2017 and the consolidated statement of income, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial information for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the "Banking Regulation and Supervision Agency (BRSA) Accounting and Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority and Turkish Accounting Standard 34 "Interim Financial Reporting" for the matters unregulated by afore-mentioned legislations. Our responsibility is to express a conclusion on these interim financial statements based on our review.

#### *Scope of review*

We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with the Auditing Standards of Turkey. Consequently, a review of the interim financial information does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Basis for the Qualified Conclusion

As mentioned in Section II. Note 9.4.1 of Explanations and Notes to the Consolidated Financial Statements, the accompanying consolidated interim financial information as of 30 June 2017 include general provision of total TL 1,210,000 thousands, of which TL 265,000 thousands was recognized as expense in the current period and the rest of it from the prior periods which is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

#### Qualified Conclusion

Based on our review, except for the effect of the matter described in the basis for the qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information do not presented fairly in all material respects, the consolidated financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and its financial subsidiaries at 30 June 2017 and of the results of its operations and its cash flows for the six-month period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

#### *Other matter*

The consolidated financial statements of the Bank and its subsidiaries as at and for the year ended 31 December 2016 and as at and for the six months period ended 30 June 2016 were audited and reviewed by another auditor who expressed a qualified opinion and qualified conclusion based on the reason represented in the section "basis for the qualified opinion" above thereon on 17 February 2017 and 9 August 2016, respectively.

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

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

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

Erdal Tıkmak, *SMMM*  
*Partner*

15 August 2017  
Istanbul, Turkey

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

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

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

**THE CONSOLIDATED INTERIM FINANCIAL REVIEW REPORT OF  
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 30 JUNE 2017**

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

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

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

Within the framework of this financial report, our consolidated financial statements of subsidiaries, associates and jointly controlled entities are as follows:

**DOMESTIC SUBSIDIARIES**

Ziraat Hayat ve Emeklilik A.Ş.  
Ziraat Sigorta A.Ş.  
Ziraat Finansal Kiralama A.Ş.  
Ziraat Yatırım Menkul Değerler A.Ş.  
Ziraat Portföy Yönetimi A.Ş.  
Ziraat Katılım Bankası A.Ş.  
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.

**ASSOCIATES**

Arap Türk Bankası A.Ş.

**FOREIGN SUBSIDIARIES**

Ziraat Bank International A.G.  
Ziraat Bank BH d.d.  
Ziraat Bank (Moscow) JSC  
Kazakistan Ziraat Int. Bank  
Ziraat Bank Azerbaycan ASC  
Ziraat Bank Montenegro AD  
JSC Ziraat Bank Georgia

**JOINT VENTURES**

Turkmen Turkish Joint Stock Commercial Bank  
UTBANK JSC

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

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

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Hüseyin AYDIN  
Member of the Board,  
CEO

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

---

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2017**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**SECTION ONE**

**GENERAL INFORMATION ABOUT THE GROUP**

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

The foundation of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“Ziraat Bankası”, “the Bank” or “the Parent Bank”) is based on Government Funds established in 1863. In 1883, Government Funds were replaced with Benefit Funds. The Bank was officially established by the re-organization of the Benefit Funds in 1888, to grant loans to farmers, to accept interest-bearing deposits and to act as a moneylender and an intermediary for agricultural operations. The Bank, which was given the authority to perform all the banking activities, belongs to the Republic of Turkey Prime Ministry Undersecretariat of Treasury (“Treasury”) and were decided to be transferred to the Turkish Wealth Fund with the decision of the Council of Ministers numbered 2017/9756 dated 24 January 2017. The transfer process is still continuing. The Bank’s head office is located in Ankara.

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

The total share capital of the Bank is TL 5,100,000. The Bank’s paid-in-capital committed by the Republic of Turkey Prime Ministry Undersecretariat of Treasury (“the Turkish Treasury”) consists of 5,100,000,000 shares of TL 1 nominal each.

The decision of increasing capital 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.

The Bank’s sole shareholder is the Treasury and all of the Bank’s shares were decided to be transferred to the Turkish Wealth Fund with the decision of the Council of Ministry numbered 2017/9756 dated 24 January 2017. The transfer process is still continuing.

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

<b>Name</b>	<b>Administrative Function</b>
<b>Members of the Board of Directors</b>	
Muharrem KARSLI	Chairman
Hüseyin AYDIN	CEO and Member
Yusuf DAĞCAN	Vice Chairman and Member
Cemalettin BAŞLI	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Mustafa ÇETİN	Member
Salim ALKAN	Member
Yusuf BİLMEZ <sup>(1)</sup>	Member
<b>Audit Committee Members</b>	
Muharrem KARSLI	Member
Feyzi ÇUTUR	Member
<b>Executive Vice Presidents</b>	
Ali KIRBAŞ <sup>(2)</sup>	Banking Operations
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 <sup>(2)</sup>	Branch Banking
Yüksel CESUR	Internal Systems

(1) He was elected at the General Assembly meeting held on 9 June 2017 and started his duty on 14 June 2017

(2) With the decision of the Board of Directors’ he was assigned to the duty of Vice President..

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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2017**

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

**SECTION ONE (Continued)**

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

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

Name/Trade Name	Amount of Share	Percentage of Share %	Paid-in Shares	Unpaid Shares
Treasury	5,100,000	100	5,100,000	-

The Bank's sole shareholder is the Treasury and all of the Bank's shares were decided to be transferred to the Turkish Wealth Fund with the decision of the Council of Ministry numbered 2017/9756 dated 24 January 2017. The transfer process is still continuing.

**V. SUMMARY INFORMATION ON THE PARENT BANK'S ACTIVITIES AND SERVICES**

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

As of 30 June 2017, the Parent Bank carries its activities with a grand total of 1,813 branches; 1,789 domestic branches including 20 corporate branches, 79 entrepreneurial branches, 75 dynamic entrepreneurial branches, 1,610 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 24 branches abroad New York branch in United States, London branch in England, Baghdad and Arbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Plovdiv, Kardzhali and Varna branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina in Kosovo, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Akdoğan, Karaoğlanoğlu, Karakum 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 24,709 (31 December 2016: 25,015).

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 subsidiary with JSC Ziraat Bank Georgia title and all of the capital belonging to the Bank.

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

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

The Parent Bank and consolidated subsidiaries which presented in Section III, Note III with the Parent Bank are together referred as the “Group”.

As of 30 June 2017, the number of the Group's employees is 27,074 (31 December 2016: 27,030).

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2017**

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

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**SECTION ONE (Continued)**

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

**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, UTBANK JSC (formerly named as “Uzbekistan-Turkish Bank”) entities under common control are consolidated through “Equity Method” in accompanying consolidated financial statements of the Bank.

Ziraat Teknoloji A.Ş., which is subsidiary of the Bank, is not consolidated into the Bank’s consolidated financial statements in accordance with Communiqué of the Preparation Consolidated Financial Statements since this entity is not financial institution. Kredi Kayıt Bürosu and Bankalararası Kart Merkezi which are associates of the bank are not consolidated but carried at cost since these entities are not controlled by the Bank and are not financial companies.

All other subsidiaries are fully consolidated.

**VII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE IMMEDIATE TRANSFER OF SHAREHOLDERS’ EQUITY OR REPAYMENT OF DEBT BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES**

None.



**İKİNCİ BÖLÜM**  
**KONSOLİDE FİNANSAL TABLOLAR**

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 JUNE 2017  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION TWO  
CONSOLIDATED FINANCIAL STATEMENTS

I.	CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	Current Period (30/06/2017)			Prior Period (31/12/2016)		
			TL	FC	Total	TL	FC	Total
			ASSETS					
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	8,245,947	30,955,896	39,201,843	8,174,747	32,470,758	40,645,505
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	1,192,732	591,053	1,783,785	1,232,112	487,459	1,719,571
2.1	Financial Assets Held for Trading		1,192,732	591,053	1,783,785	1,232,112	487,459	1,719,571
2.1.1	Public Sector Debt Securities		19,209	4,821	24,030	35,694	5,131	40,825
2.1.2	Securities Representing a Share in Capital		3	-	3	-	-	-
2.1.3	Derivative Financial Assets Held for Trading	(3)	1,165,491	577,468	1,742,959	1,196,418	482,328	1,678,746
2.1.4	Other Marketable Securities		8,029	8,764	16,793	-	-	-
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)	1,805,221	1,881,054	3,686,275	1,586,083	2,733,983	4,320,066
IV.	MONEY MARKET PLACEMENTS		1,878,401	136,633	2,015,034	33,968	218,976	252,944
4.1	Interbank Money Market Placements		1,837,419	75,689	1,913,108	-	113,813	113,813
4.2	Istanbul Stock Exchange Money Market Placements		37,470	-	37,470	30,800	-	30,800
4.3	Receivables from Reverse Repurchase Agreements		3,512	60,944	64,456	3,168	105,163	108,331
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(5,6)	46,056,411	16,003,027	62,059,438	44,271,134	14,857,080	59,128,214
5.1	Securities Representing a Share in Capital		109,589	638,751	748,340	109,021	540,377	649,398
5.2	Public Sector Debt Securities		45,455,466	15,265,035	60,720,501	43,700,624	14,199,635	57,900,259
5.3	Other Marketable Securities		491,356	99,241	590,597	461,489	117,068	578,557
VI.	LOANS AND RECEIVABLES	(7)	211,972,497	73,477,990	285,450,487	173,678,548	70,395,797	244,074,345
6.1	Loans and Receivables		211,740,573	73,477,990	285,218,563	173,427,099	70,395,797	243,822,896
6.1.1	Loans Granted to Risk Group of The Bank		-	17,965	17,965	-	22,397	22,397
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		211,740,573	73,460,025	285,200,598	173,427,099	70,373,400	243,800,499
6.2	Loans under Follow-up		4,428,658	188,921	4,617,579	4,210,742	169,748	4,380,490
6.3	Specific Provisions (-)		4,196,734	188,921	4,385,655	3,959,293	169,748	4,129,041
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	INVESTMENTS HELD TO MATURITY (Net)	(8)	2,872,305	4,374,770	7,247,075	3,630,564	5,164,351	8,794,915
8.1	Public Sector Debt Securities		2,688,734	4,373,917	7,062,651	3,491,761	5,156,130	8,647,891
8.2	Other Marketable Securities		183,571	853	184,424	138,803	8,221	147,024
IX.	INVESTMENTS IN ASSOCIATES (Net)	(9)	121,464	1,037	122,501	104,935	951	105,886
9.1	Accounted with Equity Method		115,398	-	115,398	98,869	-	98,869
9.2	Unconsolidated Associates		6,066	1,037	7,103	6,066	951	7,017
9.2.1	Financial Associates		-	-	-	-	-	-
9.2.2	Non-financial Associates		6,066	1,037	7,103	6,066	951	7,017
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(10)	7,598	-	7,598	7,457	-	7,457
10.1	Unconsolidated Financial Subsidiaries		1,361	-	1,361	1,220	-	1,220
10.2	Unconsolidated Non-Financial Subsidiaries		6,237	-	6,237	6,237	-	6,237
XI.	ENTITIES UNDER COMMON CONTROL (Net)	(11)	-	97,319	97,319	-	101,105	101,105
11.1	Accounted with Equity Method		-	97,319	97,319	-	101,105	101,105
11.2	Unconsolidated Entities Under Common Control		-	-	-	-	-	-
11.2.1	Financial Entities Under Common Control		-	-	-	-	-	-
11.2.2	Non Financial Entities Under Common Control		-	-	-	-	-	-
XII.	RECEIVABLES FROM LEASING TRANSACTIONS	(12)	784,828	1,950,839	2,735,667	705,449	1,778,218	2,483,667
12.1	Finance Lease Receivables		981,797	2,215,612	3,197,409	855,662	2,000,508	2,856,170
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		196,969	264,773	461,742	150,213	222,290	372,503
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)	5,617,231	130,682	5,747,913	5,749,260	122,749	5,872,009
XV.	INTANGIBLE ASSETS (Net)		398,518	30,308	428,826	333,302	34,562	367,864
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		398,518	30,308	428,826	333,302	34,562	367,864
XVI.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(14)	649,591	-	649,591	643,290	-	643,290
XVII.	TAX ASSET		17,638	6,163	23,801	87,690	5,914	93,604
17.1	Current Tax Asset		2,273	6,163	8,436	1,121	5,914	7,035
17.2	Deferred Tax Asset		15,365	-	15,365	86,569	-	86,569
XVIII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(15)	642,175	2,393	644,568	562,983	32	563,015
18.1	Held for Sale		642,175	2,393	644,568	562,983	32	563,015
18.2	Held from Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS		3,847,547	1,455,154	5,302,701	1,398,325	1,310,143	2,708,468
	TOTAL ASSETS		286,110,104	131,094,318	417,204,422	242,199,847	129,682,078	371,881,925

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 JUNE 2017**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	Current Period (30/06/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES AND EQUITY					
<b>I. DEPOSITS</b>	(1)	<b>159,448,031</b>	<b>93,412,366</b>	<b>252,860,397</b>	<b>152,475,037</b>	<b>80,436,956</b>	<b>232,911,993</b>
1.1 Deposits Held By the Risk Group of the Bank		65,947	35,643	101,590	33,645	18,875	52,520
1.2 Other		159,382,084	93,376,723	252,758,807	152,441,392	80,418,081	232,859,473
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	<b>98,356</b>	<b>290,319</b>	<b>388,675</b>	<b>239,703</b>	<b>413,662</b>	<b>653,365</b>
<b>III. FUNDS BORROWED</b>	(3)	<b>1,209,688</b>	<b>26,056,088</b>	<b>27,265,776</b>	<b>1,338,546</b>	<b>23,087,983</b>	<b>24,426,529</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>43,173,098</b>	<b>14,776,709</b>	<b>57,949,807</b>	<b>35,075,206</b>	<b>12,270,423</b>	<b>47,345,629</b>
4.1 Interbank Money Market Borrowings		37,573,800	1,846,919	39,420,719	4,640,000	-	4,640,000
4.2 Istanbul Stock Exchange Takasbank Borrowings		190,000	-	190,000	50,000	-	50,000
4.3 Funds Provided under Repurchase Agreements	(4)	5,409,298	12,929,790	18,339,088	30,385,206	12,270,423	42,655,629
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>	(5)	<b>3,407,433</b>	<b>6,856,607</b>	<b>10,264,040</b>	<b>2,390,059</b>	<b>4,680,692</b>	<b>7,070,751</b>
5.1 Bills		3,027,318	-	3,027,318	2,156,778	-	2,156,778
5.2 Asset-backed Securities		202,597	-	202,597	101,459	-	101,459
5.3 Bonds		177,518	6,856,607	7,034,125	131,822	4,680,692	4,812,514
<b>VI. FUNDS</b>		<b>6,069,243</b>	<b>-</b>	<b>6,069,243</b>	<b>6,020,839</b>	<b>-</b>	<b>6,020,839</b>
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		6,069,243	-	6,069,243	6,020,839	-	6,020,839
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>2,201,915</b>	<b>1,804,450</b>	<b>4,006,365</b>	<b>1,305,967</b>	<b>1,260,934</b>	<b>2,566,901</b>
<b>VIII. OTHER LIABILITIES</b>	(6)	<b>3,214,249</b>	<b>696,246</b>	<b>3,910,495</b>	<b>3,046,595</b>	<b>479,291</b>	<b>3,525,886</b>
<b>IX. FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. PAYABLES FROM LEASING TRANSACTIONS (Net)</b>	(7)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1 Finance Lease Payables		-	-	-	-	-	-
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses ( - )		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	(8)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(9)	<b>8,684,033</b>	<b>155,828</b>	<b>8,839,861</b>	<b>7,378,704</b>	<b>159,957</b>	<b>7,538,661</b>
12.1 General Provisions		4,592,829	64,405	4,657,234	3,983,630	58,795	4,042,425
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		1,131,668	1,778	1,133,446	885,586	1,888	887,474
12.4 Insurance Technical Reserves (Net)		1,468,037	-	1,468,037	1,294,767	-	1,294,767
12.5 Other Provisions		1,491,499	89,645	1,581,144	1,214,721	99,274	1,313,995
<b>XIII. TAX LIABILITY</b>	(10)	<b>1,137,282</b>	<b>13,160</b>	<b>1,150,442</b>	<b>899,544</b>	<b>10,030</b>	<b>909,574</b>
13.1 Current Tax Liability		953,731	8,451	962,182	899,544	6,567	906,111
13.2 Deferred Tax Liability		183,551	4,709	188,260	-	3,463	3,463
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(11)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1 Held for Sale		-	-	-	-	-	-
14.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(12)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	(13)	<b>43,803,878</b>	<b>695,443</b>	<b>44,499,321</b>	<b>39,451,361</b>	<b>(539,564)</b>	<b>38,911,797</b>
16.1 Paid-in Capital		5,100,000	-	5,100,000	5,100,000	-	5,100,000
16.2 Capital Reserves		3,173,601	695,443	3,869,044	3,270,984	(539,564)	2,731,420
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(879,066)	683,688	(195,378)	(844,719)	(549,296)	(1,394,015)
16.2.4 Tangible Assets Revaluation Reserves		4,151,420	11,755	4,163,175	4,178,008	9,732	4,187,740
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		(116,141)	-	(116,141)	(79,693)	-	(79,693)
16.3 Profit Reserves		29,837,569	-	29,837,569	22,871,718	-	22,871,718
16.3.1 Legal Reserves		3,802,032	-	3,802,032	3,393,778	-	3,393,778
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		24,610,202	-	24,610,202	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		5,691,103	-	5,691,103	8,207,208	-	8,207,208
16.4.1 Prior Years Profit/Loss		822,541	-	822,541	1,322,284	-	1,322,284
16.4.2 Net Period Profit/Loss		4,868,562	-	4,868,562	6,884,924	-	6,884,924
16.5 Minority Shares		1,605	-	1,605	1,451	-	1,451
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>272,447,206</b>	<b>144,757,216</b>	<b>417,204,422</b>	<b>249,621,561</b>	<b>122,260,364</b>	<b>371,881,925</b>

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS OF 30 JUNE 2017  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

II.	CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (30/06/2017)			Prior Period (31/12/2016)		
			TL	FC	Total	TL	FC	Total
			<b>A</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>65,836,243</b>	<b>136,499,258</b>	<b>202,335,501</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	(I)	<b>32,135,212</b>	<b>59,750,240</b>	<b>91,885,452</b>	<b>26,076,864</b>	<b>56,644,251</b>	<b>82,721,115</b>
1.1	Letters of Guarantee		31,933,294	43,572,016	75,505,310	25,872,985	42,719,354	68,592,339
1.1.1	Guarantees Subject to State Tender Law		1,581,664	8,455,230	10,036,894	1,490,146	7,994,602	9,484,748
1.1.2	Guarantees Given for Foreign Trade Operations		27,050,091	33,625,805	60,675,896	21,980,667	33,311,238	55,291,905
1.1.3	Other Letters of Guarantee		3,301,539	1,490,981	4,792,520	2,402,172	1,413,514	3,815,686
1.2	Bank Acceptances		39,864	5,231,120	5,270,984	34,549	4,227,349	4,261,898
1.2.1	Import Letter of Acceptance		36,786	5,225,411	5,262,197	29,427	4,224,206	4,253,633
1.2.2	Other Bank Acceptances		3,078	5,709	8,787	5,122	3,143	8,265
1.3	Letters of Credit		152,104	10,656,520	10,808,624	157,159	9,170,443	9,327,602
1.3.1	Documentary Letters of Credit		152,104	10,617,964	10,770,068	157,159	9,125,262	9,282,421
1.3.2	Other Letters of Credit		-	38,556	38,556	-	45,181	45,181
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		9,950	286,215	296,165	12,000	520,131	532,131
1.9	Other Collaterals		-	4,369	4,369	171	6,974	7,145
<b>II.</b>	<b>COMMITMENTS</b>	(I)	<b>21,301,916</b>	<b>7,622,457</b>	<b>28,924,373</b>	<b>18,528,082</b>	<b>6,321,850</b>	<b>24,849,932</b>
2.1	Irrevocable Commitments		21,276,983	5,948,210	27,225,193	18,508,007	5,047,801	23,555,808
2.1.1	Asset Purchase and Sale Commitments		151,996	2,387,728	2,539,724	372,517	1,764,007	2,136,524
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		4,125,566	19,354	4,144,920	3,538,378	204,109	3,742,487
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		3,593,785	23	3,593,808	3,173,733	34	3,173,767
2.1.8	Tax and Fund Liabilities from Export Commitments		1,023	-	1,023	458	-	458
2.1.9	Commitments for Credit Card Limits		7,867,565	19,350	7,886,915	7,258,758	17,155	7,275,913
2.1.10	Commitments for Credit Cards and Banking Services Promotions		25,111	-	25,111	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		5,511,937	3,521,755	9,033,692	4,142,025	3,062,496	7,204,521
2.2	Revocable Commitments		24,933	1,674,247	1,699,180	20,075	1,274,049	1,294,124
2.2.1	Revocable Loan Granting Commitments		-	2,238	2,238	-	3,966	3,966
2.2.2	Other Revocable Commitments		24,933	1,672,009	1,696,942	20,075	1,270,083	1,290,158
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>12,399,115</b>	<b>69,126,561</b>	<b>81,525,676</b>	<b>17,021,227</b>	<b>64,649,662</b>	<b>81,670,889</b>
3.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Transactions		12,399,115	69,126,561	81,525,676	17,021,227	64,649,662	81,670,889
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1,914,662	6,255,017	8,169,679	1,353,480	3,719,751	5,073,231
3.2.1.1	Forward Foreign Currency Transactions-Buy		737,181	3,334,693	4,071,874	628,181	1,913,250	2,541,431
3.2.1.2	Forward Foreign Currency Transactions-Sell		1,177,481	2,920,324	4,097,805	725,299	1,806,501	2,531,800
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		10,354,772	62,617,902	72,972,674	15,656,747	60,918,593	76,575,340
3.2.2.1	Foreign Currency Swap-Buy		912,074	31,481,487	32,393,561	13,485,251	20,739,673	34,224,924
3.2.2.2	Foreign Currency Swap-Sell		9,442,698	21,648,507	31,091,205	2,171,496	30,856,286	33,027,782
3.2.2.3	Interest Rate Swap-Buy		-	4,743,954	4,743,954	-	4,661,317	4,661,317
3.2.2.4	Interest Rate Swap-Sell		-	4,743,954	4,743,954	-	4,661,317	4,661,317
3.2.3	Foreign Currency, Interest rate and Securities Options		129,681	253,642	383,323	11,000	11,318	22,318
3.2.3.1	Foreign Currency Options-Buy		67,523	124,280	191,803	5,500	5,659	11,159
3.2.3.2	Foreign Currency Options-Sell		62,158	129,362	191,520	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>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>1,023,912,828</b>	<b>164,693,199</b>	<b>1,188,606,027</b>	<b>933,725,665</b>	<b>147,072,049</b>	<b>1,080,797,714</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>306,850,516</b>	<b>18,260,019</b>	<b>325,110,535</b>	<b>251,122,581</b>	<b>14,575,165</b>	<b>265,697,746</b>
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		4,712,452	6,605,351	11,317,803	3,549,338	6,213,402	9,762,740
4.3	Checks Received for Collection		7,532,952	720,460	8,253,412	6,276,854	553,317	6,830,171
4.4	Commercial Notes Received for Collection		7,656,604	614,326	8,270,930	6,345,097	568,396	6,913,493
4.5	Other Assets Received for Collection		8,834	-	8,834	-	8,834	-
4.6	Assets Received for Public Offering		275,259,756	15,716	275,275,472	230,498,311	3,354	230,501,665
4.7	Other Items Under Custody		11,677,719	10,201,234	21,878,953	4,441,948	7,179,931	11,621,879
4.8	Custodians		2,199	102,932	105,131	2,199	56,765	58,964
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>716,200,596</b>	<b>144,221,349</b>	<b>860,421,945</b>	<b>682,010,015</b>	<b>130,623,295</b>	<b>812,633,310</b>
5.1	Marketable Securities		2,211,046	196,068	2,407,114	1,557,574	37,532	1,595,106
5.2	Guarantee Notes		14,921,165	2,548,851	17,470,016	14,412,792	2,535,527	16,948,319
5.3	Commodity		1,722,727	73,282	1,796,009	1,508,261	70,224	1,578,485
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		630,621,078	112,809,458	743,430,536	601,855,777	103,085,496	704,941,273
5.6	Other Pledged Items		66,719,371	28,580,745	95,300,116	62,670,402	24,881,798	87,552,200
5.7	Pledged Items-Depository		5,209	12,945	18,154	5,209	12,718	17,927
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>861,716</b>	<b>2,211,831</b>	<b>3,073,547</b>	<b>593,069</b>	<b>1,873,589</b>	<b>2,466,658</b>
	<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>1,089,749,071</b>	<b>301,192,457</b>	<b>1,390,941,528</b>	<b>995,351,838</b>	<b>274,687,812</b>	<b>1,270,039,650</b>

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**

**CONSOLIDATED STATEMENT OF INCOME AS OF 30 JUNE 2017**

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

<b>III. CONSOLIDATED STATEMENT OF INCOME</b>						
<b>INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five IV)</b>	<b>Current Period 01/01-30/06/2017</b>	<b>Prior Period 01/01-30/06/2016</b>	<b>Current Period 1/04-30/06/2017</b>	<b>Prior Period 01/04-30/06/2016</b>	
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>17,531,447</b>	<b>13,374,277</b>	<b>8,997,116</b>	<b>6,736,421</b>	
1.1 Interest Income from Loans		13,567,219	10,324,842	7,078,623	5,308,010	
1.2 Interest Income from Reserve Deposits		171,929	89,359	91,601	44,211	
1.3 Interest Income from Banks		119,019	109,700	69,879	54,134	
1.4 Interest Income from Money Market Placements		257,927	5,129	117,450	2,585	
1.5 Interest Income from Marketable Securities		3,277,359	2,734,562	1,573,586	1,271,847	
1.5.1 Financial Assets Held for Trading		2,784	1,392	1,373	580	
1.5.2 Financial Assets at Fair Value through Profit and Loss		-	6,730	(31)	38	
1.5.3 Financial Assets Available-for-Sale		2,916,526	2,321,732	1,405,959	1,083,618	
1.5.4 Investments Held-to-Maturity		358,049	404,708	166,285	187,611	
1.6 Finance Lease Income		94,469	85,988	47,278	42,395	
1.7 Other Interest Income		43,525	24,697	18,699	13,239	
<b>II. INTEREST EXPENSES</b>	<b>(2)</b>	<b>8,620,455</b>	<b>6,644,489</b>	<b>4,642,458</b>	<b>3,316,577</b>	
2.1 Interest Expense on Deposits		5,699,821	4,873,283	2,995,170	2,457,994	
2.2 Interest on Borrowings		332,386	231,173	172,786	120,834	
2.3 Interest on Money Market Borrowings		2,271,788	1,318,108	1,301,261	627,158	
2.4 Interest on Marketable Securities Issued		274,114	182,980	154,011	96,745	
2.5 Other Interest Expense		42,346	38,945	19,230	13,846	
<b>III. NET INTEREST INCOME/EXPENSES (I - II)</b>		<b>8,910,992</b>	<b>6,729,788</b>	<b>4,354,658</b>	<b>3,419,844</b>	
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>1,013,586</b>	<b>718,859</b>	<b>532,977</b>	<b>365,089</b>	
4.1 Fees and Commissions Received		1,118,709	905,011	554,466	454,102	
4.1.1 Non-cash Loans		234,432	173,520	122,634	90,823	
4.1.2 Other	(12)	884,277	731,491	431,832	363,279	
4.2 Fees and Commissions Paid		105,123	186,152	21,489	89,013	
4.2.1 Non-cash Loans		5,736	475	5,604	414	
4.2.2 Other		99,387	185,677	15,885	88,599	
<b>V. DIVIDEND INCOME</b>		<b>4,654</b>	<b>31,835</b>	<b>3,161</b>	<b>30,949</b>	
<b>VI. TRADING PROFIT/LOSS (Net)</b>	<b>(3)</b>	<b>(3,974)</b>	<b>(72,921)</b>	<b>(108,556)</b>	<b>(78,067)</b>	
6.1 Profit/Loss from Capital Market Operations		34,131	17,806	16,014	11,929	
6.2 Profit/losses on Derivative Financial Transactions	(4)	(166,669)	(236,587)	(107,360)	(948,573)	
6.3 Profit/Loss from Foreign Exchanges		128,564	145,860	(17,210)	858,577	
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>1,875,871</b>	<b>1,665,695</b>	<b>890,760</b>	<b>994,247</b>	
<b>VIII. TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>		<b>11,801,129</b>	<b>9,073,256</b>	<b>5,673,000</b>	<b>4,732,062</b>	
<b>IX. PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>1,516,743</b>	<b>1,524,961</b>	<b>473,393</b>	<b>1,017,831</b>	
<b>X. OTHER OPERATING EXPENSES(-)</b>	<b>(7)</b>	<b>4,091,720</b>	<b>3,285,875</b>	<b>2,137,413</b>	<b>1,601,084</b>	
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>6,192,666</b>	<b>4,262,420</b>	<b>3,062,194</b>	<b>2,113,147</b>	
<b>XII. GAINS RECORDED AFTER MERGER</b>		-	-	-	-	
<b>XIII. PROFIT/LOSS ON EQUITY METHOD APPLIED SUBSIDIARIES</b>		<b>13,688</b>	<b>10,908</b>	<b>7,373</b>	<b>6,021</b>	
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-	-	-	
<b>XV. INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>(8)</b>	<b>6,206,354</b>	<b>4,273,328</b>	<b>3,069,567</b>	<b>2,119,168</b>	
<b>XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(9)</b>	<b>(1,337,674)</b>	<b>(867,714)</b>	<b>(602,917)</b>	<b>(383,035)</b>	
16.1 Current Tax Provision		(1,371,068)	(1,182,922)	(430,106)	(595,798)	
16.2 Deferred Tax Provision		33,394	315,208	(172,811)	212,763	
<b>XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>(10)</b>	<b>4,868,680</b>	<b>3,405,614</b>	<b>2,466,650</b>	<b>1,736,133</b>	
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-	
18.1 Income from Non-current Assets Held for Sale		-	-	-	-	
Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-	
18.2 Other Income from Discontinued Operations		-	-	-	-	
18.3 Other Income from Discontinued Operations		-	-	-	-	
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-	
19.1 Expenses for Non-current Assets Held for Sale		-	-	-	-	
Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-	
19.2 Other Expenses from Discontinued Operations		-	-	-	-	
19.3 Other Expenses from Discontinued Operations		-	-	-	-	
<b>XX. PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-	-	-	
<b>XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-	-	-	
21.1 Current tax provision		-	-	-	-	
21.2 Deferred tax provision		-	-	-	-	
<b>XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-	-	-	
<b>XXIII. NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(11)</b>	<b>4,868,680</b>	<b>3,405,614</b>	<b>2,466,650</b>	<b>1,736,133</b>	
23.1 Group's Profit/Loss		4,868,562	3,405,519	2,466,613	1,736,092	
23.2 Minority Shares Profit/Loss		118	95	37	41	
Earnings/Loss per Share (Full TL)		0.955	0.673	0.484	0.335	

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS'  
EQUITY AS OF 30 JUNE 2017**

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

<b>IV. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		
<b>PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>	<b>Current Period (01/01-30/06/2017)</b>	<b>Prior Period (01/01-30/06/2016)</b>
<b>I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>1,488,913</b>	<b>1,941,212</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>(25,858)</b>	<b>(27,970)</b>
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>	<b>-</b>
<b>IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	<b>112,405</b>	<b>14,040</b>
<b>V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)</b>	<b>-</b>	<b>-</b>
<b>VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	<b>-</b>	<b>-</b>
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS</b>	<b>(29,158)</b>	<b>(55,997)</b>
<b>IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES</b>	<b>(296,490)</b>	<b>(550,712)</b>
<b>X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>1,249,812</b>	<b>1,320,573</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>4,868,680</b>	<b>3,405,614</b>
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	34,131	17,806
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	4,834,549	3,387,808
<b>XII. TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)</b>	<b>6,118,492</b>	<b>4,726,187</b>

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 JUNE 2016  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancell. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
30 June 2016																			
I.	Balances at beginning of the period		5,000,000	-	-	-	3,061,444	-	13,659,246	1,340,115	5,377,791	186,366	(505,167)	3,614,614	17,388	-	-	1,145	31,752,942
	Changes During the Period																		
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	21,498	-	-	-	-	-	-	1,410,149	-	-	-	-	1,398	1,433,045
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		-	-	-	-	-	-	-	-	-	-	-	(81,714)	-	-	-	-	(81,714)
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	15,727	-	-	-	-	-	-	(1,687)	-	-	-	-	-	14,040
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	-	-	-	-	-	(28,000)	-	-	-	-	-	-	-	-	-	72,000
12.1	Cash		72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72,000
12.2	From Internal Resources		28,000	-	-	-	-	-	(28,000)	-	-	-	-	-	-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	(44,798)	-	-	213,439	-	-	-	-	-	(1,488)	167,153
XVII.	Net Profit or Losses		-	-	-	-	-	-	-	3,405,519	-	-	-	-	-	-	-	95	3,405,614
XVIII.	Profit Distribution		-	-	-	282,324	-	4,388,146	-	(5,377,791)	-	215,321	-	-	-	-	-	(492,000)	(492,000)
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	(492,000)	-	-	-	-	-	-	-	(492,000)
18.2	Transfers to Legal Reserves		-	-	-	282,324	-	4,388,146	-	(5,377,791)	-	707,321	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Balance at the End of the Period (I+II+III+.....+ XVI+XVII+XVIII)</b>		<b>5,100,000</b>	-	-	-	<b>3,380,993</b>	-	<b>18,019,392</b>	<b>1,295,317</b>	<b>3,405,519</b>	<b>615,126</b>	<b>903,295</b>	<b>3,532,900</b>	<b>17,388</b>	-	-	<b>1,150</b>	<b>36,271,080</b>

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 JUNE 2017  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																			
30 June 2017		Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
I.	Balance at the Beginning of the Period		5,100,000	-	-	3,393,778	-	18,052,605	1,345,642	-	8,207,208	(1,394,015)	4,187,740	17,388	-	-	-	1,451	38,911,797
	Changes During the Period																		
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	1,191,130	-	-	-	-	-	36	1,191,166
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		-	-	-	-	-	-	-	-	-	-	-	(24,565)	-	-	-	-	(24,565)
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	6,800	-	-	-	-	98,098	7,507	-	-	-	-	-	-	112,405
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	From Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	404	-	-	(36,448)	-	-	-	-	-	-	-	-	-	(36,044)
XVII.	Net Profit or Losses		-	-	-	-	-	-	-	4,868,562	-	-	-	-	-	-	-	118	4,868,680
XVIII.	Profit Distribution		-	-	-	401,050	-	6,557,597	-	-	(7,482,765)	-	-	-	-	-	-	-	(524,118)
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	(524,118)	-	-	-	-	-	-	-	(524,118)
18.2	Transfers to Legal Reserves		-	-	-	401,050	-	6,557,597	-	-	(6,958,647)	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the End of the Period (I+II+III+.....+ XVI+XVII+XVIII)		5,100,000	-	-	3,802,032	-	24,610,202	1,309,194	4,868,562	822,541	(195,378)	4,163,175	17,388	-	-	-	1,605	44,499,321

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IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30 JUNE 2017  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS			
	Note (Section Five)	Current Period 01/01-30/06/2017	Prior Period 01/01-30/06/2016
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		4,343,171	3,293,285
1.1.1 Interest Received		15,760,562	11,556,894
1.1.2 Interest Paid		(8,367,451)	(6,521,539)
1.1.3 Dividend Received		10,014	31,828
1.1.4 Fees and Commissions Received		1,333,960	904,737
1.1.5 Other Income		1,377,420	691,074
1.1.6 Collections from Previously Written-off Loans and Other Receivables		663,302	569,674
1.1.7 Payments to Personnel and Service Suppliers		(1,645,871)	(1,249,329)
1.1.8 Taxes Paid		(1,537,545)	(1,143,165)
1.1.9 Other		(3,251,220)	(1,546,889)
1.2 Changes in Operating Assets and Liabilities		(5,056,818)	(1,865,457)
1.2.1 Net (Increase)/Decrease in Trading Securities		(153,201)	(19,902)
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		8,029	-
1.2.3 Net (Increase)/Decrease in Banks		414,183	(348,988)
1.2.4 Net (Increase)/Decrease in Loans		(40,052,749)	(16,546,494)
1.2.5 Net (Increase)/Decrease in Other Assets		(2,137,388)	(510,609)
1.2.6 Net Increase/(Decrease) in Bank Deposits		14,575,628	2,253,555
1.2.7 Net Increase/(Decrease) in Other Deposits		15,958,445	10,619,098
1.2.8 Net Increase/(Decrease) in Funds Borrowed		2,832,823	530,696
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		3,497,412	2,157,187
<b>I. Net Cash Provided from Banking Operations</b>		<b>(713,647)</b>	<b>1,427,828</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>		<b>(1,426,537)</b>	<b>(1,672,778)</b>
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		-	-
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3 Fixed Assets Purchases		(95,575)	(99,268)
2.4 Fixed Assets Sales		52,128	199,891
2.5 Cash for Purchase of Financial Assets Available for Sale		(9,176,924)	(6,665,439)
2.6 Cash Obtained from Sale of financial Assets Available for Sale		7,272,521	5,892,610
2.7 Cash Paid for Purchase of Investment Securities		(334,597)	(64,461)
2.8 Cash Obtained from Sale of Investment Securities		1,964,501	450,037
2.9 Other		(1,108,591)	(1,386,148)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>		<b>2,941,814</b>	<b>1,112,158</b>
3.1 Cash from Funds Borrowed and Securities Issued		5,471,566	3,153,088
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(2,277,099)	(1,809,730)
3.3 Marketable Securities Issued		-	-
3.4 Dividends Paid		(250,000)	(231,200)
3.5 Payments for Finance Leases		(2,653)	-
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>346,396</b>	<b>(42,049)</b>
<b>V. Net Decrease/Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>1,148,026</b>	<b>825,159</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>		<b>15,889,913</b>	<b>9,118,137</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>		<b>17,037,939</b>	<b>9,943,296</b>

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2017**

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

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and other regulations related to reporting 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 consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in the Official Gazette No. 28337, dated 28 June 2012 and amendments to these Communiqué. The Parent bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

Financial statements of foreign subsidiaries are prepared in accordance with prevalent law and legislation in their country, adjustments and reclassifications are reflected on the purpose of fair presentation pursuant to IFRS.

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

Consolidated balance sheet and consolidated statement of off-balance sheet commitments as of 30 June 2017 are presented comparatively with independently audited balances as of 31 December 2016 while consolidated income statement, consolidated statement of income and expense items accounted under shareholders’ equity, consolidated statement of cash flows and consolidated statement of changes in shareholders’ equity are presented comparatively with balances as of 30 June 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 amendments of TAS and TFRS which have entered into force as of 1 January 2017 have no material impact on the Bank’s accounting policies, financial position and performance. The amendments of TAS and TFRS, except TFRS 9 Financial Instruments, is predicted no impact on the accounting policies, financial condition and performance of the Bank. The Bank conducts the preparations in line with TFRS 9 Financial Instruments Standard, which will have entered into force as of 1 January 2018.

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

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

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

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

**1. Consolidation principles applied**

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

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

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**1.1. Consolidation principles for subsidiaries**

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

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

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

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

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

Title	Address (City/Country)	Main Activities	30 June 2017		31 December 2016	
			Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)	Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)
Ziraat Hayat ve Emeklilik A.Ş.	İstanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Sigorta A.Ş.	İstanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Finansal Kiralama A.Ş.	İstanbul/Turkey	Leasing	100,00	100,00	100,00	100,00
Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	Investment Management	99,60	99,60	99,60	99,60
Ziraat Portföy Yönetimi A.Ş.	İstanbul/Turkey	Portfolio Management	99,70	99,80	99,70	99,80
Ziraat Katılım Bankası A.Ş.	İstanbul/Turkey	Banking	100,00	100,00	100,00	100,00
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	Real Estate	100,00	100,00	100,00	100,00
Ziraat Bank International AG	Frankfurt/Germany	Banking	100,00	100,00	100,00	100,00
Ziraat Bank BH d.d.	Sarajevo/Bosnia and Herzegovin	Banking	100,00	100,00	100,00	100,00
Ziraat Bank (Moscow) JSC	Moscow/Russia	Banking	100,00	100,00	100,00	100,00
Kazakhstan Ziraat Int. Bank	Almaty/Kazakhstan	Banking	99,58	99,58	99,58	99,58
Ziraat Bank Azerbaycan ASC	Baku/Azerbaijan	Banking	100,00	100,00	100,00	100,00
Ziraat Bank Montenegro AD	Podgorica/Montenegro	Banking	100,00	100,00	100,00	100,00
JSC Ziraat Bank Georgia	Tbilisi/Gürcistan	Banking	100,00	100,00	-	-

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

SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

1.2. Consolidation principles of associates and joint ventures

An Associate is a partnership with which the Parent Bank participates in its capital and has significant effect on it although it has no capital or management control, whose main operation is banking and which operates according to special legislation with permission and license and is established abroad. The related associate is consolidated with equity method in accordance with materiality principle.

Significant effect refers to the participation power on the constitution of the financial and management policies of the participated associate. If the Parent Bank has 10% or more voting right on the associate, as long as it is not proved otherwise, it will be accepted that the Parent Bank has significant effect on that associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changed amount in the associate participating shareholder’s equity during the period by the portion of the participant and the deduction of the dividend from the associate from the changed value of the associate amount.

The associates and joint ventures consolidated with the equity method, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Address (City/Country)	Main Activities	30 June 2017		31 December 2016	
			Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)	Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)
Turkmen Turkish Joint						
Stock Commercial Bank	Ashkhabad/Turkmenistan	Banking	50,00	50,00	50,00	50,00
UTBANK JSC	Tashkent/Uzbekistan	Banking	50,00	50,00	50,00	50,00
Arap Türk Bankası A.Ş.	Istanbul/Turkey	Banking	15,43	15,43	15,43	15,43

1.3. Principles applied during share transfer, merger and acquisition

None.

1.4. Transactions with minority shareholders

The Group considers transactions with minority shareholders as transactions within the Group. For acquisitions from minority shareholders, the difference between the acquisition cost and related portion of net assets’ booked value is deducted from equity. Profit or loss resulting from sales to minority shareholders is booked under equity.

2. Presentation of unconsolidated subsidiaries and associates in consolidated financial statements

Turkish lira denominated unconsolidated associates and subsidiaries are booked at cost value, less any impairment if any, and recognized in the consolidated financial statements.

When the cost of investments, associates and share certificates which are classified under available for sale portfolio is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value if any, considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS**

The Parent Bank’s derivative transactions mostly include currency and precious metal swaps and foreign currency forward contracts. The Parent Bank has no embedded derivative instruments separated from the articles of association.

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

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

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

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

**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 Group, if the Group is a legal party to these instruments.

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

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

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

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**Financial assets at fair value through profit or loss**

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

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

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

**Held-to-maturity financial assets**

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

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

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

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

Held to maturity assets are initially recognized at cost value.

**Loans and receivables**

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

The loans and receivables originated by the Parent Bank are initially carried at cost value. Bank loans are measured at amortized cost with internal rate of return. Short-term and long-term loans are grouped as open or guaranteed; FC loans are recognized with fixed price and 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.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**Loans and receivables: (Continued)**

The Parent 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. 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 amortized cost of these securities are compared and the difference is recognized in shareholders’ equity as “Marketable Securities Value Increase Fund”. When these financial assets are disposed of or impaired the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement.

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

Regarding the banking operations of Ziraat Bank, there exist ineffective shares of Kredi Garanti Fonu, 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.

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

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

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

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



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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

**X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND 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 Parent 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 Parent Bank does not have any discontinued operations.

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

As at the balance sheet date, the Group has no goodwill within the financial statements.

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

Other intangible assets are amortized by using the straight line method based on their useful lives. Useful lives of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected economic benefit from assets and technical, technological or any other type of obsolescence. Amortization method used in the current period is not subject to any change. Depreciation period is 5 years (20% annual depreciation rate) for establishment/formation expenses for other intangible assets with uncertain leasing period or leasing period over 5 years and depreciation rate is proportional with period for those with certain leasing period.

The Group recognizes its software costs incurred under the intangible assets-intangible rights account and the expenses that do qualify as development are added to software’s initial costs and amortized over 3 years considering the useful lives. The Parent Bank has determined estimated useful lives of the intangible assets between 3 and 15 years and it applies depreciation rates between 6,67% to 33,3 %.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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 4,151,276 net is followed under shareholders' equity as of 30 June 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 INVESTMENT PROPERTY**

Investment properties consist of assets held for rent and / or gain on valuation. The related real estates, which the Group owns, are shown in the attached consolidated financial statements by fair value method within the framework of TAS 40 "Investment Property". Gains and losses arising from changes in fair value of investment properties are recognized in profit or loss when incurred.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XV. EXPLANATIONS ON LEASING TRANSACTIONS**

The Group performs financial operations as “Lessor” and “Lessee”.

**1. Accounting of leasing transactions for the lessee**

***Financial Lease***

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

The Parent Bank does not perform financial operations as “Lessor”.

***Operational Lease***

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operating lease. Payments that are made as operating leases are accounted in income statements with linear method during the lease period.

**2. Accounting of leasing transactions for lessor**

Subject to financial leasing in the consolidated balance sheet of the entity is shown as a receivable equal to net leasing. The interest income is determined so as to form a fixed revenue return ratio using net investment method related to lease asset of the lessor, and the portion of interest income which does not take part in the related term is followed under the unearned interest income account

**XVI. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES**

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

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

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

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

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

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Employment Termination and Vacation Benefits

The Parent 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. The assumptions based on the calculation are below:

	Current Period	Prior Period
Discount Rate	10.50%	11.40%
Inflation	7.30%	8.00%
Expectedated salary increase rate	8.80%	9.50%

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 114,789 was classified as “Other Reserves” under shareholders’ equity in the financials by the Parent Bank.

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

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS (Continued)**

**Liability of T.C. Ziraat Bankası and T. Halk Bankası Members Pension and Relief Fund (TZHEMSAN)**

Some of the Parent Bank’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees’ Pension Fund (“Fund”) which was established by 20<sup>th</sup> provisional article of Social Security Law Act numbered 506.

In accordance with 23<sup>rd</sup> provisional clause of the Banking Law numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the Banking Law numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 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 58<sup>th</sup> article and 7<sup>th</sup> provisional article of the Banking Law, restricting banks from transferring any funds to the pension funds in order to compensate the actuarial deficits effective from 1 January 2008, has been delayed up to 5 years.

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

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.

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 2016 which is prepared in accordance with the new law and the rate determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Parent Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Parent Bank’s financial statements.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVIII. EXPLANATIONS ON TAXATION**

**Current Tax**

Turkish Tax Legislation does not permit the Parent Bank to file tax return over consolidated subsidiaries financial statements. Therefore, tax provisions which reflected to consolidated financial statements have been calculated per company.

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

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

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

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

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

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

Tax rates used in tax calculation considering the related countries’ tax legislation as of 30 June 2017 are presented below:

Russia	20%
Kazakhstan	20%
Germany	15%
Bosnia Herzegovina	10%
Azerbaijan	20%
Montenegro	9%
Georgia	15%

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**Deferred Tax**

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

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

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

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

Deferred tax asset and deferred tax liability are presented as net in these financial statements through offsetting them on individual financial statements of consolidated subsidiaries.

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

**XIX. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES**

**Technical Reserves**

***Reserve for unearned premiums***

Reserve for unearned premiums represents the proportions of the premiums written in a period that relate to the period of risk subsequent to the balance sheet date, without deductions of commission or any other expense.

***Unexpired risk provision***

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that, future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected ratios. Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. In accordance with "the circular about the Change of Unexpired Risks Reserve Calculation" numbered 2012/15 published by Treasury, if the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIX. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES (Continued)**

**Technical Reserves (Continued)**

*Reserve for outstanding claims*

Insurance companies provide reserve for outstanding claims, incurred and reported but not yet settled in the current or previous years based on reported balances or estimates when actual balances are not exactly known and incurred but not yet reported claims. Within the calculation of reserve for outstanding claims, incurred and reported but not yet settled, entire shares of expense required for maturation of compensation reports including calculated or estimated expert, referee, consultant, court and communication expenses are taken into account and subrogation, salvage and similar revenue items are not discounted. Incurred subrogation, salvage and similar revenue items whose codes of practice will be determined by the undersecretariat are shown under the related credit account of the asset side of the balance sheet and interrelated with period income in condition that subrogation of rights has been gained.

*Mathematical provisions*

Mathematical provisions indicate sum of bonus provisions and actuarial mathematical provisions calculated separately according to technical principles in tariff for each agreement in force. Life branch mathematical provision of the company consists of actuarial mathematical provisions calculated for long-term life insurances on credit. Actuarial mathematical provisions are the differences between risk premiums taken for risks undertaken by the Company and cash values of the liabilities to beneficiaries and insureds.

**XX. EXPLANATIONS ON BORROWINGS**

The Group accounts its debt instruments in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". In the following periods, all financial liabilities are carried at amortized cost by using the internal rate of return method. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings.

If required, the Parent Bank borrows from domestic and foreign real people and entities with debt instruments such as bill/bond issuance. These transactions are recognized at fair value including acquisition costs at the transaction date while accounted with effective interest rate method over their discounted costs in the following periods.

The Group has issued no convertible bonds and has no instruments representing its own borrowings.

**XXI. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES**

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

**XXII. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES**

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

**XXIII. EXPLANATIONS ON GOVERNMENT GRANTS**

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



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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXIV. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturities of 3 months or less following the date of acquisition, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The book values of these assets represent their fair values. Cash equivalents and balances regarding banks are valued by the period end counter foreign currency buying rate of the Bank.

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

**XXV. EXPLANATIONS ON SEGMENT REPORTING**

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

**XXVI. EXPLANATIONS ON OTHER MATTERS**

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, TL 328,821 is transferred to first legal reserve and TL 26,912 was transferred to second legal reserve, TL 230,000 was paid to employees and from the gross amount of TL 294,118, TL 250,000 was distributed to Treasury after deducting withholding tax of 15% (TL 44,118) in cash. In this context, TL 5,696,569 of the profit was preserved; dividend payment made to Treasury on 14 June 2017. Also TL 906,345 net profit from the last years, TL 45,317 was transferred to the legal reserves and TL 861,028 of the profit was preserved.

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**SECTION FOUR**

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**

**I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY**

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”.

As of 30 June 2017 Group’s total capital has been calculated as TL 47,425,578 (31 December 2016: TL 41,715,232), capital adequacy ratio is 14,63% (31 December 2016: 13,86%). This ratio is well above the minimum ratio required by the legislation.

**1. Information Related to The Components of Shareholders' Equity**

	<b>Current Period 30 June 2017</b>	<b>Amount as per the regulation before 1/1/2014*</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5,100,000	
Share issue premiums	-	
Reserves	29,837,569	
Gains recognized in equity as per TAS	5,054,876	
Profit	5,691,103	
Current period profit	4,868,562	
Prior period profit	822,541	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17,388	
Minorities’ Share	154	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>45,701,090</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1,203,220	
Improvement costs for operating leasing	94,248	
Goodwill netted with related deferred tax liabilities	-	
Other intangible assets netted with related deferred tax liabilities except mortgage servicing rights	343,061	428,826
Deferred tax assets that rely on future profitability excluding those arising from temporary differences netted with related deferred 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 on its own Tier I Capital	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**

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**SECTION FOUR (Continued)**

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

**I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY (Continued)**

**1. Information Related to The Components of Shareholders' Equity (Continued)**

	Current Period 30 June 2017	Amount as per the regulation before 1/1/2014*
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>1,640,529</b>	
<b>Total Common Equity Tier I Capital</b>	<b>44,060,561</b>	
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred stock not included in Common Equity Tier I Capital and the related share premiums	-	
Debt instruments and the related issuance premiums defined by the BRSA	-	
Debt instruments and the related issuance premiums defined by the BRSA (Covered by Temporary Article 4)	-	
Third parties’ share in the Additional Tier I capital	-	
Third parties’ share in the Additional Tier I capital (Covered by Temporary Article 3)	-	
<b>Additional Tier I Capital before Deductions</b>		
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items to be defined by the BRSA	-	
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	85,765	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions from Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>43,974,796</b>	
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Third parties’ share in the Tier II Capital	-	
Third parties’ share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on the Equity of Banks)	3,511,672	
<b>Total Deductions from Tier II Capital</b>	<b>3,511,672</b>	
<b>Deductions from Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital of Common Equity of the Bank	-	

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**SECTION FOUR (Continued)**

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

**I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY (Continued)**

**1. Information Related to The Components of Shareholders' Equity (Continued)**

	Current Period 30 June 2017	Amount as per the regulation before 1/1/2014*
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>3,511,672</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>47,486,468</b>	
<b>Total Tier I and Tier II Capital (Total Equity)</b>	<b>47,486,468</b>	
Loans Granted against the Articles 50 and 51 of the Banking Law	-	
Net book values of movables and immovables exceeding the limit defined in the Article 57, Clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years	59,794	
Other items to be defined by the BRSA	1,096	
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	47,425,578	
Total Risk Weighted Assets	324,193,448	
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	13.59	
Tier I Capital Adequacy Ratio (%)	13.56	
Capital Adequacy Ratio (%)	14.63	
<b>BUFFERS</b>		
Bank-specific total buffer ratio	5.77	
Capital conservation buffer ratio (%)	1.25	
Bank-specific counter-cyclical capital buffer ratio (%)	0.015	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	5,591	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	153,680	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	97,394	
Remaining Mortgage Servicing Rights		
Net Deferred Tax Assets arising from Temporary Differences	15.365	

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

**I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY (Continued)**

**1. Information Related to The Components of Shareholders' Equity (Continued)**

	<b>Current Period 30 June 2017</b>	<b>Amount as per the regulation before 1/1/2014*</b>
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	4,657,234	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	3,511,672	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
Upper Limit for Additional Tier I Capital Items subjected to Temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(\*) Amounts considered within transition provisions

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**SECTION FOUR (Continued)**

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

**I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY (Continued)**

**1. Information Related to The Components of Shareholders' Equity (Continued)**

	Prior Period 31 December 2016	Amount as per the regulation before 1/1/2014*
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5,100,000	-
Share issue premiums	-	-
Reserves	22,871,718	-
Gains recognized in equity as per TAS	4,804,405	-
Profit	8,207,208	-
Current Period Profit	6,884,924	-
Prior Period Profit	1,322,284	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17,388	-
Minority Share	139	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>41,000,858</b>	-
<b>Deductions from Common Equity Tier 1 Capital</b>		-
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	2,090,373	-
Improvement costs for operating leasing	100,306	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	220,718	367,865
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>2,411,397</b>	-
<b>Total Common Equity Tier I Capital</b>	<b>38,589,461</b>	-

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

**I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY (Continued)**

**1. Information Related to The Components of Shareholders' Equity (Continued)**

	Prior Period 31 December 2016	Amount as per the regulation before 1/1/2014*
<b>ADDITIONAL TIER I CAPITAL</b>		-
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items to be defined by the BRSA (-)	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	147,146	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>38,442,315</b>	-
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	3,313,441	-
<b>Tier II Capital Before Deductions</b>	<b>3,313,441</b>	-
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>3,313,441</b>	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>41,755,756</b>	-
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	38,071	-
Other items to be defined by the BRSA (-)	2,453	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier I 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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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)**

**I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY (Continued)**

**1. Information Related to The Components of Shareholders' Equity (Continued)**

	Prior Period 31 December 2016	Amount as per the regulation before 1/1/2014*
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	41,715,232	-
Total Risk Weighted Assets	300,953,790	-
<b>CAPITAL ADEQUACY RATIOS</b>		
CET 1 Capital Ratio (%)	12.82	-
Tier I Capital Ratio (%)	12.77	-
Capital Adequacy Ratio (%)	13.86	-
<b>BUFFERS</b>		
Bank-specific total CET 1 Capital Ratio		-
Capital Conservation Buffer Ratio (%)	0.63	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.01	-
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	4.82	-
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	86,569	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand)	4,042,425	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,313,441	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Comminique on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Comminique on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
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	-	-

<sup>(\*)</sup>Amounts considered within transition provisions



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**SECTION FOUR (Continued)**

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

**I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY  
(Continued)**

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

None.

**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 net book value of immovables that are acquired against overdue receivables and retained more than three years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

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**SECTION FOUR (Continued)**

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

**II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK**

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

The Parent Bank’s policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Parent Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, VAR 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 Parent Bank in its operations. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders’ Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

**4. Current foreign exchange bid rates of the Parent Bank for the last 5 business days prior to the financial statement date**

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
21.06.2017	3.5122	3.9136	2.6528	0.5262	0.4005	3.6041	2.6445	0.4107	4.4468	0.9366	3.1469
22.06.2017	3.4997	3.9039	2.6395	0.5250	0.4007	3.5987	2.6489	0.4115	4.4299	0.9331	3.1421
23.06.2017	3.4898	3.9079	2.6407	0.5256	0.4006	3.6037	2.6328	0.4125	4.4453	0.9305	3.1366
28.06.2017	3.4970	3.9803	2.6657	0.5353	0.4093	3.6484	2.6793	0.4137	4.5335	0.9325	3.1212
29.06.2017	3.5012	3.9990	2.6861	0.5378	0.4127	3.6581	2.6961	0.4161	4.5477	0.9336	3.1097
30.06.2017	3.5047	3.9950	2.6888	0.5375	0.4154	3.6580	2.7017	0.4175	4.5445	0.9346	3.1228

**5. Simple arithmetic average of the Parent Bank’s current foreign exchange bid rates for the last 30 days prior to the balance sheet date**

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
3.5016	3.9311	2.6446	0.5287	0.4033	3.6175	2.6302	0.4130	4.4832	0.9337	3.1603

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

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

**6. Information on the foreign currency risk of the Group**

	EUR	USD	Other FC	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	8,056,867	17,405,753	5,493,276	30,955,896
Banks	606,222	684,748	590,084	1,881,054
Financial Assets at Fair Value Through Profit and Loss <sup>(4)</sup>	-	13,585	-	13,585
Money Market Placements	-	-	136,633	136,633
Financial Assets Available-for-Sale	3,630,606	12,304,122	68,299	16,003,027
Loans <sup>(1)</sup>	30,013,542	44,709,998	1,911,336	76,634,876
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(3)</sup>	19,697	77,622	1,037	98,356
Investments Held-to-Maturity	571,381	3,802,866	523	4,374,770
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	10,808	855	119,019	130,682
Intangible Assets	17,298	1	13,009	30,308
Other Assets <sup>(5)</sup>	2,296,194	970,097	111,177	3,377,468
<b>Total Assets<sup>(4)</sup></b>	<b>45,222,615</b>	<b>79,969,647</b>	<b>8,444,393</b>	<b>133,636,655</b>
<b>Liabilities</b>				
Interbank Deposits	4,729,912	2,850,735	171,368	7,752,015
Foreign Currency Deposits	48,607,791	30,675,411	6,377,149	85,660,351
Money Market Borrowings	330,903	14,428,340	17,466	14,776,709
Funds Provided from Other Financial Institutions	7,602,963	18,447,460	5,665	26,056,088
Issued Marketable Securities	40,489	6,787,787	28,331	6,856,607
Sundry Creditors	1,658,282	127,530	18,638	1,804,450
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	384,160	412,601	68,473	865,234
<b>Total Liabilities</b>	<b>63,354,500</b>	<b>73,729,864</b>	<b>6,687,090</b>	<b>143,771,454</b>
<b>Net Balance Sheet Position</b>	<b>(18,131,885)</b>	<b>6,239,783</b>	<b>1,757,303</b>	<b>(10,134,799)</b>
<b>Net Off-Balance Sheet Position<sup>(2)</sup></b>	<b>18,049,795</b>	<b>(7,704,455)</b>	<b>(103,073)</b>	<b>10,242,267</b>
Financial Derivative Assets	21,061,702	16,374,786	2,247,926	39,684,414
Financial Derivative Liabilities	3,011,907	24,079,241	2,350,999	29,442,147
<b>Non-Cash Loans</b>	<b>22,275,775</b>	<b>33,487,181</b>	<b>3,987,284</b>	<b>59,750,240</b>
<b>Prior Period</b>				
Total Assets	43,032,975	79,657,615	9,112,394	131,802,984
Total Liabilities	58,372,001	59,133,108	4,881,157	122,386,266
<b>Net Balance Sheet Position</b>	<b>(15,339,026)</b>	<b>20,524,507</b>	<b>4,231,237</b>	<b>9,416,718</b>
<b>Net Off-Balance Sheet Position<sup>(2)</sup></b>	<b>14,918,785</b>	<b>(22,310,574)</b>	<b>(2,618,075)</b>	<b>(10,009,864)</b>
Financial Derivative Assets	17,015,895	7,710,930	2,593,074	27,319,899
Financial Derivative Liabilities	2,097,110	30,021,504	5,211,149	37,329,763
<b>Non-Cash Loans</b>	<b>19,785,282</b>	<b>32,994,991</b>	<b>3,863,978</b>	<b>56,644,251</b>

<sup>(1)</sup> TL 1,269,207 equivalent of USD and TL 1,887,679 equivalent of EUR loans are originated as foreign currency indexed loans (31 December 2016: TL 1,290,033 equivalent of USD and TL 1,335,293 equivalent of EUR).

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

<sup>(3)</sup> The foreign currency capital investments to Subsidiaries, Associates and Joint Ventures are evaluated with historical rates on the date of the fair value determination and capital investments made in the subsequent periods are evaluated with the rates on the date of the capital investment and followed with TL equivalents. No exchange rate difference arises from such investments.

<sup>(4)</sup> Derivative financial assets held for trading and liabilities are not included in the table.

<sup>(5)</sup> Prepaid expenses in other assets amounting to TL 37,081 are not included in the table.

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**SECTION FOUR (Continued)**

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

**III. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK**

**1. Information related to interest rate sensitivity of assets, liabilities and off-balance sheet items**

(Based on days to repricing dates)

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	25,667,457	-	-	-	-	13,534,386	39,201,843
Banks	2,187,258	222,114	17,613	-	12,071	1,247,219	3,686,275
Financial Assets at Fair Value Through Profit and Loss	370,248	623,228	724,711	55,713	4,700	5,185	1,783,785
Money Market Placements	2,015,034	-	-	-	-	-	2,015,034
Financial Assets Available-for-Sale	6,303,227	5,346,221	14,931,591	15,654,840	19,008,686	814,873	62,059,438
Loans Given	84,086,390	20,146,125	56,523,286	99,189,308	25,273,455	231,923	285,450,487
Investments Held-to-Maturity	2,848,949	35,879	1,172,406	1,512,216	1,677,625	-	7,247,075
Other Assets	101,595	291,525	628,007	1,509,061	231,617	12,998,680	15,760,485
<b>Total Assets</b>	<b>123,580,158</b>	<b>26,665,092</b>	<b>73,997,614</b>	<b>117,921,138</b>	<b>46,208,154</b>	<b>28,832,266</b>	<b>417,204,422</b>
<b>Liabilities</b>							
Interbank Deposits	11,793,404	2,161,801	769,307	-	-	793,334	15,517,846
Other Deposits	105,867,917	46,981,537	20,493,482	1,980,243	136,156	61,883,216	237,342,551
Money Market Borrowings	53,251,426	2,191,275	1,936,378	570,728	-	-	57,949,807
Sundry Creditors	2,461	658	12,402	-	-	3,990,844	4,006,365
Issued Marketable Securities	1,250,841	1,683,639	656,100	6,669,504	-	3,956	10,264,040
Funds Provided from Other Financial Institutions	4,547,213	4,741,735	12,880,313	3,479,939	1,616,576	-	27,265,776
Other Liabilities	1,038,949	223,830	411,438	6,605,171	20,743	56,557,906	64,858,037
<b>Total Liabilities</b>	<b>177,752,211</b>	<b>57,984,475</b>	<b>37,159,420</b>	<b>19,305,585</b>	<b>1,773,475</b>	<b>123,229,256</b>	<b>417,204,422</b>
<b>Balance Sheet Long Position</b>	-	-	<b>36,838,194</b>	<b>98,615,553</b>	<b>44,434,679</b>	-	<b>179,888,426</b>
<b>Balance Sheet Short Position</b>	<b>(54,172,053)</b>	<b>(31,319,383)</b>	-	-	-	<b>(94,396,990)</b>	<b>(179,888,426)</b>
Off-Balance Sheet Long Position	924,231	2,032,376	1,479,172	1,893,710	258,457	637,417	7,225,363
Off-Balance Sheet Short Position	-	(4,284,643)	(540,766)	(1,110,066)	-	-	(5,935,475)
<b>Total Position</b>	<b>(53,247,822)</b>	<b>(33,571,650)</b>	<b>37,776,600</b>	<b>99,399,197</b>	<b>44,693,136</b>	<b>(93,759,573)</b>	<b>1,289,888</b>

(1) Balances without fixed maturity are shown in the “Up to 1 Month” and “Non-Interest Bearing” columns.

(2) TL 6,007,186 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the “1 - 5 Years” column TL 62,057 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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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)**

**III. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK (Continued)**

**1. Information related to interest rate sensitivity of assets, liabilities and off-balance sheet items (Continued)**

(Based on days to repricing dates)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	26,781,761	-	-	-	-	13,863,744	40,645,505
Banks	1,477,014	428,485	52,425	-	-	2,362,142	4,320,066
Financial Assets at Fair Value Through Profit and Loss	557,806	715,937	377,618	63,530	4,433	247	1,719,571
Money Market Placements	252,944	-	-	-	-	-	252,944
Financial Assets Available-for-Sale	6,262,067	6,231,045	10,886,839	16,553,494	18,466,636	728,133	59,128,214
Loans Given	71,989,277	19,739,060	54,872,411	77,739,693	19,482,455	251,449	244,074,345
Investments Held-to-Maturity	3,616,855	830,145	71,144	2,594,090	1,682,681	-	8,794,915
Other Assets	185,447	167,603	603,548	1,421,095	183,447	10,385,225	12,946,365
<b>Total Assets</b>	<b>111,123,171</b>	<b>28,112,275</b>	<b>66,863,985</b>	<b>98,371,902</b>	<b>39,819,652</b>	<b>27,590,940</b>	<b>371,881,925</b>
<b>Liabilities</b>							
Interbank Deposits	6,867,493	1,597,664	2,014,652	-	-	1,496,123	11,975,932
Other Deposits	116,331,186	25,869,031	22,188,911	1,412,078	119,357	55,015,498	220,936,061
Money Market Borrowings	41,796,418	3,747,109	1,085,940	716,162	-	-	47,345,629
Sundry Creditors	32,684	22,243	26,398	1,089	-	2,484,487	2,566,901
Issued Marketable Securities	836,455	1,468,491	391,680	4,374,125	-	-	7,070,751
Funds Provided from Other Financial Institutions	4,098,207	4,683,460	11,771,437	2,443,385	1,430,040	-	24,426,529
Other Liabilities	1,082,103	511,427	565,202	6,511,950	33,307	48,856,133	57,560,122
<b>Total Liabilities</b>	<b>171,044,546</b>	<b>37,899,425</b>	<b>38,044,220</b>	<b>15,458,789</b>	<b>1,582,704</b>	<b>107,852,241</b>	<b>371,881,925</b>
<b>Balance Sheet Long Position</b>	-	-	<b>28,819,765</b>	<b>82,913,113</b>	<b>38,236,948</b>	-	<b>149,969,826</b>
<b>Balance Sheet Short Position</b>	<b>(59,921,375)</b>	<b>(9,787,150)</b>	-	-	-	<b>(80,261,301)</b>	<b>(149,969,826)</b>
Off Balance Sheet Long Position	808,683	2,200,356	-	-	-	-	3,009,039
Off Balance Sheet Short Position	-	-	(373,698)	(1,428,568)	-	-	(1,802,266)
<b>Total Position</b>	<b>(59,112,692)</b>	<b>(7,586,794)</b>	<b>28,446,067</b>	<b>81,484,545</b>	<b>38,236,948</b>	<b>(80,261,301)</b>	<b>1,206,773</b>

(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 Parent Bank, in other liabilities is shown under the “1 - 5 Years” column. TL 70,782 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.

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

**III. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK (Continued)**

**2. Average interest rate applied to the monetary financial instruments (Represents the values belong to the Parent Bank)**

	EUR	USD	JPY	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	0.78	-	3.98
Banks	0.77	2.65	-	11.96
Financial Assets at Fair Value Through Profit and Loss	-	5.36	-	8.57
Money Market Placements	-	-	-	12.25
Financial Assets Available-for-Sale	4.74	5.65	-	9.29
Loans Given <sup>(2)</sup>	4.45	5.76	-	11.75
Investments Held-to-Maturity	6.63	7.20	-	9.55
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0.37	1.41	-	12.71
Other Deposits <sup>(4)</sup>	0.97	1.59	-	7.39
Money Market Borrowings	0.92	2.08	-	12.14
Sundry Creditors	-	-	-	-
Issued Marketable Securities	1.00	4.61	1.50	12.59
Funds Provided from Other Financial Institutions	1.22	2.77	-	9.26

<sup>(1)</sup> The ratio on TL column denotes the interest rates applied for required reserve at CBRT.

<sup>(2)</sup> Credit card loan balances are not included.

<sup>(3)</sup> Rates shown in the table are calculated by using the annual domestic simple interest rates, except for foreign currency interbank deposits.

<sup>(4)</sup> Rates include also demand deposit data.

	EUR	USD	JPY	TL
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	0.03	0.49	-	3.36
Banks	1.56	2.82	-	8.44
Financial Assets at Fair Value Through Profit and Loss	-	5.36	-	7.98
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.73	5.64	-	9.20
Loans Given <sup>(2)</sup>	4.30	5.52	-	12.82
Investments Held-to-Maturity	6.48	7.20	-	9.75
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0.45	1.09	-	8.24
Other Deposits <sup>(4)</sup>	0.94	1.14	-	6.52
Money Market Borrowings	0.95	1.82	-	8.55
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	4.37	-	9.77
Funds Provided from Other Financial Institutions	0.92	2.23	-	8.38

<sup>(1)</sup> The ratio on TL column denotes the interest rates applied for required reserve at CBRT.

<sup>(2)</sup> Credit card loan balances are not included.

<sup>(3)</sup> Rates shown in the table are calculated by using the annual domestic simple interest rates, except for foreign currency interbank deposits.

<sup>(4)</sup> Rates include also demand deposit data.

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

**IV. EXPLANATIONS ON THE POSITION RISK OF CONSOLIDATED 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**

There is no significant difference between balance sheet value, fair value and market value of investments in equity instruments (31 December 2016: None).

**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 124,461 and 100% of them are risk weighted (31 December 2016: are amounted TL 124,451 and 100% of them are risk weighted)

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

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

The Parent Bank performs “Remaining Maturity Analysis” for the observation of the maturity structure of the balance sheet, “Liquidity Gap” and “Structural Liquidity Gap Analysis” for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Parent Bank’s liquidity and in the worst case scenario and the loss associated with it. The renewal of deposits which constitutes the Parent Bank’s most crucial funding resource is monitored on a daily basis. Besides, in order to compare the Bank’s level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

**1. Liquidity Risk**

**Explanations related to the liquidity risk management including the Parent Bank’s risk capacity, responsibilities and structure of liquidity risk management, reporting of liquidity risk in internal banking, the strategy of liquidity risk and how to provide the communication of policies and implementations with board of directors and business lines**

The Parent Bank’s risk capacity, risk appetite, responsibilities and tasks of liquidity risk management and share issues of points related liquidity risk management with bank network are explained in “Regulations of Risk Management, Stress Test Program and İsedes Regulations” of the Parent Bank. In this context, liquidity risk strategies and policies are published in periodically on weeks, months and years with all of the units with board directors in bank. Moreover, analyses done and reports are handled in the Assets-Liability Commission Conferences, Board of Director is informed by Audit Commission.

**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.

**Explanation related to policies regarding fund resources times variations of funding strategy of bank**

The Parent Bank’s fundamental funding resources are deposits, the strategy of preserving the common base structure of deposits are sustained. Moreover, within the diversification strategy of resources structure, long-term and appropriate costed resources rate that are out of deposits are aimed to be raised. In the resources out of deposits; repurchase agreements, post finance, syndication credits, credits assured by international finance associations, exported securities, capital market transactions and credits taken by bilateral agreements are placed.

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**SECTION FOUR (Continued)**

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

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

**1. Liquidity Risk (Continued)**

**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 “Regulations on Risk Management, Stress Test Program and Internal Capital Adequacy Assessment Process (ICAAP)”.



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

**1. Liquidity Coverage Ratio**

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 Parent Bank calculates the Liquidity Cover Rate and transmits it to the BRSA on a monthly basis. In the last three months the consolidation ratios were respectively for FC 141.57% and for the total 80.01% at April; for FC 165.06% and for the total 74.53% at May; for FC 198.33% and for the total 80.31% at June (31 December 2016: In the last three months (January-February-March), the consolidation ratios were respectively for FC 86.61% and for the total 81.65% at October; for FC 92.29% and for the total 76.33% at November; for FC 102.33% and for the total 77.90% at December).

	Total Unweighted Value (Average) <sup>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>Current Period</b>				
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			41,479,981	31,103,874
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	163,752,547	62,031,010	13,390,762	6,203,101
Stable deposits	59,689,860	-	2,984,493	-
Less stable deposits	104,062,687	62,031,010	10,406,269	6,203,101
Unsecured wholesale funding , of which;	81,732,925	30,824,742	45,714,842	18,729,365
Operational deposit	4,537,535	542,276	1,134,384	135,569
Non-operational deposits	59,696,045	19,506,024	29,078,840	9,793,226
Other unsecured funding	17,499,345	10,776,442	15,501,618	8,800,570
Secured funding			-	-
Other cash outflows, of which;	35,937,179	8,995,383	9,320,750	5,512,809
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2,845,606	2,871,882	2,845,606	2,871,882
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	33,091,573	6,123,501	6,475,144	2,640,927
Other revocable off-balance sheet commitments and contractual obligations	326,053	299,060	16,303	14,953
Other irrevocable or conditionally revocable off-balance sheet obligations	36,230,323	25,480,439	2,296,487	1,695,144
<b>Total Cash Outflows</b>			<b>70,739,144</b>	<b>32,155,372</b>
<b>Cash Inflows</b>				
Secured lending	-	-	-	-
Unsecured lending	21,197,751	7,121,649	15,123,224	5,964,478
Other cash inflows	2,627,268	7,349,639	2,610,557	7,332,928
<b>Total Cash Inflows</b>	<b>23,825,019</b>	<b>14,471,288</b>	<b>17,733,781</b>	<b>13,297,406</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>41,479,981</b>	<b>31,103,874</b>
<b>Total Net Cash Outflows</b>			<b>53,005,363</b>	<b>18,857,966</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>78.26</b>	<b>164.94</b>

<sup>(\*)</sup>The average of last three months' liquidity coverage ratio calculated by monthly simple averages..

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

**2. Liquidity Coverage Ratio (Continued)**

Prior Period	Total Unweighted Value (Average) <sup>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			47,060,923	26,647,052
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	143,898,400	51,675,017	11,622,939	5,167,502
Stable deposits	55,338,033	-	2,766,902	-
Less stable deposits	88,560,367	51,675,017	8,856,037	5,167,502
Unsecured wholesale funding , of which;	80,482,580	24,151,123	46,653,885	16,242,578
Operational deposit	1,687,101	291,581	421,775	72,895
Non-operational deposits	67,505,167	17,490,912	34,986,034	9,818,460
Other unsecured funding	11,290,312	6,368,630	11,246,076	6,351,223
Secured funding			-	-
Other cash outflows, of which;	20,783,315	13,237,304	5,963,394	11,556,687
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2,133,363	10,295,383	2,133,363	10,295,383
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	18,649,952	2,941,921	3,830,031	1,261,304
Other revocable off-balance sheet commitments and contractual obligations	39,627	21,913	1,981	1,096
Other irrevocable or conditionally revocable off-balance sheet obligations	40,843,572	24,557,903	9,739,071	3,337,772
<b>Total Cash Outflows</b>			<b>73,981,270</b>	<b>36,305,635</b>
<b>Cash Inflows</b>				
Secured lending	-	-	-	-
Unsecured lending	17,850,713	7,875,744	12,618,858	6,975,435
Other cash inflows	1,480,005	780,641	1,465,414	766,050
<b>Total Cash Inflows</b>	<b>19,330,718</b>	<b>8,656,385</b>	<b>14,084,272</b>	<b>7,741,485</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>47,060,923</b>	<b>26,647,052</b>
<b>Total Net Cash Outflows</b>			<b>59,896,998</b>	<b>28,564,150</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>78.57</b>	<b>93.29</b>

<sup>(\*)</sup> The average of last three months' liquidity coverage ratio calculated by montly simple averages.

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

**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; 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 “Regulations 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 Parent 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 Parent 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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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)**

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

**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 <sup>(1) (2)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	38,145,572	287,668	480,318	267,949	121	-	20,215	39,201,843
Banks	1,247,219	2,187,258	222,114	17,613	-	12,071	-	3,686,275
Financial Assets at Fair Value Through Profit and Loss	5,203	370,230	616,755	724,711	48,811	4,700	13,375	1,783,785
Money Market Placements	-	2,015,034	-	-	-	-	-	2,015,034
Financial Assets Available-for-Sale	50,437	3,772,701	736,206	7,729,201	21,837,836	27,184,717	748,340	62,059,438
Loans Given	-	10,849,468	18,204,346	103,145,841	120,889,180	30,593,215	1,768,437	285,450,487
Investments Held-to-Maturity	-	371,899	35,879	2,097,648	3,064,024	1,677,625	-	7,247,075
Other Assets	4,532,659	175,030	264,130	619,766	1,514,222	292,346	8,362,332	15,760,485
<b>Total Assets</b>	<b>43,981,090</b>	<b>20,029,288</b>	<b>20,559,748</b>	<b>114,602,729</b>	<b>147,354,194</b>	<b>59,764,674</b>	<b>10,912,699</b>	<b>417,204,422</b>
<b>Liabilities</b>								
Interbank Deposits	793,334	11,793,404	2,161,801	769,307	-	-	-	15,517,846
Other Deposits	61,883,216	110,868,044	43,187,041	19,025,160	2,223,442	155,648	-	237,342,551
Funds Provided from Other Financial Institutions	-	2,259,107	3,260,368	13,817,047	5,059,806	2,869,448	-	27,265,776
Money Market Borrowings	-	53,251,426	2,191,275	1,936,378	570,728	-	-	57,949,807
Issued Marketable Securities	3,956	1,250,840	1,886,268	453,597	6,669,379	-	-	10,264,040
Sundry Creditors	2,550,269	1,314,649	48,644	65,369	104	-	27,330	4,006,365
Other Liabilities <sup>(3)</sup>	6,695,663	722,421	722,488	802,808	6,605,171	1,142,921	48,166,565	64,858,037
<b>Total Liabilities</b>	<b>71,926,438</b>	<b>181,459,891</b>	<b>53,457,885</b>	<b>36,869,666</b>	<b>21,128,630</b>	<b>4,168,017</b>	<b>48,193,895</b>	<b>417,204,422</b>
<b>Liquidity Gap</b>	<b>(27,945,348)</b>	<b>(161,430,603)</b>	<b>(32,898,137)</b>	<b>77,733,063</b>	<b>126,225,564</b>	<b>55,596,657</b>	<b>(37,281,196)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>204,467</b>	<b>192,707</b>	<b>471,996</b>	<b>407,538</b>	<b>-</b>	<b>-</b>	<b>1,276,708</b>
Financial Derivative Assets	-	26,778,750	3,347,253	3,950,109	2,581,126	-	-	36,657,238
Financial Derivative Liabilities	-	26,574,283	3,154,546	3,478,113	2,173,588	-	-	35,380,530
Non-cash Loans	<b>38,648,947</b>	<b>3,124,585</b>	<b>3,439,943</b>	<b>26,234,783</b>	<b>16,411,067</b>	<b>4,026,127</b>	<b>-</b>	<b>91,885,452</b>
<b>Prior Period</b>								
Total Assets	46,662,136	14,372,061	20,611,306	99,482,203	128,430,398	54,624,698	7,699,123	371,881,925
Total Liabilities	64,339,267	167,591,756	36,429,622	39,802,556	17,974,768	3,641,949	42,102,007	371,881,925
<b>Liquidity Gap</b>	<b>(17,677,131)</b>	<b>(153,219,695)</b>	<b>(15,818,316)</b>	<b>59,679,647</b>	<b>110,455,630</b>	<b>50,982,749</b>	<b>(34,402,884)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>101,816</b>	<b>(4,584)</b>	<b>511,465</b>	<b>598,076</b>	<b>-</b>	<b>-</b>	<b>1,206,773</b>
Financial Derivative Assets	-	23,887,140	7,574,728	2,638,403	2,677,243	-	-	36,777,514
Financial Derivative Liabilities	-	23,785,324	7,579,312	2,126,938	2,079,167	-	-	35,570,741
Non-cash Loans	<b>39,328,862</b>	<b>1,045,731</b>	<b>5,027,611</b>	<b>18,874,379</b>	<b>14,761,801</b>	<b>3,682,731</b>	<b>-</b>	<b>82,721,115</b>

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

<sup>(2)</sup> Deferred tax asset is included under the "Undistributed" column.

<sup>(3)</sup> TL 6,007,186 of the funds balance, whose risk is not born by the Parent Bank, is included in other liabilities and shown under the "1-5 years" column, fund balance amounted to TL 62,057 is not granted as loan and is included under "Up to One Month" column.

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE  
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**VI. EXPLANATIONS ON CONSOLIDATED LEVERAGE**

**1. Explanations on the subjects caused a gap between 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 8.12% (31 December 2016: 8.00%). The change on leverage results occur from the more percental increase on Tier 1 capital than the percental increase on total risk amount. The regulation sentenced the minimum leverage as 3%.

<b>Balance sheet assets</b>	<b>Current Period <sup>(*)</sup></b>	<b>Prior Period <sup>(*)</sup></b>
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	409,423,063	359,875,628
(Assets deducted in determining Tier 1 capital)	(1,956,416)	(2,072,001)
<b>Total on-balance sheet risks (sum of lines 1 and 2)</b>	<b>407,466,647</b>	<b>357,803,627</b>
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost associated with all derivative financial instruments and credit Derivatives	1,797,675	1,516,660
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	417,737	394,485
<b>Total risks of derivative financial instruments and credit derivatives</b>	<b>2,215,412</b>	<b>1,911,145</b>
<b>Securities or commodity financing transactions (SCFT)</b>		
Risks from SCFT assets	4,755,757	4,889,181
Risks from brokerage activities related exposures	-	-
<b>Total risks related with securities or commodity financing transactions</b>	<b>4,755,757</b>	<b>4,889,181</b>
<b>Other off-balance sheet transactions</b>		
Gross notional amounts of off-balance sheet transactions	122,287,849	105,343,560
(Adjustments for conversion to credit equivalent amounts)	(1,536,066)	(1,415,380)
<b>Total risks of off-balance sheet items</b>	<b>120,751,783</b>	<b>103,928,180</b>
<b>Capital and total risks</b>		
Tier 1 capital	43,472,108	37,505,342
<b>Total risks</b>	<b>535,189,599</b>	<b>468,532,133</b>
<b>Leverage ratio</b>		
Leverage ratio %	8.12	8.00

(\*) Three month average of the amounts in the table are taken.

**2. An extract comparison table of total risks placed in consolidated financial statements coordinated in accordance with TAS**

	<b>Current Period <sup>(*)</sup></b>	<b>Prior Period <sup>(*)</sup></b>
1 Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards <sup>(**)</sup>	417,252,259	371,922,921
2 The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	47,837	40,996
3 The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	78,059,159	76,404,601
4 The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	16,317,275	39,216,454
5 The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	1,536,066	1,415,380
6 Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	(19,387,078)	(42,588,977)
7 Total Risk Amount	<b>535,189,599</b>	<b>468,532,133</b>

(\*) The amounts shown in the table are 3 month averages.

(\*\*) The current year balance of the Consolidated Financial Statements prepared in accordance with paragraph 6 of Article 5 of the Communiqué on Preparation of Consolidated Financial Statements of Banks has been prepared by using the temporary financial statements dated 30 June 2017 of the nonfinancial subsidiaries.

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

**VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT**

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of 30 June 2017.

RWA flow statements of credit risk exposures under IRB

IRB – The effect of credit derivatives which is used as a CRM (Credit risk mitigation) techniques on RWA

IRB (Directed loans and stock investments subject to simple risk weight approach

IRB (Internal Rating-Based) – Credit risk amount based on a Portfolio and Default Probability (DP) ranges

Counterparty Credit Risk based on Risk Class and DP – IRB

RWA flow statements of CCR exposures under the Internal Model Method (IMM)

Since the Bank does not hold securitization position as of 30 June 2017, the notes to be presented on a semi-annually basis according to Communiqué have not been presented.

Securitization positions in banking accounts

Securitization positions in the trading book

Securitization positions in the banking book and associated regulatory capital requirements - Bank acting as originator or as sponsor

Securitization positions in the banking book and associated regulatory capital requirements - Bank acting as investor

**1. Explanations on Risk Management and Risk Weighted Amounts**

**Overview of Risk Weighted Amounts**

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	277,124,116	260,065,281	22,169,929
2	Standardised approach	277,124,116	260,065,281	22,169,929
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3,289,853	3,323,247	263,189
5	Standardised approach for counterparty credit risk	3,289,853	3,323,247	263,189
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	519,798	1,686,718	41,584
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	18,113,863	15,358,775	1,449,109
17	Standardised approach	18,113,863	15,358,775	1,449,109
18	Internal model approaches	-	-	-
19	Operational risk	25,145,818	20,519,768	2,011,665
20	Basic Indicator approach	25,145,818	20,519,768	2,011,665
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity(subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>324,193,448</b>	<b>300,953,789</b>	<b>25,935,476</b>

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE  
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VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)

2. Credit Risk Explanations

*Credit Quality of Assets*

Current Period		Gross carrying value in consolidated financial statements prepared in accordance with TAS		Allowances/amortisation and impairments	Net values
		Defaulted	Non- defaulted		
1	Loans	4,617,579	285,218,563	4,385,655	285,450,487
2	Debt Securities	-	72,083,662	993,364	71,090,298
3	Off-balance sheet exposures	-	119,255,546	144,901	119,110,645
4	<b>Total</b>	<b>4,617,579</b>	<b>476,557,771</b>	<b>5,523,920</b>	<b>475,651,430</b>

Prior Period		Gross carrying value in consolidated financial statements prepared in accordance with TAS		Allowances/amortisation and impairments	Net values
		Defaulted	Non- defaulted		
1	Loans	4,380,490	243,822,896	4,129,041	244,074,345
2	Debt Securities	-	71,673,528	2,030,828	69,642,700
3	Off-balance sheet exposures	-	106,427,839	150,916	106,276,923
4	<b>Total</b>	<b>4,380,490</b>	<b>421,924,263</b>	<b>6,310,785</b>	<b>419,993,968</b>

*Changes in stock of default loans and debt securities*

		Current Period
1	Defaulted loans and debt securities at end of the previous reporting period	4,380,490
2	Loans and debt securities that have defaulted since the last reporting period	1,062,893
3	Receivables back to non-defaulted status	33,541
4	Amounts written off	-
5	Other changes	(792,263)
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>4,617,579</b>

		Prior Period
1	Defaulted loans and debt securities at end of the previous reporting period	3,222,700
2	Loans and debt securities that have defaulted since the last reporting period	2,547,336
3	Receivables back to non-defaulted status	245,111
4	Amounts written off	-
5	Other changes	(1,634,657)
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>4,380,490</b>

*Credit Risk Mitigation Techniques - Overview*

Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	253,953,802	9,032,915	1,144,817	22,463,769	18,481,346	-	-
Debt Securities	71,090,298	-	-	-	-	-	-
<b>Total</b>	<b>325,044,100</b>	<b>9,032,915</b>	<b>1,144,817</b>	<b>22,463,769</b>	<b>18,481,346</b>	-	-
Of which defaulted	4,617,579	-	-	-	-	-	-

Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	236,237,231	6,943,684	1,220,992	893,430	610,373	-	-
Debt Securities	69,642,700	-	-	-	-	-	-
<b>Total</b>	<b>305,879,931</b>	<b>6,943,684</b>	<b>1,220,992</b>	<b>893,430</b>	<b>610,373</b>	-	-
Of which defaulted	4,380,490	-	-	-	-	-	-

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

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

**2. Credit Risk Explanations (Continued)**

**Standard Approach - Credit risk exposure and credit risk mitigation techniques**

Current Period	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	Off-balance sheet amount	RWA	RWA density
Exposures to sovereigns and their central banks	72,167,116	990,434	89,760,352	774,604	11,390,104	12.6%
Exposures to regional and local governments	536,879	256,843	508,308	87,389	280,038	47.0%
Exposures to administrative bodies and non-commercial entities	276,323	903,239	793,348	422,112	672,277	55.3%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	32,386,724	10,593,613	32,722,721	5,451,290	7,597,400	19.9%
Exposures to corporates	122,838,652	81,278,227	114,225,567	41,423,799	153,650,421	98.7%
Retail exposures	109,041,526	23,191,175	99,472,342	3,291,817	76,548,065	74.5%
Exposures secured by residential property	36,347,566	104,061	36,289,089	51,565	12,726,909	35.0%
Exposures secured by commercial property	7,053,420	625,837	6,876,483	316,002	3,636,697	50.6%
Past-due items	133	-	133	-	67	50.0%
Exposures in high-risk categories	1,176,565	139,275	1,176,561	31,718	1,810,909	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	510,600	42,498	510,600	20,608	519,798	97.9%
Other exposures	21,034,881	-	21,034,881	-	11,976,621	56.9%
Equity share investments	124,461	-	124,461	-	124,461	100.0%
<b>Total</b>	<b>403,494,846</b>	<b>118,125,202</b>	<b>403,494,846</b>	<b>51,870,904</b>	<b>280,933,767</b>	<b>61.7%</b>



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

**3. Credit Risk Explanations (Continued)**

**Standard Approach - Credit risk exposure and credit risk mitigation techniques**

Prior Period	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	Off-balance sheet amount	RWA	RWA density
Risk Classes						
Exposures to sovereigns and their central banks	83,148,313	791,707	88,906,802	378,405	25,092,503	28.1%
Exposures to regional and local governments	527,036	232,722	484,507	84,127	277,773	48.8%
Exposures to administrative bodies and non-commercial entities	185,075	811,560	379,175	378,764	713,770	94.2%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	56,729,936	8,479,170	57,091,786	4,526,087	7,804,404	12.7%
Exposures to corporates	109,583,886	74,513,827	103,409,641	37,260,183	137,980,703	98.1%
Retail exposures	88,375,184	19,755,873	88,280,224	2,917,439	67,916,302	74.5%
Exposures secured by residential property	27,200,877	111,527	27,200,877	55,764	9,543,770	35.0%
Exposures secured by commercial property	9,458,822	420,049	9,456,125	215,932	4,898,303	50.6%
Past-due items	-	-	-	-	-	-
Exposures in high-risk categories	308,898	119,744	308,890	19,795	492,014	149.7%
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	1,667,356	47,437	1,667,356	23,081	1,686,718	99.8%
Other exposures	18,024,549	-	18,024,549	-	8,544,536	47.4%
Equity share investments	124,451	-	124,451	-	124,451	100.0%
<b>Total</b>	<b>395,334,383</b>	<b>105,283,616</b>	<b>395,334,383</b>	<b>45,859,577</b>	<b>265,075,247</b>	<b>60.1%</b>

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

**2. Credit Risk Explanations (Continued)**

**Exposures by asset classes and risk weights**

<b>Risk Classes/ Risk Weight Current Period</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35% secured by property mortgage</b>	<b>50% secured by property mortgage</b>	<b>50%<sup>(*)</sup></b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>Others</b>	<b>Total risk amount (post-CCF and CRM)</b>
Exposures to sovereigns and their central banks	68,310,155	-	1,050	-	-	21,667,713	-	556,038	-	-	-	90,534,956
Exposures to regional and local government	49,037	-	677	-	-	532,162	-	13,821	-	-	-	595,697
Exposures to administrative bodies and non-commercial entities	94,094	-	25	-	-	898,138	-	223,203	-	-	-	1,215,460
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	18,502,692	-	8,531,043	-	-	10,498,170	-	642,106	-	-	-	38,174,011
Exposures to corporates	188,408	-	523,589	-	-	2,783,331	-	152,154,038	-	-	-	155,649,366
Retail exposures	532,046	-	229,127	-	-	-	102,002,986	-	-	-	-	102,764,159
Exposures secured by residential property	5,941	-	1,953	36,317,296	-	-	-	15,464	-	-	-	36,340,654
Exposures secured by commercial property	4,526	-	2,290	-	7,098,859	-	-	86,810	-	-	-	7,192,485
Past-due items	-	-	-	-	-	133	-	-	-	-	-	133
Exposures in high-risk categories	749	-	296	-	-	-	-	2	1,207,232	-	-	1,208,279
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	11,410	-	-	-	-	-	-	519,798	-	-	-	531,208
Other exposures	9,055,961	-	2,872	-	-	-	-	11,976,048	-	-	-	21,034,881
Equity share investments	-	-	-	-	-	-	-	124,461	-	-	-	124,461
<b>Total</b>	<b>96,755,019</b>	<b>-</b>	<b>9,292,922</b>	<b>36,317,296</b>	<b>7,098,859</b>	<b>36,379,647</b>	<b>102,002,986</b>	<b>166,311,789</b>	<b>1,207,232</b>	<b>-</b>	<b>-</b>	<b>455,365,750</b>

<sup>(\*)</sup> Demonstrates all receivables that are consisting of 50% risk weighted and out of the line “Exposures secured by commercial property”.

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

**2. Credit Risk Explanations (Continued)**

**Exposures by asset classes and risk weights**

<b>Risk Classes/ Risk Weight Prior Period</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35% secured by property mortgage</b>	<b>50% secured by property mortgage</b>	<b>50%<sup>(*)</sup></b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>Others</b>	<b>Total risk amount (post-CCF and CRM)</b>
Exposures to sovereigns and their central banks	39,856,047	-	14,761	-	-	48,649,697	-	764,702	-	-	-	89,285,207
Exposures to regional and local government	32,187	-	34	-	-	517,294	-	19,119	-	-	-	568,634
Exposures to administrative bodies and non-commercial entities	43,756	-	516	-	-	-	-	713,667	-	-	-	757,939
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	40,681,369	-	9,539,932	-	-	11,000,308	-	396,264	-	-	-	61,617,873
Exposures to corporates	116,002	-	1,395,093	-	-	2,914,090	-	136,244,639	-	-	-	140,669,824
Retail exposures	511,274	-	175,558	-	-	7,730	90,503,101	-	-	-	-	91,197,663
Exposures secured by residential property	6,594	-	951	27,239,255	-	-	-	9,841	-	-	-	27,256,641
Exposures secured by commercial property	4,389	-	3,037	-	9,533,871	-	-	130,760	-	-	-	9,672,057
Past-due items	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	632	-	41	-	-	-	-	23	327,989	-	-	328,685
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	3,718	-	-	-	-	-	-	1,686,719	-	-	-	1,690,437
Other exposures	9,476,992	-	3,779	-	-	-	-	8,543,778	-	-	-	18,024,549
Equity share investments	-	-	-	-	-	-	-	124,451	-	-	-	124,451
<b>Total</b>	<b>90,732,960</b>	<b>-</b>	<b>11,133,702</b>	<b>27,239,255</b>	<b>9,533,871</b>	<b>63,089,119</b>	<b>90,503,101</b>	<b>148,633,963</b>	<b>327,989</b>	<b>-</b>	<b>-</b>	<b>441,193,960</b>

<sup>(\*)</sup> Demonstrates all receivables that are consisting of 50% risk weighted and out of the line “Exposures secured by commercial property”.

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

**3. Counterparty Credit Risk**

*Evaluation of counterparty credit risk in accordance with the measurement methods*

	<b>Current Period</b>	<b>Replacement cost</b>	<b>Potential future exposure</b>	<b>EEPE (Effective Expected Positive Exposure) <sup>(*)</sup></b>	<b>Alpha used for computing regulatory EAD</b>	<b>Exposure at default post CRM</b>	<b>RWA</b>
	Valuation Method according to fair value - CCR (for derivatives)	1,589,935	397,439			1,987,374	841,743
1	Standardised approach - CCR (for derivatives)				1.4	-	-
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA 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 EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					8,897,910	1,337,747
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					3,101,898	1,088,100
5	EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
<b>6</b>	<b>Total</b>						<b>3,267,590</b>

<sup>(\*)</sup> Effective Expected Positive Exposure

	<b>Prior Period</b>	<b>Replacement cost</b>	<b>Potential future exposure</b>	<b>EEPE (Effective Expected Positive Exposure) <sup>(*)</sup></b>	<b>Alpha used for computing regulatory EAD</b>	<b>Exposure at default post CRM</b>	<b>RWA</b>
	Valuation Method according to fair value - CCR (for derivatives)	1,561,694	434,662			1,996,356	838,141
1	Standardised approach - CCR (for derivatives)	-	-		1.4	-	-
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA 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 EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					28,145,669	1,635,788
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					2,777,053	828,485
5	EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
<b>6</b>	<b>Total</b>						<b>3,302,414</b>

<sup>(\*)</sup> Effective Expected Positive Exposure

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

**3. Counterparty Credit Risk (Countinued)**

*Capital requirement for credit valuation adjustment (CVA)*

	<b>Current Period</b>	Exposure at default (post-CRM)	RWA
	Total portfolios subject to the Advanced CVA capital obligation	-	-
1	(i) VaR component (including the 3*multiplier)		-
2	(ii) Stressed VaR component (including the 3*multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	1,987,374	22,264
<b>4</b>	<b>Total subject to the CVA capital obligation</b>	<b>1,987,374</b>	<b>22,264</b>

	<b>Prior Period</b>	Exposure at default (post-CRM)	RWA
	Total portfolios subject to the Advanced CVA capital obligation	-	-
1	(i) VaR component (including the 3*multiplier)		-
2	(ii) Stressed VaR component (including the 3*multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	1,996,356	20,833
<b>4</b>	<b>Total subject to the CVA capital obligation</b>	<b>1,996,356</b>	<b>20,833</b>

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**SECTION FOUR (Continued)**

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

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

**3. Counterparty credit risk (Continued)**

*Standardised approach - CCR exposures by risk class and risk weights*

<b>Current Period Risk Weight / Risk Classes</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Other</b>	<b>Total credit exposure<sup>(*)</sup></b>
Exposures to sovereigns and their central banks	165,731	-	-	-	-	60,944	-	-	226,675
Exposures to regional and local governments	23,776	-	-	-	-	-	-	-	23,776
Exposures to administrative bodies and non-commercial entities	24,782	-	-	-	-	-	-	-	24,782
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	18,300,700	-	4,501,515	4,387,549	-	1,633	-	-	27,191,397
Exposures to corporates	25,240	-	-	-	-	128,692	-	-	153,931
Retail exposures	6,587	-	-	-	6,011	-	-	-	12,598
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	11,410	-	-	-	-	-	-	-	11,410
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets <sup>(**)</sup>	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>18,558,225</b>	<b>-</b>	<b>4,501,515</b>	<b>4,387,549</b>	<b>6,011</b>	<b>191,269</b>	<b>-</b>	<b>-</b>	<b>27,644,569</b>

<sup>(\*)</sup> Total amount of credit risk: Amount of the capital adequacy calculation after the counterparty credit risk evaluation techniques.

<sup>(\*\*)</sup> Other assets: Amount of the quantity absent in the counterparty credit risk which is reported in the center counterparty credit risk table.

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**SECTION FOUR (Continued)**

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

**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**3. Counterparty Credit Risk (Continued)**

**Standardised approach - CCR exposures by risk class and risk weights**

<b>Prior Period Risk Weight / Risk Classes</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Other</b>	<b>Total credit exposure<sup>(*)</sup></b>
Exposures to sovereigns and their central banks	265,289	-	-	105,163	-	-	-	-	370,452
Exposures to regional and local governments	5,771	-	-	18	-	-	-	-	5,789
Exposures to administrative bodies and non-commercial entities	15,695	-	-	-	-	50	-	-	15,745
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	42,115,329	-	6,404,749	3,758,968	-	781	-	-	52,279,827
Exposures to corporates	12,069	-	-	-	-	108,485	-	-	120,554
Retail exposures	10,558	-	-	-	1,211	-	-	-	11,769
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	3,718	-	-	-	-	11	-	-	3,729
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets <sup>(**)</sup>	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>42,428,429</b>	<b>-</b>	<b>6,404,749</b>	<b>3,864,149</b>	<b>1,211</b>	<b>109,327</b>	<b>-</b>	<b>-</b>	<b>52,807,865</b>

<sup>(\*)</sup> Total amount of credit risk: Amount of the capital adequacy calculation after the counterparty credit risk evaluation techniques.

<sup>(\*\*)</sup> Other assets: Amount of the quantity absent in the counterparty credit risk which is reported in the center counterparty credit risk table.

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**SECTION FOUR (Continued)**

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

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

**3. Counterparty Credit Risk (Continued)**

**Collaterals for consolidated Counterparty Credit Risk**

Current Period	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	6,210,736	-
Cash-foreign currency	-	-	-	-	14,145,680	-
Domestic sovereign debts	-	-	-	-	3,313	-
Other sovereign debts	-	-	-	-	60,928	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>20,420,657</b>	-

Prior Period	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	31,252,959	-
Cash-foreign currency	-	-	-	-	13,753,198	-
Domestic sovereign debts	-	-	-	-	3,081	-
Other sovereign debts	-	-	-	-	105,100	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>45,114,338</b>	-

***Credit derivatives***

None (31 December 2016: None).

***Exposures to central counterparties (CCP)***

None (31 December 2016: None).



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

**4. Market Risk Explanations**

*Standardised approach*

<b>Current Period</b>		<b>RWA</b>
	Outright products	
1	Interest rate risk (general and specific)	15,605,263
2	Equity risk (general and specific)	1,248,500
3	Foreign exchange risk	1,260,100
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
<b>9</b>	<b>Total</b>	<b>18,113,863</b>

<b>Prior Period</b>		<b>RWA</b>
	Outright products	
1	Interest rate risk (general and specific)	12,242,337
2	Equity risk (general and specific)	1,050,625
3	Foreign exchange risk	2,065,813
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
<b>9</b>	<b>Total</b>	<b>15,358,775</b>

Notes and explanations prepared in accordance with “the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks” published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section. The notes to be presented on a quarterly and semi-annually basis according to Communiqué, the following tables have not been presented due to usage of standard approach for the calculation of market risk by the Bank as of 30 June 2017.

RWA flow statements of market exposures under the Internal Model Method (IMM)

Internal Model Method for trading accounts

The VAR (Value at Risk) estimations comparing with gain/loss

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**SECTION FOUR (Continued)**

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

**VIII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS**

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

The Group is operating 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 Parent Bank renders services, such as; deposits, consumer loans, loans originated from funds whose risk does not belong to the Bank, credit cards, automatic payment, cheques and notes, money transfer order, foreign exchange transactions, internet banking, mobile banking, safe-deposit box and insurance brokerage services. Moreover, existing instruments are improved and new banking instruments are created in order to benefit from services undertaken as being a state bank in increasing the profitability of the Parent Bank. By “Finart” system, which is working in a centralized manner, the Parent Bank has the technical infrastructure required by modern banking sector to meet its clients’ needs.

In the context of corporate and entrepreneurial banking, the Group gives loans for operations, mid-term and long-term investment loans, foreign trade financing loans, letter of credits and guarantees in Turkish Lira and foreign currencies; renders project financing, other corporate finance related services, foreign exchange transactions and banking services to large-scale corporate clients and middle-small scale enterprises.

As the Parent Bank is the main financial institution that meets the financing needs of agricultural sector in Turkey, it extends agricultural operations and investment loans from its own sources for vegetable and animal production, fishery products and agricultural mechanization directly to producers and The Central Union of Turkish Agricultural Credit Cooperatives. Besides, it gives support to entities and enterprises having operations in agricultural sector by acting as an intermediary for loans originated from funds.

Treasury transactions and international banking activities 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 30 June 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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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE  
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VIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

Table for Segment Reporting

Current Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Correction	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE 30.06.2017</b>							
<b>Interest Income</b>	4,270,279	6,343,498	2,669,511	4,031,261	-	216,898	17,531,447
Interest Income from Loans	4,270,279	6,318,189	2,669,511	291,457	-	17,783	13,567,219
Interest Income from Banks	-	24,385	-	39,594	-	55,040	119,019
Interest Income from Securities	-	642	-	3,275,106	-	1,611	3,277,359
Other Interest Income	-	282	-	425,104	-	142,464	567,850
<b>Interest Expense</b>	3,559,364	1,765,085	-	3,227,324	-	68,682	8,620,455
Interest Expense on Deposits	3,559,364	1,763,666	-	374,594	-	2,197	5,699,821
Interest Expense on Funds Borrowed	-	1,377	-	316,915	-	14,094	332,386
Interest Expense on Money Market Transactions	-	-	-	2,271,788	-	-	2,271,788
Interest Expense on Securities Issued	-	-	-	264,027	-	10,087	274,114
Other Interest Expense	-	42	-	-	-	42,304	42,346
<b>Net Interest Income/Expense</b>	710,915	4,578,413	2,669,511	803,937	-	148,216	8,910,992
<b>Net Fees and Commission Income/Expense</b>	690,155	235,665	50,437	(25,808)	-	63,137	1,013,586
Fees and Commissions Received	690,155	239,899	50,437	2,668	-	135,550	1,118,709
Fees and Commissions Paid	-	4,234	-	28,476	-	72,413	105,123
<b>Dividend Income</b>	-	-	-	9,865	(5,211)	-	4,654
<b>Trading Income/Loss (Net)</b>	-	3,850	-	(2,833)	-	(4,991)	(3,974)
<b>Other Operating Income</b>	17,450	169,888	10,138	859	-	1,677,536	1,875,871
<b>Provision for Loans or Other Receivables Losses</b>	339,021	644,401	222,680	212	1,822	308,607	1,516,743
<b>Other Operating Expense</b>	68,796	311,894	24,804	-	(1,351)	3,687,577	4,091,720
<b>Income Before Tax</b>	1,010,703	4,031,521	2,482,602	785,808	(5,682)	(2,112,286)	6,192,666
<b>Profit/Loss on Equity Method Applied Subsidiaries</b>	-	-	-	-	13,688	-	13,688
<b>Tax Provision</b>	-	-	-	-	-	(1,337,674)	(1,337,674)
<b>Net Profit/Loss</b>	1,010,703	4,031,521	2,482,602	785,808	8,006	(3,449,960)	4,868,680
<b>SEGMENT ASSETS 30.06.2017</b>							
Financial Assets at FV Through P/L	-	8,654	-	1,742,470	-	32,661	1,783,785
Banks and Other Financial Institutions	-	805,690	-	3,808,063	-	1,087,556	5,701,309
Financial Assets Available for Sale (Net)	-	995	-	62,049,150	147	9,146	62,059,438
Loans	78,374,986	145,070,530	51,578,918	10,077,129	-	348,924	285,450,487
Held to Maturity Investments (Net)	-	-	-	7,217,415	-	29,660	7,247,075
Associates, Subsidiaries and Joint Ventures	-	1,037	-	4,843,818	(4,650,570)	33,133	227,418
Other Assets	-	258,079	-	1,194	(36,970)	54,512,607	54,734,910
<b>TOTAL SEGMENT ASSETS</b>	78,374,986	146,144,985	51,578,918	89,739,239	(4,687,393)	56,053,687	417,204,422
<b>SEGMENT LIABILITIES 30.06.2017</b>							
Deposits	175,344,382	56,398,885	-	17,374,240	-	3,742,890	252,860,397
Derivative Financial Liabilities Held for Trading	-	-	-	388,591	-	84	388,675
Funds Borrowed	-	5,585	-	26,473,787	-	786,404	27,265,776
Money Market Funds	-	-	-	57,949,807	-	-	57,949,807
Securities Issued (Net)	-	4,081	-	10,082,441	-	177,518	10,264,040
Provisions	1,728	23,497	-	-	24,450	8,790,186	8,839,861
Other Liabilities	-	21,928	-	-	(36,970)	15,151,587	15,136,545
Shareholders' Equity	-	416,572	-	-	(4,674,874)	48,757,623	44,499,321
<b>TOTAL SEGMENT LIABILITIES</b>	175,346,110	56,870,548	-	112,268,866	(4,687,394)	77,406,292	417,204,422
<b>OTHER SEGMENT ITEMS 30.06.2017</b>							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	244,493	244,493
Restructuring Costs	-	-	-	-	-	-	-

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VIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

Table for Segment Reporting (Continued)

Prior Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Correction	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE 30.06.2016</b>							
<b>Interest Income</b>	<b>3,247,212</b>	<b>4,698,660</b>	<b>2,180,865</b>	<b>3,052,607</b>	-	<b>194,933</b>	<b>13,374,277</b>
Interest Income from Loans	3,247,212	4,674,079	2,180,768	209,708	-	13,075	10,324,842
Interest Income from Banks	-	24,229	-	28,779	-	56,692	109,700
Interest Income from Securities	-	352	97	2,724,744	-	9,369	2,734,562
Other Interest Income	-	-	-	89,376	-	115,797	205,173
<b>Interest Expense</b>	<b>3,249,849</b>	<b>1,448,285</b>	-	<b>1,878,729</b>	-	<b>67,626</b>	<b>6,644,489</b>
Interest Expense on Deposits	3,249,849	1,447,420	-	174,745	-	1,269	4,873,283
Interest Expense on Funds Borrowed	-	262	-	210,808	-	20,103	231,173
Interest Expense on Money Market Transactions	-	-	-	1,318,108	-	-	1,318,108
Interest Expense on Securities Issued	-	-	-	175,068	-	7,912	182,980
Other Interest Expense	-	603	-	-	-	38,342	38,945
<b>Net Interest Income/Expense</b>	<b>(2,637)</b>	<b>3,250,375</b>	<b>2,180,865</b>	<b>1,173,878</b>	-	<b>127,307</b>	<b>6,729,788</b>
<b>Net Fees and Commission Income/Expense</b>	<b>476,824</b>	<b>195,597</b>	<b>56,942</b>	<b>(116,767)</b>	-	<b>106,263</b>	<b>718,859</b>
Fees and Commissions Received	476,824	197,907	56,942	2,137	-	171,201	905,011
Fees and Commissions Paid	-	2,310	-	118,904	-	64,938	186,152
<b>Dividend Income</b>	-	-	-	<b>255,122</b>	<b>(227,281)</b>	<b>3,994</b>	<b>31,835</b>
Trading Income/Loss (Net)	-	3,136	-	(77,096)	-	1,039	(72,921)
<b>Other Operating Income</b>	<b>14,901</b>	<b>153,440</b>	<b>17,179</b>	<b>2,132</b>	-	<b>1,478,043</b>	<b>1,665,695</b>
<b>Provision for Loans or Other Receivables</b>	-	-	-	-	-	-	-
<b>Losses</b>	<b>407,067</b>	<b>760,725</b>	<b>325,297</b>	<b>119</b>	<b>(1,079)</b>	<b>32,832</b>	<b>1,524,961</b>
<b>Other Operating Expense</b>	<b>26,576</b>	<b>137,597</b>	<b>26,561</b>	-	<b>(108)</b>	<b>3,095,249</b>	<b>3,285,875</b>
<b>Income Before Tax</b>	<b>55,444</b>	<b>2,704,224</b>	<b>1,903,128</b>	<b>1,237,150</b>	<b>(226,094)</b>	<b>(1,411,432)</b>	<b>4,262,420</b>
<b>Profit/Loss on Equity Method Applied Subsidiaries</b>	-	-	-	-	-	<b>10,908</b>	<b>10,908</b>
<b>Tax Provision</b>	-	-	-	-	-	<b>(867,714)</b>	<b>(867,714)</b>
<b>Net Profit/Loss</b>	<b>55,444</b>	<b>2,704,224</b>	<b>1,903,128</b>	<b>1,237,150</b>	<b>(226,094)</b>	<b>(2,268,238)</b>	<b>3,405,614</b>
<b>SEGMENT ASSETS 31.12.2016</b>							
Financial Assets at FV Through P/L	-	9,042	-	1,684,798	-	25,731	1,719,571
Banks and Other Financial Institutions	-	767,830	-	2,904,692	-	900,488	4,573,010
Financial Assets Available for Sale (Net)	-	-	-	59,119,312	147	8,755	59,128,214
Loans	63,876,189	122,691,522	46,461,974	10,701,124	-	343,536	244,074,345
Held to Maturity Investments (Net)	-	15,975	-	8,749,464	-	29,476	8,794,915
Associates, Subsidiaries and Joint Ventures	-	951	-	4,311,740	(4,125,232)	26,989	214,448
Other Assets	-	247,399	-	-	(6,135)	53,136,158	53,377,422
<b>TOTAL SEGMENT ASSETS</b>	<b>63,876,189</b>	<b>123,732,719</b>	<b>46,461,974</b>	<b>87,471,130</b>	<b>(4,131,220)</b>	<b>54,471,133</b>	<b>371,881,925</b>
<b>SEGMENT LIABILITIES 31.12.2016</b>							
Deposits	157,246,729	60,890,317	10,183	13,325,891	-	1,438,873	232,911,993
Derivative Financial Liabilities Held for Trading	-	-	-	642,476	-	10,889	653,365
Funds Borrowed	-	16,458	-	23,459,531	-	950,540	24,426,529
Money Market Funds	-	-	-	47,345,629	-	-	47,345,629
Securities Issued (Net)	-	4,469	-	6,934,460	-	131,822	7,070,751
Provisions	824	22,114	-	-	22,628	7,493,095	7,538,661
Other Liabilities	-	38,425	-	-	(6,135)	12,990,910	13,023,200
Shareholders' Equity	-	252,276	-	-	(4,147,715)	42,807,236	38,911,797
<b>TOTAL SEGMENT LIABILITIES</b>	<b>157,247,553</b>	<b>61,224,059</b>	<b>10,183</b>	<b>91,707,987</b>	<b>(4,131,222)</b>	<b>65,823,365</b>	<b>371,881,925</b>
<b>OTHER SEGMENT ITEMS 30.06.2016</b>							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	169,753	169,753
Restructuring Costs	-	-	-	-	-	-	-

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**SECTION FIVE**

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

**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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	1,736,525	1,339,068	1,738,822	1,053,954
Central Bank of the Republic of Turkey	6,507,862	29,496,793	6,432,150	31,248,539
Other	1,560	120,035	3,775	168,265
<b>Total</b>	<b>8,245,947</b>	<b>30,955,896</b>	<b>8,174,747</b>	<b>32,470,758</b>

**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 2015/19. 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 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.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	6,362,564	3,274,788	6,332,401	2,254,151
Unrestricted Time Deposit	-	699,125	-	2,312,376
Restricted Time Deposit	-	721	-	-
Required Reserves <sup>(1)(2)</sup>	145,298	25,522,159	99,749	26,682,012
<b>Total</b>	<b>6,507,862</b>	<b>29,496,793</b>	<b>6,432,150</b>	<b>31,248,539</b>

<sup>(1)</sup> Required reserve of branches abroad amounting to TL 86,008 is presented in this line (31 December 2016: TL 88,706).

<sup>(2)</sup> TL 11,566,449 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.

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

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

**3. Positive differences related to the derivative financial assets held-for-trading**

Derivative Financial Assets Held-for-Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	43,880	41,851	34,505	62,310
Swap Transactions	1,121,603	534,901	1,161,871	420,018
Futures Transactions	-	-	-	-
Options	8	716	42	-
Other	-	-	-	-
<b>Total</b>	<b>1,165,491</b>	<b>577,468</b>	<b>1,196,418</b>	<b>482,328</b>

**4. Information on banks and other financial institutions**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	1,727,537	460,914	1,515,980	376,346
Foreign Banks	77,684	1,420,140	70,103	2,357,637
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>1,805,221</b>	<b>1,881,054</b>	<b>1,586,083</b>	<b>2,733,983</b>

**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	18,995,939	41,422,834
Assets Blocked/Given as Collateral	40,257,342	5,879,016
<b>Total</b>	<b>59,253,281</b>	<b>47,301,850</b>

**6. Information on financial assets available for sale**

	Current Period	Prior Period
Debt Securities	62,263,552	60,472,357
Quoted in Stock Exchange	62,168,463	60,387,940
Not Quoted in Stock Exchange	95,089	84,417
Share Certificates	789,098	686,242
Quoted in Stock Exchange	631,352	528,908
Not Quoted in Stock Exchange	157,746	157,334
Provision for Impairment (-)	993,212	2,030,385
<b>Total</b>	<b>62,059,438</b>	<b>59,128,214</b>

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

7.1 Information related to loans

7.1.1 Information on all types of loans and advances given to shareholders and employees of the Group

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	<b>24,855</b>	-	<b>12,654</b>
<b>Loans Granted to Employees</b> <sup>(1) (2)</sup>	<b>342,233</b>	<b>176</b>	<b>290,654</b>	<b>155</b>
<b>Total</b>	<b>342,233</b>	<b>25,031</b>	<b>290,654</b>	<b>12,809</b>

<sup>(1)</sup> Interest rediscount and interest accrual amounting TL 2,599, are not included in the table above.

<sup>(2)</sup> Since the balance of overdraft accounts related to employees amounting TL 9,448, is showed under Table 7.3 as overdraft accounts (real person), it is not included to the table above.

7.2.1 Information on the first and second group loans and other receivables including restructured or rescheduled loans

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms <sup>(1)</sup>	Other		Loans and other receivables with revised contract terms <sup>(1)</sup>	Other
Non-Specialized Loans	223,265,852	3,482,048	-	1,728,329	2,081,366	-
Commercial Loans	129,454,610	2,067,076	-	941,755	1,846,224	-
Export Loans	4,189,870	-	-	3,797	-	-
Import Loans	415,200	786	-	24,474	4,005	-
Loans Given to Financial Sector	6,229,281	-	-	-	-	-
Consumer Loans	72,849,718	1,414,046	-	694,422	228,005	-
Credit Cards	3,591,996	140	-	53,944	3,132	-
Other <sup>(2)</sup>	6,535,177	-	-	9,937	-	-
Specialized Lending <sup>(3) (4)</sup>	43,305,219	4,417,182	-	589,263	404,507	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals <sup>(2)</sup>	5,941,439	-	-	3,358	-	-
<b>Total</b>	<b>272,512,510</b>	<b>7,899,230</b>	-	<b>2,320,950</b>	<b>2,485,873</b>	-

<sup>(1)</sup> Restructured or rescheduled loans cannot be decomposed systematically. Therefore it is shown in the “Loans and other receivables with revised contract terms” section.

<sup>(2)</sup> Restructured or rescheduled loans and the loans under close monitoring and the separation of the accruals of other receivables cannot be obtained by the available information operating system.

<sup>(3)</sup> Fund sourced agricultural loans are shown under Specialized Lending

<sup>(4)</sup> Agriculturally qualified farmer standby loans have been displayed under Specialized Lending.

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

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

**7. Information related to loans (Continued)**

**7.2. Information on the first and second group loans and other receivables including restructured or rescheduled loans (Continued)**

<b>No. of extensions</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
1 or 2 Times Extended (*)	7,571,634	2,342,729
3 - 4 or 5 Times Extended	327,100	141,726
Over 5 Times Extended	496	1,418

(\*) Number of modification made according to extent of payment plan of individual loans cannot be decomposed systematically therefore it is shown in this line.

<b>Extension Periods</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
0 - 6 Months	4,642,769	1,384,634
6 - 12 Months	426,563	164,424
1 - 2 Years	2,162,467	440,352
2 - 5 Years	625,983	442,116
5 Years and Over	41,448	54,347
<b>Total</b>	<b>7,899,230</b>	<b>2,485,873</b>



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- I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)  
7. Information related to loans (Continued)  
7.3. Information on consumer loans, individual credit cards and personnel loans and personnel credit cards

	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans-TL</b>	<b>485,391</b>	<b>73,159,734</b>	<b>73,645,125</b>
Real Estate Loans <sup>(2)</sup>	13,458	44,012,314	44,025,772
Vehicle Loans	3,085	220,947	224,032
Consumer Loans <sup>(2)</sup>	464,166	28,425,767	28,889,933
Abroad	4,172	347,597	351,769
Other	510	153,109	153,619
<b>Consumer Loans- Indexed to FC</b>	<b>320</b>	<b>178,950</b>	<b>179,270</b>
Real Estate Loans	-	17,950	17,950
Vehicle Loans	-	137	137
Consumer Loans	-	-	-
Other	320	160,863	161,183
<b>Consumer Loans-FC</b>	<b>3,346</b>	<b>120,130</b>	<b>123,476</b>
Real Estate Loans	63	21,897	21,960
Vehicle Loans	-	-	-
Consumer Loans	574	68,027	68,601
Abroad	2,602	28,792	31,394
Other	107	1,414	1,521
<b>Individual Credit Cards-TL</b>	<b>3,020,206</b>	<b>35,428</b>	<b>3,055,634</b>
With Installment	982,866	32,484	1,015,350
Without Installment	2,037,340	2,944	2,040,284
<b>Individual Credit Cards-FC</b>	<b>336</b>	<b>-</b>	<b>336</b>
With Installment	-	-	-
Without Installment	336	-	336
<b>Personnel Loans-TL</b>	<b>10,625</b>	<b>237,252</b>	<b>247,877</b>
Real Estate Loans	-	2,581	2,581
Vehicle Loans	16	135	151
Consumer Loans	10,482	225,663	236,145
Abroad	102	2,095	2,197
Other	25	6,778	6,803
<b>Personnel Loans-Indexed to FC</b>	<b>27</b>	<b>8,465</b>	<b>8,492</b>
Real Estate Loans	-	2,538	2,538
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	27	5,927	5,954
<b>Personnel Loans-FC</b>	<b>17</b>	<b>2,090</b>	<b>2,107</b>
Real Estate Loans	-	731	731
Vehicle Loans	-	-	-
Consumer Loans	17	1,079	1,096
Other	-	280	280
<b>Personnel Credit Cards-TL</b>	<b>83,081</b>	<b>647</b>	<b>83,728</b>
With Installment	36,366	573	36,939
Without Installment	46,715	74	46,789
<b>Personnel Credit Cards-FC</b>	<b>29</b>	<b>-</b>	<b>29</b>
With Installment	-	-	-
Without Installment	29	-	29
<b>Overdraft Accounts-TL (Real Person)</b>	<b>979,840</b>	<b>-</b>	<b>979,840</b>
<b>Overdraft Accounts-FC (Real Person)</b>	<b>4</b>	<b>-</b>	<b>4</b>
<b>Total<sup>(1)</sup></b>	<b>4,583,222</b>	<b>73,742,696</b>	<b>78,325,918</b>

(1) TL 439,718 of interest income accruals are not included in the table above.

(2) Consumer loans originated from funds amounting to TL 3,709,345 of are included in the table above.

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

**7. Information related to loans (Continued)**

**7.4. Information on commercial installment loans and corporate credit cards**

	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Commercial Installment Loans-TL</b>	<b>2,269,468</b>	<b>27,422,073</b>	<b>29,691,541</b>
Business Loans	1,606	516,275	517,881
Vehicle Loans	53,733	946,618	1,000,351
Consumer Loans	2,064,698	25,715,993	27,780,691
Other	149,431	243,187	392,618
<b>Commercial Installment Loans- Indexed to FC</b>	<b>138,279</b>	<b>488,234</b>	<b>626,513</b>
Business Loans	-	-	-
Vehicle Loans	2,312	21,820	24,132
Consumer Loans	-	-	-
Other	135,967	466,414	602,381
<b>Commercial Installment Loans - FC</b>	<b>127,722</b>	<b>16,956,909</b>	<b>17,084,631</b>
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	64,329	16,847,007	16,911,336
Other	63,393	109,902	173,295
<b>Corporate Credit Cards-TL</b>	<b>503,705</b>	<b>5,677</b>	<b>509,382</b>
With Installment	172,842	5,645	178,487
Without Installment	330,863	32	330,895
<b>Corporate Credit Cards-FC</b>	<b>103</b>	<b>-</b>	<b>103</b>
With Installment	-	-	-
Without Installment	103	-	103
<b>Overdraft Account-TL (Legal Entity)</b>	<b>139,982</b>	<b>-</b>	<b>139,982</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total <sup>(1)</sup></b>	<b>3,179,259</b>	<b>44,872,893</b>	<b>48,052,152</b>

<sup>(1)</sup> Accruals and rediscount amounts are not included in the table above.

**7.5. Breakdown of domestic and international loans**

	<b>Current Period</b>	<b>Prior Period</b>
Domestic Loans	270,391,503	227,406,151
Foreign Loans	8,882,263	11,661,617
Interest Income Accruals of Loans	5,944,797	4,755,128
<b>Total</b>	<b>285,218,563</b>	<b>243,822,896</b>

**7.6. Loans granted to subsidiaries and associates**

None (31 December 2016: None).

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(Continued)

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

7. Information related to loans (Continued)

7.7. Specific provisions provided against loans

	Current Period	Prior Period
Loans and other receivables with limited collectability	217,702	377,489
Loans and other receivables with doubtful collectability	761,403	984,449
Uncollectible loans and other receivables	3,406,550	2,767,103
<b>Total</b>	<b>4,385,655</b>	<b>4,129,041</b>

7.8. Information on non-performing receivables (net)

7.8.1. Information on loans and other receivables included in non-performing receivables which are restructured or rescheduled by the Parent Bank

	Group III: Loans and Receivables with Limited Collectability	Group IV: Loans and Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Receivables
<b>Current Period</b>	<b>7,949</b>	<b>57,084</b>	<b>139,872</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	7,949	57,084	139,872
Rescheduled loans and other receivables	-	-	-
<b>Prior Period</b>	<b>14,498</b>	<b>58,203</b>	<b>127,037</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	14,498	58,203	127,037
Rescheduled loans and other receivables	-	-	-

7.8.2. Information on the movement of non-performing receivables

	Group III: Loans and Receivables with Limited Collectability	Group IV: Loans and Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Receivables
<b>Prior Period Ending Balance</b>	<b>379,416</b>	<b>993,140</b>	<b>3,007,934</b>
Additions (+)	659,454	85,678	155,259
Transfers from Other Categories of Loans under Follow-up (+)	-	751,951	963,467
Transfers to Other Categories of Loans under Follow-up (-)	751,951	963,467	-
Collections (-) <sup>(1)</sup>	68,848	92,336	502,118
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance</b> <sup>(2)</sup>	<b>218,071</b>	<b>774,966</b>	<b>3,624,542</b>
Specific Provision (-)	217,702	761,403	3,406,550
<b>Net Balance on Balance Sheet</b> <sup>(2)</sup>	<b>369</b>	<b>13,563</b>	<b>217,992</b>

(1) The restructured and rescheduled loans, are included on the stated sum.

(2) Includes the loans originated from funds amounting to TL 231,924 whose risk does not belong to the Parent Bank.

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

7. Information related to loans (Continued)

7.8. Information on non-performing receivables (net) (Continued)

7.8.3. Information on foreign currency non-performing loans

	Group III: Loans and Other Receivables with Limited Collectability	Group IV: Loans and Other Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Other Receivables
<b>Current Period:</b>			
<b>Period Ending Balance</b>	<b>37,823</b>	<b>49,962</b>	<b>101,136</b>
Specific Provision (-)	37,823	49,962	101,136
Net Balance on Balance Sheet	-	-	-
<b>Prior Period:</b>			
<b>Period Ending Balance</b>	<b>36,561</b>	<b>41,095</b>	<b>92,092</b>
Specific Provision (-)	36,561	41,095	92,092
Net Balance on Balance Sheet	-	-	-

7.8.4. Gross and net amounts of non-performing receivables according to user groups

	Group III: Loans and Other Receivables with Limited Collectability	Group IV: Loans and Other Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Other Receivables
<b>Current Period (Net)</b>	<b>369</b>	<b>13,563</b>	<b>217,992</b>
Loans to Real Persons and Legal Entities (Gross)	218,071	696,864	3,624,542
Specific Provisions (-)	217,702	683,301	3,406,550
Loans to Real Persons and Legal Entities (Net)	369	13,563	217,992
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	78,102	-
Specific Provisions (-)	-	78,102	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>1,927</b>	<b>8,691</b>	<b>240,831</b>
Loans to Real Persons and Legal Entities (Gross)	379,416	917,477	3,007,934
Specific Provisions (-)	377,489	908,786	2,767,103
Loans to Real Persons and Legal Entities (Net)	1,927	8,691	240,831
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	75,663	-
Specific Provisions (-)	-	75,663	-
Other Loans and Receivables (Net)	-	-	-

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

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	241,471	1,912,463	2,301,823	2,384,104
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>241,471</b>	<b>1,912,463</b>	<b>2,301,823</b>	<b>2,384,104</b>

*Held-to-maturity investments given as collateral or blocked*

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	2,313,661	2,444,812	1,089,898	2,252,339
Other	-	-	-	-
<b>Total</b>	<b>2,313,661</b>	<b>2,444,812</b>	<b>1,089,898</b>	<b>2,252,339</b>

8.2 Information on held-to-maturity government bonds and treasury bills

	Current Period	Prior Period
Government Bonds	7,062,651	8,647,891
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
<b>Total</b>	<b>7,062,651</b>	<b>8,647,891</b>

8.3. Information on held-to-maturity investments

	Current Period	Prior Period
Debt securities	7,247,075	8,794,915
Quoted in a Stock Exchange	7,062,651	8,647,891
Not Quoted in a Stock Exchange	184,424	147,024
Provision for Impairment (-)	-	-
<b>Total</b>	<b>7,247,075</b>	<b>8,794,915</b>

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

**8. Information on held-to-maturity investments (Continued)**

**8.4. Movements of held-to-maturity investments**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Beginning Balance</b>	<b>8,794,915</b>	<b>10,223,475</b>
Foreign Currency Differences on Monetary Assets	99,307	475,282
Purchases During the Year	334,781	937,418
Disposals through Sales and Redemptions	(1,981,928)	(2,841,260)
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	<b>7,247,075</b>	<b>8,794,915</b>

Within the year 2008, the Parent Bank has reclassified securities previously classified in available for sale portfolio with nominal values of TL 23,630,115, EUR 717,616 thousand and USD 1,483,317 thousand to held-to-maturity portfolio with fair values of TL 22,971,669, EUR 702,950 thousand and USD 1,562,742 thousand respectively which have been taken into consideration as book values after reclassification. The Bank has also reclassified securities previously classified in financial assets at fair value through profit and loss portfolio with nominal values of EUR 37,951 thousand and USD 45,501 thousand to held-to-maturity portfolio with fair values of EUR 37,178 thousand and USD 62,311 thousand respectively which have been taken into consideration as book values after reclassification in accordance with TAS 39 “Turkish Accounting Standard for Financial Instruments: Recognition and Measurement” published in the Official Gazette No. 27040 dated 31 October 2008 by Public Oversight Accounting and Auditing Standards Authority (“POA”).

Revaluation differences of reclassified available for sale securities before deferred tax are TL 68,984, EUR (23,067) thousand and USD (15,207) thousand respectively and are recorded under shareholders’ equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. At the end of balance sheet date, negative revaluation differences which are accounted under shareholders’ equity are amounted as USD 9,717 thousand and EUR 704 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 19,848 thousand and USD 66,217 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 30,827 would have been recorded. As of 30 June 2017, the reclassification from held for trading securities to held-to-maturity investments has an expense impact of TL 23,476.

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

**9. Information about associates (net)**

**9.1. Information about unconsolidated associates**

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage, if Different, Voting Percentage (%)	The Bank’s Risk Group Share Percentage (%)
1	Bankalararası Kart Merkezi A.Ş.	İstanbul/Turkey	12.50	17.98
2	Kredi Kayıt Bürosu A.Ş.	İstanbul/Turkey	10.00	9.09

	Total Assets <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)(3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	82,168	44,063	49,254	584	-	4,167	9,586	-
2	225,170	147,478	153,855	2,457	-	25,565	10,180	-

<sup>(1)</sup> Since shares of associates are not traded in the stock market, fair values cannot be identified.

<sup>(2)</sup> Current period information of associates has been provided from reviewed financial statements as of 30 June 2017. Prior period profit/loss information of associates has been provided from reviewed financial statements as of 30 June 2016.

<sup>(3)</sup> Total fixed assets include tangible and intangible assets.

**9.2. Explanation regarding consolidated associates**

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage, if Different, Voting Percentage (%)	The Parent Bank’s Risk Group Share Percentage (%)
1	Arap Türk Bankası A.Ş.	İstanbul/Turkey	22.22	15.43

	Total Assets <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)(3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	5,113,463	747,888	114,444	74,722	39,092	42,919	35,383	-

<sup>(1)</sup> Since shares of associates are not traded in the stock market, fair values cannot be identified.

<sup>(2)</sup> Current period information of associates has been provided from reviewed financial statements as of 30 June 2017. Prior period profit/loss information of associates has been provided from reviewed financial statements as of 30 June 2016.

<sup>(3)</sup> Total fixed assets include tangible and intangible assets.

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

**9. Information about associates (net) (Continued)**

**9.2. Explanation regarding consolidated associates (Continued)**

**Information about consolidated associates**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at the Beginning of the Period</b>	<b>98,869</b>	<b>92,861</b>
<b>Movement During the Period</b>	<b>16,529</b>	<b>6,008</b>
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits <sup>(1)</sup>	6,622	9,504
Transfer	-	-
Sales	-	-
Revaluation Increase <sup>(1)</sup>	13,302	-
Impairment Provision <sup>(2)</sup>	(3,395)	(3,496)
<b>Balance at the End of the Period</b>	<b>115,398</b>	<b>98,869</b>
Capital Commitments	-	-
Period Ending Share of Capital Participation (%)	15.43	15.43

<sup>(1)</sup> The balance includes the valuation amount occurred by consolidation according to equity method

<sup>(2)</sup> This balance includes the dividend amount taken from Arap Türk Bank A.Ş.

**Sector information about consolidated associates**

	<b>Current Period</b>	<b>Prior Period</b>
Banks	115,398	98,869
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

**9.3. Consolidated associates quoted to a stock exchange**

None (31 December 2016: None).



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

**10. Information on subsidiaries (net)**

**10.1. Information about unconsolidated subsidiaries**

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage- if different Voting Percentage (%)	The Parent Bank’s Group Share Percentage (%)
1	Ziraat Teknoloji A.Ş.	Istanbul/Turkey	100.00	100.00

	Total Assets <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	55,002	10,313	17,308	555	63	(2,462)	41	-

<sup>(1)</sup> Since shares of subsidiaries are not traded in the stock market, fair values cannot be identified.

<sup>(2)</sup> Current period information of subsidiaries has been provided from unreviewed financial statements as of 30 June 2017. Prior period profit/loss information has been provided from reviewed financial statements as of 30 June 2016.

**10.2. Information about consolidated subsidiaries**

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

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage-if different Voting Percentage (%)	The Parent Bank’s Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	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	İstanbul / Turkey	100.00	100.00
8	Ziraat Bank International A.G.	Frankfurt / Germany	100.00	100.00
9	Ziraat Bank BH d.d.	Sarajevo / Bosnia Herzegovina	100.00	100.00
10	Ziraat Bank (Moscow) JSC	Moscow / Russia	100.00	100.00
11	Kazakhstan Ziraat Int. Bank	Almaty / Kazakhstan	100.00	99.58
12	Ziraat Bank Azerbaycan ASC	Baku / Azerbaijan	100.00	100.00
13	Ziraat Bank Montenegro AD	Podgorica / Montenegro	100.00	100.00
14	JSC Ziraat Bank Georgia <sup>(*)</sup>	Tbilisi/ Georgia	100.00	100.00

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

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

10. Information on subsidiaries (net) (Continued)

10.2. Information about consolidated subsidiaries (Continued)

	Total Assets <sup>(3)</sup>	Shareholders' Equity <sup>(3)</sup>	Total Non-Current Assets <sup>(3)</sup>	Interest Income <sup>(3)(4)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(3)</sup>	Prior Period Profit / Loss <sup>(3)</sup>	Fair Value <sup>(1)</sup>	Shareholders' Equity Needed
1	4,764,168	594,630	3,094	89,801	-	200,598	78,701	-	-
2	1,125,990	349,570	1,934	40,021	-	84,353	53,638	-	-
3	2,659,175	327,848	5,962	744	-	35,291	28,332	-	-
4	160,172	115,592	464	25,232	432,702	20,240	11,229	-	-
5	37,156	33,219	729	1,733	13,307	6,839	4,068	-	-
6	10,925,489	815,273	66,817	372,179	21,088	53,670	2,469	-	-
7	1,342,138	1,341,547	1,049,727	16,897	-	27,818	-	-	-
8	6,726,662	833,048	16,364	101,259	1,206	33,958	18,806	782,931	-
9	1,919,076	320,733	72,972	40,729	240	2,250	7,765	280,456	-
10	309,912	145,397	10,901	15,420	122	6,637	4,553	109,090	-
11	562,306	263,428	14,320	17,607	4,694	9,704	7,250	237,838	-
12	314,842	148,848	22,647	10,260	421	3,607	6,577	135,261	-
13	200,585	29,815	3,655	3,279	121	(1,734)	(2,894)	29,540	-
14	131,760	32,969	5,700	705	218	549	-	32,078	-

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

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

<sup>(3)</sup> Information on subsidiaries shown in the above table has been provided from the unreviewed financial statements as of 30 June 2017, the prior period profit/loss balances have been provided from reviewed financial statements as of 30 June 2016.

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

Information on consolidated subsidiaries (Represents figures belonging to the Parent Bank)

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>4,101,352</b>	<b>2,442,943</b>
<b>Movements During the Period</b>	<b>532,078</b>	<b>1,658,409</b>
Additions to Scope of Consolidation	-	-
Purchases <sup>(1)</sup>	532,078	1,446,624
Bonus Shares Obtained	-	2,996
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales	-	-
Revaluation Increase	-	281,824
Impairment Provision (-)	-	73,035
<b>Balance at the End of the Period</b>	<b>4,633,430</b>	<b>4,101,352</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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

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

10. Information on subsidiaries (net) (Continued)

10.2. Information about consolidated subsidiaries (Continued)

Sectoral information on subsidiaries and the related carrying amounts

	Current Period	Prior Period
Banks	2,854,194	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)

Entities under Common Control (Joint Ventures) <sup>(1)</sup>	Parent Bank's Share <sup>(2)</sup>	Group's Share	Current Assets	Non- Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	45,391	45,391	1,095,258	11,965	26,142	21,792	13,686
UTBANK JSC	75,646	75,676	257,272	3,095	786	35,116	15,395
<b>Total</b>	<b>121,037</b>	<b>121,067</b>	<b>1,352,530</b>	<b>15,060</b>	<b>26,928</b>	<b>56,908</b>	<b>29,081</b>

<sup>(1)</sup> Information on entities under joint control is provided from the unaudited financial statements as of 30 June 2017

<sup>(2)</sup> Represents the Parent Bank's share in the shareholders' equity of these entities under common control based on the shareholding rate of the Bank.

Entities under common control domiciled and operating abroad are followed by their fair values. For these entities under common control, fair value is determined by independent valuation firm's report and revaluation differences are accounted as the value of entities under common control and in "Marketable Securities Value Increase Fund" under shareholders' equity.

12. Information on finance lease receivables (net)

Information on finance lease receivables are as below:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	1,086,425	957,065	1,017,502	892,067
1-5 Years	1,741,087	1,482,457	1,553,514	1,356,447
More than 5 Years	369,897	296,145	285,154	235,153
<b>Total</b>	<b>3,197,409</b>	<b>2,735,667</b>	<b>2,856,170</b>	<b>2,483,667</b>

13. Information on derivative financial assets for hedging purposes

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

14. Information on investment property

As of 30 June 2017, the Group has investment property amounting to TL 649,591 (31 December 2016: TL 643,290).

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

15. Information on assets held for sale and tangibles corresponding discontinuing operations

The group does not have any discontinuing operations. The assets held for sale are composed of immovables acquired due to consumer, commercial and agricultural loans and immovables for which has no necessity of usage exists by the Parent Bank. Those immovables considered for sales are announced at the web site of the Parent Bank.

The Group’s immovables acquired amount to TL 641,698 consisting of TL 15,213 due to consumer loans, TL 562,971 on its commercial loans and TL 63,514 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 2,870.

16. Explanations on property and equipment

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
<b>Prior Period End:</b>						
Cost	6,244,530	12,459	45,850	252,001	961,440	7,516,280
Accumulated Depreciation (-)	937,584	3,419	26,331	151,695	522,468	1,641,497
Impairment (-)	2,312	-	-	-	462	2,774
<b>Net Book Value</b>	<b>5,304,634</b>	<b>9,040</b>	<b>19,519</b>	<b>100,306</b>	<b>438,510</b>	<b>5,872,009</b>
<b>Current Period End:</b>						
Net Book Value at the Beginning of the Period	5,304,634	9,040	19,519	100,306	438,510	5,872,009
Change During the Period (Net)	(134,758)	55	(3,029)	(6,112)	12,255	(131,589)
Cost	(26,262)	703	(517)	14,462	60,242	48,628
Depreciation Net (-)	108,496	648	2,512	20,574	47,987	180,217
Impairment (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	6,272	(13)	(61)	54	1,241	7,493
Cost at Period End	6,224,540	13,149	45,272	266,517	1,022,923	7,572,401
Accumulated Depreciation at Period End (-)	1,046,080	4,067	28,843	172,269	570,455	1,821,714
Impairment (-)	2,312	-	-	-	462	2,774
<b>Closing Net Book Value</b>	<b>5,176,148</b>	<b>9,082</b>	<b>16,429</b>	<b>94,248</b>	<b>452,006</b>	<b>5,747,913</b>

17. 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 (31 December 2016: None).

18. 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 (31 December 2016: None).

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II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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	25,491,326	-	3,205,861	62,494,646	4,790,545	1,061,965	969,178	77,618	98,091,139
Foreign Currency Deposits	20,180,087	-	6,080,492	25,329,040	5,661,026	6,077,267	17,279,560	597	80,608,069
Residents in Turkey	16,364,498	-	5,410,933	19,945,212	3,280,471	1,734,852	4,844,736	571	51,581,273
Residents Abroad	3,815,589	-	669,559	5,383,828	2,380,555	4,342,415	12,434,824	26	29,026,796
Public Sector Deposits	4,958,230	-	6,871,894	5,636,889	2,394,737	4,957,437	58,026	-	24,877,213
Commercial Inst. Deposits	5,892,145	-	4,132,115	7,546,895	1,722,734	2,007,788	26,590	-	21,328,267
Other Inst. Deposits	2,166,006	-	1,374,131	2,686,018	395,155	479,097	1,675,001	-	8,775,408
Precious Metals	3,195,423	-	40,815	355,808	31,245	22,046	17,118	-	3,662,455
Interbank Deposits	793,333	-	10,843,574	810,045	1,012,172	1,681,722	377,000	-	15,517,846
CBRT	10,515	-	-	-	-	-	-	-	10,515
Domestic Banks	95,964	-	8,785,962	212,257	212,961	-	3,144	-	9,310,288
Foreign Banks	261,695	-	2,057,612	597,788	799,211	1,681,722	373,856	-	5,771,884
Participation Banks	425,159	-	-	-	-	-	-	-	425,159
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>62,676,550</b>	<b>-</b>	<b>32,548,882</b>	<b>104,859,341</b>	<b>16,007,614</b>	<b>16,287,322</b>	<b>20,402,473</b>	<b>78,215</b>	<b>252,860,397</b>

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	22,548,091	-	3,211,532	60,686,575	4,404,259	1,024,789	857,926	44,170	92,777,342
Foreign Currency Deposits	16,043,174	-	6,158,621	19,113,290	5,174,283	4,969,554	16,427,978	619	67,887,519
Residents in Turkey	13,814,369	-	5,883,031	15,986,117	4,411,314	3,059,414	10,853,638	619	54,008,502
Residents Abroad	2,228,805	-	275,590	3,127,173	762,969	1,910,140	5,574,340	-	13,879,017
Public Sector Deposits	6,223,181	-	2,935,849	7,310,177	2,090,069	4,742,350	13,571	-	23,315,197
Commercial Inst. Deposits	6,319,002	-	6,593,154	9,922,821	497,592	67,658	52,483	-	23,452,710
Other Inst. Deposits	1,815,386	-	2,709,644	4,398,157	412,382	827,365	946,954	-	11,109,888
Precious Metals	2,066,664	-	32,607	240,919	23,444	16,479	13,292	-	2,393,405
Interbank Deposits	1,496,123	-	5,033,318	1,687,431	636,144	1,973,477	1,149,439	-	11,975,932
CBRT	5,252	-	-	-	698	-	-	-	5,950
Domestic Banks	420,083	-	4,405,931	87,962	191,176	-	6,364	-	5,111,516
Foreign Banks	164,921	-	627,387	1,599,469	444,270	1,973,477	1,143,075	-	5,952,599
Participation Banks	905,867	-	-	-	-	-	-	-	905,867
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>56,511,621</b>	<b>-</b>	<b>26,674,725</b>	<b>103,359,370</b>	<b>13,238,173</b>	<b>13,621,672</b>	<b>19,461,643</b>	<b>44,789</b>	<b>232,911,993</b>

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

**1. Information on Deposits/Funds collected (Continued)**

**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
<b>Saving Deposits</b>				
Saving Deposits <sup>(1)</sup>	64,668,740	60,568,084	30,709,807	29,701,060
Foreign Currency Saving Deposits <sup>(1)</sup>	25,052,039	21,431,931	33,095,636	28,972,511
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(2)</sup>	710,776	636,306	59,285	42,853
Deposits at Off-Shore Banking Regions’ and under Foreign Authorities’ Insurance	-	-	-	-

<sup>(1)</sup> Related deposit balances do not include foreign branches.

<sup>(2)</sup> In Bulgaria and Greece, since both real person and legal entity’s saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 67,256 and TL 22,022 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 907 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 699,664 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 Parent Bank whose head office is abroad, and reasons if it is covered in where the head office is located (Information belongs to the Parent Bank)**

The Parent Bank’s head office is located in Turkey.

**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	96,067	81,373
Deposits of Ultimate Shareholders and Their Close Families	-	-
Deposits of Chairman and Members of the Board of Directors , General Manager, Assistant General Managers and Their Close Family Members	5,521	6,448
Deposits Obtained through Illegal Acts Defined in the 282 <sup>nd</sup> 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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II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

2. Information related to derivative financial liabilities held for trading

2.1. Negative differences related to the derivative financial liabilities held for trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	40,037	38,400	33,498	50,329
Swap Transactions	58,316	251,309	206,170	363,333
Futures Transactions	-	-	-	-
Options	3	610	35	-
Other	-	-	-	-
<b>Total</b>	<b>98,356</b>	<b>290,319</b>	<b>239,703</b>	<b>413,662</b>

3. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	270,765	1,850,526	403,098	1,653,704
Foreign Banks, Institutions and Funds	938,923	24,205,562	935,448	21,434,279
<b>Total</b>	<b>1,209,688</b>	<b>26,056,088</b>	<b>1,338,546</b>	<b>23,087,983</b>

3.1. Maturity structure of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	265,528	9,125,163	394,462	7,048,505
Medium and Long-Term	944,160	16,930,925	944,084	16,039,478
<b>Total</b>	<b>1,209,688</b>	<b>26,056,088</b>	<b>1,338,546</b>	<b>23,087,983</b>

3.2. Further information is disclosed for the areas of the Group’s liability concentrations. Main liability concentration areas are fund suppliers, sector groups or other risk concentration criteria

60.61% of the Group’s liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Group’s liabilities are not subject to a significant concentration risk (31 December 2016: None).

4. Information on funds supplied from repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Domestic Transactions</b>	<b>5,409,298</b>	-	<b>30,385,206</b>	-
Financial Institutions and Organizations	5,165,384	-	30,211,399	-
Other Institutions and Organizations	238,090	-	166,520	-
Real Person	5,824	-	7,287	-
<b>From Overseas Operations</b>	-	<b>12,929,790</b>	-	<b>12,270,423</b>
Financial Institutions and Organizations	-	12,929,790	-	12,270,423
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
<b>Total</b>	<b>5,409,298</b>	<b>12,929,790</b>	<b>30,385,206</b>	<b>12,270,423</b>

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

**5. Information on securities issued**

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	3,027,318	-	2,156,778	-
Asset-Backed Securities	202,597	-	101,459	-
Treasury Bills	177,518	6,856,607	131,822	4,680,692
<b>Total</b>	<b>3,407,433</b>	<b>6,856,607</b>	<b>2,390,059</b>	<b>4,680,692</b>

**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 Group’s interest rate of commercial loan and maturity of the agreement. The amounts in the lease agreements are paid in equal installments. There are not any restrictions in these agreements that create significant obligations to the Group.

The Group has no liabilities from finance leases (31 December 2016: None).

**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
<b>General Provisions</b>	<b>4,657,234</b>	<b>4,042,425</b>
Allocated for Group-I Loans and Receivables	3,777,785	3,271,408
Additional Provision for Loans and Receivables with Extended Maturities	288,873	233,456
Allocated for Group-II Loans and Receivables	203,838	181,621
Additional Provision for Loans and Receivables with Extended Maturities	77,543	61,127
Allocated for Non-Cash Loans	531,053	466,954
Other	144,558	122,442

**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 9,259 (31 December 2016: TL 327).

**9.3. Specific provisions for unindemnified non-cash loans**

Specific provisions of Parent Bank for unindemnified non-cash loans amount to TL 144,901 (31 December 2016: TL 150,916).



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

9. Explanations on provisions (Continued)

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 1,210,000 which has a part of TL 265,000 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 19,700 and other provision of TL 221 exist for cash transfers made by Bank officials.

	Current Period	Prior Period
Free Provisions for Possible Risks	1,229,911	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, lawsuits against the Parent Bank over TL 100 amounts to TL 67,633. Full provision has been provided in these financial statements for law suits ended against the Bank but not finalized yet, amounting to TL 36,250.

Based on the decision of the Parent Bank management, provision amounting to TL 54,000 is provided for the consumer loans followed under standard loan portfolio that also have amounts in the non-performing loan portfolio in compliance with the Act on Preservation of Consumers numbered 4077. The provision is made in accordance with the “Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”, published in Official Gazette numbered 26333, dated 1 November 2006 and considering the conservatism principle without taking into consideration the guarantees of these loans (31 December 2016: TL 60,400).

The Group also provided provisions amounting to TL 144,901 for unindemnified non-cash loans (31 December 2016: TL 150,916), TL 115,682 for other provisions (31 December 2016: TL 102,026). As a result of the provisions mentioned above, the other provision balance on the Group’s balance sheet amounts to TL 1,581,144 (31 December 2016: TL 1,313,995).

9.5. Liabilities on reserve for employee termination benefits

9.5.1. Employment termination benefits and unused vacation rights

The Group accounts for its vacation and retirement pay obligations in accordance with the TAS 19 “Employee Benefits”. The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation. As of 30 June 2017, unpaid vacation liability amounted to TL 233,266 (31 December 2016: TL 192,237), and employment termination amounted to TL 775,180 (31 December 2016: TL 695,237) are presented under the “Employee Benefits Provision” in the financial statements.

9.5.2. Information on additional bonus paid to the personnel

The Bank has set provision amounting to TL 125,000 for additional bonus will be paid to the personnel with the resolution of General Assembly (31 December 2016: None).

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

**10. Information on tax liability**

**10.1. Information on current tax liability**

**10.1.1. Information on tax provisions**

As of 30 June 2017, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 435,441 (31 December 2016: TL 444,505).

**10.1.2. Information on current taxes payable**

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Tax Payable	435,441	444,505
Taxation on Income From Securities	170,069	215,147
Property Tax	2,756	2,491
Banking Insurance Transactions Tax (BITT)	149,099	144,072
Foreign Exchange Transactions Tax	54	59
Value Added Tax Payable	5,582	7,091
Other	135,285	67,194
<b>Total</b>	<b>898,286</b>	<b>880,559</b>

**10.2. Information on premiums**

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums - Employee	38	39
Social Security Premiums - Employer	55	56
Bank Social Aid Pension Fund Premium - Employee	24,380	8,840
Bank Social Aid Pension Fund Premium - Employer	34,020	12,400
Pension Fund Membership Fees and Provisions - Employee	2	13
Pension Fund Membership Fees and Provisions - Employer	33	59
Unemployment Insurance - Employee	1,790	1,382
Unemployment Insurance - Employer	3,578	2,763
Other	-	-
<b>Total</b>	<b>63,896</b>	<b>25,552</b>

**10.3. Information on deferred tax liabilities, if any**

The Group’s deferred tax liability, for the current term, amounts to TL 188,260 (31 December 2016: TL 3,463).

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

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

**12. Explanations on subordinated debts**

The Group does not have any subordinated debts.

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

13. Information on shareholders’ equity

13.1. Presentation on paid-in capital

	Current Period	Prior Period
Common Stock	5,100,000	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 Parent 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 capital 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 the Parent Bank’s 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 Parent Bank has no capital commitments.

13.6. Indicators of the Parent Bank’s income, profitability and liquidity for the previous periods and possible effects of future assumptions based on the uncertainty of these indicators on the Bank’s equity

In the current period, the Parent Bank follows its operations in line with the previous periods. The Parent Bank’s balance sheet has been managed with precaution by being affected by the interest, rate of exchange and credit risks at the minimum level. This helps to reduce the effects of fluctuations in the market to the Parent Bank’s performance and contributes to the profitability structure to be sustainable.

13.7. Information on preferred shares representing the capital

The Parent Bank has no preferred shares.

13.8. Information on marketable securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Subsidiaries, Associates and Entities under Common Control</b>	<b>208,435</b>	<b>1,025</b>	<b>416,619</b>	<b>1,025</b>
Revaluation Difference	-	1,025	-	1,025
Foreign Exchange Difference	208,435	-	416,619	-
<b>From Available for Sale Marketable Securities</b>	<b>(1,087,501)</b>	<b>682,663</b>	<b>(1,261,338)</b>	<b>(550,321)</b>
Revaluation Difference	(1,186,973)	682,801	(1,657,745)	(550,250)
Deferred Tax Effect	99,472	(138)	396,407	(71)
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(879,066)</b>	<b>683,688</b>	<b>(844,719)</b>	<b>(549,296)</b>

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

III. EXPLANATIONS AND NOTES TO CONSOLIDATED 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	7,886,915	7,275,913
Other Irrevocable Commitments	9,033,692	7,204,521
Loan Granting Commitments	4,144,920	3,742,487
Payment Commitments for Cheques	3,593,808	3,173,767
Asset Purchase Commitments	2,539,724	2,136,524
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	25,111	22,138
Tax and Fund Obligations Resulting from Export Commitments	1,023	458
Subsidiaries and Associates Capital Contribution Commitments	-	-
<b>Total</b>	<b>27,225,193</b>	<b>23,555,808</b>

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 Group arising from off-balance sheet items is explained in 7<sup>th</sup> note explanations on provisions of Section Five Explanations and Notes Related to the Consolidated Liabilities.

1.2.1. Non-cash loans including guarantees, acceptances, financial guarantees and other letter of credits

	Current Period	Prior Period
Guarantee Letters	75,505,310	68,592,339
Letter of Credits	10,808,624	9,327,602
Bank Acceptances	5,270,984	4,261,898
Other Guarantees	296,165	532,131
Other Warrantees	4,369	7,145
<b>Total</b>	<b>91,885,452</b>	<b>82,721,115</b>

1.2.2. Certain guarantees, temporary guarantees, surety ships and similar transactions

	Current Period	Prior Period
Letters of Certain Guarantees	47,661,560	42,394,237
Letters of Advance Guarantees	17,992,051	18,614,529
Letters of Temporary Guarantees	4,395,169	3,767,887
Letters of Guarantees Given to Customs Offices	1,689,364	786,137
Other Letters of Guarantees	3,767,166	3,029,549
<b>Total</b>	<b>75,505,310</b>	<b>68,592,339</b>

1.2.3. Total non-cash loans

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>1,911,757</b>	<b>1,675,735</b>
With Original Maturity of One Year or Less	767,898	25,218
With Original Maturity of More than One Year	1,143,859	1,650,517
<b>Other Non-Cash Loans</b>	<b>89,973,695</b>	<b>81,045,380</b>
<b>Total</b>	<b>91,885,452</b>	<b>82,721,115</b>

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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
<b>Interest on Loans</b> <sup>(1)(2)</sup>	<b>11,669,696</b>	<b>1,897,523</b>	<b>9,001,635</b>	<b>1,323,207</b>
Short Term Loans	3,024,672	123,276	2,091,662	60,886
Medium and Long Term Loans	8,587,582	1,773,742	6,846,007	1,261,611
Interest on Non-Performing Loans	57,442	505	63,966	710
Premiums from Resource Utilization Support Fund	-	-	-	-

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

<sup>(2)</sup> Incomes from participation funds of Ziraat Katılım Bankası A.Ş. is shown in the line of interest income received from 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	8,347	-	2,494	-
Domestic Banks	102,636	2,390	96,506	1,695
Foreign Banks	624	5,022	794	8,211
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>111,607</b>	<b>7,412</b>	<b>99,794</b>	<b>9,906</b>

1.3. Information on interest income on marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	1,696	1,088	456	936
Financial Assets at Fair Value through Profit or Loss	-	-	6,730	-
Financial Assets Available-for-Sale	2,510,137	406,389	2,021,108	300,624
Investments Held-to-Maturity	200,851	157,198	229,938	174,770
<b>Total</b>	<b>2,712,684</b>	<b>564,675</b>	<b>2,258,232</b>	<b>476,330</b>

1.4. Information on interest income from subsidiaries and associates

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	133	159

2. Within the scope of Interest Expense

2.1. Information on interest expense on borrowings

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b> <sup>(1)</sup>	<b>68,724</b>	<b>255,110</b>	<b>57,326</b>	<b>172,577</b>
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	24,650	16,523	12,123	10,577
Foreign Banks	44,074	238,587	45,203	162,000
Foreign Head Office and Branches	-	-	-	-
Other Institutions	-	8,552	-	1,270
<b>Total</b>	<b>68,724</b>	<b>263,662</b>	<b>57,326</b>	<b>173,847</b>

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

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

3.2. Information on interest expenses given to subsidiaries and associates

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	399	2,087

3.3. Information on interest given on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	154,210	119,904	121,799	61,181

3.4. 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	-	345,350	41	-	-	-	-	345,391
Saving Deposit	1	125,019	2,786,422	191,983	39,040	45,664	299	3,188,428
Public Sector Deposit	620	150,924	236,194	104,740	212,401	1,289	-	706,168
Commercial Deposit	125	199,229	435,681	36,783	86,640	1,389	-	759,847
Other Deposit	42	42,046	143,827	17,052	19,595	46,589	-	269,151
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>788</b>	<b>862,568</b>	<b>3,602,165</b>	<b>350,558</b>	<b>357,676</b>	<b>94,931</b>	<b>299</b>	<b>5,268,985</b>
FC								
Foreign Currency Deposit	601	43,962	164,760	28,112	26,273	116,589	1	380,298
Bank Deposit	4	30,429	16,303	1,790	330	452	-	49,308
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	139	876	95	65	55	-	1,230
<b>Total</b>	<b>605</b>	<b>74,530</b>	<b>181,939</b>	<b>29,997</b>	<b>26,668</b>	<b>117,096</b>	<b>1</b>	<b>430,836</b>
<b>Grand Total</b>	<b>1,393</b>	<b>937,098</b>	<b>3,784,104</b>	<b>380,555</b>	<b>384,344</b>	<b>212,027</b>	<b>300</b>	<b>5,699,821</b>

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

4. Information on trading profit/loss (net)

	Current Period	Prior Period
<b>Profit</b>	<b>21,128,404</b>	<b>17,653,696</b>
Foreign Exchange Gains	20,149,963	15,359,166
Profit on Derivative Financial Instruments	943,940	2,273,611
Profit from the Capital Market Transactions	34,501	20,919
<b>Loss (-)</b>	<b>21,132,378</b>	<b>17,726,617</b>
Foreign Exchange Loss	20,021,399	15,213,306
Loss on Derivative Financial Instruments	1,110,609	2,510,198
Loss from the Capital Market Transactions	370	3,113

4. Information on profit/loss on derivative financial operations

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	2,568,379	2,582,940
Effect of the change in interest rates on profit/loss	(2,735,048)	(2,819,527)
<b>Total</b>	<b>(166,669)</b>	<b>(236,587)</b>

5. Information on other operating income

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

There are no significant matters covering the recent developments which have significant effect on the Parent Bank's income. Main component of the Bank's other operating income consists of reversals from prior period provisions amounting to TL (369,044) (30 June 2016: TL 582,452) and income from sales of assets amounting to TL 84,748 (30 June 2016 TL 142,005).

6. Provision expenses for impairment on loans and other receivables

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables <sup>(1)</sup>	607,280	1,259,036
Group III Loans and Receivables	217,142	260,505
Group IV Loans and Receivables	330,136	487,038
Group V Loans and Receivables	60,002	511,493
General Provision Expenses	605,098	233,987
Provision Expenses for the Possible Losses	265,000	960
Marketable Securities Impairment Expense	312	5,223
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available for Sale	312	5,223
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	39,053	25,755
<b>Total</b>	<b>1,516,743</b>	<b>1,524,961</b>

<sup>(1)</sup> The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL 334,433 are presented in other operating income (30 June 2016: TL 293,917).

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

7. Information on other operating expenses

	Current Period	Prior Period
Personnel Expenses	1,371,753	1,249,329
Reserve for Employee Termination Benefits	54,229	43,421
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	212,049	148,739
Intangible Assets Impairment Expense	130	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	32,444	21,014
Impairment Expense for Equity Shares Subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	-	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	946,939	660,995
Operational Leasing Expenses	139,560	112,878
Maintenance Expenses	34,605	38,908
Advertisement Expenses	56,114	37,046
Other Expenses	716,660	472,163
Loss on Sales of Assets	280	595
Other <sup>(1)</sup>	1,473,896	1,161,782
<b>Total</b>	<b>4,091,720</b>	<b>3,285,875</b>

<sup>(1)</sup> TL 264,035 of other items consists of Savings Deposit Insurance Fund accrual expense (30 June 2016: TL 229,063), while TL 259,023 consists of taxes, duties and charges expenses (30 June 2016: TL 224,761).

8. Information on profit/(loss) before tax from continuing and discontinuing operations

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

	Current Period	Prior Period
Net Interest Income	8,910,992	6,729,788
Net Fees and Commissions Income	1,013,586	718,859
Other Operating Income	1,875,871	1,665,695
Dividend Income	4,654	31,835
Trading Income/Expense (Net)	(3,974)	(72,921)
Provision for Loan or Other Receivables Losses (-)	1,516,743	1,524,961
Other Operating Expenses (-)	4,091,720	3,285,875
Profit/Loss on Equity Method Applied Subsidiaries	13,688	10,908
<b>Profit/(Loss) from Continuing Operations</b>	<b>6,206,354</b>	<b>4,273,328</b>

9. Information on tax provision for continuing and discontinuing operations

As of 30 June 2017, TL 1,337,674 (30 June 2016 TL 867,714) of the Group's total tax provision expense amounting to TL 1,371,068 (30 June 2016: TL 1,182,922), consists of current tax expense while the remaining balances amounting to TL 33,394 (30 June 2016: TL 315,208 deferred tax income) consists of deferred tax income.



**SECTION FIVE (Continued)**

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

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

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

The Group’s net operating income after tax amounts to TL 4,868,680 (30 June 2016: TL 3,405,614).

**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 Parent Bank in the current period:**

The Parent Bank, mainly utilizes its resources from domestic deposits on loans, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations and insurance agencies.

**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 (30 June 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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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

V. EXPLANATIONS AND NOTES TO THE RISK GROUP OF THE PARENT BANK

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances

Current Period

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the the Parent 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	22,397	-	-	-	-	-
Closing Balance	17,965	-	-	-	-	-
<b>Interest and Commissions Income</b>	<b>133</b>	-	-	-	-	-

Prior Period

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the the Parent 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	25,125	-	-	-	-	-
Closing Balance	22,397	-	-	-	-	-
<b>Interest and Commissions Income <sup>(1)</sup></b>	<b>159</b>	-	-	-	-	-

<sup>(1)</sup> The prior period amounts of Interest and Commission Income represents the amount of 30 June 2016.

2. Deposits held by the Parent 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	52,520	38,385	-	-	-	-
Closing Balance	101,590	52,520	-	-	-	-
<b>Interest Expense on Deposits <sup>(1)</sup></b>	<b>399</b>	<b>2,087</b>	-	-	-	-

<sup>(1)</sup> The prior period amounts of Interest Expense on Deposits represents the amount of 30 June 2016.

3. Information on forward transactions, option agreements and similar transactions between the Parent Bank’s risk group

None (31 December 2016: None).

4. Information about fees paid to the Group’s key management

Fees paid to the Group’s key management amount to TL 24,182 (30 June 2016: TL 23,331).

VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

The decision of increasing capital 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.

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**SECTION SIX**

**EXPLANATIONS ON REVIEW REPORT**

**I. EXPLANATIONS ON REVIEW REPORT**

As of 30 June 2017, consolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Review Report dated 15 August 2017 is presented preceding the financial statements.

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

None.

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**SECTION SEVEN (\*)**

**EXPLANATIONS ON THE INTERIM REPORT**

**I. Chairman’s Assessment**

The second quarter of 2017, on the back of ongoing recovery in developed and emerging economies, was a period of positive surprises regarding GDP growth figures. In this period where global growth outlook positively affected risk appetite, low level of inflation in developed countries led to a more cautious plan for the transition to monetary policy normalization by major central banks.

It appears that the US economy continues to grow at a steady rate in an environment where investor and consumer confidence hover at healthy levels. The Federal Reserve (Fed) sticks to its moderate approach regarding monetary policy normalization, moving toward with gradual interest rate hikes. The Fed is expected to begin reducing its balance sheet later this year, which has reached \$ 4.5 trillion in size. The Fed believes that weak price pressures will be temporary; and that the economy is strong enough to withstand balance sheet reduction. Although inflation at low levels forces Fed towards more cautiousness, it is widely expected that a tighter employment market will trigger inflationary dynamics. Accordingly Fed may continue with one more interest rate hike this year.

In the Eurozone, where political risks have eased in the second quarter of 2017, the recovery in loan growth has enabled a strong and widespread GDP growth in the region, thanks to the improving employment market, increasing disposable income at low energy prices, and interest rates at historically low levels.

The European Central Bank (ECB) also signals that it will begin to normalize its monetary policy, taking into account the improved growth outlook and the fall in tail risks. Despite this positive picture, it is still necessary to realize how slow the possible normalization of monetary policy will evolve, since growth and low wage increases do not yet cause the inflationary dynamics to strengthen as desired. It is estimated that the ECB will act cautiously in an environment where the uncertainties of the UK's exit from the European Union pose a downward risk to the Eurozone growth.

In a context where uncertainties have diminished with the expectation that the Fed will act more gradual, portfolio inflows have intensified towards emerging markets since March. Volatility in global financial markets is at historically low levels in an environment where China stabilizes and supports risk appetite.

In the first quarter of 2017, the Turkish economy passed through toughest risk scenarios and experienced a robust GDP growth rate of 5%, exceeding the averages of the EU, OECD and G-7 countries. The first quarter of the economy saw a strong rebound on the back of expansionary fiscal policies implemented by the economy management. Incentives by the economy management supporting employment, exports and production resulted with intended results. We are expecting to finish 2017 with a growth rate above the target of 4.4% mentioned in the Medium Term Programme.

The tight stance in monetary policy in the period we left behind combined with the support of the global risk appetite, which is currently favoring Emerging Markets has reduced the volatility of the exchange rate and resulted in a marked improvement in domestic risk premium. Inflation remained high in the second quarter of the year, though a limited decline was recorded in yearly basis.

It is well-known that the economy is expected to go through solid steps and gain even more strength in the second half of the year. This situation will also support the recovery in the employment market in the process. This channel is expected to contribute positively to the strengthening of tax revenues and structural sustainability of fiscal discipline.

In this framework, the banking sector continued to support the economy with the loans it has granted in the first half of the year. The banking sector has provided considerable financing in this period, especially targeting small and medium-sized enterprises. Its strong capital structure and the support of Credit Guarantee Fund as well as SME supporting loan initiatives by KOSGEB played a significant role in granting these loans. Probably loan growth will slow down in the forthcoming period having reached a considerable speed in the first half of the year.

Ziraat Bank has achieved rapid growth in loans extended to housing and small and medium sized enterprises. In order to improve entrepreneurial banking, our Bank aims to provide widespread financing. Especially 25% of the total number of customers covered by the Credit Guarantee Fund , which are having difficulty in accessing finance, were granted loans by our bank.

**Muharrem KARSLI**  
**Chairman**

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**SECTION SEVEN (Continued)**

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

**II. General Manager’s Assessment**

In the last one-year period, even though Turkey, Turkish economy and banks were severely tested due to undesired conditions, the economy grew beyond the expectations in the first quarter of 2017. The positive trend in the economic activity tend to continue in the second quarter of the year. Meanwhile the banking sector with its sound capital structure and asset quality contributed increasingly to the economy.

As Ziraat Bank, we have completed the first half of the year with concrete financial results. In this period, total assets increased 12% and reached to TL 417 bn. We have increased the asset size 2.5 times throughout the Transformation Project in the last 6 years. In the first half of the year, the cash loans increased by 17% and reached to TL 285 billion resulting an upsurge of the share of loans in total assets to 68%.

Total loan book reached to TL 377 billion and has become an important source for Turkish Economic Activity.

In the first half of the year, we have increased our support to Small and Medium Entreprises (SME) and housing finance. Taking into consideration the value-added to the construction sector and the related sectors, we have increased the housing loans market share to 22%. The General Purpose Loans increased with a relatively higher pace compared to last year.

Additionally, TL 1.6 billion salary promotion payments to 4.2 million pensioner customers have been made.

The Bank has increased its support to SMEs, building blocks of the economy, through granting further loans given under the CGF (Credit Guarantee Fund) and KOSGEB (Small and Medium Industry Development Organization) guarantee scheme. These loans were allocated to the maximum number of enterprises who had difficulty in accessing loan finance due to lack of collateral. The Bank has allocated the total amount of loan given to 1 customer by other banks to approximately 4 customers and thus increased the widespread structure of these loans.

We continue our support to the agriculture with working capital and investment loans and focused more on the support and the sustentation of the industrial agricultue. We also target to increase efficiency and effectiveness in the agro industry through supplying finance ranging from small machinery and equipment to mechanisation. The Bank has a 65% market share in agro finance and 40% of its agro loans are investment loans.

Deposit continues to be the main source of funding however in the first half of the year, the loan growth has been mostly financed through non-deposit funding with a strategy of not putting pressure on deposit rates. We have rolled our syndicated loan facility of 1.1 bn USD and issued USD 600 million, 5 year senior unsecured eurobond. We have also increased our non-deposit funding amount by approximately TL 17 billion via repo, commercial paper issuance, post-finance loans, bilateral loans and loans from International financial institutions. Thus we have diversified our funding base and did not exert extra pressure on the deposit market and interest rates.

The bank, having the highest franshise of the country with its 1,813 branches and more than 7,000 ATMs continues investments for the further development of the non-branch channels. We continue to enhance our analytical and digital banking services through internet and mobile banking, Customer Communication Center, Operation Center for easier access and widespread service.

Having more than 1,800 correspondant bank in more than 130 countries, we have made remarkable progress for the integration of the bank customers to foreign trade activities. Due to change in strategy, our market share in foreign trade increased to 13%. We intermediate our customers for their execution of foreign trade business all around the globe.

Having the most widespread service network and being the largest financial institution of Turkey from many aspects, we carry on our business so as to use the extensivity and size more efficiently with a more customer driven approach.

**Hüseyin AYDIN**

**Member of the Board of Directors and General Manager**

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**SECTION SEVEN (Continued)  
EXPLANATIONS ON THE INTERIM REPORT (Continued)**

**III. Shareholding Structure**

The paid in capital of T.C. Ziraat Bank is TL 5.100.000.000. The Bank's sole shareholder is the Republic of Turkey Prime Ministry Undersecretariat of Treasury and all of the Bank's shares were decided to be transferred to the Turkish Wealth Fund with the decision of the Council of Ministry numbered 2017/9756 dated 24 January 2017. The transfer process is still continuing.

Chairman and Members of the Board of Directors, Members of the Supervisory Board and General Manager and Vice General Managers are not a shareholder in the bank.

The decision of increasing capital to TL 5,600,000,000 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.

**IV. Financial indicators**

<b>ASSETS (TL Million)</b>	<b>30 June 2017</b>	<b>31 December 2016</b>	<b>(%)</b>
Liquid Assets and Banks	44,903	45,219	-0.7
Securities Portfolio	71,090	69,643	2.1
Loans	285,450	244,074	17.0
Other Assets	15,761	12,946	21.7
<b>Total Assets</b>	<b>417,204</b>	<b>371,882</b>	<b>12.2</b>
<b>LIABILITIES (TL Million)</b>	<b>30 June 2017</b>	<b>31 December 2016</b>	<b>(%)</b>
Deposits	252,860	232,912	8.6
Non-deposits Resources	95,480	78,843	21.1
Other Liabilities	24,365	21,215	14.8
Shareholders' Equity	44,499	38,912	14.4
<b>Total Liabilities</b>	<b>417,204</b>	<b>371,882</b>	<b>12.2</b>
<b>CHOSEN INCOME-EXPENSES (TL Million)</b>	<b>30 June 2017</b>	<b>30 June 2016</b>	<b>(%)</b>
Interest Income	17,531	13,374	31.1
Interest Expense	8,620	6,644	29.7
Net Interest Income	8,911	6,730	32.4
Net Fees and Commission Income	1,014	719	41.0
Other Operations Income	1,876	1,666	12.6
Other Operations Expense	4,092	3,286	24.5
Provision for Losses on Loans Or Other Receivables	1,517	1,525	-0.5
Income Before Taxes From Continuing Operations	6,206	4,273	45.2
Provision For Taxes On Income From Continuing Operations	1,338	868	54.1
<b>Net Profit/Losses</b>	<b>4,869</b>	<b>3,406</b>	<b>43.0</b>

<b>RATIOS (%)</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
Capital Adequacy Ratio	14.63	13.86
Equity / Total Assets	10.7	10.5
Cash Loans / Total Assets	68.4	65.6
Loans under follow-up (Gross) / Total Loans	1.6	1.8
Saving Deposits/ Total Deposits	24.8	24.3
FC Assets / FC Liabilities	90.6	106.1
Liquid Assets / Total Assets	10.8	12.2
	<b>30 June 2017</b>	<b>30 June 2016</b>
Return on Assets ( ROA )	2.5	2.1
Return on Equity ( ROE )	23.5	20.0
Interest Incomes / Interest Expenses	203.4	201.3

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**SECTION SEVEN (Continued)  
EXPLANATIONS ON THE INTERIM REPORT (Continued)**

**V. Expectations for the Period after 2017 II. Interim**

The second quarter of 2017 was a period of upward revisions to year-end growth forecasts, as evidenced by the recovery in economic activity both in developed and in developing countries. Global growth followed a robust performance as commodity prices stabilized, employment grew and world trade volumes increased.

On the other hand, it is observed that the central banks of developed countries tend to normalize their monetary policies more gradually. Indices that measure volatility in global equity and bond markets have tested historical low levels in the period we left behind despite the uncertainties of the Fed's balance sheet reduction and Brexit negotiations.

The Fed maintained its gradual interest rate increase within the forecast of three interest rate hikes for 2017 and raised the FED funds rate 25 basis points for the second time in June. In the period we left behind, Trump's election promises faced challenge in the legislative branch raising suspicion in the market about the viability of his other policies.

While the US dollar was depreciating in the light of these developments; the US 10-year Treasury rates could not stay above 2.30%. In this context; the partial slowdown in the upward trend of long-term bond interest rates has eased the pressure on developing country yields. In an environment where low inflation is likely to force the FED to be cautious, the Fed has reinforced the strength of the current recovery with a message after the June meeting by announcing that it will begin to reduce the amount of its bond holdings later this year.

While uncertainties linger around the Fed's balance sheet reduction process, it is expected that this process will have a more limited impact on emerging markets compared to outright interest rate hikes.

The euro zone displayed a strong, balanced and wide-spread growth outlook in the first half of 2017. The fact that the employment market in the region has recovered and the unemployment figures have fallen to their lowest level in the last 8 years propelled consumption demand that helped to boost the growth alongside with other catalysts such as historical low level of interest rates allowing favorable financing conditions as well as relatively low oil prices.

However, uncertainties about the UK's exit from the European Union continue to exert downward pressure on global growth outlook, particularly for the regional economy. The strength of recovery encouraged the European Central Bank (ECB) to signal the start of the normalization process of their ultra-easy monetary policies. Nevertheless, it is thought that the normalization process of the monetary policy will be realized very slowly because declining output gap yet to trigger inflationary dynamics in the region.

Intensified capital inflows to developing countries continued in the second quarter of 2017, with the market expecting a more cautious policy from FED and a slower tightening of their monetary policies. On the back of strong fund flows to equity and bond markets, currencies appreciated against the dollar; Stock market indices have also left behind a quarter where low volatility in global financial markets contributed to their gains. In addition to these developments, stable growth figures from China and the moderate course of the Chinese currency Renminbi have supported the increased risk appetite in the global markets. Despite this positive outlook, geopolitical developments and the question marks around US protectionism trends regarding foreign trade continue to pose a downside risk to global growth outlook.

Although the Organization of Petroleum Exporting Countries (OPEC) decided in May to extend its petroleum production cuts by May 2018, US stocks continued to remain at high levels due to the supply of shale oil, preventing oil prices from rising past US \$ 50 a barrel. Despite this picture, the sensitivity of commodity currencies to oil price swings was not particularly severe compared to previous periods.

The Turkish economy grew a forecast beating 5% showing a strong and balanced growth composition in the first quarter of 2017. Incentives for employment, exports and production were the main engines of the growth in the first quarter. Year-end forecasts were revised upwards following the robust performance. Growth in this framework is projected to be stronger than the OVP target of 4.4% for 2017.

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**SECTION SEVEN (Continued)**  
**EXPLANATIONS ON THE INTERIM REPORT (Continued)**

**V. Expectations for the Period after 2017 II. Interim (Continued)**

Thanks to the flexibility provided on the back of financial discipline, the authorities continue to support the economy by using expansionary fiscal policies as a driving force. The growth in economic activity is expected to become even stronger from the second quarter of the year looking at the credit growth pattern, as well as the expansionary fiscal policies. The positive contribution of net exports to growth, along with the high growth rate, is important in terms of indicating a balanced growth composition. A recovering Euro Zone economy supports external demand, it is estimated that the net external demand will continue to grow positively. In particular, the appreciation of the euro and the depreciation of the US dollar are in favor of Turkey in terms of cost-return dynamics.

It seems that the revival in the economy reflected positively to employment. This is an undisputed finding that employment mobilization measures and the support of the Credit Guarantee Fund are influential in this relationship. Despite the high levels of participation in the labor force, the unemployment rates have been declining since January. and the declining trend in unemployment rates is poised to continue with the recovery in economic activity that is expected to continue in the second half of the year.

In the second quarter of 2017, a gradual decline in consumer prices was observed, albeit with a decline in the impact of factors such as tax regulations, currency pass-through and energy prices, which are decisive factors in the rise in inflation. The continuing volatility in food inflation and the limited decline in core metrics indicate that the Central Bank will maintain its tight monetary policy. During the period we are in, the stable course of the exchange rate and the declining commodity prices, especially oil, are contributing to the downward trend in producer prices. Therefore, in case of a correction the food prices with the help of the measures taken by the Food and Agricultural Market Monitoring and Evaluation Committee, it seems possible to finish the year with a single digit inflation figure. As the volatility in the financial markets weakened with the monetary policy continued to tighten, the improvement in domestic risk premiums became more pronounced and CDS (credit default swap) premiums, which measure the country's risk, have fallen to the lowest levels since the beginning of 2015. As a reflection of the improvement in risk perception, the BIST-100 index continues to test record levels.

Public expenditures are one of the key drivers of growth in 2017, thanks to public spending and tax cuts that authorities have chosen in a controlled manner to meet the needs of the economy. Since most of the measures taken in fiscal policies are temporary, no permanent deterioration is expected on the budget side; the need for extra incentives after the economy grew strong at 5% was also reduced. It is expected that the budget balance will be positively affected through the tax revenues as the economy wheels move fast. It is envisaged that this rate will remain below the Maastricht criteria of 3% albeit slightly above the Medium Term Programme target due to stimulus measures.