

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

Consolidated Financial Statements
As of and For the Three-Month Period Ended 31 March 2017
With Auditors' Review Report Thereon
*(Convenience Translation of Consolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

10 May 2017

*This report contains "Limited Review Report"
comprising 2 pages and; "Consolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 92 pages.*

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

Independent Auditors' Report on Review of Consolidated Interim Financial Information

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

Report on the Consolidated Financial Satetments

We have reviewed the accompanying consolidated statement of balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (the "Bank") and its financial subsidiaries (together the "Group") as at 31 March 2017 and the related consolidated statement of income, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as "BRSA Accounting and Reporting Legislation") and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of limited review

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

Basis for the Qualified Conclusion

As mentioned in Section II. Note 7.d.1 of Explanations and Notes to the Consolidated Financial Statements, the accompanying consolidated interim financial information as of 31 March 2017 include general provision of total TL 1.210.000 thousands, of which TL 265.000 thousands had been 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 as at 31 March 2017 and its financial performance and its cash flows for the three-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 three months period ended 31 March 2016 were audited and reviewed by another auditor who expressed an 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 10 May 2016, respectively.

Report on Other Responsibilities Arising From Regulatory Requirements

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the Management's interim report included in Section VII of the accompanying consolidated interim financial information is not consistent, in all material respects, with the reviewed consolidated interim financial statements and explanatory notes.

Additional Paragraph for Convenience Translation

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.

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

Erdal Tıkmak
Partner, SMMM

10 May 2017
Istanbul, 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 31 MARCH 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 three 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
- EXPLANATIONS ON THE 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

JOINT VENTURES

Turkmen Turkish Joint Stock Commercial Bank
UTBANK JSC

The accompanying consolidated financial statements for three 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.

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

Hüseyin AYDIN
Member of the Board,
CEO

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

Peyami Ömer ÖZDİLEK
Financial Coordination
Executive Vice President

Atakan BEKTAŞ
Senior Vice President
of Financial Reporting and
Budget Management

For the questions regarding this financial report, contact details of the personnel in charge are presented below:
Name/Title : Serkan ÖZKAN / Financial Statements Manager
Telephone Number : 0312 584 59 32
Facsimile 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 AT 31 MARCH 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 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 VISE PRESIDENT, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE PARENT BANK THEY POSSESS

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

The directors above-mentioned do not retain any shares of the Parent Bank’s capital.

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

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

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2017

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

GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

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

As of 31 March 2017, Bank carries its activities with a grand total of 1.818 branches; 1.791 domestic branches including 20 corporate branches, 79 entrepreneurial branches, 76 dynamic entrepreneurial branches, 1.611 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 27 branches abroad including 22 branches and 5 sub branches (New York branch in United States, London branch in England, Tbilisi branch and Batumi and Merneuli sub branches in Georgia, Baghdad and Arbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina in Kosovo, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Akdoğan, Karaoğlanoğlu, Karakum and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has 1 representative office in Tehran, Iran.

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

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

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

As of 31 March 2017, the number of the Group’s employees is 27.021 (31 December 2016: 27.030).

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TURKISH, SEE IN NOTE I. OF SECTION THREE**

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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, Araptürk Bankası A.Ş, one of the associates of the Parent Bank, and Turkmen Turkish Joint Stock Commercial Bank, UTBANK JSC (formerly named as “Uzbekistan-Turkish Bank”) entities under common control are consolidated through “Equity Method” in accompanying consolidated financial statements of the Bank.

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

All other subsidiaries are fully consolidated.

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

None.

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 31 MARCH 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 (31/03/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
		ASSETS					
I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	6.221.209	31.783.376	38.004.585	8.174.747	32.470.758	40.645.505
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	1.314.836	353.146	1.667.982	1.232.112	487.459	1.719.571
2.1 Financial Assets Held for Trading		1.314.836	353.146	1.667.982	1.232.112	487.459	1.719.571
2.1.1 Public Sector Debt Securities		27.134	20.214	47.348	35.694	5.131	40.825
2.1.2 Securities Representing a Share in Capital		-	-	-	-	-	-
2.1.3 Derivative Financial Assets Held for Trading		1.285.796	324.221	1.610.017	1.196.418	482.328	1.678.746
2.1.4 Other Marketable Securities		1.906	8.711	10.617	-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	(3)	1.782.784	2.983.877	4.766.661	1.586.083	2.733.983	4.320.066
IV. MONEY MARKET PLACEMENTS		7.718.634	184.928	7.903.562	33.968	218.976	252.944
4.1 Interbank Money Market Placements		7.683.679	78.547	7.762.226	-	113.813	113.813
4.2 Istanbul Stock Exchange Money Market Placements		32.031	-	32.031	30.800	-	30.800
4.3 Receivables from Reverse Repurchase Agreements		2.924	106.381	109.305	3.168	105.163	108.331
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	44.530.461	15.573.030	60.103.491	44.271.134	14.857.080	59.128.214
5.1 Securities Representing a Share in Capital		109.299	606.542	715.841	109.021	540.377	649.398
5.2 Public Sector Debt Securities		44.039.796	14.854.078	58.893.874	43.700.624	14.199.635	57.900.259
5.3 Other Marketable Securities		381.366	112.410	493.776	461.489	117.068	578.557
VI. LOANS AND RECEIVABLES	(5)	192.395.398	72.329.015	264.724.413	173.678.548	70.395.797	244.074.345
6.1 Loans and Receivables		192.168.912	72.329.015	264.497.927	173.427.099	70.395.797	243.822.896
6.1.1 Loans Granted to Risk Group of The Bank		-	20.871	20.871	-	-	22.397
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		192.168.912	72.308.144	264.477.056	173.427.099	70.373.400	243.800.499
6.2 Loans under Follow-up		4.333.399	183.216	4.516.615	4.210.742	169.748	4.380.490
6.3 Specific Provisions (-)		4.106.913	183.216	4.290.129	3.959.293	169.748	4.129.041
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENTS HELD TO MATURITY (Net)	(6)	2.741.769	4.509.109	7.250.878	3.630.564	5.164.351	8.794.915
8.1 Public Sector Debt Securities		2.602.446	4.508.252	7.110.698	3.491.761	5.156.130	8.647.891
8.2 Other Marketable Securities		139.323	857	140.180	138.803	8.221	147.024
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	121.153	1.010	122.163	104.935	951	105.886
9.1 Accounted with Equity Method		115.087	-	115.087	98.869	-	98.869
9.2 Unconsolidated Associates		6.066	1.010	7.076	6.066	951	7.017
9.2.1 Financial Associates		-	-	-	-	-	-
9.2.2 Non-financial Associates		6.066	1.010	7.076	6.066	951	7.017
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	7.457	-	7.457	7.457	-	7.457
10.1 Unconsolidated Financial Subsidiaries		1.220	-	1.220	1.220	-	1.220
10.2 Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237	6.237	-	6.237
XI. ENTITIES UNDER COMMON CONTROL (Net)	(9)	-	105.349	105.349	-	101.105	101.105
11.1 Accounted with Equity Method		-	105.349	105.349	-	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	(10)	781.368	1.840.676	2.622.044	705.449	1.778.218	2.483.667
12.1 Finance Lease Receivables		980.171	2.080.840	3.061.011	855.662	2.000.508	2.856.170
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		198.803	240.164	438.967	150.213	222.290	372.503
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1 Fair Value Hedges		-	-	-	-	-	-
13.2 Cash Flow Hedges		-	-	-	-	-	-
13.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(14)	5.676.875	130.275	5.807.150	5.749.260	122.749	5.872.009
XV. INTANGIBLE ASSETS (Net)		377.654	35.911	413.565	333.302	34.562	367.864
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		377.654	35.911	413.565	333.302	34.562	367.864
XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	643.769	-	643.769	643.290	-	643.290
XVII. TAX ASSET		130.764	5.750	136.514	87.690	5.914	93.604
17.1 Current Tax Asset		2.371	5.750	8.121	1.121	5.914	7.035
17.2 Deferred Tax Asset		128.393	-	128.393	86.569	-	86.569
XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	628.593	479	629.072	562.983	32	563.015
18.1 Held for Sale		628.593	479	629.072	562.983	32	563.015
18.2 Held from Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS		2.822.234	2.394.144	5.216.378	1.398.325	1.310.143	2.708.468
TOTAL ASSETS		267.894.958	132.230.075	400.125.033	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 31 MARCH 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 (31/03/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES AND EQUITY					
I. DEPOSITS	(1)	154.728.416	87.693.485	242.421.901	152.475.037	80.436.956	232.911.993
1.1 Deposits Held By the Risk Group of the Bank		42.322	23.730	66.052	33.645	18.875	52.520
1.2 Other		154.686.094	87.669.755	242.355.849	152.441.392	80.418.081	232.859.473
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	84.837	440.367	525.204	239.703	413.662	653.365
III. FUNDS BORROWED	(3)	1.206.331	24.534.070	25.740.401	1.338.546	23.087.983	24.426.529
IV. MONEY MARKET BALANCES		38.365.281	20.857.317	59.222.598	35.075.206	12.270.423	47.345.629
4.1 Interbank Money Market Borrowings		28.123.800	7.675.657	35.799.457	4.640.000	-	4.640.000
4.2 Istanbul Stock Exchange Takasbank Borrowings		666.000	-	666.000	50.000	-	50.000
4.3 Funds Provided under Repurchase Agreements		9.575.481	13.181.660	22.757.141	30.385.206	12.270.423	42.655.629
V. MARKETABLE SECURITIES ISSUED (Net)		2.717.150	4.860.252	7.577.402	2.390.059	4.680.692	7.070.751
5.1 Bills		2.438.155	-	2.438.155	2.156.778	-	2.156.778
5.2 Asset-backed Securities		101.524	-	101.524	101.459	-	101.459
5.3 Bonds		177.471	4.860.252	5.037.723	131.822	4.680.692	4.812.514
VI. FUNDS		6.031.923	-	6.031.923	6.020.839	-	6.020.839
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		6.031.923	-	6.031.923	6.020.839	-	6.020.839
VII. MISCELLANEOUS PAYABLES		1.462.313	1.851.122	3.313.435	1.305.967	1.260.934	2.566.901
VIII. OTHER LIABILITIES	(4)	2.939.195	515.666	3.454.861	3.046.595	479.291	3.525.886
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. PAYABLES FROM LEASING TRANSACTIONS (Net)	(5)	-	-	-	-	-	-
10.1 Finance Lease Payables		-	-	-	-	-	-
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(6)	-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XII. PROVISIONS	(7)	8.199.110	157.897	8.357.007	7.378.704	159.957	7.538.661
12.1 General Provisions		4.305.619	64.210	4.369.829	3.983.630	58.795	4.042.425
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		932.114	2.054	934.168	885.586	1.888	887.474
12.4 Insurance Technical Reserves (Net)		1.412.147	-	1.412.147	1.294.767	-	1.294.767
12.5 Other Provisions		1.549.230	91.633	1.640.863	1.214.721	99.274	1.313.995
XIII. TAX LIABILITY	(8)	1.393.218	12.394	1.405.612	899.544	10.030	909.574
13.1 Current Tax Liability		1.393.218	6.734	1.399.952	899.544	6.567	906.111
13.2 Deferred Tax Liability		-	5.660	5.660	-	3.463	3.463
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(9)	-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Held from Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(10)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(11)	41.801.373	273.316	42.074.689	39.451.361	(539.564)	38.911.797
16.1 Paid-in Capital		5.100.000	-	5.100.000	5.100.000	-	5.100.000
16.2 Capital Reserves		3.108.851	273.316	3.382.167	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		(989.810)	260.685	(729.125)	(844.719)	(549.296)	(1.394.015)
16.2.4 Tangible Assets Revaluation Reserves		4.160.966	12.631	4.173.597	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		(79.693)	-	(79.693)	(79.693)	-	(79.693)
16.3 Profit Reserves		22.876.947	-	22.876.947	22.871.718	-	22.871.718
16.3.1 Legal Reserves		3.399.007	-	3.399.007	3.393.778	-	3.393.778
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		18.052.605	-	18.052.605	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		10.713.946	-	10.713.946	8.207.208	-	8.207.208
16.4.1 Prior Years Profit/Loss		8.311.997	-	8.311.997	1.322.284	-	1.322.284
16.4.2 Net Period Profit/Loss		2.401.949	-	2.401.949	6.884.924	-	6.884.924
16.5 Minority Shares		1.629	-	1.629	1.451	-	1.451
TOTAL LIABILITIES AND EQUITY		258.929.147	141.195.886	400.125.033	249.621.561	122.260.364	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 STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS OF 31 MARCH 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 (31/03/2017)			Prior Period (31/12/2016)		
			TL	FC	Total	TL	FC	Total
			A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		56.241.662	128.004.942	184.246.604
I.	GUARANTEES AND WARRANTIES	(1)	28.583.333	58.545.317	87.128.650	26.076.864	56.644.251	82.721.115
1.1	Letters of Guarantee		28.374.141	43.502.109	71.876.250	25.872.985	42.719.354	68.592.339
1.1.1	Guarantees Subject to State Tender Law		1.571.642	8.304.239	9.875.881	1.490.146	7.994.602	9.484.748
1.1.2	Guarantees Given for Foreign Trade Operations		23.768.832	33.689.675	57.458.507	21.980.667	33.311.238	55.291.905
1.1.3	Other Letters of Guarantee		3.033.667	1.508.195	4.541.862	2.402.172	1.413.514	3.815.686
1.2	Bank Acceptances		31.944	4.695.333	4.727.277	34.549	4.227.349	4.261.898
1.2.1	Import Letter of Acceptance		27.804	4.690.222	4.718.026	29.427	4.224.206	4.253.633
1.2.2	Other Bank Acceptances		4.140	5.111	9.251	5.122	3.143	8.265
1.3	Letters of Credit		166.002	9.889.230	10.055.232	157.159	9.170.443	9.327.602
1.3.1	Documentary Letters of Credit		166.002	9.848.211	10.014.213	157.159	9.125.262	9.282.421
1.3.2	Other Letters of Credit		-	41.019	41.019	-	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		11.075	452.027	463.102	12.000	520.131	532.131
1.9	Other Collaterals		171	6.618	6.789	171	6.974	7.145
II.	COMMITMENTS	(1)	20.041.356	6.920.558	26.961.914	18.528.082	6.321.850	24.849.932
2.1	Irrevocable Commitments		20.023.481	5.228.565	25.252.046	18.508.007	5.047.801	23.555.808
2.1.1	Asset Purchase and Sale Commitments		360.708	2.013.499	2.374.207	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		3.987.552	66.168	4.053.720	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		3.464.941	20	3.464.961	3.173.733	34	3.173.767
2.1.8	Tax and Fund Liabilities from Export Commitments		732	-	732	738	-	458
2.1.9	Commitments for Credit Card Limits		7.385.926	18.321	7.404.247	7.258.758	17.155	7.275.913
2.1.10	Commitments for Credit Cards and Banking Services Promotions		22.488	-	22.488	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		4.801.134	3.130.557	7.931.691	4.142.025	3.062.496	7.204.521
2.2	Revocable Commitments		17.875	1.691.993	1.709.868	20.075	1.274.049	1.294.124
2.2.1	Revocable Loan Granting Commitments		-	7.157	7.157	-	3.966	3.966
2.2.2	Other Revocable Commitments		17.875	1.684.836	1.702.711	20.075	1.270.083	1.290.158
III.	DERIVATIVE FINANCIAL INSTRUMENTS		7.616.973	62.539.067	70.156.040	17.021.227	64.649.662	81.670.889
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		7.616.973	62.539.067	70.156.040	17.021.227	64.649.662	81.670.889
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.694.825	3.643.222	5.338.047	1.353.480	3.719.751	5.073.231
3.2.1.1	Forward Foreign Currency Transactions-Buy		795.189	1.873.984	2.669.173	628.181	1.913.250	2.541.431
3.2.1.2	Forward Foreign Currency Transactions-Sell		899.636	1.769.238	2.668.874	725.299	1.806.501	2.531.800
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		5.844.738	58.756.001	64.600.739	15.656.747	60.918.593	76.575.340
3.2.2.1	Foreign Currency Swap-Buy		849.424	27.137.074	27.986.498	13.485.251	20.739.673	34.224.924
3.2.2.2	Foreign Currency Swap-Sell		4.995.314	21.951.109	26.946.423	2.171.496	30.856.286	33.027.782
3.2.2.3	Interest Rate Swap-Buy		-	4.833.909	4.833.909	-	4.661.317	4.661.317
3.2.2.4	Interest Rate Swap-Sell		-	4.833.909	4.833.909	-	4.661.317	4.661.317
3.2.3	Foreign Currency, Interest rate and Securities Options		77.410	139.844	217.254	11.000	11.318	22.318
3.2.3.1	Foreign Currency Options-Buy		38.705	69.922	108.627	5.500	5.659	11.159
3.2.3.2	Foreign Currency Options-Sell		38.705	69.922	108.627	5.500	5.659	11.159
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		967.167.606	162.293.956	1.129.461.562	933.725.665	147.072.049	1.080.797.714
IV.	ITEMS HELD IN CUSTODY		273.610.160	16.711.124	290.321.284	251.122.581	14.575.165	265.697.746
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		4.074.178	6.671.567	10.745.745	3.549.338	6.213.402	9.762.740
4.3	Checks Received for Collection		6.246.871	618.621	6.865.492	6.276.854	553.317	6.830.171
4.4	Commercial Notes Received for Collection		6.541.603	639.702	7.181.305	6.345.097	568.396	6.913.493
4.5	Other Assets Received for Collection		8.834	-	8.834	8.834	-	8.834
4.6	Assets Received for Public Offering		245.659.194	15.353	245.674.547	230.498.311	3.354	230.501.665
4.7	Other Items Under Custody		11.077.281	8.692.621	19.769.902	4.441.948	7.179.931	11.621.879
4.8	Custodians		2.199	73.260	75.459	2.199	56.765	58.964
V.	PLEDGES RECEIVED		692.830.139	143.596.086	836.426.225	682.010.015	130.623.295	812.633.310
5.1	Marketable Securities		1.535.471	41.528	1.576.999	1.557.574	37.532	1.595.106
5.2	Guarantee Notes		14.721.096	2.586.023	17.307.119	14.412.792	2.535.527	16.948.319
5.3	Commodity		1.667.418	73.124	1.740.542	1.508.261	70.224	1.578.485
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		608.548.636	114.959.219	723.507.855	601.855.777	103.085.496	704.941.273
5.6	Other Pledged Items		66.352.309	25.923.003	92.275.312	62.670.402	24.881.798	87.552.200
5.7	Pledged Items-Depository		5.209	13.189	18.398	5.209	12.718	17.927
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		727.307	1.986.746	2.714.053	593.069	1.873.589	2.466.658
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			1.023.409.268	290.298.898	1.313.708.166	995.351.838	274.687.812	1.270.039.650

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 AT 31 MARCH 2017

III. CONSOLIDATED STATEMENT OF INCOME				
INCOME AND EXPENSE ITEMS		Note (Section Five IV)	Current Period 1/1-31/03/2017	Prior Period 1/1-31/03/2016
I.	INTEREST INCOME	(1)	8.534.331	6.637.856
1.1	Interest Income from Loans		6.488.596	5.016.832
1.2	Interest Income from Reserve Deposits		80.328	45.148
1.3	Interest Income from Banks		49.140	55.566
1.4	Interest Income from Money Market Placements		140.477	2.544
1.5	Interest Income from Marketable Securities		1.703.773	1.462.715
1.5.1	Financial Assets Held for Trading		1.411	812
1.5.2	Financial Assets at Fair Value through Profit and Loss		31	6.692
1.5.3	Financial Assets Available-for-Sale		1.510.567	1.238.114
1.5.4	Investments Held-to-Maturity		191.764	217.097
1.6	Finance Lease Income		47.191	43.593
1.7	Other Interest Income		24.826	11.458
II.	INTEREST EXPENSES	(2)	3.977.997	3.327.912
2.1	Interest Expense on Deposits		2.704.651	2.415.289
2.2	Interest on Borrowings		159.600	110.339
2.3	Interest on Money Market Borrowings		970.527	690.950
2.4	Interest on Marketable Securities Issued		120.103	86.235
2.5	Other Interest Expense		23.116	25.099
III.	NET INTEREST INCOME/EXPENSES (I - II)		4.556.334	3.309.944
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		480.609	353.770
4.1	Fees and Commissions Received		564.243	450.909
4.1.1	Non-cash Loans		111.798	82.697
4.1.2	Other	(12)	452.445	368.212
4.2	Fees and Commissions Paid		83.634	97.139
4.2.1	Non-cash Loans		132	61
4.2.2	Other		83.502	97.078
V.	DIVIDEND INCOME		1.493	886
VI.	TRADING PROFIT/LOSS (Net)	(3)	104.582	5.146
6.1	Profit/Loss from Capital Market Operations		18.117	5.877
6.2	Profit/losses on Derivative Financial Transactions	(4)	(59.309)	711.986
6.3	Profit/Loss from Foreign Exchanges		145.774	(712.717)
VII.	OTHER OPERATING INCOME	(5)	985.111	671.448
VIII.	TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)		6.128.129	4.341.194
IX.	PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)	(6)	1.043.350	507.130
X.	OTHER OPERATING EXPENSES(-)	(7)	1.954.307	1.684.791
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		3.130.472	2.149.273
XII.	GAINS RECORDED AFTER MERGER		-	-
XIII.	PROFIT/LOSS ON EQUITY METHOD		6.315	4.887
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XV.	INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(8)	3.136.787	2.154.160
XVI.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(9)	(734.757)	(484.679)
16.1	Current Tax Provision		(940.962)	(587.124)
16.2	Deferred Tax Provision		206.205	102.445
XVII.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(10)	2.402.030	1.669.481
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income from Non-current Assets Held for Sale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
18.3	Other Income from Discontinued Operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Expenses for Non-current Assets Held for Sale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3	Other Expenses from Discontinued Operations		-	-
XX.	PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/LOSSES (XVII+XXII)	(11)	2.402.030	1.669.481
23.1	Group's Profit/Loss		2.401.949	1.669.427
23.2	Minority Shares Profit/Loss		81	54
	Earnings/Loss per Share		0,471	0,338

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 AT 31 MARCH 2017**

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

IV. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Current Period (1/1-31/03/2017)	Prior Period (1/1-31/03/2016)
I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	845.259	1.037.868
II. TANGIBLE ASSETS	(14.143)	(14.102)
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES		-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	(2.691)	81.433
V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)	-	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	8.445	(128)
IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(166.733)	(299.416)
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	670.137	805.655
XI. CURRENT YEAR PROFIT/LOSS	2.402.030	1.669.481
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	18.117	5.877
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	2.383.913	1.663.604
XII. TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	3.072.167	2.475.136

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 MARCH 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																			
31 March 2016		Note (Section Five V)	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.	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		-	-	-	-	5.006	-	-	-	-	-	733.565	-	-	-	-	(145)	738.426
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		-	-	-	-	-	-	-	-	-	-	-	(14.102)	-	-	-	-	(14.102)
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Foreign Exchange Differences		-	-	-	-	84.301	-	-	-	-	-	(2.868)	-	-	-	-	-	81.433
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		-	-	-	-	-	-	-	(102)	-	(10.236)	-	-	-	-	-	94	(10.244)
XVII.	Net Profit or Losses		-	-	-	-	-	-	-	-	1.669.427	(10.236)	-	-	-	-	-	54	1.669.481
XVIII.	Profit Distribution		-	-	-	-	-	-	-	-	(5.377.791)	5.377.791	-	-	-	-	-	-	-
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	(5.377.791)	5.377.791	-	-	-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	-	-	-	-	(5.377.791)	5.377.791	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the End of the Period (I+II+III+.....+ XVII+XVIII)		5.000.000	-	-	-	3.150.751	-	13.659.246	1.340.013	1.669.427	5.553.921	225.530	3.600.512	17.388	-	-	1.148	34.217.936

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 CHANGES IN SHAREHOLDERS' EQUITY AT 31 MARCH 2017

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY																			
31 March 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	6.884.924	1.322.284	(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		-	-	-	-	-	-	-	-	-	-	672.810	-	-	-	-	(2.729)	670.081
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		-	-	-	-	-	-	-	-	-	-	-	(14.143)	-	-	-	-	(14.143)
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	5.229	-	-	-	-	-	(7.920)	-	-	-	-	-	(2.691)
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-	-	-	-	2.401.949	104.789	-	-	-	-	-	2.826	107.615
XVIII.	Profit Distribution		-	-	-	-	-	-	-	-	(6.884.924)	6.884.924	-	-	-	-	-	81	2.402.030
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	-	-	-	-	(6.884.924)	6.884.924	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the End of the Period (I+II+III+.....+ XVII+XVIII)		5.100.000	-	-	-	3.399.007	-	18.052.605	1.345.642	2.401.949	8.311.997	(729.125)	4.173.597	17.388	-	-	1.629	42.074.689

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 CASH FLOWS AS OF 31 MARCH 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS			
	Note (Section Five VI)	Current Period 1/1-31/03/2017	Prior Period 1/1-31/03/2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		1.341.227	1.002.213
1.1.1 Interest Received		6.820.424	5.307.713
1.1.2 Interest Paid		(3.786.957)	(3.222.576)
1.1.3 Dividend Received		1.493	377
1.1.4 Fees and Commissions Received		564.243	450.800
1.1.5 Other Income		784.947	1.292.425
1.1.6 Collections from Previously Written-off Loans and Other Receivables		368.818	316.089
1.1.7 Payments to Personnel and Service Suppliers		(627.970)	(607.697)
1.1.8 Taxes Paid		(579.554)	(497.582)
1.1.9 Other		(2.204.217)	(2.037.336)
1.2 Changes in Operating Assets and Liabilities		3.988.807	(847.829)
1.2.1 Net (Increase)/Decrease in Trading Securities		(5.962)	(44.496)
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3 Net (Increase)/Decrease in Banks		2.389.849	25.051
1.2.4 Net (Increase)/Decrease in Loans		(20.158.868)	(7.028.294)
1.2.5 Net (Increase)/Decrease in Other Assets		(2.658.701)	643.582
1.2.6 Net Increase/(Decrease) in Bank Deposits		10.142.004	(736.260)
1.2.7 Net Increase/(Decrease) in Other Deposits		11.169.884	6.937.960
1.2.8 Net Increase/(Decrease) in Funds Borrowed		1.272.474	(395.555)
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		1.838.127	(249.817)
I. Net Cash Provided from Banking Operations		5.330.034	154.384
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net Cash Provided from Investing Activities		(252.762)	950.311
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		(153.362)	(53.847)
2.4 Fixed Assets Sales		5.015	69.034
2.5 Cash for Purchase of Financial Assets Available for Sale		(5.097.027)	(3.984.773)
2.6 Cash Obtained from Sale of financial Assets Available for Sale		4.355.650	4.866.615
2.7 Cash Paid for Purchase of Investment Securities		(258.959)	(76.978)
2.8 Cash Obtained from Sale of Investment Securities		1.990.265	545.506
2.9 Other		(1.094.344)	(415.246)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from Financing Activities		2.355.000	(465.818)
3.1 Cash from Funds Borrowed and Securities Issued		2.480.000	2.031.168
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(125.000)	(2.496.986)
3.3 Marketable Securities Issued		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		-	-
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		354.032	(146.332)
V. Net Decrease/Increase in Cash and Cash Equivalents (I+II+III+IV)		7.786.304	492.545
VI. Cash and Cash Equivalents at the Beginning of the Period		15.899.913	9.118.137
VII. Cash and Cash Equivalents at the End of the Period		23.686.217	9.610.682

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 NOTE I. OF SECTION THREE**

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 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 and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards, within the scope of interim reporting Turkish Accounting Standards 34 “Interim Financial Reporting” and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (referred as “Turkish Accounting Standards” or “TAS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) (“all referred as BRSA Principles”).

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

Financial statements of subsidiaries in abroad are prepared in accordance with prevalent law and legislation in their country, adjustments and reclassifications are reflected on the purpose of fair presentation pursuant to 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 31 March 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 31 March 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 2016 have no material impact on the Bank’s accounting policies, financial position and performance. The amendments of TAS and TFRS, except TFRS 9 Financial Instruments, is predicted no impact on the accounting policies, financial condition and performance of the Bank. The Bank conducts the preparations in line with TFRS 9 Financial Instruments Standard, which will have entered into force as of 1 January 2018.

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2017

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

Main activity of the Parent Bank comprises banking services, such as; launching all kinds of cash and non-cash loans in terms of Turkish Lira and foreign currencies, performing transactions in local, international money and capital markets, supporting agricultural sector financially and collecting deposits in Turkish Lira and foreign currencies. The Parent Bank’s main funding source is Turkish Lira deposits, repurchase agreements, issued securities, 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 Parent Bank adopts high return principle for its long-term placements. Loans and securities are instruments from which the Parent Bank gets returns above the average returns within its lines of activity. Letter of guarantees, bank loans, commercial letter of credits, repayment commitments for cheques and 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

a. Consolidation principles applied:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2017

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

a. Consolidation principles applied (Continued):

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	31 March 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 Herzegovina	Banking	100,00	100,00	100,00	100,00
Ziraat Bank (Moscow) JSC	Moscow/Russia	Banking	100,00	100,00	100,00	100,00
Kazakhstan Ziraat Int. Bank	Almaty/Kazakhstan	Banking	99,58	99,58	99,58	99,58
Ziraat Bank Azerbaycan ASC	Baku/Azerbaijan	Banking	100,00	100,00	100,00	100,00
Ziraat Bank Montenegro AD	Podgorica/Montenegro	Banking	100,00	100,00	100,00	100,00

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

a. Consolidation principles applied (Continued):

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

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

4. Transactions with minority shareholders:

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

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

Turkish lira denominated unconsolidated associates and subsidiaries are booked at cost value, 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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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. Realized interest accruals calculated for non-performing loans and recognized as income although not collected are reversed and interest income related to these loans is recognized as interest income only when they are collected.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

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

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

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

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

b. Held-to-maturity financial assets:

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

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

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.

c. Loans and receivables:

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

c. 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, in the relevant Regulation and the related disclosures of the BRSA, the minimum amounts required there is no provision that prevents the allocation of excess reserves. Allocated provisions are deducted from the income for the period. If the receivables for which provisions were set in the previous years are collected, provision for allowances are released and recognized as income under “Other Operating Income” account. Releases of current period provisions are made by the reversal of the amount from the “Provision for Impairment of Loans and Other Receivables” account.

d. Available-for-sale financial assets:

Available-for-sale financial assets are defined as financial assets other than the ones classified as “loans and receivables”, “held-to-maturity assets” or “financial assets at fair value through profit or loss”.

Available for sale assets are initially recognized at cost. 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 is compared and the difference is booked as interest income or impairment expense. Fair value and amortized cost of these securities are compared and the difference is recognized in shareholders’ equity as “Marketable Securities Value Increase Fund”. When these financial assets are disposed of or impaired the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement.

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

Regarding the banking operations of Ziraat Bank, there exist ineffective shares of Kredi Garanti Fonu, Central Bank of the Republic of Turkey and Milli Reasürans T.A.Ş. The related investments are classified under available-for-sale financial assets and are carried out at book value. The reason to explain the necessary action is the inability to reliably measure the subject asset type at fair value.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

Securities subject to repurchase agreements are classified under after deferred tax liability calculation in “held for trading”, “available for sale” and/or “held-to-maturity” portfolios and they are valued based on the revaluation principles of the related portfolios. Funds obtained by these agreements are followed under the “Funds from Repurchase Agreements” account in the balance sheet and interest expense accrual is calculated using the internal rate of return method.

Funds given against securities purchased under agreements (“Reverse Repo”) to resell are accounted under “Receivables from Reverse Repurchase Agreements” on the balance sheet and interest income accrual is calculated using internal rate of return method.

As of the balance sheet date, there are no securities lending transactions.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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.

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 %.

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. The Bank’s tangible fixed assets purchased before 1 January 2005 are carried at inflation adjusted cost in the balance sheet before 31 December 2004 and its tangible fixed assets that are purchased subsequent to 1 January 2005 are valued at historical cost. As of 31 January 2014 the Bank has changed its accounting policies and has decided to pursue the real estates registered in its portfolio at fair values. In this context, for all real estates registered in the Parent Bank’s inventory, appraisal study was carried by independent expertise companies, and from 1 January 2014 valuation results are reflected in the accounting records. As a result of the fair valuation of the real estates which is included in tangible fixed assets, TL 4.160.822 revaluation difference is followed under shareholders’ equity as of 31 March 2017. As of 30 January 2014, the net book amount of real estates of the tangible assets before valuation was TL 816.950.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT (Continued)

Property, plant and equipment (except for immovable assets) are shown in the financial statements over their remaining cost after deducting accumulated depreciation from cost amounts and after deducting impairment, if the real estates have been deducted from their fair values. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method. The amortization method applied in the current period has not been changed.

Estimated depreciation rates of tangible fixed assets are as follows;

Buildings	: 2%
Vehicles and Fixtures	: 2 - 20%

Gains or losses emerging from the disposal of tangible assets are recognized in the profit or loss account as difference between net revenue of a related intangible asset and its net book value.

Ordinary maintenance and repair expenses of tangible fixed assets items are recognized as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of tangible assets are capitalized. The investment expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

There are no mortgages, pledges or similar precautionary measures on tangible fixed assets or commitments given for the purchase or any restrictions designated for the use of those tangible fixed assets.

XIV. EXPLANATIONS ON INVESTMENT PROPERTY

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

XV. EXPLANATIONS ON LEASING TRANSACTIONS

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

a. Accounting of leasing transactions for the lessee:

Financial Lease

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

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

Operational Lease

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

b. Accounting of leasing transactions for lessor:

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES

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

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

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

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

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

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment Termination and Vacation Benefits

The Parent Bank recognizes its liabilities of employment terminations and vacation benefits in accordance with TAS 19 “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. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, Employment Termination Benefit Provision is calculated in two ways; if the employee is a state employee, the calculation is based on retirement pension for the working period of the state employee, and if the employee is a blue-collar worker the calculation is based on the final salary at the date of retirement or leave (to the extent that the payments and/or salary amount does not exceed the Employment Termination Benefit Provision ceiling).

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 78.342 was classified as “Other Reserves” in the financials by the Parent Bank.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

a. Employment Termination and Vacation Benefits (Continued)

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.

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

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

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

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

According to the new law bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution and would be subject to its legislation within three years beginning from the date of publication without any required transaction. Three years transfer period would be extended by two years at most with the decision of Council of Ministers. In accordance with the related legislation, as of the transfer date, the cash value of the liabilities will be calculated by considering the income and expenses of the transferred funds by the insurance branches and by using the actuarial interest rate of 9,80%. Moreover, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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 "Occupational Health and Safety Law and Other Laws and The Law Amending the Decree Law" No. 6645 dated 23 April 2015, published on Official Gazette and came into force. Also, authority of determination of the transfer date of pension funds participants, people endowed with salary and their right holders, to the Social Security Institution, is left to the Council of Ministers.

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.

XVIII. EXPLANATIONS ON TAXATION

a. Current Tax

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVIII. EXPLANATIONS ON TAXATION (Continued)

a. Current Tax (Continued)

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 shareholder's equity for five years.

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

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 31 March 2017 are presented below:

Russia	20,00%
Kazakhstan	20,00%
Germany	15,00%
Bosnia Herzegovina	10,00%
Azerbaijan	20,00%
Montenegro	9,00%

b. Deferred tax

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

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

The carrying amount of a deferred tax asset is 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.

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XVIII. EXPLANATIONS ON TAXATION (Continued)

b. Deferred tax (Contineud)

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.

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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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 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.

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

None.

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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 31 March 2017 Group’s total capital has been calculated as TL 44.936.340 (31 December 2016: TL 41.715.232), capital adequacy ratio is 14,27% (31 December 2016: 13,86%). This ratio is well above the minimum ratio required by the legislation.

a) Information Related to The Components of Shareholders' Equity:

	Amount	Amount as per the regulation before 1/1/2014*
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.100.000	
Share issue premiums	-	
Reserves	22.876.947	
Gains recognized in equity as per TAS	5.049.923	
Profit	10.713.946	
Current period profit	2.401.949	
Prior period profit	8.311.997	
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	171	
Common Equity Tier 1 Capital Before Deductions	43.758.375	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1.685.145	
Improvement costs for operating leasing	96.871	
Goodwill netted with related deferred tax liabilities	-	
Other intangible assets netted with related deferred tax liabilities except mortgage servicing rights	330.852	413.565
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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(Continued)

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

a) Information Related to The Components of Shareholders' Equity: (Continued)

	Amount	Amount as per the regulation before 1/1/2014*
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions from Common Equity Tier I Capital	2.112.868	
Total Common Equity Tier I Capital	41.645.507	
ADDITIONAL TIER I CAPITAL		
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)	-	-
Additional Tier I Capital before Deductions		
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items to be defined by the BRSA	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
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 (-)	82.713	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions from Additional Tier I Capital		
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	41.562.794	
TIER II CAPITAL		
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)	3.425.625	
Total Deductions from Tier II Capital	3.425.625	
Deductions from Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital of Common Equity of the Bank	-	-

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

a) Information Related to The Components of Shareholders' Equity: (Continued)

	Amount	Amount as per the regulation before 1/1/2014*
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	3.425.625	
Total Equity (Total Tier I and Tier II Capital)	44.988.419	
Total Tier I and Tier II Capital (Total Equity)	44.988.419	
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	50.868	
Other items to be defined by the BRSA	1.211	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
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	-	
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	44.936.340	
Total Risk Weighted Assets	314.843.683	
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	13,23	
Tier 1 Capital Adequacy Ratio (%)	13,20	
Capital Adequacy Ratio (%)	14,27	
BUFFERS		
Bank-specific total buffer ratio		
Capital conservation buffer ratio (%)	1,25	
Bank-specific counter-cyclical capital buffer ratio (%)	0,012	
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	5,23	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	154.824	
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	98.267	
Remaining Mortgage Servicing Rights		
Net Deferred Tax Assets arising from Temporary Differences	128.393	

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

a) Information Related to The Components of Shareholders' Equity: (Continued)

	Amount	Amount as per the regulation before 1/1/2014*
Limits for Provisions Used in Tier II Capital Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	4.369.829	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	3.425.625	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
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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**I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY
(Continued)**

a) Information Related to The Components of Shareholders' Equity: (Continued)

	Prior Period	Amount as per the regulation before 1/1/2014*
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.100.000	-
Share issue premiums	-	-
Reserves	22.871.718	-
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	-
Common Equity Tier 1 Capital Before Deductions	41.000.858	-
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	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	-	-
Total Deductions from Common Equity Tier I Capital	2.411.397	-
Total Common Equity Tier I Capital	38.589.461	-

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(Continued)**

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

a) Information Related to The Components of Shareholders' Equity: (Continued)

	Prior Period	Amount as per the regulation before 1/1/2014*
ADDITIONAL TIER I CAPITAL		-
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items to be defined by the BRSA (-)	-	-
Transition from the Core Capital to Continue to deduce Components		-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	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 (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	38.442.315	-
TIER II CAPITAL		-
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	3.313.441	-
Tier II Capital Before Deductions	3.313.441	-
Deductions from Tier II Capital		-
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	3.313.441	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	41.755.756	-
Deductions from Total Capital	41.755.756	-
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	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		-
The Sum of net long positions of investments (the portion which exceeds the % 10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

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

a) Information Related to The Components of Shareholders' Equity: (Continued)

	Prior Period	Amount as per the regulation before 1/1/2014*
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	41.715.232	-
Total Risk Weighted Assets	300.953.790	-
CAPITAL ADEQUACY RATIOS		
CET 1 Capital Ratio (%)	12,82	-
Tier I Capital Ratio (%)	12,77	-
Capital Adequacy Ratio (%)	13,86	-
BUFFERS		
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	-
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand)	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	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(*) Amounts considered within transition provisions

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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)**

**b) Information Related to the Components which Subject to Temporary Implementation in the
Calculation of Equity:**

None.

**c) Necessary explanations in order to reach an agreement between the statement of shareholders’ equity
and balance-sheet amounts:**

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision. In the calculation of Total Capital, general provision up to %1,25 credit risk is taken into consideration as Tier II Capital. 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 related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

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

II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

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

The Parent Bank’s policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Parent Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, 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.

- b) Hedge against foreign exchange debt instruments and net foreign exchange investments by hedging derivative instruments, if material:**

None.

- c) Management policy for foreign currency risk:**

“Liquidity Gap Analysis”, “Reprising Gap Analysis” and “Structural Liquidity Gap Analysis” which takes into account historical reprising rates of foreign currency accounts, are prepared periodically in order to define liquidity and interest rate risks at US Dollar and Euro, which are mainly used by the Parent Bank in its operations. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders’ Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
24.03.2017	3,6012	3,8896	2,7466	0,5231	0,4085	3,6320	2,6920	0,4233	4,4942	0,9604	3,2425
27.03.2017	3,5995	3,9170	2,7410	0,5265	0,4099	3,6606	2,6896	0,4235	4,5267	0,9598	3,2601
28.03.2017	3,6055	3,9192	2,7521	0,5268	0,4113	3,6656	2,6947	0,4235	4,5203	0,9615	3,2703
29.03.2017	3,6351	3,9085	2,7849	0,5254	0,4091	3,6468	2,7193	0,4253	4,5163	0,9694	3,2731
30.03.2017	3,6104	3,8754	2,7695	0,5212	0,4056	3,6245	2,7162	0,4215	4,5134	0,9628	3,2462
31.03.2017	3,6267	3,8748	2,7676	0,5212	0,4061	3,6217	2,7224	0,4214	4,5280	0,9672	3,2524

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
3,6527	3,9034	2,7825	0,5251	0,4098	3,6464	2,7289	0,4285	4,5046	0,9742	3,2314

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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)

Information on the foreign currency risk of the Group:

	EUR	USD	Other FC	Total
Current Period				
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	7.517.635	16.949.138	7.316.603	31.783.376
Banks	414.487	1.876.002	693.388	2.983.877
Financial Assets at Fair Value Through Profit and Loss ⁽⁴⁾	-	27.257	1.668	28.925
Money Market Placements	-	21.456	163.472	184.928
Financial Assets Available-for-Sale	3.594.824	11.908.815	69.391	15.573.030
Loans ⁽¹⁾	27.322.890	46.178.265	1.739.322	75.240.477
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) ⁽³⁾	19.697	85.652	1.010	106.359
Investments Held-to-Maturity	577.877	3.930.711	521	4.509.109
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	8.300	874	121.101	130.275
Intangible Assets	21.763	2	14.146	35.911
Other Assets ⁽⁵⁾	3.345.583	734.878	128.373	4.208.834
Total Assets⁽⁴⁾	42.823.056	81.713.050	10.248.995	134.785.101
Liabilities				
Interbank Deposits	5.117.414	3.383.192	731.742	9.232.348
Foreign Currency Deposits	46.206.834	27.558.447	4.695.856	78.461.137
Money Market Borrowings	320.947	20.536.370	-	20.857.317
Funds Provided from Other Financial Institutions	7.865.367	16.662.387	6.316	24.534.070
Issued Marketable Securities	-	4.830.933	29.319	4.860.252
Sundry Creditors	1.720.948	65.449	64.725	1.851.122
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	390.757	230.438	64.762	685.957
Total Liabilities	61.622.267	73.267.216	5.592.720	140.482.203
Net Balance Sheet Position	(18.799.211)	8.445.834	4.656.275	(5.697.102)
Net Off-Balance Sheet Position⁽²⁾	18.183.646	(9.837.468)	(3.055.467)	5.290.711
Financial Derivative Assets	20.789.635	11.405.914	1.719.340	33.914.889
Financial Derivative Liabilities	2.605.989	21.243.382	4.774.807	28.624.178
Non-Cash Loans	21.292.515	32.954.324	4.298.478	58.545.317
Prior Period				
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
Net Balance Sheet Position	(15.339.026)	20.524.507	4.231.237	9.416.718
Net Off-Balance Sheet Position⁽²⁾	14.918.785	(22.310.574)	(2.618.075)	(10.009.864)
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
Non-Cash Loans	19.785.282	32.994.991	3.863.978	56.644.251

(1) TL 1.272.300 equivalent of USD and TL 1.639.162 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).

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

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

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

(5) Prepaid expenses amounting TL 32.215 among other expenses are not included in the table.

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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

a. Information related to interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on days to repricing dates):

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	26.086.016	-	-	-	-	11.918.569	38.004.585
Banks	1.940.047	260.707	71.147	-	-	2.494.760	4.766.661
Financial Assets at Fair Value Through Profit and Loss	149.860	512.616	930.486	69.216	4.722	1.082	1.667.982
Money Market Placements	7.896.536	7.023	-	-	-	3	7.903.562
Financial Assets Available-for-Sale	6.106.764	5.532.630	11.882.635	17.415.845	18.449.776	715.841	60.103.491
Loans Given	69.667.067	24.700.438	54.974.279	90.873.993	24.267.938	240.698	264.724.413
Investments Held-to-Maturity	222.596	10.704	2.592.692	2.688.861	1.736.025	-	7.250.878
Other Assets	108.751	228.687	604.985	1.452.991	263.172	13.044.875	15.703.461
Total Assets	112.177.637	31.252.805	71.056.224	112.500.906	44.721.633	28.415.828	400.125.033
Liabilities							
Interbank Deposits	8.561.896	2.187.758	1.670.039	-	-	820.087	13.239.780
Other Deposits	102.662.745	40.054.407	26.153.747	1.780.261	135.343	58.395.618	229.182.121
Money Market Borrowings	53.693.390	2.590.604	1.970.492	968.112	-	-	59.222.598
Sundry Creditors	56.272	46.298	76.541	630	-	3.133.694	3.313.435
Issued Marketable Securities	929.975	887.199	948.455	4.708.659	-	103.114	7.577.402
Funds Provided from Other Financial Institutions	8.826.331	3.689.233	8.853.931	2.714.400	1.656.506	-	25.740.401
Other Liabilities	281.127	426.792	636.700	6.554.691	29.869	53.920.117	61.849.296
Total Liabilities	175.011.736	49.882.291	40.309.905	16.726.753	1.821.718	116.372.630	400.125.033
Balance Sheet Long Position	-	-	30.746.319	95.774.153	42.899.915	-	169.420.387
Balance Sheet Short Position	(62.834.099)	(18.629.486)	-	-	-	(87.956.802)	(169.420.387)
Off-Balance Sheet Long Position	-	-	710.580	459.677	-	-	1.170.257
Off-Balance Sheet Short Position	(97.644)	(32.730)	-	-	-	-	(130.374)
Total Position	(62.931.743)	(18.662.216)	31.456.899	96.233.830	42.899.915	(87.956.802)	1.039.883

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

(2) TL 5.969.876 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the “1 - 5 Years” column TL 62.047 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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(Continued)**

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

a. Information related to interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on days to repricing dates): (Continued)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	26.781.761	-	-	-	-	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
Total Assets	111.123.171	28.112.275	66.863.985	98.371.902	39.819.652	27.590.940	371.881.925
Liabilities							
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
Total Liabilities	171.044.546	37.899.425	38.044.220	15.458.789	1.582.704	107.852.241	371.881.925
Balance Sheet Long Position	-	-	28.819.765	82.913.113	38.236.948	-	149.969.826
Balance Sheet Short Position	(59.921.375)	(9.787.150)	-	-	-	(80.261.301)	(149.969.826)
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)
Total Position	(59.112.692)	(7.586.794)	28.446.067	81.484.545	38.236.948	(80.261.301)	1.206.773

(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 other assets.

(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)

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

	EUR	USD	JPY	TL
Current Period				
Assets				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾	-	0,78	-	4,00
Banks	1,50	2,90	-	11,14
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	9,20
Money Market Placements	-	-	-	11,75
Financial Assets Available-for-Sale	4,77	5,65	-	9,13
Loans Given ⁽²⁾	4,38	5,61	-	11,72
Investments Held-to-Maturity	6,63	7,20	-	9,85
Liabilities				
Interbank Deposits ⁽³⁾	0,41	1,12	-	12,17
Other Deposits ⁽⁴⁾	0,96	1,40	-	6,59
Money Market Borrowings	0,92	1,92	-	11,64
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	4,38	1,50	11,01
Funds Provided from Other Financial Institutions	0,92	2,47	-	8,67

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

⁽²⁾ Credit card loan balances are not included.

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

⁽⁴⁾ Rates include also demand deposit data.

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

	EUR	USD	JPY	TL
Prior Period				
Assets				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾	0,03	0,49	-	3,36
Banks	1,56	2,82	-	8,44
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	7,98
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,73	5,64	-	9,20
Loans Given ⁽²⁾	4,30	5,52	-	12,82
Investments Held-to-Maturity	6,48	7,20	-	9,75
Liabilities				
Interbank Deposits ⁽³⁾	0,45	1,09	-	8,24
Other Deposits ⁽⁴⁾	0,94	1,14	-	6,52
Money Market Borrowings	0,95	1,82	-	8,55
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	4,37	-	9,77
Funds Provided from Other Financial Institutions	0,92	2,23	-	8,38

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

⁽²⁾ Credit card loan balances are not included.

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

⁽⁴⁾ Rates include also demand deposit data.

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
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IV. EXPLANATIONS ON THE POSITION RISK OF CONSOLIDATED EQUITY SECURITIES

1. Equity securities position risk derived from banking books:

a. Comparison with the market value if the market value is significantly different from the fair value for balance sheet, fair and market values of equity shares:

There is no significant difference between balance sheet value, fair value and market value of investments in equity instruments.

b. The breakdown of capital requirements on the basis of related stock investments depending on the method of the calculation of capital requirement which is chosen by Bank among approaches that are allowed to be used within the Comminiqué regarding Credit Risk Standard Method or the Calculation of Counterparty Credit Risk based upon Interior Rating Approaches:

The stock investments, partaking in banking accounts according to the credit risk standard method, are amounted TL 124.646 and 100% of them are risk weighted.

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

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

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

1) Liquidity Risk

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

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

b) Liquidity management and the degree of centralization of fund strategies, the information about the procedure between bank and the partners of bank:

Continuously the information exchange is actualized about the liquidity need and surpluses between the Parent Bank and its partners, the compulsory directions and treats are moderated by Treasury Management and International Banking Assistant General Management to direct liquidity risk and surpluses in effective way.

c) Explanation related to policies regarding fund resources times variations of funding strategy of bank:

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

d) Explanation related to liquidity management as currencies forming at least 5 percentage of aggregate liabilities of the Parent Bank:

The Parent Bank’s total liabilities are consisted of mostly TL, USD and EUR currencies. Besides these currencies, valid for other currencies, daily and long-term cash flows are pursued and liquidity management is formed in effective way by some projections are being performed regarding future.

e) Information related to the techniques about the reduction of current liquidity risk:

The Parent Bank’s source of funds is mainly formed of deposits. The Parent Bank’s deposits do not fluctuate considerably in line with the broadly dispersed customer network. Besides, in order to increase the fund range and decrease the maturity gap between assets and liabilities, giving weight to liabilities other than deposits such as bond/bill issuance, repo and funds borrowed.

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

1) Liquidity Risk (Continued)

e) Information related to the techniques about the reduction of current liquidity risk: (Continued)

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.

f) Explanation regarding the usage of the stress test

In the presence of unexpected negative circumstances, stress tests being done in order to test the endurance of the bank. These actions have been shared with key management and all related units for the purpose of taking necessary precautions. Additionally, stress tests also taken into consideration on subjects like the 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.

g) General information on liquidity urgent and unexpected situation plan:

The internal and external sources which can be used in an emergency case to satisfy the liquidity need are periodically followed and the borrowing limits of the Parent Bank from organized market and other banks are on the level where they meet the structural liquidity deficits on different maturity segments. The Parent Bank lines off its exposition to liquidity risk by limits that are approved from Board of Directors and within the frame of "Regulations of Risk Management, Stress Test Program and Internal Capital Adequacy Assessment Process (ICAAP)".

2) Liquidity Coverage Ratio:

Within the 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 (January-February-March), the consolations ratios were respectively TRY %99,04, TRY + FC %83,99 at January, FC %93,27, TRY + FC %77,51 at February and FC %116,29, TRY + FC %80,59 at March.

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

2) Liquidity Coverage Ratio: (Continued)

	Total Unweighted Value (average) ^(*)		Total Weighted Value (average) ^(*)	
	TL+FC	FC	TL+FC	FC
Current Period				
High Quality Liquid Assets				
High Quality Liquid Assets			40.854.838	25.903.664
Cash Outflows				
Retail and Small Business Customers, of which;	156.195.064	59.007.540	12.739.441	5.900.754
Stable deposits	57.601.307	-	2.880.065	-
Less stable deposits	98.593.757	59.007.540	9.859.376	5.900.754
Unsecured wholesale funding , of which;	85.844.668	32.367.020	47.239.962	19.221.776
Operational deposit	3.463.456	983.632	865.864	245.908
Non-operational deposits	63.122.333	18.893.220	31.302.777	10.556.949
Other unsecured funding	19.258.879	12.490.168	15.071.321	8.418.919
Secured funding			-	-
Other cash outflows, of which;	33.107.579	10.835.065	8.547.008	7.340.330
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2.236.781	4.879.700	2.236.781	4.879.700
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	30.870.798	5.955.365	6.310.227	2.460.630
Other revocable off-balance sheet commitments and contractual Obligations	140.153	115.047	7.007	5.752
Other irrevocable or conditionally revocable off-balance sheet Obligations	35.475.775	25.092.107	2.459.544	1.670.282
Total Cash Outflows			70.992.962	34.138.894
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	24.421.675	7.569.251	18.642.096	6.227.942
Other cash inflows	1.625.810	2.555.491	1.605.108	2.534.789
Total Cash Inflows	26.047.485	10.124.742	20.247.204	8.762.731
			Total Adjusted Value	
Total HQLA Stock			40.854.838	25.903.664
Total Net Cash Outflows			50.745.758	25.376.163
Liquidity Coverage Ratio (%)			80,51	102,08

^(*) The average of last three months' month-end consolidated liquidity ratios.

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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) ^(*)		Total Weighted Value (average) ^(*)	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			47.060.923	26.647.052
Cash Outflows				
Retail and Small Business Customers, of which;	143.898.400	51.675.017	11.622.939	5.167.502
Stable deposits	55.338.033	-	2.766.902	-
Less stable deposits	88.560.367	51.675.017	8.856.037	5.167.502
Unsecured wholesale funding , of which;	80.482.580	24.151.123	46.653.885	16.242.578
Operational deposit	1.687.101	291.581	421.775	72.895
Non-operational deposits	67.505.167	17.490.912	34.986.034	9.818.460
Other unsecured funding	11.290.312	6.368.630	11.246.076	6.351.223
Secured funding			-	-
Other cash outflows, of which;	20.783.315	13.237.304	5.963.394	11.556.687
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2.133.363	10.295.383	2.133.363	10.295.383
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	18.649.952	2.941.921	3.830.031	1.261.304
Other revocable off-balance sheet commitments and contractual obligations	39.627	21.913	1.981	1.096
Other irrevocable or conditionally revocable off-balance sheet obligations	40.843.572	24.557.903	9.739.071	3.337.772
Total Cash Outflows			73.981.270	36.305.635
Cash Inflows				
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
Total Cash Inflows	19.330.718	8.656.385	14.084.272	7.741.485
			Total Adjusted Value	
Total HQLA Stock			47.060.923	26.647.052
Total Net Cash Outflows			59.896.998	28.564.150
Liquidity Coverage Ratio (%)			78,57	93,29

(*) The average of last three months' month-end consolidated liquidity ratios.

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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

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

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

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.

b) High quality liquid assets are comprised to which items:

All of the high-quality liquid assets of the calculation of Liquidity Coverage Ratio are First Quality Liquid Assets. These; cash, the accounts in Central Bank, reserve requirements and securities from the portfolio (The important part of bonds and T-bills issued by Republic of Turkey Prime Ministry Undersecretariat of Treasury, other bonds).

c) Funds are comprised of which items and their volume in all funds:

The major part of the resources of funds in Bank is comprised of deposits, the remaining is divided according to their share in the balance sheet as repo, borrowings, and issued securities.

d) Information about cash out-flows arising from derivative operations and margin operations likely to processing:

Derivative operations in Bank are carried out on the purpose of protection from the risks that may exist or occur in the balance sheet, liquidity management, or meet customer demand. Customer operations are carried out under the “Framework Agreement on Purchase and Sale of Derivative Instruments” or ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) with additional, as well as operations performed by the banks is performed again ISDA and CSA contracts signed. Operations performed under the said contracts in the determined periods are subject to daily market valuation and additional collateralization as cash. Operations could create additional collateral input or output depending on market valuation.

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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 (Continued)

e) The concentration limits regarding collateral and counterparty and product based fund resources:

For the counterparty and product based concentration limits are determined under “Regulations of Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (ICAAP)” with the approval of Senior Management. These limits are followed in particular frequency. Besides, It has reported to the relevant units and Senior Management. There is no excess regarding the limits during operating period.

f) Liquidity risk and needed funding on the basis of the bank itself, the branches in foreign countries and the partnerships consolidated by considering operational and legal factors preventing liquidity transfer:

The needed and surplus of liquidity of the branches in foreign countries of the 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.

g) Information on located the calculation of liquidity coverage ratio, but not located in the second paragraph of disclosure template and other cash inflow and other cash outflow items considered to be related to the bank’s liquidity profile:

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

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (1) (2)	Total
Current Period								
Assets								
Cash (Cash in vault, effectives, Money in transit, cheques purchased) and Balances with the Central Bank of Turkey	37.973.108	-	-	-	-	-	31.477	38.004.585
Banks	2.494.760	1.940.046	260.707	71.148	-	-	-	4.766.661
Financial Assets at Fair Value Through Profit and Loss	1.081	107.645	10.527	766.830	664.454	115.089	2.356	1.667.982
Money Market Placements	3	7.896.536	7.023	-	-	-	-	7.903.562
Financial Assets Available-for-Sale	4.813	504.646	1.031.181	8.829.299	22.479.523	26.538.188	715.841	60.103.491
Loans Given	-	8.591.655	17.121.170	97.129.060	110.276.247	29.813.397	1.792.884	264.724.413
Investments Held-to-Maturity	-	222.596	10.704	1.011.223	4.270.330	1.736.025	-	7.250.878
Other Assets	4.846.122	108.749	228.688	606.287	1.483.496	263.172	8.166.947	15.703.461
Total Assets	45.319.887	19.371.873	18.670.000	108.413.847	139.174.050	58.465.871	10.709.505	400.125.033
Liabilities								
Interbank Deposits	820.087	8.561.896	2.187.758	1.670.039	-	-	-	13.239.780
Other Deposits	58.395.618	106.668.557	37.457.276	24.431.879	2.085.723	143.068	-	229.182.121
Funds Provided from Other Financial Institutions	304	6.432.597	3.894.530	7.763.855	4.762.760	2.886.355	-	25.740.401
Money Market Borrowings	-	53.693.390	2.590.604	1.970.492	968.112	-	-	59.222.598
Issued Marketable Securities	1.590	929.975	957.718	958.032	4.730.087	-	-	7.577.402
Sundry Creditors	2.431.993	695.388	46.298	43.155	632	-	95.969	3.313.435
Other Liabilities ⁽³⁾	6.736.063	756.367	1.147.253	621.352	6.699.718	1.010.705	44.877.838	61.849.296
Total Liabilities	68.385.655	177.738.170	48.281.437	37.458.804	19.247.032	4.040.128	44.973.807	400.125.033
Liquidity Gap	(23.065.768)	(158.366.297)	(29.611.437)	70.955.043	119.927.018	54.425.743	(34.264.302)	-
Net Off-Balance Sheet Position	-	(95.924)	(33.808)	710.429	459.677	-	-	1.040.374
Financial Derivative Assets	-	21.127.036	3.693.901	3.662.218	2.281.143	-	-	30.764.298
Financial Derivative Liabilities	-	21.222.960	3.727.709	2.951.789	1.821.466	-	-	29.723.924
Non-cash Loans	42.702.688	1.109.039	4.897.586	19.954.623	14.825.828	3.638.886	-	87.128.650
Prior Period								
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
Liquidity Gap	(17.677.131)	(153.219.695)	(15.818.316)	59.679.647	110.455.630	50.982.749	(34.402.884)	-
Net Off-Balance Sheet Position	-	101.816	(4.584)	511.465	598.076	-	-	1.206.773
Financial Derivative Assets	-	23.887.140	7.574.728	2.638.403	2.677.243	-	-	36.777.514
Financial Derivative Liabilities	-	23.785.324	7.579.312	2.126.938	2.079.167	-	-	35.570.741
Non-cash Loans	39.328.862	1.045.731	5.027.611	18.874.379	14.761.801	3.682.731	-	82.721.115

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

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

(3) TL 5.969.876 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 62.047 is not granted as loan and is included under "Up to One Month" column.

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(Continued)**

VI. EXPLANATIONS ON CONSOLIDATED LEVERAGE

1) Explanations on the subjects caused a gap between prior and current period leverage:

The Bank’s leverage calculated by force of the regulation “Regulation on Measurement and Assessment of Leverage Ratios of Banks” is 7,97% (31 December 2016: 8,00%). The change on leverage results heavily from the increase on risk amounts of balance sheet assets. The regulation sentenced the minimum leverage as 3%.

Balance sheet assets	Current Period ^(*)	Prior Period ^(*)
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	392.499.866	359.875.628
(Assets deducted in determining Tier 1 capital)	(2.220.763)	(2.072.001)
Total on-balance sheet risks (sum of lines 1 and 2)	390.279.103	357.803.627
Derivative financial instruments and credit derivatives		
Replacement cost associated with all derivative financial instruments and credit Derivatives	1.717.147	1.516.660
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	340.133	394.485
Total risks of derivative financial instruments and credit derivatives	2.057.280	1.911.145
Securities or commodity financing transactions (SCFT)		
Risks from SCFT assets	4.456.880	4.889.181
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	4.456.880	4.889.181
Other off-balance sheet transactions		
Gross notional amounts of off-balance sheet transactions	114.656.924	105.343.560
(Adjustments for conversion to credit equivalent amounts)	(1.367.014)	(1.415.380)
Total risks of off-balance sheet items	113.289.910	103.928.180
Capital and total risks		
Tier 1 capital	40.643.877	37.505.342
Total risks	510.083.173	468.532.133
Leverage ratio		
Leverage ratio %	7,97	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:

	Current Period ^(*)	Prior Period ^(*)
1 Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ^(**)	400.169.109	371.924.474
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”	44.076	42.549
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	70.944.173	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	18.486.141	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	1.367.014	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	(21.225.873)	(42.588.977)
7 Total Risk Amount	510.083.172	468.532.133

(*) 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 31 March 2017 of the nonfinancial subsidiaries.

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(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.

Overview of RWA

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	270.164.431	260.065.281	21.613.154
2	Standardised approach	270.164.431	260.065.281	21.613.154
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3.480.675	3.323.247	278.454
5	Standardised approach for counterparty credit risk	3.480.675	3.323.247	278.454
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	404.910	1.686.718	32.393
10	Investments made in collective investment companies-1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB Supervisory Formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	15.647.850	15.358.775	1.251.828
17	Standardised Approach	15.647.850	15.358.775	1.251.828
18	Internal model Approaches	-	-	-
19	Operational risk	25.145.817	20.519.768	2.011.665
20	Basic Indicator Approach	25.145.817	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	Total (1+4+7+8+9+10+11+12+16+19+23+24)	314.843.683	300.953.789	25.187.494

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**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 Bank is operating in consumer banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking.

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

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

As the Bank is the main financial institution that meets the financing needs of agricultural sector in Turkey, it subsidizes to people and institutions operating in agricultural sector through mediating the usage of the fund originated loans beside the agricultural operations and investment loans from its own sources for vegetable and animal production, fishery products and agricultural mechanization directly to producers and the Union of Agricultural Credit Corporations.

Investment banking operations are conducted by the Financial Market and Asset-Liability Management and Economic Researches Departments. By foregoing departments, the Parent 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 Parent Bank. The Parent 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 Parent Bank performs derivative transactions which are accounted as held for trading. As financial derivative transactions, the Parent Bank performs foreign currency forward agreements and currency swap transactions. Besides, the Parent Bank has commission revenue from insurance and other finance institutions by rendering agency services through its branches.

The Parent Bank performs its international banking operations via foreign branches, sub branches, representative offices and equity investments abroad.

As of 31 March 2017, explanations on segment reporting as shown below are in line with Communiqué on “Financial Statements and the Related Policies and Disclosures to be Publicly Announced”.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION OF THE BANK (Continued)

VIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

Table for Segment Reporting:

Current Period 31 March 2017	Retail Banking	Corporate/ Entrepreneuri al Banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Correction	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE							
Interest Income	2.056.173	2.991.576	1.303.362	2.080.552	-	102.668	8.534.331
Interest Income from Loans	2.056.173	2.980.063	1.300.952	142.770	-	8.638	6.488.596
Interest Income from Banks	-	11.217	-	19.482	-	18.441	49.140
Interest Income from Securities	-	296	53	1.702.598	-	826	1.703.773
Other Interest Income	-	-	2.357	215.702	-	74.763	292.822
Interest Expense	1.709.250	834.475	-	1.398.095	-	36.177	3.977.997
Interest Expense on Deposits	1.709.226	833.486	-	160.819	-	1.120	2.704.651
Interest Expense on Funds Borrowed	24	955	-	151.050	-	7.571	159.600
Interest Expense on Money Market Transactions	-	-	-	970.527	-	-	970.527
Interest Expense on Securities Issued	-	-	-	115.699	-	4.404	120.103
Other Interest Expense	-	34	-	-	-	23.082	23.116
Net Interest Income/Expense	346.923	2.157.101	1.303.362	682.457	-	66.491	4.556.334
Net Fees and Commission Income/Expense	328.197	182.844	26.473	(68.657)	-	11.752	480.609
Fees and Commissions Received	328.197	184.695	26.487	1.239	-	23.625	564.243
Fees and Commissions Paid	-	1.851	14	69.896	-	11.873	83.634
Dividend Income	-	-	-	3.309	(1.816)	-	1.493
Trading Income/Loss (Net)	-	1.286	405	106.393	-	(3.502)	104.582
Other Operating Income	11.093	89.363	15.970	400	-	868.285	985.111
Provision for Loans or Other Receivables							
Losses	190.320	380.210	129.481	213	898	342.228	1.043.350
Other Operating Expense	34.750	106.354	15.737	-	(1.349)	1.798.815	1.954.307
Income Before Tax	461.143	1.944.030	1.200.992	723.689	(1.365)	(1.198.017)	3.130.472
Profit/Loss on Equity Method	-	-	-	-	6.315	-	6.315
Tax Provision	-	-	-	-	-	(734.757)	(734.757)
Net Profit/Loss	461.143	1.944.030	1.200.992	723.689	4.950	(1.932.774)	2.402.030
SEGMENT ASSETS							
Financial Assets at FV Through P/L	-	10.379	-	1.633.907	-	23.696	1.667.982
Banks and Other Financial Institutions	-	912.470	-	10.690.212	-	1.067.541	12.670.223
Financial Assets Available for Sale (Net)	-	-	3.887	60.089.649	147	9.808	60.103.491
Loans	71.409.310	133.360.386	49.102.600	10.508.951	-	343.166	264.724.413
Held to Maturity Investments (Net)	-	10.908	-	7.209.790	-	30.180	7.250.878
Associates, Subsidiaries and Joint Ventures	-	1.010	-	4.511.740	(4.306.349)	28.568	234.969
Other Assets	-	336.518	44.097	-	(77.988)	53.170.450	53.473.077
Total Segment Assets	71.409.310	134.631.671	49.150.584	94.644.249	(4.384.190)	54.673.409	400.125.033
SEGMENT LIABILITIES							
Deposits	166.218.476	58.130.858	-	15.132.379	-	2.940.188	242.421.901
Derivative Financial Liabilities Held for Trading	-	-	-	524.177	-	1.027	525.204
Funds Borrowed	-	26.543	-	24.835.992	-	877.866	25.740.401
Money Market Funds	-	-	-	59.222.598	-	-	59.222.598
Securities Issued (Net)	-	1.720	-	7.398.211	-	177.471	7.577.402
Provisions	248	19.106	-	5.978	23.526	8.308.149	8.357.007
Other Liabilities	-	71.979	-	-	(77.987)	14.211.839	14.205.831
Shareholders' Equity	28.476	399.987	152.627	-	(4.329.730)	45.823.329	42.074.689
Total Segment Liabilities	166.247.200	58.650.193	152.627	107.119.335	(4.384.191)	72.339.869	400.125.033
OTHER SEGMENT ITEMS							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	122.169	122.169
Restructuring Costs	-	-	-	-	-	-	-

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VIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

Table for Segment Reporting (Continued)

Prior Period 31 December 2016	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Correction	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE							
Interest Income	1.591.111	2.284.232	1.045.941	1.608.964	-	107.608	6.637.856
Interest Income from Loans	1.591.111	2.271.713	1.045.941	101.532	-	6.535	5.016.832
Interest Income from Banks	-	12.328	-	15.011	-	28.227	55.566
Interest Income from Securities	-	191	-	1.454.261	-	8.263	1.462.715
Other Interest Income	-	-	-	38.160	-	64.583	102.743
Interest Expense	1.610.801	703.777	-	972.495	-	40.839	3.327.912
Interest Expense on Deposits	1.610.801	701.075	-	99.365	-	4.048	2.415.289
Interest Expense on Funds Borrowed	-	2.517	-	99.929	-	7.893	110.339
Interest Expense on Money Market Transactions	-	-	-	690.950	-	-	690.950
Interest Expense on Securities Issued	-	-	-	82.251	-	3.984	86.235
Other Interest Expense	-	185	-	-	-	24.914	25.099
Net Interest Income/Expense	(19.690)	1.580.455	1.045.941	636.469	-	66.769	3.309.944
Net Fees and Commission Income/Expense	227.524	86.035	26.950	(54.056)	-	67.317	353.770
Fees and Commissions Received	227.524	89.467	26.950	898	-	106.070	450.909
Fees and Commissions Paid	-	3.432	-	54.954	-	38.753	97.139
Dividend Income	-	-	-	2.785	(1.899)	-	886
Trading Income/Loss (Net)	-	1.762	-	2.298	-	1.086	5.146
Other Operating Income	6.977	75.808	8.662	881	-	579.120	671.448
Provision for Loans or Other Receivables							
Losses	126.256	273.871	97.190	125	(957)	10.645	507.130
Other Operating Expense	13.300	59.513	13.048	99	(244)	1.599.075	1.684.791
Income Before Tax	75.255	1.410.677	971.315	588.154	(698)	(895.430)	2.149.273
Profit/Loss on Equity Method	-	-	-	-	4.887	-	4.887
Tax Provision	-	-	-	-	-	(484.679)	(484.679)
Net Profit/Loss	75.255	1.410.677	971.315	588.154	4.189	(1.380.109)	1.669.481
SEGMENT ASSETS							
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
Total Segment Assets	63.876.189	123.732.719	46.461.974	87.471.130	(4.131.220)	54.471.133	371.881.925
SEGMENT LIABILITIES							
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
Total Segment Liabilities	157.247.553	61.224.059	10.183	91.707.987	(4.131.222)	65.823.365	371.881.925
OTHER SEGMENT ITEMS							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	81.895	81.895
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. a) Information on Cash and Balances with Central Bank of the Republic of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	2.053.079	1.035.890	1.738.822	1.053.954
Central Bank of the Republic of Turkey	4.168.130	30.523.041	6.432.150	31.248.539
Other	-	224.445	3.775	168.265
Total	6.221.209	31.783.376	8.174.747	32.470.758

1.a.1) Information on Required Reserves:

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to Communiqué on Required Reserves of Central Bank of the Republic of Turkey’s numbered 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 dated on 21 October 2014, there had been interest payment on reserve deposits starting from November 2014. In addition, according to Press Release of CBRT on Remuneration of Foreign Currency Required and Free Reserves numbered 2015/35, the implementation of remuneration for US dollars denominated required reserves, reserve options and free reserves held at CBRT has been started as of 5 May 2015.

b) Information on the account of the Central Bank of the Republic of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	4.040.967	3.886.058	6.332.401	2.254.151
Unrestricted Time Deposit	-	678.090	-	2.312.376
Restricted Time Deposit	-	40	-	-
Required Reserves ⁽¹⁾⁽²⁾	127.163	25.958.853	99.749	26.682.012
Total	4.168.130	30.523.041	6.432.150	31.248.539

⁽¹⁾ Required reserve of branches abroad amounting to TL 85.415 is presented in this line (31 December 2016: TL 88.706).

⁽²⁾ TL 13.764.714 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).

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

None.

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

Derivative Financial Assets Held-for-Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	40.562	49.697	34.505	62.310
Swap Transactions	1.245.071	274.491	1.161.871	420.018
Futures Transactions	-	-	-	-
Options	163	33	42	-
Other	-	-	-	-
Total	1.285.796	324.221	1.196.418	482.328

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

Banks	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	1.706.697	440.769	1.515.980	376.346
Foreign Banks	76.087	2.543.108	70.103	2.357.637
Foreign Head Office and Branches	-	-	-	-
Total	1.782.784	2.983.877	1.586.083	2.733.983

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	22.497.803	41.422.834
Assets Blocked/Given as Collateral	34.668.649	5.879.016
Total	57.166.452	47.301.850

b) Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	61.417.863	60.472.357
Quoted in Stock Exchange	61.337.441	60.387.940
Not Quoted in Stock Exchange	80.422	84.417
Share Certificates	753.464	686.242
Quoted in Stock Exchange	595.244	528.908
Not Quoted in Stock Exchange	158.220	157.334
Provision for Impairment (-)	2.067.836	2.030.385
Total	60.103.491	59.128.214

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

5. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	26.440	-	12.654
Loans Granted to Employees	343.225	163	290.654	155
Total	343.225	26.603	290.654	12.809

⁽¹⁾ Interest rediscount and interest accrual amounting TL 2.716, are not included in the table above.

⁽²⁾ Since the balance of overdraft accounts related to employees amounting TL 14.569, is showed under Table 5-c as overdraft accounts (real person), it is not included to the table above.

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms ⁽¹⁾	Other		Loans and other receivables with revised contract terms ⁽¹⁾	Other
Non-Specialized Loans	205.548.231	3.326.065	-	1.800.145	1.725.266	-
Commercial loans	122.922.938	1.940.489	-	946.415	1.507.504	-
Export Loans	4.254.483	-	-	42.236	-	-
Import Loans	452.642	-	-	3.892	-	-
Loans Given to Financial Sector	7.248.534	-	-	-	-	-
Consumer Loans	65.969.276	1.385.406	-	736.857	214.611	-
Credit Cards	3.428.538	170	-	57.018	3.151	-
Other ⁽²⁾	1.271.820	-	-	13.727	-	-
Specialized Lending ^{(3) (4)}	41.625.546	3.872.052	-	616.326	366.055	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals ⁽²⁾	5.616.411	-	-	1.830	-	-
Total	252.790.188	7.198.117	-	2.418.301	2.091.321	-

⁽¹⁾ Since Restructured or rescheduled loans cannot be decomposed systematically, they have been shown in the “Loans and Other Receivables with Revised Contract Terms” section.

⁽²⁾ Restructured or rescheduled loans and the loans under close monitoring and the distinction of the accrual amounts of other receivables cannot be obtained by the available information operating system.

⁽³⁾ Fund sourced agricultural loans are shown under specialized lending

⁽⁴⁾ Agriculturally qualified farmer standby loans have been displayed under specialized lending.

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

5. Information related to loans: (Continued)

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

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended ^(*)	6.897.964	1.960.780
3 - 4 or 5 Times Extended	299.881	129.318
Over 5 Times Extended	272	1.223

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

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	3.679.458	1.018.131
6 Months - 12 Months	737.219	173.962
1 - 2 Years	2.067.387	423.777
2 - 5 Years	637.517	451.889
5 Years and Over	76.536	23.562
Total	7.198.117	2.091.321

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

5. Information related to loans: (Continued)

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	460.663	66.291.924	66.752.587
Real Estate Loans ⁽²⁾	15.333	38.577.759	38.593.092
Vehicle Loans	2.866	215.258	218.124
Consumer Loans ⁽²⁾	438.201	27.030.585	27.468.786
Abroad	3.668	319.323	322.991
Other	595	148.999	149.594
Consumer Loans- Indexed to FC	391	142.578	142.969
Real Estate Loans	-	17.770	17.770
Vehicle Loans	-	144	144
Consumer Loans	-	-	-
Other	391	124.664	125.055
Consumer Loans-FC	931	117.808	118.739
Real Estate Loans	-	14.032	14.032
Vehicle Loans	-	-	-
Consumer Loans	28	65.323	65.351
Abroad	767	38.073	38.840
Other	136	380	516
Individual Credit Cards-TL	2.922.923	24.076	2.946.999
With Installment	948.234	21.162	969.396
Without Installment	1.974.689	2.914	1.977.603
Individual Credit Cards-FC	321	-	321
With Installment	-	-	-
Without Installment	321	-	321
Personnel Loans-TL	11.218	239.130	250.348
Real Estate Loans	-	2.572	2.572
Vehicle Loans	8	16	24
Consumer Loans	11.067	227.930	238.997
Abroad	115	1.963	2.078
Other	28	6.649	6.677
Personnel Loans-Indexed to FC	18	7.125	7.143
Real Estate Loans	-	2.297	2.297
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	18	4.828	4.846
Personnel Loans-FC	8	2.016	2.024
Real Estate Loans	-	539	539
Vehicle Loans	-	-	-
Consumer Loans	-	1.256	1.256
Other	8	221	229
Personnel Credit Cards-TL	83.218	471	83.689
With Installment	33.414	400	33.814
Without Installment	49.804	71	49.875
Personnel Credit Cards-FC	21	-	21
With Installment	-	-	-
Without Installment	21	-	21
Overdraft Accounts-TL (Real Person)	1.032.336	-	1.032.336
Overdraft Accounts-FC (Real Person)	4	-	4
Total⁽¹⁾	4.512.052	66.825.128	71.337.180

⁽¹⁾ TL 424.306 of interest income accrual and rediscount are not included in the table above.

⁽²⁾ TL 3.663.345 fund welded consumer loans are not included in the table above.

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

5. Information related to loans: (Continued)

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

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	2.184.789	18.277.306	20.462.095
Business Loans	1.675	516.997	518.672
Vehicle Loans	44.069	953.691	997.760
Consumer Loans	1.978.098	16.590.321	18.568.419
Other	160.947	216.297	377.244
Commercial Installment Loans- Indexed to FC	107.447	471.830	579.277
Business Loans	-	-	-
Vehicle Loans	-	16.924	16.924
Consumer Loans	-	-	-
Other	107.447	454.906	562.353
Commercial Installment Loans - FC	60.748	16.832.275	16.893.023
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	4.987	16.483.281	16.488.268
Other	55.761	348.994	404.755
Corporate Credit Cards-TL	453.863	3.888	457.751
With Installment	154.884	3.856	158.740
Without Installment	298.979	32	299.011
Corporate Credit Cards-FC	96	-	96
With Installment	-	-	-
Without Installment	96	-	96
Overdraft Account-TL (Legal Entity)	126.610	-	126.610
Overdraft Account-FC (Legal Entity)	-	-	-
Total ⁽¹⁾	2.933.553	35.585.299	38.518.852

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

e) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	250.427.517	227.406.151
Foreign Loans	8.452.592	11.661.617
Interest Income Accruals of Loans	5.617.818	4.755.128
Total	264.497.927	243.822.896

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

5. Information related to loans: (Continued)

f) Loans granted to subsidiaries and associates:

None (31 December 2016: None).

g) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	292.243	377.489
Loans and other receivables with doubtful collectability	850.317	984.449
Uncollectible loans and other receivables	3.147.569	2.767.103
Total	4.290.129	4.129.041

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

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

	Group III: Loans and Receivables with Limited Collectability	Group IV: Loans and Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Receivables
Current Period	6.212	41.109	117.074
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	6.212	41.109	117.074
Rescheduled loans and other receivables	-	-	-
Prior Period	14.498	58.203	127.037
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	14.498	58.203	127.037
Rescheduled loans and other receivables	-	-	-

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

5. Information related to loans: (Continued)

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

2) Information on the movement of non-performing receivables:

	Group III:	Group IV:	Group V:
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
Prior Period Ending Balance	379.416	993.140	3.007.934
Additions (+)	351.554	43.065	120.939
Transfers from Other Categories of Loans under Follow-up (+)	-	401.644	537.878
Transfers to Other Categories of Loans under Follow-up (-)	401.644	537.878	-
Collections (-) ⁽¹⁾	35.958	43.155	300.320
Write-offs (-)	-	-	-
Corporate and Entrepreneurial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance ⁽²⁾	293.368	856.816	3.366.431
Specific Provision (-)	292.243	850.317	3.147.569
Net Balance on Balance Sheet ⁽²⁾	1.125	6.499	218.862

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

(2) Includes the loans originated from funds amounting to TL 226.486 whose risk does not belong to the Parent Bank.

3) Information on foreign currency non-performing loans:

	Group III:	Group IV:	Group V:
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period:			
Period Ending Balance	34.260	45.719	103.237
Specific Provision (-)	34.260	45.719	103.237
Net Balance on Balance Sheet	-	-	-
Prior Period:			
Period Ending Balance	36.561	41.095	92.092
Specific Provision (-)	36.561	41.095	92.092
Net Balance on Balance Sheet	-	-	-

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

5. Information related to loans: (Continued)

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

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

	Group III: Loans and Other Receivables with Limited Collectability	Group IV: Loans and Other Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Other Receivables
Current Period (Net)	1.125	6.499	218.862
Loans to Real Persons and Legal Entities (Gross)	293.292	780.013	3.353.766
Specific Provisions (-)	292.167	773.514	3.134.904
Loans to Real Persons and Legal Entities (Net)	1.125	6.499	218.862
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	76	76.803	12.665
Specific Provisions (-)	76	76.803	12.665
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	1.927	8.691	240.831
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)

6. Information on held-to-maturity investments:

a) Information on comparative net values of held-to-maturity investments subject to repo transactions and given as a collateral/blocked:

a.1) Held-to-maturity investments subject to repo transactions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	1.267.647	2.024.824	2.301.823	2.384.104
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	1.267.647	2.024.824	2.301.823	2.384.104

a.2) Held-to-maturity investments given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	910.594	2.426.986	1.089.898	2.252.339
Other	-	-	-	-
Total	910.594	2.426.986	1.089.898	2.252.339

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

	Current Period	Prior Period
Government Bonds	7.099.790	8.647.891
Treasury Bills	-	-
Other Public Sector Debt Securities	10.908	-
Total	7.110.698	8.647.891

c) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt securities	7.250.878	8.794.915
Quoted in a Stock Exchange	7.099.790	8.647.891
Not Quoted in a Stock Exchange	151.088	147.024
Provision for Impairment (-)	-	-
Total	7.250.878	8.794.915

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

6. Information on held-to-maturity investments: (Continued)

d) Movements of held-to-maturity investments:

	Current Period	Prior Period
Beginning Balance	8.794.915	10.223.475
Foreign Currency Differences on Monetary Assets	187.471	475.282
Purchases During the Year	258.959	937.418
Disposals through Sales and Redemptions	(1.990.265)	(2.841.260)
Provision for Impairment (-)	202	-
Period End Balance	7.250.878	8.794.915

Within the year 2008, the Parent Bank has reclassified securities previously classified in available for sale portfolio with nominal values of TL 23.630.115, EUR 717.616 thousand and USD 1.483.317 thousand to held-to-maturity portfolio with fair values of TL 22.971.669, EUR 702.950 thousand and USD 1.562.742 thousand respectively which have been taken into consideration as book values after reclassification. The Bank has also reclassified securities previously classified in financial assets at fair value through profit and loss portfolio with nominal values of EUR 37.951 thousand and USD 45.501 thousand to held-to-maturity portfolio with fair values of EUR 37.178 thousand and USD 62.311 thousand respectively which have been taken into consideration as book values after reclassification in accordance with TAS 39 “Turkish Accounting Standard for Financial Instruments: Recognition and Measurement” published in the Official Gazette No. 27040 dated 31 October 2008 by Public Oversight Accounting and Auditing Standards Authority (“POA”).

Revaluation differences of reclassified available for sale securities before deferred tax are TL 68.984, EUR (23.067) thousand and USD (15.207) thousand respectively and are recorded under shareholders’ equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. At the end of balance sheet date, negative revaluation differences under shareholders’ equity are amounted as USD 10.134 thousand and EUR 804 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 20.791 thousand and USD 63.408 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 25.507 would have been recorded. As of 31 March 2017, the reclassification from held for trading securities to held-to-maturity investments has an expense impact of TL 18.230.

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

7. Information about associates (net):

a) 1) Information about unconsolidated associates:

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage, if Different, Voting Percentage (%)	The Bank’s Risk Group Share Percentage (%)
1	Bankalararası Kart Merkezi A.Ş.	İstanbul/TURKEY	12,50	17,98
2	Kredi Kayıt Bürosu A.Ş.	İstanbul/TURKEY	10,00	9,09

	Total Assets ⁽²⁾	Shareholders’ Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾⁽³⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽²⁾	Prior Period Profit / Loss ⁽²⁾	Fair Value ⁽¹⁾
1	79.137	44.201	53.921	330	-	4.304	4.923	-
2	231.094	135.821	154.298	19.046	-	13.907	5.766	-

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

⁽²⁾ Current period information of associates has been provided from audited financial statements as of 31 March 2016. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 March 2016.

⁽³⁾ Total non-current assets include property and equipment.

b) 1) Explanation regarding consolidated associates:

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage, if Different, Voting Percentage (%)	The Parent Bank’s Risk Group Share Percentage (%)
1	Arap Türk Bankası A.Ş.	İstanbul/TURKEY	22,22	15,43

	Total Assets ⁽²⁾	Shareholders’ Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽²⁾	Prior Period Profit / Loss ⁽²⁾	Fair Value ⁽¹⁾
1	4.897.335	745.866	114.849	35.174	17.677	18.839	15.154	-

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

⁽²⁾ Current period information of associates has been provided from unaudited financial statements as of 31 March 2017. Prior period profit/loss information of associates has been provided from unaudited financial statements as of 31 March 2016.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information about associates (net): (Continued)

2) Information about consolidated associates:

	Current Period	Prior Period
Beginning Balance	98.869	92.861
Movement During the Period	16.218	6.008
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits ⁽¹⁾	2.907	9.504
Addition to Scope of Consolidation	-	-
Transfer to Available for Sale Fin. Assets	-	-
Sales	-	-
Revaluation Increase ⁽¹⁾	13.311	-
Impairment Provision	-	3.496
Ending Balance	115.087	98.869
Capital Commitments	-	-
Period Ending Share of Capital Participation (%)	15,43	15,43

⁽¹⁾ Includes the shares obtained according to the equity method.

3) Sector information about consolidated associates:

	Current Period	Prior Period
Banks	115.087	98.869
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

4) Consolidated associates quoted to a stock exchange:

None (31 December 2016: None).

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on subsidiaries (net):

a) Information about unconsolidated subsidiaries:

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage- if different Voting Percentage (%)	The Parent Bank’s Group Share Percentage (%)
1	Ziraat Teknoloji A.Ş.	Istanbul/TURKEY	100,00	100,00

	Total Assets ⁽²⁾	Shareholders’ Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽²⁾	Prior Period Profit / Loss ⁽²⁾	Fair Value ⁽¹⁾
1	53.355	16.822	12.206	163	32	4.048	1.491	-

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

⁽²⁾ Current period information of subsidiaries has been provided from audited financial statements as of 31 March 2017. Prior period profit/loss information has been provided from audited financial statements as of 31 March 2016.

b) Information about consolidated subsidiaries:

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

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage-if different Voting Percentage (%)	The Parent Bank’s Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	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. ⁽¹⁾	İstanbul / TURKEY	100,00	100,00
7	Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul / TÜRKİYE	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 ⁽³⁾	Baku / AZERBAIJAN	100,00	100,00
13	Ziraat Bank Montenegro AD ⁽⁴⁾	Podgorica / MONTENEGRO	100,00	100,00

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

8. Information on subsidiaries (net): (Continued)

b) Information about consolidated subsidiaries: (Continued)

	Total Assets ⁽³⁾	Shareholders' Equity ⁽³⁾	Total Non-Current Assets ⁽³⁾	Interest Income ⁽³⁾⁽⁴⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽³⁾	Prior Period Profit / Loss ⁽³⁾	Fair Value ⁽¹⁾	Shareholders' Equity Needed
1	4.251.122	483.813	3.583	40.318	-	89.809	29.793	-	-
2	1.042.874	301.614	2.175	17.581	-	36.428	10.370	-	-
3	2.458.703	277.935	1.263	448	-	11.146	12.353	-	-
4	157.531	103.386	8.787	3.311	1.524	10.023	5.165	-	-
5	32.629	29.851	817	784	6.613	3.471	1.867	-	-
6	9.065.259	786.091	66.428	169.938	10.614	25.119	(2.757)	-	-
7	1.327.402	1.326.751	1.043.913	7.412	-	13.022	-	-	-
8	6.309.792	790.559	18.045	49.421	608	16.371	7.597	782.931	-
9	1.820.565	310.541	72.937	18.861	187	423	(26.314)	280.456	-
10	304.769	153.316	11.939	7.710	66	2.961	1.313	109.090	-
11	676.146	275.210	15.396	8.880	2.830	5.500	4.613	237.838	-
12	315.290	127.254	72.676	4.853	113	2.282	3.699	135.261	-
13	134.335	29.506	3.902	1.294	58	(950)	(1.233)	29.540	-

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

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

(3) Information on subsidiaries shown in the above table has been provided from the unaudited financial statements as of 31 March 2017, the prior period profit/loss balances have been provided from audited financial statements as of 31 March 2016.

(4) The amounts shown in Interest Income column belong to Ziraat Katılım Bank A.Ş. and contain dividend income.

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

	Current Period	Prior Period
Balance at the Beginning of the Period	4.101.352	2.442.943
Movements During the Period	200.000	1.658.409
Additions to Scope of Consolidation	-	-
Purchases ⁽¹⁾	200.000	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
Balance at the End of the Period	4.301.352	4.101.352
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(1) 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)

8. Information on subsidiaries (net): (Continued)

b) Information about consolidated subsidiaries: (Continued)

2) Sectoral information on subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	2.522.116	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

c) Subsidiaries which are quoted on a stock exchange:

None (31 December 2016: None).

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

Entities under Common Control (Joint Ventures) ⁽¹⁾	Parent Bank's Share ⁽²⁾	Group's Share	Current Assets	Non- Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	51.869	51.869	1.083.965	12.902	15.460	10.084	6.200
UTBANK JSC	53.445	53.466	287.830	3.372	72	12.140	7.200
Total	105.314	105.335	1.371.795	16.274	15.532	22.224	13.400

⁽¹⁾ Information on entities under joint control is provided from the unaudited financial statements as of 31 March 2017

⁽²⁾ 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.

10. Information on finance lease receivables (net):

Information on finance lease receivables are as below:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	1.044.976	924.486	1.017.502	892.067
1-5 Years	1.676.836	1.432.203	1.553.514	1.356.447
More than 5 Years	339.199	265.355	285.154	235.153
Total	3.061.011	2.622.044	2.856.170	2.483.667

11. Information on derivative financial assets for hedging purposes:

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

12. Information on investment property:

As of 31 March 2017, the Group has investment property amounting to TL 643.769 (31 December 2016: TL 643.290).

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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 625.395 consisting of TL 13.693 due to consumer loans, TL 544.555 on its commercial loans and TL 67.147 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 3.677 (31 December 2016: The Bank’s immovables acquired amount to TL 567.177 consisting of TL 14.160 due to consumer loans, TL 488.565 on its commercial loans and TL 64.452 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 2.798. Total depreciation expense is TL 6.960 for these held for sale assets).

14. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs ⁽¹⁾	Other Tangibles	Total
Prior Period End:						
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
Net Book Value	5.304.634	9.040	19.519	100.306	438.510	5.872.009
Current Period End:						
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)	327.842	(81)	(1.733)	(3.533)	1.914	324.409
Cost	378.021	229	(805)	6.636	21.391	405.472
Depreciation – Net (-)	50.179	310	928	10.169	19.469	81.055
Impairment (-)	-	-	-	-	8	8
Net Currency Translation from Foreign Subsidiaries (-)	(390.279)	(14)	(42)	98	969	(389.268)
Cost at Period End	6.232.272	12.674	45.003	258.735	983.800	7.532.484
Accumulated Depreciation at Period End (-)	987.763	3.729	27.259	161.864	541.937	1.722.552
Impairment (-)	2.312	-	-	-	470	2.782
Closing Net Book Value	5.242.197	8.945	17.744	96.871	441.393	5.807.150

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

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II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

1. a) Information on maturity structure of deposits collected:

1) For deposit banks:

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	23.588.596	-	3.198.687	60.629.238	4.480.024	1.029.449	920.463	65.016	93.911.473
Foreign Currency Deposits	18.103.389	-	6.444.182	23.320.519	5.323.241	5.382.770	16.757.592	614	75.332.307
Residents in Turkey	14.531.455	-	5.764.895	17.905.643	3.168.876	1.684.943	4.727.495	592	47.783.899
Residents Abroad	3.571.934	-	679.287	5.414.876	2.154.365	3.697.827	12.030.097	22	27.548.408
Public Sector Deposits	6.554.826	-	6.006.031	5.450.536	2.470.511	4.428.155	22.880	-	24.932.939
Commercial Inst. Deposits	5.663.042	-	6.421.652	9.030.820	844.976	1.059.031	34.663	-	23.054.184
Other Inst. Deposits	2.152.341	-	1.372.599	3.242.493	419.960	435.318	1.607.604	-	9.230.315
Precious Metals	2.333.423	-	36.490	286.270	28.741	20.602	15.377	-	2.720.903
Interbank Deposits	820.088	-	6.261.946	1.572.769	455.637	2.463.149	1.666.191	-	13.239.780
CBRT	2.357	-	-	-	-	-	-	-	2.357
Domestic Banks	76.510	-	5.347.441	241.064	66.151	147	1.177.382	-	6.908.695
Foreign Banks	166.857	-	914.505	1.331.705	389.486	2.463.002	488.809	-	5.754.364
Participation Banks	574.364	-	-	-	-	-	-	-	574.364
Other	-	-	-	-	-	-	-	-	-
Total	59.215.705	-	29.741.587	103.532.645	14.023.090	14.818.474	21.024.770	65.630	242.421.901

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	-	-	-	-	-	-	-	-	-
Total	56.511.621	-	26.674.725	103.359.370	13.238.173	13.621.672	19.461.643	44.789	232.911.993

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

b) Information on saving deposits:

1) Amounts exceeding the deposit insurance limit:

**a) Saving deposits under the guarantee of deposit insurance and exceeding the deposit insurance limit:
(It reflects the values of the Parent Bank)**

Saving Deposits	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits ⁽²⁾	61.966.819	60.568.084	29.512.694	29.701.060
Foreign Currency Saving Deposits ⁽²⁾	23.146.250	21.431.931	31.366.345	28.972.511
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance ⁽¹⁾	671.853	636.306	57.966	42.853
Deposits at Off-Shore Banking Regions’ and under Foreign Authorities’ Insurance	-	-	-	-

⁽¹⁾ 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 45.515 and TL 16.350 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).

⁽²⁾ Related deposit balances do not include foreign branches.

Based on the Council of Minister’s decree dated 29 December 2003 and numbered 2003/6668, TL 922 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş.

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of banks. As total of capital amount and interest expense accruals of saving deposits up to TL 100 attributable to a real person is covered by the insurance, TL 630.908 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 15 February 2013 and numbered 28560.

2) Information on saving deposits/real persons’ private current and accession accounts not related to commercial transactions in a Turkish branch of the Parent Bank whose head office is abroad, and reasons if it is covered in where the head office is located (Information belongs to the Parent Bank):

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

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

1. b) Information on saving deposits: (Continued)

3) Amounts which are not covered by deposit insurance:

a) Saving deposits not covered by the deposit insurance fund (It reflects the values of the Parent Bank):

	Current Period	Prior Period
Deposits and Other Accounts in Branches Abroad	67.439	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	5.004	6.448
Deposits Obtained through Illegal Acts Defined in the 282 nd Article of the 5237 Numbered Turkish Criminal Code Dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

2. Information on derivative financial liabilities held for trading:

a) Negative differences related to the derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	39.971	46.461	33.498	50.329
Swap Transactions	44.760	393.906	206.170	363.333
Futures Transactions	-	-	-	-
Options	106	-	35	-
Other	-	-	-	-
Total	84.837	440.367	239.703	413.662

3. Information on banks and other financial institutions:

a) General information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	272.383	1.880.243	403.098	1.653.704
Foreign Banks, Institutions and Funds	933.948	22.653.827	935.448	21.434.279
Total	1.206.331	24.534.070	1.338.546	23.087.983

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	255.894	8.282.590	394.462	7.048.505
Medium and Long-Term	950.437	16.251.480	944.084	16.039.478
Total	1.206.331	24.534.070	1.338.546	23.087.983

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

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

60,59% of the Group’s liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Group’s liabilities are not subject to a significant concentration risk.

d) Information on funds supplied from repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	9.575.481	-	30.385.206	-
Financial Institutions and Organizations	9.345.689	-	30.211.399	-
Other Institutions and Organizations	222.370	-	166.520	-
Real Person	7.422	-	7.287	-
From Overseas Operations	-	13.181.660	-	12.270.423
Financial Institutions and Organizations	-	13.181.660	-	12.270.423
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
Total	9.575.481	13.181.660	30.385.206	12.270.423

e) Information on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.438.155	-	2.156.778	-
Asset-Backed Securities	101.524	-	101.459	-
Treasury Bills	177.471	4.860.252	131.822	4.680.692
Total	2.717.150	4.860.252	2.390.059	4.680.692

4. If other liabilities exceed 10% of the balance sheet total, name and amount of sub-accounts constituting at least 20% of these liabilities:

Other liabilities do not exceed 10% of the balance sheet total.

5. Information on finance lease payables (net):

In financial leases, rental installments are determined by the cost of the leasehold good, interest rate for commercial loans and maturity of the agreement. Installment amounts stated in agreements are equally distributed. The Group has no significant liabilities under the scope of these agreements.

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

6. Information on derivative financial liabilities for hedging purposes:

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

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

7. Explanations on provisions:

a) Information on general provisions:

	Current Period	Prior Period
General Provisions	4,369.829	4,042.425
Allocated for Group-I Loans and Receivables	3.524.268	3.271.408
Additional Provision for Loans and Receivables with Extended Maturities	265.949	233.456
Allocated for Group-II Loans and Receivables	187.166	181.621
Additional Provision for Loans and Receivables with Extended Maturities	66.476	61.127
Allocated for Non-Cash Loans	496.588	466.954
Other	161.807	122.442

b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

Foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables amount to TL 4.392 (31 December 2016: TL 327).

c) Specific provisions for unindemnified non-cash loans:

Specific provisions of Parent Bank for unindemnified non-cash loans amount to TL 147.518 (31 December 2016: TL 150.916).

d) Information on other provisions:

1) Information on free provisions for possible risks:

These financial statements include a free provision which is not in accordance with BRSA Principles amounting to TL 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 223 exist for cash transfers made by Bank officials.

	Current Period	Prior Period
Free Provisions for Possible Risks	1.229.923	964.944

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 71.739. 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).

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

7. Explanations on provisions: (Continued)

d) Information on other provisions: (Continued)

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

The Group also provided provisions amounting to TL 147.518 for unindemnified non-cash loans (31 December 2016: TL 150.916), TL 173.172 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 1.640.863 (31 December 2016: TL 1.313.995).

e) Liabilities on reserve for employee termination benefits:

1) Employment termination benefits and unused vacation rights

The Group accounts for its vacation and retirement pay obligations in accordance with the TAS 19 “Employee Benefits”. The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation. As of 31 March 2017, unpaid vacation liability amounted to TL 227.582 (31 December 2016: TL 192.237), and employment termination amounted to TL 706.586 (31 December 2016: TL 695.237) are presented under the “Employee Benefits Provision” in the financial statements.

8. Information on tax liability:

a) Information on current tax liability:

1) Information on tax provisions:

As of 31 March 2017, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 927.120 (31 December 2016: TL 444.505).

2) Information on current taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	927.120	444.505
Taxation on Income From Securities	168.211	215.147
Property Tax	2.680	2.491
Banking Insurance Transactions Tax (BITT)	136.188	144.072
Foreign Exchange Transactions Tax	67	59
Value Added Tax Payable	5.514	7.091
Other	132.317	67.194
Total	1.372.097	880.559

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

8. Information on tax liability: (Continued)

a) Information on current tax liability: (Continued)

3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	45	39
Social Security Premiums - Employer	66	56
Bank Social Aid Pension Fund Premium - Employee	9.613	8.840
Bank Social Aid Pension Fund Premium - Employer	13.483	12.400
Pension Fund Membership Fees and Provisions - Employee	4	13
Pension Fund Membership Fees and Provisions - Employer	39	59
Unemployment Insurance - Employee	1.535	1.382
Unemployment Insurance - Employer	3.070	2.763
Other	-	-
Total	27.855	25.552

b) Information on deferred tax liabilities, if any:

The Group's deferred tax liability, for the current term, amounts to TL 5.660 (31 December 2016: TL 3.463).

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

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

10. Explanations on subordinated debts:

The Group does not have any subordinated debts.

11. Information on shareholders' equity:

a) Presentation on paid-in capital:

	Current Period	Prior Period
Common Stock	5.100.000	5.100.000
Preferred Stock	-	-

b) Paid-in capital amount, explanation whether the registered capital system is applicable by the bank, if so the registered capital ceiling amount:

The Parent Bank does not have a registered capital system.

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

11. Information on shareholders’ equity: (Continued)

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

None.

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

None.

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

The Parent Bank has no capital commitments.

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

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

g) Information on preferred shares representing the capital:

The Parent Bank has no preferred shares.

h) Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	214.556	1.025	416.619	1.025
Revaluation Difference	-	1.025	-	1.025
Foreign Exchange Difference	214.556	-	416.619	-
From Available for Sale Marketable Securities	(1.204.366)	259.660	(1.261.338)	(550.321)
Revaluation Difference	(1.435.870)	259.763	(1.657.745)	(550.250)
Deferred Tax Effect	231.504	(103)	396.407	(71)
Foreign Exchange Difference	-	-	-	-
Total	(989.810)	260.685	(844.719)	(549.296)

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

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	7.404.247	7.275.913
Other Irrevocable Commitments	7.931.691	7.204.521
Loan Granting Commitments	4.053.720	3.742.487
Payment Commitments for Cheques	3.464.961	3.173.767
Asset Purchase Commitments	2.374.207	2.136.524
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	22.488	22.138
Tax and Fund Obligations Resulting from Export Commitments	732	458
Subsidiaries and Associates Capital Contribution Commitments	-	-
Total	25.252.046	23.555.808

b) 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 note VII. explanations on provisions of section five Explanations and Notes to the Consolidated Financial Statements.

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

	Current Period	Prior Period
Guarantee Letters	71.876.250	68.592.339
Letter of Credits	10.055.232	9.327.602
Bank Acceptances	4.727.277	4.261.898
Other Guarantees	463.102	532.131
Other Warrantees	6.789	7.145
Total	87.128.650	82.721.115

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

	Current Period	Prior Period
Letters of Certain Guarantees	43.818.094	42.394.237
Letters of Advance Guarantees	18.168.084	18.614.529
Letters of Temporary Guarantees	5.350.665	3.767.887
Letters of Guarantees Given to Customs Offices	960.810	786.137
Other Letters of Guarantees	3.578.597	3.029.549
Total	71.876.250	68.592.339

c) 1) Total non-cash loans:

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	1.944.547	1.675.735
With Original Maturity of One Year or Less	48.035	25.218
With Original Maturity of More than One Year	1.896.512	1.650.517
Other Non-Cash Loans	85.184.103	81.045.380
Total	87.128.650	82.721.115

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

1. a) Information on interest income from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans ⁽¹⁾⁽²⁾	5.541.212	947.384	4.388.402	628.430
Short Term Loans	1.475.397	58.033	977.252	22.743
Medium and Long Term Loans	4.036.396	888.999	3.379.660	605.093
Interest on Non-Performing Loans	29.419	352	31.490	594
Premiums from Resource Utilization Support Fund	-	-	-	-

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

⁽²⁾ Profit share income of Ziraat Katılım Bankası A.Ş. is shown in the line of interest income received from loans.

b) Information on interest received from the banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	2.982	-	1.079	-
Domestic Banks	39.613	1.445	48.959	671
Foreign Banks	298	4.802	385	4.472
Foreign Head Office and Branches	-	-	-	-
Total	42.893	6.247	50.423	5.143

c) Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	924	487	287	525
Financial Assets at Fair Value through Profit or Loss	31	-	6.692	-
Financial Assets Available-for-Sale	1.303.288	207.279	1.093.208	144.906
Investments Held-to-Maturity	107.910	83.854	127.804	89.293
Total	1.412.153	291.620	1.227.991	234.724

d) Information on interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	153	205

2. a) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks ⁽¹⁾	33.456	121.630	27.980	82.359
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	12.636	11.381	4.933	6.661
Foreign Banks	20.820	110.249	23.047	75.698
Foreign Head Office and Branches	-	-	-	-
Other Institutions	2.583	1.931	-	-
Total	36.039	123.561	27.980	82.359

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

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

b) Information on interest expenses given to subsidiaries and associates:

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	1.173	815

c) Information on interest given on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	65.835	54.268	61.772	24.463

d) 1) 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	-	146.026	-	-	-	-	-	146.026
Saving Deposit	-	61.144	1.341.624	91.920	19.333	19.987	2.558	1.536.566
Public Sector Deposit	596	61.645	126.459	50.330	98.908	230	-	338.168
Commercial Deposit	73	100.548	208.431	11.017	27.922	726	-	348.717
Other Deposit	42	19.658	76.778	8.269	9.367	21.920	-	136.034
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Total	711	389.021	1.753.292	161.536	155.530	42.863	2.558	2.505.511
FC								
Foreign Currency Deposit	734	17.692	77.244	14.900	13.393	51.591	15	175.569
Bank Deposit	2	22.607	382	-	-	-	-	22.991
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Precious Metals	-	60	410	47	35	28	-	580
Total	736	40.359	78.036	14.947	13.428	51.619	15	199.140
Grand Total	1.447	429.380	1.831.328	176.483	168.958	94.482	2.573	2.704.651

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

3. Information on trading profit/loss (net):

	Current Period	Prior Period
Profit	15.019.072	9.952.040
Foreign Exchange Gains	14.251.227	7.984.890
Profit on Derivative Financial Instruments	749.257	1.959.168
Profit from the Capital Market Transactions	18.588	7.982
Loss (-)	14.914.490	9.946.894
Foreign Exchange Loss	14.105.453	8.697.607
Loss on Derivative Financial Instruments	808.566	1.247.182
Loss from the Capital Market Transactions	471	2.105

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(374.963)	941.280
Effect of the change in interest rates on profit/loss	315.654	(229.294)
Total	(59.309)	711.986

5. Information on other operating income:

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

There are no significant matters covering the recent developments which have significant effect on the Parent Bank’s income. Main component of the Bank’s other operating income consists of reversals from prior period provisions amounting to TL 226.271 TL (31 March 2016: TL 180.712) and income from sales of assets amounting to TL 37.515 (31 March 2016 TL 26.112).

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

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables ⁽¹⁾	379.021	345.290
Group III Loans and Receivables	282.324	124.003
Group IV Loans and Receivables	70.089	204.260
Group V Loans and Receivables	26.608	17.027
General Provision Expenses	319.873	106.521
Provision Expenses for the Possible Losses	265.059	960
Marketable Securities Impairment Expense	303	338
Financial Assets at Fair Value through Profit and Loss	90	-
Financial Assets Available for Sale	213	338
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	-	71
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Business Partners)	-	-
Investment Securities Held to Maturity	-	71
Other	79.094	53.950
Total	1.043.350	507.130

⁽¹⁾ The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL 198.338 are presented in other operating income (31 March 2016: TL 163.424).

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

7. a) Information on other operating expenses:

	Current Period	Prior Period
Personnel Expenses	684.463	607.697
Reserve for Employee Termination Benefits	30.940	25.497
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	105.093	72.320
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	17.076	9.575
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	427.461	322.844
Operational Leasing Expenses	70.619	53.973
Maintenance Expenses	17.285	20.138
Advertisement Expenses	24.379	20.258
Other Expenses	315.178	228.475
Loss on Sales of Assets	100	426
Other ⁽¹⁾	689.174	646.432
Total	1.954.307	1.684.791

⁽¹⁾ TL 127.613 of the relevant balance is Savings Deposit Insurance Fund expense accrual (31 March 2016: TL 111.746), TL 132.433 is taxes, fees and tolls expenses (31 March 2016: TL 109.973).

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	4.556.334	3.309.944
Net Fees and Commissions Income	480.609	353.770
Other Operating Income	985.111	671.448
Dividend Income	1.493	886
Trading Income/Expense (Net)	104.582	5.146
Provision for Loan or Other Receivables Losses (-)	1.043.350	507.130
Other Operating Expenses (-)	1.954.307	1.684.791
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	6.315	4.887
Profit/(Loss) from Continuing Operations	3.136.787	2.154.160

9. Information on tax provision for continuing and discontinuing operations

As of 31 March 2017, TL 734.757 (31 March 2016 TL 484.679) of the Group’s total tax provision expense amounting to TL 940.962 (31 March 2016: TL 587.124), consists of current tax expense while the remaining balances amounting to TL 206.205 (31 March 2016: TL 102.445 deferred tax income) consists of deferred tax income.

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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 2.402.030 (31 March 2016: TL 1.669.481).

11. Information on net profit/loss:

a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the Parent Bank in the current period:

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

b) The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period (31 March 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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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:

a) 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 ⁽¹⁾						
Opening Balance	22.397	-	-	-	-	-
Closing Balance	20.871	-	-	-	-	-
Interest and Commissions Income	153	-	-	-	-	-

⁽¹⁾ The cash loans balance includes the investments to associates, subsidiaries and entities under common control.

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 ⁽¹⁾						
Opening Balance	25.125	-	-	-	-	-
Closing Balance	22.397	-	-	-	-	-
Interest and Commissions Income	205	-	-	-	-	-

⁽¹⁾ The cash loans balance includes the investments to associates, subsidiaries and entities under common control.

c) 1) Deposits held by the Parent Bank’s risk group:

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	66.052	52.520	-	-	-	-
Interest Expense on Deposits	1.173	815	-	-	-	-

2) Information on forward transactions, option agreements and similar transactions between the Parent Bank’s risk group:

None (31 December 2016: None).

3) Information about fees paid to the Group’s key management:

Fees paid to the Group’s key management amount to TL 10.167 (31 March 2016: TL 11.352).

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

Tbilisi branch and Batumi and Marneuli sub branches of the Parent Bank’s which are operating in Georgia will be transformed into bank status as of 2 May 2017 and will continue to operate as subsidiaries with JSC Ziraat Bank Georgia title and all of the capital belonging to the Bank.

The Syndication loan which is provided by USD and EUR currency type by the Parent Bank at March 2016 is renewed with the maturity of 367 days with the amount of USD 278 million and EUR 706,5 million and cost of LIBOR +1,45% and EURIBOR +1,35% respectively at 6 April 2017.

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SECTION SIX

EXPLANATIONS ON THE INDEPENDENT AUDITOR’S REPORT

I. EXPLANATIONS ON REVIEW REPORT

As of 31 March 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 10 May 2016 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

Despite the uncertainty on US economic policies under the leadership of Donald Trump and in the first quarter of 2017 and despite political risks in Europe, global economy performed above expectations. Existence of geopolitical risks affected price movements in the financial markets at various occasions. As commodity prices stabilized in the period we left behind, the risk of deflation, mainly in the Eurozone, appears to have diminished.

Although US economy started the year 2017 with stronger growth expectations on the back of envisaged expansionary fiscal policies to be run by Trump administration the economy showed a moderate outlook in the first quarter of the year as the new President has not yet taken a clear policy step. In this period, FED has maintained its healthy outlook assessment for the labor market, raising FED funds target rate for the third time since Global Financial Crisis. After Trump’s election, expectations for a higher FED funds target rate have intensified, as US economic policies may lead to higher inflation and higher bond yields. However, with the FED meeting in March, the uptrend in long-term bond yields has slowed down as the uncertainties about its policies have decreased.

The first quarter of 2017 was a period in which the Euro Zone economy steadily accelerated despite political uncertainty. It has also seen inflation recovering gradually with the contribution of energy prices. Political uncertainties and the course of negotiations on the Brexit process will be instrumental in the direction of regional economic activity and implementation of monetary policies.

Adjustments in developed countries' monetary policies have led to a period in which emerging markets have directed responsive monetary policies and geopolitical developments have come a step further. Oil prices stabilizing around USD 50 per barrel in the period and expectations that the FED would implement a gradual tightening policy allowed the risk perceptions for developing countries to be positive.

Despite the contraction in the third quarter, Turkish economy ended 2016 with a relatively solid growth performance, demonstrating its resilience against shocks. Thanks to the room in fiscal space, it is expected that the contribution of the public sector to the growth in 2017 will increase with the stimulus measures put into practice by the authorities.

Even if the positive impact of commodity prices on the current account deficit diminishes gradually in the first quarter of 2017, it is observed that seasonally adjusted current account balance excluding energy and gold, turned positive at the beginning of the year. Acceleration of the demand conditions in the European Union countries supports the outlook. It is expected that net exports will contribute positively to GDP growth this year.

In the quarter we left behind, inflation rose to double-digit figures due to base effects, volatility in unprocessed food prices, boosted by cost-driven developments and exchange rate pass-through. The Central Bank strengthened tight monetary policy steps to manage inflation expectations and continued to use monetary policy instruments effectively to maintain price stability.

Ziraat Bank has also made very rapid increases in loans especially for SMEs and in housing loans due to the responsibility being the leading bank of our country in many areas. Thus, while small and medium sized enterprises, which are the most important elements of our country, are supported, significant contributions have been made to the construction sector. As in recent years, Ziraat Bank will continue to grow in credit growth faster than the sector, to increase loans to support more real sector, to increase service quality and to be one of the most important assets of our country.

Muharrem KARSLI

Chairman

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EXPLANATIONS ON THE INTERIM REPORT (Continued)

II. General Manager’s Assessment

Ziraat Bank maintains to be the leading bank of Turkey in terms of asset size, cash and non-cash loans, deposits, shareholders equity, branch and ATM network and other several parameters. Strategy and business plans are mapped out and executed in a management approach which focuses on efficiency. Sustainable growth and efficiency is our priority.

We have exercised our business bearing country’s leading bank’s responsibility and taking into account the sensitive period of post 15th of July. Our business model continues to support the structural change in our balance sheet. Throughout the transformation period, the Bank has grown its loan book with a greater pace than the banking sector and we have achieved higher loan growth rate in the second half of last year relative to the first half. The higher loan growth trend began in the second half of last year and continued in the first quarter of 2017.

The loan growth effective from last year was mainly driven by the financing of SMEs and housing finance.

The consolidated cash loans reached to TL 265 billion with more than 8% increase in Q1 2017. Total consolidated loan book including non-cash loans was materialized as TL 352 billion. Thereby the Bank preserved its status of being the highest contributor to finance the economy. As of end of March, more than 66% of the TL 400 billion asset size is comprised of cash loans. 75% of the loan portfolio is composed of loans allocated for financing real sector.

In the first quarter of 2017, The Bank has more focused on fulfilling the financing needs of SMEs with new products including the loans given under the Credit Guarantee Fund guarantees. In this context, with the collaboration of TOBB (The Union of Chambers and Commodity Exchanges of Turkey), we have granted TL 1.4 billion of loans to approximately 15 thousand firms and through KOSGEB (Small and Medium Industry Development Organization) we have granted TL 1.2 billion of loans to approximately 50 thousand firms. Moreover, although initiated in March, we have allocated TL 5 billion of loans to more than 25 thousand firms within the scope of “Value Added Entrepreneur Loan” in a very short time period. Thus in the first quarter in this segment with these mentioned loans we have financed in total 7.5 billion TL to 90 thousand firms.

The Bank had an important role in decreasing the housing loan interest rates in 2016. More than half of the increase in housing loans in 2016 was from the Bank and for the first quarter of 2017, the share of the Bank in the housing finance increase reached 60%.

We give great importance to be a prominent bank in financing the biggest projects of the country. Currently the total amount of allocated project finance loans is USD 7.3 billion. When the outstanding commitments not yet allocated is included, the amount increases to USD 10.3 billion. We are enthusiastic about participating in the new projects in the pipeline as well as observing that the projects we are involved in financing began to contribute to the economy. .

We continue to increase our loans with a greater pace than the banking sector and the Non-Performing Loan ratio of the Bank was kept firm with 1.7% which is far better than the sector. The bank has the strongest franchise with its 1.791 domestic branches and approximately 7 thousand ATMs. We are also increase the digital banking investments with a goal of providing rapid and high quality service offering.

Our Operation Center is increasingly executing more and diversified transactions and thus increasing the efficiency of the branches and making them more effective service points for our customers.

While continuing our presence in 19 countries and 98 service points abroad, we serve our customers in Turkey as a finance group in 8 local service areas.

Ziraat Bank, as the largest financial institution of Turkey continues its business by not only focusing on asset size but efficiency and effectiveness. In this manner we will continue to contribute more to our customers and the economy.

Hüseyin AYDIN

Member of the Board of Directors and General Manager

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EXPLANATIONS ON 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 Parent Bank.

IV. Financial indicators

ASSETS (TL Million)	Mar.17	Dec.16	Change (%)
Liquid Assets and Banks	50.675	45.219	12,1
Securities Portfolio	69.022	69.643	(0,9)
Loans	264.724	244.074	8,5
Other Assets	15.704	12.946	21,3
Total Assets	400.125	371.882	7,6
LIABILITIES (TL Million)	Mar.17	Dec.16	Change (%)
Deposits	242.422	232.912	4,1
Non-deposits Resources	92.540	78.843	17,4
Other Liabilities	23.088	21.215	8,8
Shareholders' Equity	42.075	38.912	8,1
Total Liabilities	400.125	371.882	7,6
CHOSEN INCOME-EXPENSES (TL Million)	Mar.17	Mar.16	Change (%)
Interest Income	8.534	6.638	28,6
Interest Expense	3.978	3.328	19,5
Net Interest Income	4.556	3.310	37,6
Net Fees and Commission Income	481	354	35,9
Other Operations Income	985	671	46,8
Other Operations Expense	1.954	1.685	16,0
Provision for Losses on Loans Or Other Receivables	1.043	507	105,7
Income Before Taxes From Continuing Operations	3.137	2.154	45,6
Provision For Taxes On Income From Continuing Operations	735	485	51,5
Net Profit/Losses	2.402	1.669	43,9
RATIOS (%)	Mar.17	Dec.16	
Capital Adequacy Ratio	14,27	13,86	
Equity / Total Assets	10,5	10,5	
Total Loans / Total Assets	66,2	65,6	
Loans under follow-up (Gross) / Total Loans	1,7	1,8	
FC Assets / FC Liabilities	93,7	106,1	
Liquid Assets / Total Assets	12,7	12,2	
	Mar.17	Mar.16	
Net Profit (Loss) / Average Total Assets	2,6	2,1	
Net Profit (Loss) / Average Equities	24,6	20,2	
Interest Incomes / Interest Expenses	214,5	199,5	

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EXPLANATIONS ON INTERIM REPORT (Continued)

V. Expectations for the Period after 2016 I. Interim

The first quarter of 2017 was a period when global economic recovery became more pronounced and economic activity improved. Especially in the developed economies, growth accelerated in the first quarter of the year, despite heightened political uncertainties and geopolitical risks. With the stabilization of commodity prices in the period we left behind, deflationary pressures decreased in developed countries and a positive trend was observed in financial markets with the contribution of the reflationary theme.

After Trump's election, FED's monetary policy was expected to tighten faster than anticipated, with the idea that expansionary fiscal policies would be implemented in the US. However, due to lack of validity about the policies Trump administration may implement, FED continued to anticipate three interest rate hikes for 2017, showing a neutral stance in forward guidance. Various asset classes pricing lax fiscal policies promised by the Trump administration in the period we left behind fluctuated with no clear policy framework yet. In light of these developments, while the theme of reflation in global markets is being questioned FED sticks to its “gradual” approach. Debate will turn on to balance sheet reduction going forward.

The first quarter of 2017 has been a time period in which economic activity has strongly progressed in the Euro Area. As political developments have weighed heavily, and as deflationary risks have largely ceased to exist both manufacturing and services PMI data, surged to their peak after a six year period of stagnation following European Debt Crisis. With accelerating economic activity and recovering energy prices, inflation in the region tended to rise. Consequently European Central Bank (ECB) has started shifting its monetary policy slightly and has not included in its final meeting the statement that all instruments could be used if necessary. The fact that it is the election year in the leading countries of the Euro Area political news dominates the agenda. In this environment, the year that we are going through the Brexit process, widespread populism movement creates uneasiness in the markets and causes fluctuations from time to time. The defeat of a populist candidate in the Dutch elections in March marks the presence of a pro-European entity and reduces the risk of fragmentation in the period when integrity of the European Union is being questioned. In an environment where the possible effects of the Brexit decision on the global economy continue to remain unclear, Brexit negotiations have already added another country to the intense election agenda following the UK's surprise early election decision, with the government wanting to further strengthen its grip.

Thanks to the accommodative stance of the FED, we have left a quarter when capital inflows to emerging markets intensified especially during March. Stable and balanced growth in the Chinese economy, one of the main pillars of global trade, reduces the risks to emerging markets and allows for the recovery of exports of other countries which are dependent on global trade. While Chinese economy moves from slow growth to flat growth within the re-balancing framework; expansion in the housing sector and the high rate of indebtedness continues to pose a risk for financial stability. With the increase in commodity prices in early 2016, a reflationary period started in China and spread to the global economy only to be questioned as Trump struggled to implement his campaign rhetoric. When PPI figures peaked inflation expectations have fallen and according to futures pricing the probability of the FED raising interest rates in its June meeting has stayed below %50 for a while. These developments have put falling USD interest rates and USD exchange rate under spotlight. In the period we left behind oil prices seemed to be shaped rather by supply developments and stabilized at around USD 50 per barrel. A possible decision to further cut production levels at the May OPEC meeting will be a key factor that might affect the oil market in the mid-term. The existence of geopolitical risks for Syria and North Korea poses a risk especially for capital flows to emerging markets.

Turkey's economy has recorded a growth rate of 2.9% for the year 2016, showing its resilience in spite of the contraction in the third quarter. In the fourth quarter of the year, the economy, which recovered rapidly after the July 15th shock, grew by 3.5% QoQ led by private consumption. It can be argued that the incentives put into practice by authorities to support the real sector helped the recovery process. With the constitutional referendum process completed increased stability is expected that may pave the way for the economy to return to its trend growth rates in 2017.

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EXPLANATIONS ON INTERIM REPORT (Continued)

V. Expectations for the Period after 2016 I. Interim (Continued)

Thanks to the budget discipline the authorities were able to focus on implementing expansionary fiscal policies and support economic activity through public spending and tax cuts. Demand for durable goods increased on the back of tax cuts for certain domestic appliances and furniture; private consumption is kept alive with increased financing provided thanks to public loan support for businesses. At present, the debt to GDP ratio of the public sector stands at 28.3%, which is well below the Maastricht criteria of 60%. Considering that this ratio is on average 90.7% in the European Union countries and 71% in Germany, the region's strongest economy, it seems that Turkey has more than enough space on the fiscal side. With this strong outlook in public finances, most of the measures taken in fiscal policies can be expected to be temporary, and no permanent deterioration is expected on the budget side.

The labor force participation rate is at a historically high level in 2016. Demographic factors push unemployment rate higher. In addition to the growth supporting policies, incentives targeting employment are expected to reduce unemployment rates to single digits in the mid-term.

In the first quarter of this year, commodity prices had a less of a positive influence on the current account deficit. The positive trend of net exports with the increase in the demand from European Union countries and the moderate outlook for domestic demand, allowed the seasonally adjusted current account excluding energy and gold to turn positive at the beginning of the year. In the shadow of Trump's protective trade policy campaigning, the world trade volume gained momentum in early 2017 and will provide additional support to external demand. Net exports are expected to make a positive contribution to growth composition.

Volatility in food prices and lagged effects of the exchange rate drove inflation up in the first quarter of 2017. As global deflation seemed losing some momentum, it is foreseen that cost-based pressures in inflation are expected to slow down in the upcoming period. It is expected that Turkey may end the year at single digit inflation rate if food price correction materializes with measures taken by the Food and Agricultural Product Markets Monitoring and Evaluation Committee. The main agenda of the economy during the year will be inflation and unemployment figures. While the government implements measures to encourage more employment; Central Bank goes to monetary tightening by adjusting the funding composition to manage inflation expectations and ensure price stability. The Central Bank has made arrangements in its late liquidity window rate. The Bank has created itself an additional room for monetary policy in order to be able to adjust monetary stance as required.

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