

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

# **Türkiye Cumhuriyeti Ziraat Bankası Anonim Şirketi**

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

10 May 2017

*This report contains “Limited Review Report”  
comprising 2 pages and; “Unconsolidated  
Financial Statements and Related Disclosures and  
Footnotes” comprising 89 pages.*

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

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

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

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

We have reviewed the accompanying unconsolidated statements of balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (the "Bank") as at 31 March 2017 and the related unconsolidated statement of income, unconsolidated statement of income and expense items accounted under shareholders' equity, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial information for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the "Banking Regulation and Supervision Agency (BRSA) Accounting and Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as "BRSA Accounting and Reporting Legislation") and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters regulated by afore-mentioned legislations. 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 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 and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with the Auditing Standards of Turkey. Consequently, a review of the interim financial information does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Basis for the Qualified Conclusion

As mentioned in Section II. Note 7.d.1 of Explanations and Notes to the Unconsolidated Financial Statements, the accompanying unconsolidated 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 unconsolidated financial information do not presented fairly in all material respects, the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. at 31 March 2017 and of the results of its operations 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 unconsolidated financial statements of the Bank 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 regulatory requirements arising from legislation*

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

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

Erdal Tıkmak  
*Partner, SMMM*

10 May 2017  
Istanbul, Türkiye

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

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

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

**THE UNCONSOLIDATED INTERIM FINANCIAL REVIEW REPORT OF  
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 31 MARCH 2017**

The 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 unconsolidated 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 BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- EXPLANATIONS ON REVIEW REPORT
- INTERIM REPORT

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

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

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Hüseyin AYDIN  
Member of the Board,  
CEO

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

---

Peyami Ömer ÖZDİLEK  
Financial Coordination  
Executive Vice President

---

Atakan BEKTAŞ  
Senior Vice President  
of Financial Reporting and  
Budget Management

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

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

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

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

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

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

**SECTION ONE**

**GENERAL INFORMATION ABOUT THE BANK**

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

The foundation of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“Ziraat Bankası” or “the Bank”) is based on Government Funds established in 1863. In 1883, Government Funds were replaced with Benefit Funds. The Bank was officially established by the re-organization of the Benefit Funds in 1888, to grant loans to farmers, to accept interest-bearing deposits and to act as a moneylender and an intermediary for agricultural operations. The Bank, which was given the authority to perform all the banking activities, 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 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 VICE PRESIDENTS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE BANK THEY POSSESS**

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

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN  
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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**

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

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

**SECTION ONE**

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

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

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

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

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

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

As of 31 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, Batumi and Marneuli sub branches in Georgia, Baghdad and Arbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina in Kosovo, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Akdoğan, Karaoğlanoğlu, Karakum and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has 1 representative office in Tehran, Iran. The Bank's personnel number is 25.008.

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

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

**VI. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE IMMEDIATE TRANSFER OF SHAREHOLDERS' EQUITY BETWEEN THE BANK AND ITS SUBSIDIARIES OR REIMBURSEMENT OF LIABILITIES**

None.

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

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

**UNCONSOLIDATED 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  
UNCONSOLIDATED FINANCIAL STATEMENTS**

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	Current Period (31/03/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	(1)	5.970.420	30.737.673	36.708.093	7.541.324	31.625.773	39.167.097
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)</b>	(2)	1.293.479	341.232	1.634.711	1.209.019	475.772	1.684.791
2.1 Financial Assets Held for Trading		1.293.479	341.232	1.634.711	1.209.019	475.772	1.684.791
2.1.1 Public Sector Debt Securities		7.700	18.546	26.246	12.855	4.549	17.404
2.1.2 Securities Representing a Share in Capital		-	-	-	-	-	-
2.1.3 Derivative Financial Assets Held for Trading		1.285.779	322.686	1.608.465	1.196.164	471.223	1.667.387
2.1.4 Other Marketable Securities		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
<b>III. BANKS</b>	(3)	535.259	3.728.542	4.263.801	527.107	3.374.567	3.901.674
<b>IV. MONEY MARKET PLACEMENTS</b>		7.683.679	-	7.683.679	-	-	-
4.1 Interbank Money Market Placements		7.683.679	-	7.683.679	-	-	-
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	44.144.239	15.503.272	59.647.511	43.863.060	14.768.893	58.631.953
5.1 Securities Representing a Share in Capital		104.420	605.442	709.862	104.142	539.323	643.465
5.2 Public Sector Debt Securities		44.039.796	14.792.968	58.832.764	43.700.624	14.119.670	57.820.294
5.3 Other Marketable Securities		23	104.862	104.885	58.294	109.900	168.194
<b>VI. LOANS AND RECEIVABLES</b>	(5)	186.762.342	65.138.589	251.900.931	168.980.221	63.663.314	232.643.535
6.1 Loans and Receivables		186.535.856	65.138.589	251.674.445	168.728.772	63.663.314	232.392.086
6.1.1 Loans Granted to Risk Group of The Bank		674	1.284.708	1.285.382	31.598	1.159.214	1.190.812
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		186.535.182	63.853.881	250.389.063	168.697.174	62.504.100	231.201.274
6.2 Loans under Follow-up		4.313.797	18.201	4.331.998	4.200.259	16.838	4.217.097
6.3 Specific Provisions (-)		4.087.311	18.201	4.105.512	3.948.810	16.838	3.965.648
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	2.711.589	4.498.201	7.209.790	3.601.088	5.148.376	8.749.464
8.1 Public Sector Debt Securities		2.572.266	4.497.344	7.069.610	3.462.285	5.140.155	8.602.440
8.2 Other Marketable Securities		139.323	857	140.180	138.803	8.221	147.024
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	94.912	-	94.912	94.912	-	94.912
9.1 Accounted with Equity Method		-	-	-	-	-	-
9.2 Unconsolidated Associates		94.912	-	94.912	94.912	-	94.912
9.2.1 Financial Associates		88.846	-	88.846	88.846	-	88.846
9.2.2 Non-financial Associates		6.066	-	6.066	6.066	-	6.066
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	2.732.473	1.575.116	4.307.589	2.532.473	1.575.116	4.107.589
10.1 Unconsolidated Financial Subsidiaries		2.726.236	1.575.116	4.301.352	2.526.236	1.575.116	4.101.352
10.2 Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237	6.237	-	6.237
<b>XI. ENTITIES UNDER COMMON CONTROL (Net)</b>	(9)	-	109.239	109.239	-	109.239	109.239
11.1 Accounted with Equity Method		-	-	-	-	-	-
11.2 Unconsolidated Entities Under Common Control		-	109.239	109.239	-	109.239	109.239
11.2.1 Financial Entities Under Common Control		-	109.239	109.239	-	109.239	109.239
11.2.2 Non Financial Entities Under Common Control		-	-	-	-	-	-
<b>XII. RECEIVABLES FROM LEASING TRANSACTIONS</b>	(10)	-	-	-	-	-	-
12.1 Finance Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income ( - )		-	-	-	-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(11)	-	-	-	-	-	-
13.1 Fair Value Hedges		-	-	-	-	-	-
13.2 Cash Flow Hedges		-	-	-	-	-	-
13.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(14)	5.229.432	13.381	5.242.813	5.300.983	14.220	5.315.203
<b>XV. INTANGIBLE ASSETS (Net)</b>		350.195	7.419	357.614	305.716	7.098	312.814
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		350.195	7.419	357.614	305.716	7.098	312.814
<b>XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)</b>	(12)	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>		117.340	-	117.340	76.878	-	76.878
17.1 Current Tax Asset		1.303	-	1.303	1.121	-	1.121
17.2 Deferred Tax Asset		116.037	-	116.037	75.757	-	75.757
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(13)	627.643	-	627.643	562.033	-	562.033
18.1 Held for Sale		627.643	-	627.643	562.033	-	562.033
18.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>		2.589.944	2.199.025	4.788.969	1.214.427	1.189.756	2.404.183
<b>TOTAL ASSETS</b>		260.842.946	123.851.689	384.694.635	235.809.241	121.952.124	357.761.365

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	Current Period (31/03/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>LIABILITIES AND EQUITY</b>							
<b>I. DEPOSITS</b>	(1)	151.918.192	80.166.085	232.084.277	149.857.453	73.161.481	223.018.934
1.1 Deposits Held By the Risk Group of the Bank		1.414.076	713.871	2.127.947	1.191.017	354.900	1.545.917
1.2 Other		150.504.116	79.452.214	229.956.330	148.666.436	72.806.581	221.473.017
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	84.837	439.340	524.177	239.703	403.925	643.628
<b>III. FUNDS BORROWED</b>	(3)	1.372.680	22.366.411	23.739.091	1.788.942	21.027.794	22.816.736
<b>IV. MONEY MARKET BALANCES</b>		38.365.281	20.857.317	59.222.598	34.941.538	12.270.423	47.211.961
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	30.251.538	12.270.423	42.521.961
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		2.438.155	4.858.532	7.296.687	2.156.778	4.676.223	6.833.001
5.1 Bills		2.438.155	-	2.438.155	2.156.778	-	2.156.778
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		-	4.858.532	4.858.532	-	4.676.223	4.676.223
<b>VI. FUNDS</b>		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
<b>VII. MISCELLANEOUS PAYABLES</b>		1.442.135	1.749.534	3.191.669	1.266.894	1.213.827	2.480.721
<b>VIII. OTHER LIABILITIES</b>	(4)	2.860.623	475.990	3.336.613	2.999.827	449.462	3.449.289
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. PAYABLES FROM LEASING TRANSACTIONS (Net)</b>	(5)	-	469	469	-	492	492
10.1 Finance Lease Payables		-	474	474	-	499	499
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	5	5	-	7	7
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	(6)	-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(7)	6.658.206	60.616	6.718.822	5.981.623	71.388	6.053.011
12.1 General Provisions		4.212.997	13.581	4.226.578	3.908.739	12.886	3.921.625
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		922.889	-	922.889	877.689	-	877.689
12.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5 Other Provisions		1.522.320	47.035	1.569.355	1.195.195	58.502	1.253.697
<b>XIII. TAX LIABILITY</b>	(8)	1.341.452	650	1.342.102	848.332	1.983	850.315
13.1 Current Tax Liability		1.341.452	650	1.342.102	848.332	1.983	850.315
13.2 Deferred Tax Liability		-	-	-	-	-	-
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(9)	-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(10)	-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	(11)	40.950.224	255.983	41.206.207	38.736.881	(354.443)	38.382.438
16.1 Paid-in Capital		5.100.000	-	5.100.000	5.100.000	-	5.100.000
16.2 Capital Reserves		3.515.829	255.983	3.771.812	3.472.869	(354.443)	3.118.426
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(584.039)	255.983	(328.056)	(644.043)	(354.443)	(998.486)
16.2.4 Tangible Assets Revaluation Reserves		4.160.822	-	4.160.822	4.177.866	-	4.177.866
16.2.5 Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6 Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7 Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17.388	-	17.388	17.388	-	17.388
16.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other Capital Reserves		(78.342)	-	(78.342)	(78.342)	-	(78.342)
16.3 Profit Reserves		22.681.245	-	22.681.245	22.681.247	-	22.681.247
16.3.1 Legal Reserves		3.203.305	-	3.203.305	3.203.307	-	3.203.307
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		9.653.150	-	9.653.150	7.482.765	-	7.482.765
16.4.1 Prior Years Profit/Loss		7.482.765	-	7.482.765	906.345	-	906.345
16.4.2 Net Period Profit/Loss		2.170.385	-	2.170.385	6.576.420	-	6.576.420
<b>TOTAL LIABILITIES AND EQUITY</b>		253.463.708	131.230.927	384.694.635	244.838.810	112.922.555	357.761.365

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

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

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

**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS OF 31 MARCH 2017**

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

II.	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
<b>A</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>54.245.247</b>	<b>123.144.149</b>	<b>177.389.396</b>	<b>59.657.458</b>	<b>123.271.460</b>	<b>182.928.918</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>(I)</b>	<b>26.819.658</b>	<b>56.133.008</b>	<b>82.952.666</b>	<b>24.763.329</b>	<b>54.391.779</b>	<b>79.155.108</b>
1.1	Letters of Guarantee		26.621.729	41.825.925	68.447.654	24.571.621	41.207.958	65.779.579
1.1.1	Guarantees Subject to State Tender Law		1.505.680	7.505.669	9.011.349	1.482.932	7.391.519	8.874.451
1.1.2	Guarantees Given for Foreign Trade Operations		22.169.893	33.689.675	55.859.568	20.772.639	33.311.238	54.083.877
1.1.3	Other Letters of Guarantee		2.946.156	630.581	3.576.737	2.316.050	505.201	2.821.251
1.2	Bank Acceptances		31.944	4.683.313	4.715.257	34.549	4.219.583	4.254.132
1.2.1	Import Letter of Acceptance		27.804	4.678.202	4.706.006	29.427	4.216.440	4.245.867
1.2.2	Other Bank Acceptances		4.140	5.111	9.251	5.122	3.143	8.265
1.3	Letters of Credit		165.985	9.623.770	9.789.755	157.159	8.964.238	9.121.397
1.3.1	Documentary Letters of Credit		165.985	9.582.751	9.748.736	157.159	8.918.813	9.075.972
1.3.2	Other Letters of Credit		-	41.019	41.019	-	45.425	45.425
1.4	Pre-financing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		-	-	-	-	-	-
1.9	Other Collaterals		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	<b>(I)</b>	<b>19.953.907</b>	<b>5.176.774</b>	<b>25.130.681</b>	<b>18.457.103</b>	<b>4.909.554</b>	<b>23.366.657</b>
2.1	Irrevocable Commitments		19.953.895	5.169.617	25.123.512	18.457.091	4.905.642	23.362.733
2.1.1	Asset Purchase and Sale Commitments		350.666	2.000.380	2.351.046	368.494	1.754.807	2.123.301
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		3.987.552	61.975	4.049.527	3.538.378	60.375	3.598.753
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		3.421.754	-	3.421.754	3.138.916	-	3.138.916
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		7.385.926	-	7.385.926	7.258.758	-	7.258.758
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		4.785.509	3.107.262	7.892.771	4.130.407	3.090.460	7.220.867
2.2	Revocable Commitments		12	7.157	7.169	12	3.912	3.924
2.2.1	Revocable Loan Granting Commitments		-	7.157	7.157	-	3.912	3.912
2.2.2	Other Revocable Commitments		12	-	12	12	-	12
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>7.471.682</b>	<b>61.834.367</b>	<b>69.306.049</b>	<b>16.437.026</b>	<b>63.970.127</b>	<b>80.407.153</b>
3.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Transactions		7.471.682	61.834.367	69.306.049	16.437.026	63.970.127	80.407.153
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.694.825	3.816.684	5.511.509	1.353.480	3.946.217	5.299.697
3.2.1.1	Forward Foreign Currency Transactions-Buy		795.189	1.960.539	2.755.728	628.181	2.026.549	2.654.730
3.2.1.2	Forward Foreign Currency Transactions-Sell		899.636	1.856.145	2.755.781	725.299	1.919.668	2.644.967
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		5.699.447	57.877.839	63.577.286	15.072.546	60.012.592	75.085.138
3.2.2.1	Foreign Currency Swap-Buy		776.200	26.698.503	27.474.703	13.193.333	20.280.990	33.474.323
3.2.2.2	Foreign Currency Swap-Sell		4.923.247	21.511.518	26.434.765	1.879.213	30.408.968	32.288.181
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		-	-	-	-	-	-
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>949.901.353</b>	<b>136.527.466</b>	<b>1.086.428.819</b>	<b>918.306.978</b>	<b>124.983.490</b>	<b>1.043.290.468</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>273.398.858</b>	<b>16.390.237</b>	<b>289.789.095</b>	<b>250.919.547</b>	<b>14.347.876</b>	<b>265.267.423</b>
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		4.072.670	6.629.322	10.701.992	3.548.171	6.190.399	9.738.570
4.3	Checks Received for Collection		6.059.068	614.085	6.673.153	6.091.308	550.260	6.641.568
4.4	Commercial Notes Received for Collection		6.524.390	543.229	7.067.619	6.333.865	474.990	6.808.855
4.5	Other Assets Received for Collection		8.834	-	8.834	-	-	8.834
4.6	Assets Received for Public Offering		245.654.966	-	245.654.966	230.493.772	-	230.493.772
4.7	Other Items Under Custody		11.077.281	8.603.601	19.680.882	4.441.948	7.132.227	11.574.175
4.8	Custodians		1.649	-	1.649	-	-	1.649
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>675.775.188</b>	<b>118.150.483</b>	<b>793.925.671</b>	<b>666.794.362</b>	<b>108.762.025</b>	<b>775.556.387</b>
5.1	Marketable Securities		1.494.903	38.713	1.533.616	1.536.809	37.532	1.574.341
5.2	Guarantee Notes		14.048.587	1.057.649	15.106.236	13.839.965	1.051.907	14.891.872
5.3	Commodity		1.089.161	73.124	1.162.285	1.089.260	70.224	1.159.484
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		594.045.442	92.176.450	686.221.892	588.923.360	83.692.739	672.616.099
5.6	Other Pledged Items		65.091.886	24.791.358	89.883.244	61.399.759	23.896.905	85.296.664
5.7	Pledged Items-Depository		5.209	13.189	18.398	5.209	12.718	17.927
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>727.307</b>	<b>1.986.746</b>	<b>2.714.053</b>	<b>593.069</b>	<b>1.873.589</b>	<b>2.466.658</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>			<b>1.004.146.600</b>	<b>259.671.615</b>	<b>1.263.818.215</b>	<b>977.964.436</b>	<b>248.254.950</b>	<b>1.226.219.386</b>

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF INCOME AS OF AT 31 MARCH 2017  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

<b>III. STATEMENT OF INCOME</b>			
<b>INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five IV)</b>	<b>Current Period 1/1-31/03/2017</b>	<b>Prior Period 1/1-31/03/2016</b>
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>8.204.940</b>	<b>6.448.044</b>
1.1 Interest Income from Loans		6.254.965	4.926.039
1.2 Interest Income From Reserve Deposits		77.388	44.470
1.3 Interest Income from Banks		26.361	19.584
1.4 Interest Income from Money Market Placements		135.374	2
1.5 Interest Income from Marketable Securities		1.690.828	1.449.728
1.5.1 Financial Assets Held for Trading		894	486
1.5.2 Financial Assets at Fair Value through Profit and Loss		-	-
1.5.3 Financial Assets Available-for-Sale		1.499.058	1.233.572
1.5.4 Investments Held-to-Maturity		190.876	215.670
1.6 Finance Lease Income		-	-
1.7 Other Interest Income		20.024	8.221
<b>II. INTEREST EXPENSES</b>	<b>(2)</b>	<b>3.896.028</b>	<b>3.297.508</b>
2.1 Interest Expense on Deposits		2.644.463	2.398.928
2.2 Interest on Borrowings		142.651	101.909
2.3 Interest on Money Market Borrowings		970.149	689.506
2.4 Interest on Marketable Securities Issued		115.699	82.251
2.5 Other Interest Expense		23.066	24.914
<b>III. NET INTEREST INCOME/EXPENSES (I - II)</b>		<b>4.308.912</b>	<b>3.150.536</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>499.397</b>	<b>367.817</b>
4.1 Fees and Commissions Received		600.687	455.163
4.1.1 Non-cash Loans		104.419	76.646
4.1.2 Other	(12)	496.268	378.517
4.2 Fees and Commissions Paid		101.290	87.346
4.2.1 Non-cash Loans		96	76
4.2.2 Other		101.194	87.270
<b>V. DIVIDEND INCOME</b>		<b>3.309</b>	<b>2.785</b>
<b>VI. TRADING PROFIT/LOSS (Net)</b>	<b>(3)</b>	<b>101.874</b>	<b>666</b>
6.1 Profit/Loss from Capital Market Operations		16.028	5.338
6.2 Profit/losses on Derivative Financial Transactions	(4)	(62.683)	694.480
6.3 Profit/Loss from Foreign Exchanges		148.529	(699.152)
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>416.651</b>	<b>336.028</b>
<b>VIII. TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>		<b>5.330.143</b>	<b>3.857.832</b>
<b>IX. PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>966.955</b>	<b>446.575</b>
<b>X. OTHER OPERATING EXPENSES(-)</b>	<b>(7)</b>	<b>1.515.811</b>	<b>1.342.067</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>2.847.377</b>	<b>2.069.190</b>
<b>XII. GAINS RECORDED AFTER MERGER</b>		-	-
<b>XIII. PROFIT/LOSS ON EQUITY METHOD</b>		-	-
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>(8)</b>	<b>2.847.377</b>	<b>2.069.190</b>
<b>XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(9)</b>	<b>(676.992)</b>	<b>(459.788)</b>
16.1 Current Tax Provision		(882.865)	(562.219)
16.2 Deferred Tax Provision		205.873	102.431
<b>XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>(10)</b>	<b>2.170.385</b>	<b>1.609.402</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1 Income from Non-current Assets Held for Sale		-	-
18.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
18.3 Other Income From Discontinued Operations		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Expenses for Non-current Assets Held for Sale		-	-
19.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3 Other Expenses From Discontinued Operations		-	-
<b>XX. PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(11)</b>	<b>2.170.385</b>	<b>1.609.402</b>
Earnings/ Loss per Share (Full TL)		0,426	0,326

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS'  
EQUITY AS OF 31 MARCH 2017**

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

<b>IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		
<b>PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>	<b>Current Period (1/1-31/03/2017)</b>	<b>Prior Period (1/1-31/03/2016)</b>
<b>I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>841.132</b>	<b>1.117.079</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>(17.044)</b>	<b>(14.034)</b>
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>		-
<b>IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	<b>(5.111)</b>	<b>(2.868)</b>
<b>V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)</b>		-
<b>VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>		-
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS</b>		-
<b>VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS</b>	-	-
<b>IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES</b>	<b>(165.593)</b>	<b>(299.438)</b>
<b>X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>653.384</b>	<b>800.739</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>2.170.385</b>	<b>1.609.402</b>
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	<b>16.028</b>	5.338
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	<b>2.154.357</b>	1.604.064
<b>XII. TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)</b>	<b>2.823.769</b>	<b>2.410.141</b>

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																			
31 March 2016		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.	Total Equity	
<b>I.</b>	<b>Balance at the Beginning of the Period</b>		5.000.000	-	-	-	2.920.983	-	13.659.246	1.340.257	5.162.470	159.798	(321.040)	3.607.167	17.388	-	-	-	31.546.269
	Changes During the Period																		
<b>II.</b>	<b>Increase/Decrease Related to Merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III.</b>	<b>Marketable Securities Valuation Differences</b>		-	-	-	-	-	-	-	-	-	-	817.641	-	-	-	-	-	817.641
<b>IV.</b>	<b>Hedging Funds (Active Part)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V.</b>	<b>Revaluation Differences of Tangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	(14.034)	-	-	-	-	(14.034)
<b>VI.</b>	<b>Revaluation Differences of Intangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII.</b>	<b>Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII.</b>	<b>Foreign Exchange Differences</b>		-	-	-	-	-	-	-	-	-	-	(2.868)	-	-	-	-	-	(2.868)
<b>IX.</b>	<b>Changes Resulted from Disposal of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X.</b>	<b>Changes Resulted from Reclassification of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI.</b>	<b>Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII.</b>	<b>Increase in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	From Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII.</b>	<b>Issuance of Share Certificates</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV.</b>	<b>Share Cancellation Profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV.</b>	<b>Adjustment to Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI.</b>	<b>Other</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII.</b>	<b>Net Profit or Losses</b>		-	-	-	-	-	-	-	-	1.609.402	-	-	-	-	-	-	-	1.609.402
<b>XVIII.</b>	<b>Profit Distribution</b>		-	-	-	-	-	-	-	-	(5.162.470)	5.162.470	-	-	-	-	-	-	-
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	-	-	-	-	(5.162.470)	5.162.470	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Balance at the end of the period (I+II+III+.....+ XVI+XVII+XVIII)</b>		5.000.000	-	-	-	2.920.983	-	13.659.246	1.340.257	1.609.402	5.322.268	493.733	3.593.133	17.388	-	-	-	33.956.410

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



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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 MARCH 2017  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

VI. STATEMENT OF CASH FLOWS			
	Note (Section Five)	Current Period (01/01-31/03/2017)	Prior Period (01/01-31/03/2016)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		3.206.393	1.427.513
1.1.1 Interest Received		6.491.033	5.121.813
1.1.2 Interest Paid		(3.704.988)	(3.088.681)
1.1.3 Dividend Received		3.309	886
1.1.4 Fees and Commissions Received		600.687	455.054
1.1.5 Other Income		217.514	790.007
1.1.6 Collections from Previously Written-off Loans and Other Receivables		371.219	313.461
1.1.7 Payments to Personnel and Service Suppliers		(627.970)	(559.419)
1.1.8 Taxes Paid		(523.511)	(466.111)
1.1.9 Other		379.100	(1.139.497)
1.2 Changes in Operating Assets and Liabilities		(5.144.689)	1.137.341
1.2.1 Net (Increase)/Decrease in Trading Securities		(9.023)	(10.772)
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3 Net (Increase)/Decrease in Banks		(7.520.465)	965.767
1.2.4 Net (Increase)/Decrease in Loans		(18.583.543)	(5.692.875)
1.2.5 Net (Increase)/Decrease in Other Assets		(2.531.138)	632.023
1.2.6 Net Increase/(Decrease) in Bank Deposits		12.076.412	(1.992.725)
1.2.7 Net Increase/(Decrease) in Other Deposits		8.924.579	7.398.305
1.2.8 Net Increase/(Decrease) in Funds Borrowed		880.957	(862.149)
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		1.617.532	699.767
<b>I. Net Cash Provided from Banking Operations</b>		<b>(1.938.296)</b>	<b>2.564.854</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>		<b>(2.764.214)</b>	<b>(1.418.417)</b>
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		(200.000)	(4.354)
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3 Fixed Assets Purchases		(37.669)	(11.561)
2.4 Fixed Assets Sales		10.546	69.034
2.5 Cash Paid 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	3.045.129
2.7 Cash Paid for Purchase of Investment Securities		(258.255)	(76.959)
2.8 Cash Obtained from Sale of Investment Securities		1.984.409	545.775
2.9 Other		(3.521.868)	(1.000.708)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>		<b>2.354.977</b>	<b>(521.808)</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued		2.480.000	1.975.178
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		(23)	-
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>354.032</b>	<b>(84.936)</b>
<b>V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>(1.993.501)</b>	<b>539.693</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>		<b>15.566.483</b>	<b>8.064.097</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>		<b>13.572.982</b>	<b>8.603.790</b>

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

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 MARCH 2017**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

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

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

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

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

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

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

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

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

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

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

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

Held to maturity assets are initially recognized at cost value.

**c. Loans and receivables:**

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**c. Loans and receivables: (Continued)**

The Bank sets specific and general provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 26333 and dated 1 November 2006 on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions”. However, there is no judgement in the related Regulation and the BRSA's related disclosures that would prevent further provision of the minimum amounts required. Allocated provisions are deducted from the income for the period. If the receivables for which provisions were set in the previous years are collected, provision for allowances are released and recognized as income under “Other Operating Income” account. Releases of current period provisions are made by the reversal of the amount from the “Provision for Impairment of Loans and Other Receivables” account.

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

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

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

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

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

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

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

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**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 Expense for Subsidiaries, Associates, and Assets Held to Maturity”.

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

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

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

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

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

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

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

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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 Bank’s receivables are shown at the fixed assets held for sale line according to the execution of the forward sales agreement.

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

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

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

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

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

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

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

As of 31 January 2014 the Bank has changed its accounting policies and has decided to pursue the real estates registered in its portfolio at fair values. In this context, for all real estates registered in the Bank’s inventory, appraisal study was carried by independent expertise companies, and from 1 January 2014 valuation results are reflected in the accounting records. As a result of the fair valuation of the real estates, TL 4.160.822 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.

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT (Continued)**

Applied depreciation rates are as follows;

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

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

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

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

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

**Financial Lease**

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

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

**Operational Lease**

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

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES (Continued)**

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

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

**XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS**

**a. Employment Termination and Vacation Benefits**

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

Under the Turkish legislation as supplemented by union agreements, Employment Termination Benefit payments are made in case of retirement or employment termination or resignation depending on the arise of the legal conditions. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, Employment Termination Benefit Provision is calculated 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 at statement of profit and loss items accounted under shareholders’ equity in the financials.

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVI. 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)**

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 20<sup>th</sup> provisional article of law numbered 506, the deadline for transferring banks, insurance and reinsurance companies, chambers of commerce, chambers of industry, exchange markets and the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for two years.

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

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

Lastly, 51st article of Law No.6645 dated 23 April 2015, published on Official Gazette and the first paragraph of the transient 20th article of Law No.5510 related to the transfer of Bank and Insurance Funds to Social Security Institution; “Council of Ministers is the authority to determine the date of transfer of banks, insurance and reinsurance companies, boards of trade, chambers of industry and stock markets or the participants of funds established for their constitute union personnel and the ones that were endowed salary or income and their

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beneficiaries within the scope of transient 20th article of Law No.506. As from the transfer date, the participants are considered as insured within the scope of clause (a), first paragraph and 4th article of this Law.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVI. 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)**

The technical balance sheet report as of 31 December 2015 which is prepared in accordance with the new law and the rate determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

**XVII. EXPLANATIONS ON TAXATION**

**a. Current Tax**

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

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

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**b. Deferred tax**

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

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

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

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

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

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

**XVIII. EXPLANATIONS ON BORROWINGS**

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

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

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

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXI. EXPLANATIONS ON GOVERNMENT GRANTS**

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

**XXII. CASH AND CASH EQUIVALENTS**

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

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

**XXIII. EXPLANATIONS ON SEGMENT REPORTING**

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

**XXIV. EXPLANATIONS ON OTHER MATTERS**

There are no explanations on other matters.

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**SECTION FOUR**

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

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

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

As of 31 March 2017 Bank’s total capital has been calculated as TL 43.933.316 (31 December 2016: TL 41.061.245), capital adequacy ratio is 14,85% (31 December 2016: 14,55%). This ratio is well above the minimum ratio required by the legislation.

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

	Amount	Amount as per the regulation before 1/1/2014*
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.100.000	-
Share issue premiums	-	-
Reserves	22.681.245	-
Gains recognized in equity as per TAS	5.059.543	-
Profit	9.653.150	-
Current Period Profit	2.170.385	-
Prior Period Profit	7.482.765	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17.388	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	42.511.326	-
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1.305.119	-
Improvement costs for operating leasing	79.013	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	286.091	357.614
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>1.670.223</b>	<b>-</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>40.841.103</b>	<b>-</b>

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

**I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS' EQUITY (Continued)  
a) Information Related To The Components Of Shareholders' Equity: (Continued)**

	Amount	Amount as per the regulation before 1/1/2014*
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items to be defined by the BRSA (-)	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	71.523	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>40.769.580</b>	-
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	3.215.815	-
<b>Tier II Capital Before Deductions</b>	<b>3.215.815</b>	-
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>3.215.815</b>	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>43.985.395</b>	-
<b>Deductions from Total Capital</b>		
<b>Deductions from Total Capital</b>	<b>43.985.395</b>	-
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	50.868	-
Other items to be defined by the BRSA (-)	1.211	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 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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(Continued)**

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

**a) Information Related To The Components Of Shareholders' Equity: (Continued)**

	Amount	Amount as per the regulation before 1/1/2014*
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	43.933.316	-
Total Risk Weighted Assets	295.799.047	-
<b>CAPITAL ADEQUACY RATIOS</b>		
CET I Capital Ratio (%)	13,81	-
Tier I Capital Ratio (%)	13,78	-
Capital Adequacy Ratio (%)	14,85	-
<b>BUFFERS</b>		
Bank-specific total CET I Capital Ratio	-	-
Capital Conservation Buffer Ratio (%)	1,25	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,006	-
Additional CET I Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,81	-
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	154.824	-
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	98.267	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	116.037	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand)	4.226.578	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3.215.815	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(\*) 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 SHAREHOLDERS’ EQUITY (Continued)**

**a) Information Related To The Components Of Shareholders' Equity: (Continued)**

	Prior Period	Amount as per the regulation before 1/1/2014*
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.100.000	-
Share issue premiums	-	-
Reserves	22.681.247	-
Gains recognized in equity as per TAS	4.820.602	-
Profit	7.482.765	-
Current Period Profit	6.576.420	-
Prior Period Profit	906.345	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17.388	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>40.102.002</b>	-
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1.719.564	-
Improvement costs for operating leasing	82.601	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	187.688	312.814
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>1.989.853</b>	-
<b>Total Common Equity Tier I Capital</b>	<b>38.112.149</b>	

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

I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS' EQUITY (Continued)  
a) Information Related To The Components Of Shareholders' Equity: (Continued)

	Prior Period	Amount as per the regulation before 1/1/2014*
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier 1 Capital and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items to be defined by the BRSA (-)	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	125.126	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>37.987.023</b>	-
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	3.114.746	-
<b>Tier II Capital Before Deductions</b>	<b>3.114.746</b>	-
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>3.114.746</b>	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>41.101.769</b>	-
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	38.071	-
Other items to be defined by the BRSA (-)	2.453	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the % 10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 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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(Continued)**

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

**a) Information Related To The Components Of Shareholders' Equity: (Continued)**

	Prior Period	Amount as per the regulation before 1/1/2014*
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	41.061.245	-
Total Risk Weighted Assets	282.252.505	-
<b>CAPITAL ADEQUACY RATIOS</b>		
CET 1 Capital Ratio (%)	13,50	-
Tier I Capital Ratio (%)	13,46	-
Capital Adequacy Ratio (%)	14,55	-
Total Risk Weighted Amounts	282.252.505	-
<b>BUFFERS</b>		
Bank-specific total CET 1 Capital Ratio	-	-
Capital Conservation Buffer Ratio (%)	0,63	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,004	-
Additional CET 1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,50	-
Amounts Lower than Excesses as per Deduction Rules	-	-
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	153.707	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	97.415	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	75.757	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand)	3.921.625	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3.114.746	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(\*) 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 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’s equity and balance-sheet amounts:**

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision. In the calculation of Total Capital, general provision up to 1,25% credit risk is taken into consideration as Tier II Capital. Besides, losses that are subject to deductions from Common Equity Tier I and reflected to Equity in line with the TAS, are determined by excluding the losses related to cash flow hedge transactions. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and net book value of immovables that are acquired against overdue receivables and retained more than 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 CURRENCY RISK**

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

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

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

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

None.

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

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
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 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 CURRENCY RISK (Continued)**

**Information on the foreign currency risk of the Bank:**

	EUR	USD	Other FC <sup>(1)</sup>	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	7.244.479	16.288.104	7.205.090	30.737.673
Banks	391.978	2.921.438	415.126	3.728.542
Financial Assets at Fair Value Through Profit and Loss <sup>(5)</sup>	-	18.546	-	18.546
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	3.536.582	11.897.718	68.972	15.503.272
Loans <sup>(2)</sup>	22.474.242	43.924.484	110.088	66.508.814
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(4)</sup>	1.112.624	571.731	-	1.684.355
Investments Held-to-Maturity	577.877	3.919.803	521	4.498.201
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	5.189	874	7.318	13.381
Intangible Assets	2.928	2	4.489	7.419
Other Assets <sup>(6)</sup>	1.953.802	232.511	7.665	2.193.978
<b>Total Assets</b>	<b>37.299.701</b>	<b>79.775.211</b>	<b>7.819.269</b>	<b>124.894.181</b>
<b>Liabilities</b>				
Interbank Deposits	4.860.945	3.514.783	108.267	8.483.995
Foreign Currency Deposits	40.961.988	26.273.664	4.446.438	71.682.090
Money Market Borrowings	320.947	20.536.370	-	20.857.317
Funds Provided from Other Financial Institutions	6.620.648	15.739.446	6.317	22.366.411
Issued Marketable Securities	-	4.829.213	29.319	4.858.532
Sundry Creditors	1.684.313	62.800	2.421	1.749.534
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	290.846	226.486	20.393	537.725
<b>Total Liabilities</b>	<b>54.739.687</b>	<b>71.182.762</b>	<b>4.613.155</b>	<b>130.535.604</b>
<b>Net Balance Sheet Position</b>	<b>(17.439.986)</b>	<b>8.592.449</b>	<b>3.206.114</b>	<b>(5.641.423)</b>
<b>Net Off-Balance Sheet Position <sup>(3)</sup></b>	<b>18.718.567</b>	<b>(10.371.663)</b>	<b>(3.055.525)</b>	<b>5.291.379</b>
Financial Derivative Assets	20.884.560	10.966.221	1.712.092	33.562.873
Financial Derivative Liabilities	2.165.993	21.337.884	4.767.617	28.271.494
<b>Non-cash Loans</b>	<b>20.099.418</b>	<b>31.901.777</b>	<b>4.131.813</b>	<b>56.133.008</b>
<b>Prior Period</b>				
Total Assets	38.063.799	77.926.169	6.959.476	122.949.444
Total Liabilities	51.600.535	57.223.275	4.049.263	112.873.073
<b>Net Balance Sheet Position</b>	<b>(13.536.736)</b>	<b>20.702.894</b>	<b>2.910.213</b>	<b>10.076.371</b>
<b>Net Off-Balance Sheet Position <sup>(3)</sup></b>	<b>14.404.536</b>	<b>(21.814.361)</b>	<b>(2.611.272)</b>	<b>(10.021.097)</b>
Financial Derivative Assets	16.594.256	7.787.185	2.593.074	26.974.515
Financial Derivative Liabilities	2.189.720	29.601.546	5.204.346	36.995.612
<b>Non-cash Loans</b>	<b>18.783.775</b>	<b>31.762.066</b>	<b>3.845.938</b>	<b>54.391.779</b>

1) Of the foreign currencies presented in the other FC column of assets 90,71% is Gold, 3,69% is GBP, 2,17% is IQD, 0,98% is SAR, and the remaining 2,45% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 57,50% is Gold, 20,78% is GBP, 10,24% is CHF, 3,30% is DKK, 1,50% SEK, 1,17% is SAR, 0,65% is BGN and the remaining 4,86% is other foreign currencies. (31 December 2016: Of the foreign currencies presented in the other FC column of assets 91,94% is Gold, 2,69% is GBP, 1,73% is IQD, 1,25% is SAR, and the remaining 2,39% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 57,79% is Gold, 21,31% is GBP, 10,98% is CHF, 3,61% is DKK, 1,77% is SEK, 1,19% is SAR, 0,71% is BGN and the remaining 2,64% is other foreign currencies).

2) TL 598.807 equivalent of EUR and TL 771.418 equivalent of USD loans are originated as foreign currency indexed loans (31 December 2016: TL 874.972 equivalent of USD and TL 598.672 equivalent of EUR).

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

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

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

6) Prepaid expenses in other assets amounting to TL 5.047 are not included in the table.

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK  
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**III. EXPLANATIONS ON THE INTEREST RATE RISK**

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	25.404.433	-	-	-	-	11.303.660	36.708.093
Banks	1.037.058	774.171	508.329	-	-	1.944.243	4.263.801
Financial Assets at Fair Value Through Profit and Loss	130.427	510.927	930.486	58.149	4.722	-	1.634.711
Money Market Placements	7.683.679	-	-	-	-	-	7.683.679
Financial Assets Available-for-Sale	6.056.671	5.532.630	11.729.761	17.175.527	18.399.792	753.130	59.647.511
Loans Given <sup>(4)</sup>	68.874.245	23.836.176	51.752.244	85.903.811	21.307.969	226.486	251.900.931
Investments Held-to-Maturity	211.688	10.704	2.592.692	2.658.681	1.736.025	-	7.209.790
Other Assets <sup>(3)</sup>	-	-	-	-	-	15.646.119	15.646.119
<b>Total Assets <sup>(1)</sup></b>	<b>109.398.201</b>	<b>30.664.608</b>	<b>67.513.512</b>	<b>105.796.168</b>	<b>41.448.508</b>	<b>29.873.638</b>	<b>384.694.635</b>
<b>Liabilities</b>							
Interbank Deposits	8.460.643	2.087.498	1.616.858	-	-	1.575.384	13.740.383
Other Deposits	102.768.724	35.908.197	22.367.498	617.764	6	56.681.705	218.343.894
Money Market Borrowings	53.693.390	2.590.604	1.970.492	968.112	-	-	59.222.598
Sundry Creditors	-	-	-	-	-	3.191.669	3.191.669
Issued Marketable Securities	929.975	881.581	932.645	4.552.486	-	-	7.296.687
Funds provided from Other Financial Institutions	8.955.199	3.349.824	7.745.737	2.245.852	1.442.479	-	23.739.091
Other Liabilities <sup>(2)(5)</sup>	216.407	199.244	52.509	6.026.362	-	52.665.791	59.160.313
<b>Total Liabilities <sup>(1)</sup></b>	<b>175.024.338</b>	<b>45.016.948</b>	<b>34.685.739</b>	<b>14.410.576</b>	<b>1.442.485</b>	<b>114.114.549</b>	<b>384.694.635</b>
<b>Balance Sheet Long Position</b>	-	-	<b>32.827.773</b>	<b>91.385.592</b>	<b>40.006.023</b>	-	<b>164.219.388</b>
<b>Balance Sheet Short Position</b>	<b>(65.626.137)</b>	<b>(14.352.340)</b>	-	-	-	<b>(84.240.911)</b>	<b>(164.219.388)</b>
Off-Balance Sheet Long Position	-	-	710.580	459.677	-	-	1.170.257
Off-Balance Sheet Short Position	(97.644)	(32.730)	-	-	-	-	(130.374)
<b>Total Position</b>	<b>(65.723.781)</b>	<b>(14.385.070)</b>	<b>33.538.353</b>	<b>91.845.269</b>	<b>40.006.023</b>	<b>(84.240.911)</b>	<b>1.039.883</b>

(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 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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**III. EXPLANATIONS ON THE 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
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	26.226.267	-	-	-	-	12.940.830	39.167.097
Banks	1.144.317	313.430	784.787	-	-	1.659.140	3.901.674
Financial Assets at Fair Value Through Profit and Loss	534.967	715.930	377.036	52.425	4.433	-	1.684.791
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	6.082.221	5.989.035	10.829.270	16.548.932	18.459.714	722.781	58.631.953
Loans Given <sup>(4)</sup>	69.800.889	18.547.083	52.762.832	74.387.619	16.893.663	251.449	232.643.535
Investments Held-to-Maturity	3.616.855	824.631	60.683	2.564.614	1.682.681	-	8.749.464
Other Assets <sup>(5)</sup>	-	-	-	-	-	12.982.851	12.982.851
<b>Total Assets <sup>(1)</sup></b>	<b>107.405.516</b>	<b>26.390.109</b>	<b>64.814.608</b>	<b>93.553.590</b>	<b>37.040.491</b>	<b>28.557.051</b>	<b>357.761.365</b>
<b>Liabilities</b>							
Interbank Deposits	6.796.605	1.563.724	1.967.777	-	-	1.731.844	12.059.950
Other Deposits	111.750.707	25.137.918	20.392.313	541.668	1	53.136.377	210.958.984
Money Market Borrowings	41.662.750	3.747.109	1.085.940	716.162	-	-	47.211.961
Sundry Creditors	-	-	-	-	-	2.480.721	2.480.721
Issued Marketable Securities	836.455	1.367.032	255.514	4.374.000	-	-	6.833.001
Funds Provided from Other Financial Institutions	4.442.774	4.306.983	10.593.970	2.041.048	1.431.961	-	22.816.736
Other Liabilities <sup>(2)(3)</sup>	216.934	325.705	51.950	5.999.588	-	48.805.835	55.400.012
<b>Total Liabilities <sup>(1)</sup></b>	<b>165.706.225</b>	<b>36.448.471</b>	<b>34.347.464</b>	<b>13.672.466</b>	<b>1.431.962</b>	<b>106.154.777</b>	<b>357.761.365</b>
<b>Balance Sheet Long Position</b>	-	-	<b>30.467.144</b>	<b>79.881.124</b>	<b>35.608.529</b>	-	<b>145.956.797</b>
<b>Balance Sheet Short Position</b>	<b>(58.300.709)</b>	<b>(10.058.362)</b>	-	-	-	<b>(77.597.726)</b>	<b>(145.956.797)</b>
Off Balance Sheet Long Position	808.285	2.189.886	-	-	-	-	2.998.171
Off Balance Sheet Short Position	-	-	(373.698)	(1.428.568)	-	-	(1.802.266)
<b>Total Position</b>	<b>(57.492.424)</b>	<b>(7.868.476)</b>	<b>30.093.446</b>	<b>78.452.556</b>	<b>35.608.529</b>	<b>(77.597.726)</b>	<b>1.195.905</b>

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

(2) TL 5.950.057 of fund balance, whose risk does not belong to the Bank, in other liabilities is shown under the “1 - 5 Years” column. TL 70.782 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.

(3) Deferred tax asset is shown under the “Non-Interest Bearing” column.

(4) Net balance of loans under follow-up is shown under the “Non-Interest Bearing” column in loans given.

(5) Total shareholders’ equity is shown under the “Non-Interest Bearing” column.

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

**b) Average interest rate applied to the monetary financial instruments:**

	EUR	USD	JPY	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	0,78	-	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 <sup>(2)</sup>	4,38	5,61	-	11,72
Investments Held-to-Maturity	6,63	7,20	-	9,85
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0,41	1,12	-	12,17
Other Deposits <sup>(4)</sup>	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 loans are not included.

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

(4) Rates include also demand deposit data.

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

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

(2) Credit card loans 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 EQUITY SECURITIES**

**1. Equity securities position risk derived from banking books:**

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

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

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

The investments in equity instruments, partaking in banking accounts according to the credit risk standard method, are amounted TL 118.667 and 100% of them are risk weighted.

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK  
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**V. EXPLANATIONS ON THE LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO**

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

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

**1) Liquidity Risk**

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

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

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

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

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

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

**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.

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

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

**1) Liquidity Risk (Continued)**

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

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

As for the asset side of the Parent Bank, within the scope of reformatting short-term cash cycle, dissonance reducing the maturity of asset and liability, the policy for shortening the average maturity on loans being pursued.

**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 Regulation on Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”).

**2) Liquidity Coverage Ratio:**

Within the frame of the regulation named “Regulation on the Calculation of Liquidity Coverage Ratio” issued by BRSA in the Official Gazette numbered 28948, dated 21 March 2014, the Parent Bank calculates the liquidity coverage ratio and reports it to BRSA monthly in an unconsolidated base. The liquidity coverage ratio sails above the frontier limits determined by BRSA. Within the last 3 months the unconsolidated lowest ratios are as follows: Take place for FC as 90,49% in the week of March 10, 2017; and for the total 69,25%. As for the highest ratios take place for FC as 119,37% in the week of March 31, 2017 and for the total as 98,63% in the week of 20 January 2017.

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

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

2) Liquidity Coverage Ratio (Continued)

	Total Unweighted Value (Average) <sup>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>Current Period</b>				
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			40.502.245	25.530.047
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	150.931.516	55.388.685	12.215.183	5.538.867
Stable deposits	57.559.378	-	2.877.969	-
Less stable deposits	93.372.138	55.388.685	9.337.214	5.538.867
Unsecured wholesale funding, of which;	79.417.795	29.243.398	44.841.248	18.431.789
Operational deposit	1.569.324	253.914	392.331	63.479
Non-operational deposits	61.371.260	17.901.269	30.965.647	10.257.554
Other unsecured funding	16.477.211	11.088.215	13.483.270	8.110.756
Secured funding			-	-
Other cash outflows, of which;	27.474.002	10.989.775	5.402.948	7.755.330
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2.248.752	6.258.545	2.248.752	6.258.545
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off balance sheet obligations	25.225.250	4.731.230	3.154.196	1.496.785
Other revocable off-balance sheet commitments and contractual Obligations	7.924	7.912	396	396
Other irrevocable or conditionally revocable off-balance sheet Obligations	36.026.618	25.289.313	2.784.513	1.689.023
<b>Total Cash Outflows</b>			<b>65.244.288</b>	<b>33.415.405</b>
<b>Cash Inflows</b>				
Secured lending	-	-	-	-
Unsecured lending	20.645.751	6.640.980	15.521.913	5.509.830
Other cash inflows	1.502.672	2.629.971	1.502.672	2.629.972
<b>Total Cash Inflows</b>	<b>22.148.423</b>	<b>9.270.951</b>	<b>17.024.585</b>	<b>8.139.802</b>
			<b>Upper Limit Applied Amounts</b>	
<b>Total HQLA Stock</b>			40.502.245	25.530.047
<b>Total Net Cash Outflows</b>			48.219.703	25.275.603
<b>Liquidity Coverage Ratio (%)</b>			84,00	101,01

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

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

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

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

	Total Unweighted Value (Average) <sup>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>Prior Period</b>				
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			<b>47.540.579</b>	<b>25.883.196</b>
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	139.622.809	48.641.664	11.188.731	4.864.166
Stable deposits	55.470.997	-	2.773.550	-
Less stable deposits	84.151.812	48.641.664	8.415.181	4.864.166
Unsecured wholesale funding , of which;	76.674.535	23.233.906	44.523.169	15.932.139
Operational deposit	1.091.398	99.046	272.850	24.761
Non-operational deposits	65.614.387	17.098.124	34.282.353	9.871.425
Other unsecured funding	9.968.750	6.036.736	9.967.966	6.035.953
Secured funding			-	-
Other cash outflows, of which;	17.543.097	11.632.861	4.231.557	10.452.019
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2.099.449	9.962.086	2.099.449	9.962.086
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	15.443.648	1.670.775	2.132.108	489.933
Other revocable off-balance sheet commitments and contractual Obligations	7.958	7.946	398	397
Other irrevocable or conditionally revocable off-balance sheet Obligations	41.460.379	24.592.794	10.935.263	3.671.404
<b>Total Cash Outflows</b>			<b>70.879.118</b>	<b>34.920.125</b>
<b>Cash Inflows</b>				
Secured lending	-	-	-	-
Unsecured lending	15.750.567	7.211.585	11.018.841	6.409.508
Other cash inflows	1.116.070	577.297	1.116.070	577.297
<b>Total Cash Inflows</b>	<b>16.866.637</b>	<b>7.788.882</b>	<b>12.134.911</b>	<b>6.986.805</b>
			<b>Upper Limit Applied Amounts</b>	
<b>Total HQLA Stock</b>			<b>47.540.579</b>	<b>25.883.196</b>
<b>Total Net Cash Outflows</b>			<b>58.744.207</b>	<b>27.933.320</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>80,93</b>	<b>92,66</b>

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

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

**V. EXPLANATIONS ON THE LIQUIDITY RISK MANAGEMENT AND 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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**EXPLANATIONS RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK  
(Continued)**

**V. EXPLANATIONS ON THE LIQUIDITY RISK MANAGEMENT AND 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 Regulation on Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”) with the approval of Senior Management. These limits are followed in particular frequency. Besides, It has reported to the relevant units and Senior Management. There is no excess regarding the limits during operating period.

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

The needed and surplus of liquidity of the branches in foreign countries of the bank and partnerships consolidated are followed and managed regularly. There is no constraint of operational and legal factors preventing liquidity transfer. In the analysis made, it is observed that the impact of the foreign branches and subsidiaries on the Bank’s liquidity structure remain limited comparing to the size of the balance sheet. The need and surplus of the liquidity is encountered properly between partnerships, as well as the branches abroad.

**g) 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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(Continued)

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

3) Minimum statements concerning liquidity coverage ratio by Banks (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
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	36.708.093	-	-	-	-	-	-	36.708.093
Banks	1.944.243	1.037.058	774.171	508.329	-	-	-	4.263.801
Financial Assets at Fair Value Through Profit and Loss	-	86.522	10.527	758.119	664.454	115.089	-	1.634.711
Money Market Placements	-	7.683.679	-	-	-	-	-	7.683.679
Financial Assets Available-for-Sale	-	459.966	1.031.181	8.676.425	22.239.206	26.530.852	709.881	59.647.511
Loans Given	-	8.071.374	16.408.664	94.208.128	104.736.700	28.249.579	226.486	251.900.931
Investments Held-to-Maturity	-	211.688	10.704	1.011.223	4.240.150	1.736.025	-	7.209.790
Other Assets	3.347.563	-	-	1.303	30.504	-	12.266.749	15.646.119
<b>Total Assets</b>	<b>41.999.899</b>	<b>17.550.287</b>	<b>18.235.247</b>	<b>105.163.527</b>	<b>131.911.014</b>	<b>56.631.545</b>	<b>13.203.116</b>	<b>384.694.635</b>
<b>Liabilities</b>								
Interbank Deposits	1.575.384	8.460.643	2.087.498	1.616.858	-	-	-	13.740.383
Other Deposits	56.681.705	102.766.938	35.902.785	22.313.250	660.039	19.177	-	218.343.894
Funds Provided from Other Financial Instruments	-	6.445.855	2.832.457	7.256.584	4.481.407	2.722.788	-	23.739.091
Money Market Borrowings	-	53.693.390	2.590.604	1.970.492	968.112	-	-	59.222.598
Issued Marketable Securities	-	929.975	856.194	958.032	4.552.486	-	-	7.296.687
Sundry Creditors	2.541.596	650.073	-	-	-	-	-	3.191.669
Other Liabilities <sup>(3)</sup>	3.350.661	699.392	919.705	50.235	6.171.389	980.839	46.988.092	59.160.313
<b>Total Liabilities</b>	<b>64.149.346</b>	<b>173.646.266</b>	<b>45.189.243</b>	<b>34.165.451</b>	<b>16.833.433</b>	<b>3.722.804</b>	<b>46.988.092</b>	<b>384.694.635</b>
<b>Liquidity Gap</b>	<b>(22.149.447)</b>	<b>(156.095.979)</b>	<b>(26.953.996)</b>	<b>70.998.076</b>	<b>115.077.581</b>	<b>52.908.741</b>	<b>(33.784.976)</b>	<b>-</b>
Net Off-Balance Sheet Position	-	(97.642)	(32.730)	710.580	459.677	-	-	1.039.885
Financial Derivative Assets	-	21.080.433	3.415.838	3.561.644	2.281.143	-	-	30.339.058
Financial Derivative Liabilities	-	21.178.075	3.448.568	2.851.064	1.821.466	-	-	29.299.173
Non-cash Loans	38.372.387	1.091.039	4.883.011	20.167.043	14.800.239	3.638.947	-	82.952.666
<b>Prior Period</b>								
Total Assets	43.053.681	13.181.160	19.559.096	96.956.280	120.432.400	52.953.387	11.625.361	357.761.365
Total Liabilities	60.235.498	164.181.428	34.696.846	35.503.946	16.011.098	3.594.314	43.538.235	357.761.365
<b>Liquidity Gap</b>	<b>(17.181.817)</b>	<b>(151.000.268)</b>	<b>(15.137.750)</b>	<b>61.452.334</b>	<b>104.421.302</b>	<b>49.359.073</b>	<b>(31.912.874)</b>	<b>-</b>
Net Off-Balance Sheet Position	-	106.768	(2.364)	503.202	588.299	-	-	1.195.905
Financial Derivative Assets	-	23.473.210	7.443.469	2.592.683	2.630.850	-	-	36.140.212
Financial Derivative Liabilities	-	23.366.442	7.445.833	2.089.481	2.042.551	-	-	34.944.307
Non-cash Loans	37.633.442	1.000.651	4.810.877	18.060.727	14.125.438	3.523.973	-	79.155.108

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

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

(3) TL 5.969.876 of the funds balance, whose risk is not born by the Bank, is included in other liabilities and shown under the "1-5 years" column, fund balance amounted to TL 62.047 is not granted as loan and is included under "Up to One Month" column.

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

Explanations on the subjects caused a gap between prior and current period leverage: The Bank’s leverage calculated by force of the regulation “Regulation on Measurement and Assessment of Leverage Ratios of Banks” is 8,13% (31 December 2016: 8,20%). The change on leverage results heavily from the increase on risk amounts of balance sheet assets. The regulation sentenced the minimum leverage as 3%.

<b>Balance sheet assets</b>	<b>Current Period (*)</b>	<b>Prior Period (*)</b>
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	377.354.789	346.632.324
(Assets deducted in determining Tier 1 capital)	(1.769.189)	(1.692.335)
<b>Total on-balance sheet risks (sum of lines 1 and 2)</b>	<b>375.585.600</b>	<b>344.939.989</b>
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost associated with all derivative financial instruments and credit Derivatives	1.707.152	1.504.647
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	333.620	387.907
<b>Total risks of derivative financial instruments and credit derivatives</b>	<b>2.040.772</b>	<b>1.892.554</b>
<b>Securities or commodity financing transactions (SCFT)</b>		
Risks from SCFT assets	4.456.852	4.866.676
Risks from brokerage activities related exposures	-	-
<b>Total risks related with securities or commodity financing transactions</b>	<b>4.456.852</b>	<b>4.866.676</b>
<b>Other off-balance sheet transactions</b>		
Gross notional amounts of off-balance sheet transactions	108.789.179	100.106.176
(Adjustments for conversion to credit equivalent amounts)	(6.460)	(6.360)
<b>Total risks of off-balance sheet items</b>	<b>108.782.719</b>	<b>100.099.816</b>
<b>Capital and total risks</b>		
Tier 1 capital	39.896.209	36.997.585
<b>Total risks</b>	<b>490.865.943</b>	<b>451.799.035</b>
<b>Leverage ratio</b>		
Leverage ratio %	8,13	8,20

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

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

**VII. EXPLANATIONS ON RISK MANAGEMENT**

**The Bank's risk management, aversion and mitigation strategies and processes based on business model and monitoring processes for continuous efficiency of safeguards and mitigants**

Amounts subject to credit risk can be mitigated by using one or more risk mitigation techniques in line with the legal regulations.

Funded or unfunded credit safeguard instruments are considered while using the risk mitigation technique. Whether credit safeguard instruments meet minimum compulsory conditions specified in legal regulations is checked via the system.

Risk mitigation is made in the Bank according to simple financial method. The credibility of the guarantors is monitored and evaluated in the framework of the credit revision schedules.

All Bank employees are responsible for control and mitigation of operational risks based on their job definitions and business processes. All Bank units are obliged to take risk mitigation measures for mitigation of operational risks that may occur in their respective fields of activity through insurance and other risk transfer mechanisms.

The Bank's market risk is mitigated through derivatives or other financial products by considering current conjuncture and risk appetite, risk capacity and risk level. Long term liabilities are obtained and the interest rate risk arising from liquidity and banking accounts is limited through the transactions performed.

Diversification of resources is deemed important for managing the liquidity risk that may occur. While the Bank's fundamental funding resources are deposits, the strategy of preserving the common base structure of deposits is sustained. Besides, liabilities other than deposits such as bond/bill issuance, repo and credits are deemed important for increasing the fund range and decreasing the maturity gap between assets and liabilities. As for the asset side of the Bank, policies intended to reduce average credit maturity are pursued as part of measures to improve short term cash cycle and minimize maturity mismatch between assets and liabilities. As part of management of interest rate risk, measures are taken to reduce repricing maturity mismatch of interest sensitive assets and liabilities.

**Overview of RWA**

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	252.155.941	244.241.413	20.172.475
2	Standardised approach	252.155.941	244.241.413	20.172.475
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3.372.550	3.268.338	269.804
5	Standardised approach for counterparty credit risk	3.372.550	3.268.338	269.804
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies-look through approach	-	-	-
9	Investments made in collective investment companies-mandate-based approach	1.736.714	1.669.911	138.938
10	Investments made in collective investment companies-1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB Supervisory Formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	14.881.663	14.083.788	1.190.533
17	Standardised Approach	14.881.663	14.083.788	1.190.533
18	Internal model approaches	-	-	-
19	Operational risk	23.652.179	18.989.055	1.892.174
20	Basic Indicator Approach	23.652.179	18.989.055	1.892.174
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity(subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>295.799.047</b>	<b>282.252.505</b>	<b>23.663.924</b>

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

**VIII. EXPLANATIONS ON OPERATING SEGMENTS**

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

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

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

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

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

Investment banking operations are conducted by the Financial Market and Asset-Liability Management and Head of Departments of Economic Researches. By foregoing departments, the Bank's liquidity is used for Turkish Lira, foreign exchange and securities transactions in local and international organized and over-the-counter markets, and enables sources of funds in Turkish Lira and foreign currencies according to the needs of the Bank. The Bank acts as an intermediary for transaction of securities and Eurobonds by the related departments, for transaction of shares and public offerings as an agency of Ziraat Yatırım Menkul Değerler A.Ş. and for transaction of investment funds founded by Ziraat Portföy Yönetimi A.Ş. and other portfolio management companies’, and keeps records of these financial instruments and the Bank performs repo/reverse repo transactions. Besides the Bank performs derivative transactions which are accounted as held for trading. As financial derivative transactions, the Bank performs foreign currency forward agreements and currency swap transactions. Besides, the Bank has commission revenue from insurance and other finance institutions by rendering agency services through its branches.

The 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 on the following page are in line with Communiqué on “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures”.

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

**VIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)**

**Table for Segment Reporting:**

Current Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>						
<b>Interest Income</b>	<b>2.024.677</b>	<b>2.786.566</b>	<b>1.300.952</b>	<b>2.072.721</b>	<b>20.024</b>	<b>8.204.940</b>
Interest Income from Loans	2.024.677	2.786.566	1.300.952	142.770	-	6.254.965
Interest Income from Banks	-	-	-	26.361	-	26.361
Interest Income from Securities	-	-	-	1.690.828	-	1.690.828
Other Interest Income	-	-	-	212.762	20.024	232.786
<b>Interest Expense</b>	<b>1.662.182</b>	<b>821.462</b>	<b>-</b>	<b>1.389.318</b>	<b>23.066</b>	<b>3.896.028</b>
Interest Expense on Deposits	1.662.182	821.462	-	160.819	-	2.644.463
Interest Expense on Funds Borrowed	-	-	-	142.651	-	142.651
Interest Expense on Money Market Transactions	-	-	-	970.149	-	970.149
Interest Expense on Securities Issued	-	-	-	115.699	-	115.699
Other Interest Expense	-	-	-	-	23.066	23.066
<b>Net Interest Income/Expense</b>	<b>362.495</b>	<b>1.965.104</b>	<b>1.300.952</b>	<b>683.403</b>	<b>(3.042)</b>	<b>4.308.912</b>
<b>Net Fees and Commission Income/Expense</b>	<b>327.380</b>	<b>214.176</b>	<b>25.903</b>	<b>(68.657)</b>	<b>595</b>	<b>499.397</b>
Fees and Commissions Received	327.380	214.176	25.903	1.239	31.989	600.687
Fees and Commissions Paid	-	-	-	69.896	31.394	101.290
<b>Dividend Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.309</b>	<b>-</b>	<b>3.309</b>
<b>Trading Income/Loss (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>101.874</b>	<b>-</b>	<b>101.874</b>
<b>Other Operating Income</b>	<b>11.093</b>	<b>68.751</b>	<b>9.014</b>	<b>400</b>	<b>327.393</b>	<b>416.651</b>
<b>Provision for Loans or Other Receivables Losses</b>	<b>185.678</b>	<b>324.083</b>	<b>129.481</b>	<b>213</b>	<b>327.500</b>	<b>966.955</b>
<b>Other Operating Expense</b>	<b>34.750</b>	<b>96.336</b>	<b>12.735</b>	<b>-</b>	<b>1.371.990</b>	<b>1.515.811</b>
<b>Income Before Tax</b>	<b>480.540</b>	<b>1.827.612</b>	<b>1.193.653</b>	<b>720.116</b>	<b>(1.374.544)</b>	<b>2.847.377</b>
<b>Profit/Losses from Equity Method Applied Subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(676.992)</b>	<b>(676.992)</b>
<b>Net Profit/Loss</b>	<b>480.540</b>	<b>1.827.612</b>	<b>1.193.653</b>	<b>720.116</b>	<b>(2.051.536)</b>	<b>2.170.385</b>
<b>SEGMENT ASSETS</b>						
Financial Assets at FV Through P/L	-	-	-	1.634.711	-	1.634.711
Banks and Other Financial Institutions	-	-	-	11.947.480	-	11.947.480
Financial Assets Available for Sale (Net)	-	-	-	59.647.511	-	59.647.511
Loans	70.411.458	122.896.732	49.101.104	9.491.637	-	251.900.931
Held to Maturity Investments (Net)	-	-	-	7.209.790	-	7.209.790
Associates, Subsidiaries and Joint Ventures	-	-	-	4.511.740	-	4.511.740
Other Assets	-	-	-	-	47.842.472	47.842.472
<b>Total Segment Assets</b>	<b>70.411.458</b>	<b>122.896.732</b>	<b>49.101.104</b>	<b>94.442.869</b>	<b>47.842.472</b>	<b>384.694.635</b>
<b>SEGMENT LIABILITIES</b>						
Deposits	160.711.478	54.891.432	-	13.828.235	2.653.132	232.084.277
Derivative Financial Liabilities Held for Trading	-	-	-	524.177	-	524.177
Funds Borrowed	-	-	-	23.739.091	-	23.739.091
Money Market Funds	-	-	-	59.222.598	-	59.222.598
Securities Issued (Net)	-	-	-	7.296.687	-	7.296.687
Provisions	-	-	-	-	6.718.822	6.718.822
Other Liabilities	-	-	-	-	13.902.776	13.902.776
Shareholders' Equity	-	-	-	-	41.206.207	41.206.207
<b>Total Segment Liabilities</b>	<b>160.711.478</b>	<b>54.891.432</b>	<b>-</b>	<b>104.610.788</b>	<b>64.480.937</b>	<b>384.694.635</b>
<b>OTHER SEGMENT ITEMS</b>						
Capital Investment	-	-	-	-	-	-
Amortization Expense	-	-	-	-	109.419	109.419
Restructuring Costs	-	-	-	-	-	-

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**VIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)**

**Table for Segment Reporting: (Continued)**

Prior Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Other /Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>						
<b>31 March 2016</b>						
<b>Interest Income</b>	<b>1.580.162</b>	<b>2.198.404</b>	<b>1.045.941</b>	<b>1.615.317</b>	<b>8.220</b>	<b>6.448.044</b>
Interest Income from Loans	1.580.162	2.198.404	1.045.941	101.532	-	4.926.039
Interest Income from Banks	-	-	-	19.584	-	19.584
Interest Income from Securities	-	-	-	1.449.728	-	1.449.728
Other Interest Income	-	-	-	44.473	8.220	52.693
<b>Interest Expense</b>	<b>1.593.598</b>	<b>697.711</b>	<b>-</b>	<b>981.285</b>	<b>24.914</b>	<b>3.297.508</b>
Interest Expense on Deposits	1.593.598	697.711	-	107.619	-	2.398.928
Interest Expense on Funds Borrowed	-	-	-	101.909	-	101.909
Interest Expense on Money Market Transactions	-	-	-	689.506	-	689.506
Interest Expense on Securities Issued	-	-	-	82.251	-	82.251
Other Interest Expense	-	-	-	-	24.914	24.914
<b>Net Interest Income/Expense</b>	<b>(13.436)</b>	<b>1.500.693</b>	<b>1.045.941</b>	<b>634.032</b>	<b>(16.694)</b>	<b>3.150.536</b>
<b>Net Fees and Commission Income/Expense</b>	<b>227.378</b>	<b>164.345</b>	<b>26.950</b>	<b>(54.056)</b>	<b>3.200</b>	<b>367.817</b>
Fees and Commissions Received	227.378	164.345	26.950	898	35.592	455.163
Fees and Commissions Paid	-	-	-	54.954	32.392	87.346
<b>Dividend Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.785</b>	<b>-</b>	<b>2.785</b>
<b>Trading Income/Loss (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>666</b>	<b>-</b>	<b>666</b>
<b>Other Operating Income</b>	<b>6.977</b>	<b>67.663</b>	<b>8.662</b>	<b>881</b>	<b>251.845</b>	<b>336.028</b>
<b>Provision for Loans or Other Receivables Losses</b>	<b>125.638</b>	<b>222.287</b>	<b>97.190</b>	<b>125</b>	<b>1.335</b>	<b>446.575</b>
<b>Other Operating Expense</b>	<b>13.300</b>	<b>51.598</b>	<b>13.048</b>	<b>-</b>	<b>1.264.121</b>	<b>1.342.067</b>
<b>Income Before Tax</b>	<b>81.981</b>	<b>1.458.816</b>	<b>971.315</b>	<b>584.183</b>	<b>(1.027.105)</b>	<b>2.069.190</b>
<b>Profit/Losses from Equity Method Applied Subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(459.788)</b>	<b>(459.788)</b>
<b>Net Profit/Loss</b>	<b>81.981</b>	<b>1.458.816</b>	<b>971.315</b>	<b>584.183</b>	<b>(1.486.893)</b>	<b>1.609.402</b>
<b>SEGMENT ASSETS</b>						
<b>31 December 2016</b>						
Financial Assets at FV Through P/L	-	-	-	1.684.791	-	1.684.791
Banks and Other Financial Institutions	-	-	-	3.901.674	-	3.901.674
Financial Assets Available for Sale (Net)	-	-	-	58.631.953	-	58.631.953
Loans	63.372.852	112.969.545	46.461.974	9.839.164	-	232.643.535
Held to Maturity Investments (Net)	-	-	-	8.749.464	-	8.749.464
Associates, Subsidiaries and Joint Ventures	-	-	-	4.311.740	-	4.311.740
Other Assets	-	-	-	-	47.838.208	47.838.208
<b>Total Segment Assets</b>	<b>63.372.852</b>	<b>112.969.545</b>	<b>46.461.974</b>	<b>87.118.786</b>	<b>47.838.208</b>	<b>357.761.365</b>
<b>SEGMENT LIABILITIES</b>						
<b>31 December 2016</b>						
Deposits	152.533.664	56.051.062	-	12.093.270	2.340.938	223.018.934
Derivative Financial Liabilities Held for Trading	-	-	-	643.628	-	643.628
Funds Borrowed	-	-	-	22.816.736	-	22.816.736
Money Market Funds	-	-	-	47.211.961	-	47.211.961
Securities Issued (Net)	-	-	-	6.833.001	-	6.833.001
Provisions	-	-	-	-	6.053.011	6.053.011
Other Liabilities	-	-	-	-	12.801.656	12.801.656
Shareholders' Equity	-	-	-	-	38.382.438	38.382.438
<b>Total Segment Liabilities</b>	<b>152.533.664</b>	<b>56.051.062</b>	<b>-</b>	<b>89.598.596</b>	<b>59.578.043</b>	<b>357.761.365</b>
<b>OTHER SEGMENT ITEMS</b>						
Capital Investment	-	-	-	-	-	-
Amortization Expense	-	-	-	-	77.269	77.269
Restructuring Costs	-	-	-	-	-	-

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**SECTION FIVE**

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

**I. EXPLANATIONS AND NOTES RELATED TO ASSETS**

**1. a) Information on Cash and Balances with Central Bank of the Republic of Turkey:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	2.032.415	886.788	1.720.392	925.443
Central Bank of the Republic of Turkey	3.938.005	29.844.382	5.817.157	30.694.784
Other	-	6.503	3.775	5.546
<b>Total</b>	<b>5.970.420</b>	<b>30.737.673</b>	<b>7.541.324</b>	<b>31.625.773</b>

**1.a.1) Information on Required Reserves:**

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to Communiqué on Required Reserves of Central Bank of the Republic of Turkey’s numbered 2015/19. Based on accounting standards and registration layout for banks and companies, the items specified within the Communiqué, except from liabilities to Central Bank, Treasury, Domestic banks, and head offices and branches in Turkey of the banks established by international agreements, constitute required reserves liabilities.

As of the balance sheet date, according to CBRT’s Communiqué about Required Reserves No. 2016/4, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity, and for deposits up to 3-months maturity 10,5%; for deposits up to 6-months maturity 7,5%; for deposits up to 1-year maturity 5,5%; for deposits 1-year and longer maturity 4%; for TL liabilities other than deposits up to 1-year maturity 10,5%; for TL liabilities other than deposits between 1- and 3-years maturity 7,%; for TL liabilities other than deposits more than 3-years maturity 4%; for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturities 12%; for FC deposit accounts with 1-year and longer maturity 8%, for FC liabilities other than deposits up to 1-year maturity 24%; for FC liabilities other than deposits up to 2-years maturity 19%; for FC liabilities other than deposits up to 3-years maturity 14%; for FC liabilities other than deposits up to 5-years maturity 6%; and for FC liabilities other than deposits more than 5-years maturity 4%.

According to the press release of CBRT held on 21 October 2014, interest payment for Turkish Lira reserve requirement has been commenced from the November 2014 maintenance period. In addition, according to Press Release of CBRT on Remuneration of Foreign Currency Required and Free Reserves numbered 2015/35, the implementation of remuneration for US dollars denominated required reserves, reserve options and free reserves held at CBRT has been started as of 5 May 2015.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	3.813.782	3.886.042	5.719.162	2.254.136
Unrestricted Time Deposit	-	678.090	-	2.312.376
Restricted Time Deposit	-	40	-	-
Required Reserves <sup>(1)(2)</sup>	124.223	25.280.210	97.995	26.128.272
<b>Total</b>	<b>3.938.005</b>	<b>29.844.382</b>	<b>5.817.157</b>	<b>30.694.784</b>

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

<sup>(2)</sup> 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 UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. EXPLANATIONS AND NOTES RELATED TO 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	40.545	50.518	34.251	53.817
Swap Transactions	1.245.071	272.135	1.161.871	417.406
Futures Transactions	-	-	-	-
Options	163	33	42	-
Other	-	-	-	-
<b>Total</b>	<b>1.285.779</b>	<b>322.686</b>	<b>1.196.164</b>	<b>471.223</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	463.016	89.832	460.807	103.935
Foreign Banks	72.243	3.638.710	66.300	3.270.632
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>535.259</b>	<b>3.728.542</b>	<b>527.107</b>	<b>3.374.567</b>

**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	41.249.265
Assets Blocked/Given as Collateral	34.616.404	5.865.705
<b>Total</b>	<b>57.114.207</b>	<b>47.114.970</b>

**b) Information on financial assets available for sale:**

	Current Period	Prior Period
Debt Securities	60.968.514	59.985.217
Quoted in Stock Exchange	60.888.491	59.908.367
Not Quoted in Stock Exchange	80.023	76.850
Share Certificates	743.598	676.873
Quoted in Stock Exchange	591.197	525.325
Not Quoted in Stock Exchange	152.401	151.548
Provision for Impairment (-)	2.064.601	2.030.137
<b>Total</b>	<b>59.647.511</b>	<b>58.631.953</b>

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

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

**5. Information related to loans:**

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	-	-	-
<b>Loans Granted to Employees</b> <sup>(1)(2)</sup>	<b>323.606</b>	-	<b>273.923</b>	-
<b>Total</b>	<b>323.606</b>	-	<b>273.923</b>	-

(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-d as overdraft accounts (real person), it is not included to the table above.

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms <sup>(1)</sup>	Other		Loans and other receivables with revised contract terms <sup>(1)</sup>	Other
Non-Specialized Loans	193.056.610	3.326.693	-	1.746.497	1.725.266	-
Commercial Loans	114.660.731	1.941.117	-	902.236	1.507.504	-
Export Loans	3.989.413	-	-	42.236	-	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	5.459.988	-	-	-	-	-
Consumer Loans	64.633.834	1.385.406	-	734.230	214.611	-
Credit Cards	3.410.498	170	-	57.018	3.151	-
Other <sup>(2)</sup>	902.146	-	-	10.777	-	-
Specialized Lending <sup>(3)(4)</sup>	41.625.546	3.872.052	-	616.326	366.055	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals	5.339.400	-	-	-	-	-
<b>Total</b>	<b>240.021.556</b>	<b>7.198.745</b>	-	<b>2.362.823</b>	<b>2.091.321</b>	-

(1) Restructured or rescheduled loans cannot be decomposed systematically. Therefore it is 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 separation of the accruals 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 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)**

<b>No. of extensions</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
1 or 2 Times Extended <sup>(*)</sup>	6.898.592	1.960.780
3 - 4 or 5 Times Extended	299.881	129.318
Over 5 Times Extended	272	1.223

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

<b>Extension Periods</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
0 - 6 Months	3.679.458	1.018.131
6 - 12 Months	737.219	173.962
1 - 2 Years	2.068.015	423.777
2 - 5 Years	637.517	451.889
5 Years and Over	76.536	23.562
<b>Total</b>	<b>7.198.745</b>	<b>2.091.321</b>

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

**5. Information related to loans: (Continued)**

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

	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
Consumer Loans-TL	453.782	65.217.708	65.671.490
Real Estate Loans <sup>(2)</sup>	11.806	37.720.037	37.731.843
Vehicle Loans	1.491	180.029	181.520
Consumer Loans <sup>(2)</sup>	436.816	26.998.319	27.435.135
Abroad	3.669	319.323	322.992
Other	-	-	-
Consumer Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	744	32.025	32.769
Real Estate Loans	-	284	284
Vehicle Loans	-	-	-
Consumer Loans	-	2.312	2.312
Abroad	744	29.429	30.173
Other	-	-	-
Individual Credit Cards-TL	2.906.334	24.076	2.930.410
With Installment	931.645	21.162	952.807
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	11.127	229.248	240.375
Real Estate Loans	-	157	157
Vehicle Loans	-	-	-
Consumer Loans	11.012	227.128	238.140
Abroad	115	1.963	2.078
Other	-	-	-
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	82.739	471	83.210
With Installment	32.935	400	33.335
Without Installment	49.804	71	49.875
Personnel Credit Cards-FC	20	-	20
With Installment	-	-	-
Without Installment	20	-	20
Overdraft Accounts-TL (Real Person)	1.023.447	-	1.023.447
Overdraft Accounts-FC (Real Person)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>4.478.514</b>	<b>65.503.528</b>	<b>69.982.042</b>

<sup>(1)</sup> TL 424.306 of interest income accrual is not included in the table above.

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<sup>(2)</sup> Consumer loans originated from funds amounting to TL 3.663.345 of are included in the table above.

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

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

**5. Information related to loans: (Continued)**

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

	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
Commercial Installment Loans-TL	2.019.443	17.947.976	19.967.419
Business Loans	1.675	494.470	496.145
Vehicle Loans	39.670	863.185	902.855
Consumer Loans	1.978.098	16.590.321	18.568.419
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	4.987	16.483.281	16.488.268
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	4.987	16.483.281	16.488.268
Other	-	-	-
Corporate Credit Cards-TL	452.891	3.888	456.779
With Installment	153.912	3.856	157.768
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)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>2.604.027</b>	<b>34.435.145</b>	<b>37.039.172</b>

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

**e) Breakdown of domestic and international loans:**

	<b>Current Period</b>	<b>Prior Period</b>
Domestic Loans	240.582.639	222.345.932
Foreign Loans	5.752.406	5.534.117
Interest Income Accruals of Loans	5.339.400	4.512.037
<b>Total</b>	<b>251.674.445</b>	<b>232.392.086</b>

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

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

**5. Information related to loans: (Continued)**

**f) Loans granted to subsidiaries and associates:**

	<b>Current Period</b>	<b>Prior Period</b>
Direct loans granted to subsidiaries and associates	1.264.510	1.168.414
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>1.264.510</b>	<b>1.168.414</b>

**g) Specific provisions provided against loans:**

	<b>Current Period</b>	<b>Prior Period</b>
Loans and other receivables with limited collectability	250.153	340.774
Loans and other receivables with doubtful collectability	794.453	934.428
Uncollectible loans and other receivables	3.060.906	2.690.446
<b>Total</b>	<b>4.105.512</b>	<b>3.965.648</b>

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

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

	<b>Group III: Loans and receivables with limited collectability</b>	<b>Group IV: Loans and receivables with doubtful collectability</b>	<b>Group V: Uncollectible loans and receivables</b>
<b>Current period</b>	<b>6.212</b>	<b>41.109</b>	<b>117.074</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	6.212	41.109	117.074
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>	<b>14.498</b>	<b>58.203</b>	<b>127.037</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	14.498	58.203	127.037
Rescheduled loans and other receivables	-	-	-

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
<b>Prior Period Ending Balance</b>	<b>342.701</b>	<b>943.119</b>	<b>2.931.277</b>
Additions (+)	339.957	37.543	108.620
Transfers from Other Categories of Loans under Follow-Up (+)	-	400.438	537.801
Transfers to Other Categories of Loans under Follow-Up (-)	400.438	537.801	-
Collections (-) <sup>(1)</sup>	30.942	42.347	297.930
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance</b> <sup>(2)</sup>	<b>251.278</b>	<b>800.952</b>	<b>3.279.768</b>
Specific Provision (-) <sup>(3)</sup>	250.153	794.453	3.060.906
<b>Net Balance on Balance Sheet</b> <sup>(2)</sup>	<b>1.125</b>	<b>6.499</b>	<b>218.862</b>

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

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

3) Information on foreign currency non-performing loans:

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
<b>Current Period:</b>			
<b>Period Ending Balance</b>	<b>477</b>	<b>33</b>	<b>17.691</b>
Specific Provision (-)	477	33	17.691
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period:</b>			
<b>Period Ending Balance</b>	<b>254</b>	<b>34</b>	<b>16.550</b>
Specific Provision (-)	254	34	16.550
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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

	<b>Group III: Loans and other receivables with limited collectability</b>	<b>Group IV: Loans and other receivables with doubtful collectability</b>	<b>Group V: Uncollectible loans and other receivables</b>
<b>Current Period (Net)</b>	<b>1.125</b>	<b>6.499</b>	<b>218.862</b>
Loans to Real Persons and Legal Entities (Gross)	251.278	724.149	3.279.768
Specific Provisions (-)	250.153	717.650	3.060.906
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)	-	76.803	-
Specific Provisions (-)	-	76.803	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>1.927</b>	<b>8.691</b>	<b>240.831</b>
Loans to Real Persons and Legal Entities (Gross)	342.701	867.487	2.931.277
Specific Provisions (-)	340.774	858.796	2.690.446
Loans to Real Persons and Legal Entities (Net)	1.927	8.691	240.831
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	75.632	-
Specific Provisions (-)	-	75.632	-
Other Loans and Receivables (Net)	-	-	-

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

**I. EXPLANATIONS AND NOTES RELATED TO 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	-	-	-	-
<b>Total</b>	<b>1.267.647</b>	<b>2.024.824</b>	<b>2.301.823</b>	<b>2.384.104</b>

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

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

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

	Current Period	Prior Period
Government Bonds	7.069.610	8.602.440
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
<b>Total</b>	<b>7.069.610</b>	<b>8.602.440</b>

**c) Information on held-to-maturity investments:**

	Current Period	Prior Period
Debt securities	7.209.790	8.749.464
Quoted in a Stock Exchange	7.069.610	8.602.440
Not Quoted in a Stock Exchange	140.180	147.024
Provision for Impairment (-)	-	-
<b>Total</b>	<b>7.209.790</b>	<b>8.749.464</b>

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

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

**d) Movements of held-to-maturity investments:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Beginning Balance</b>	8.749.464	<b>10.144.142</b>
Foreign Currency Differences on Monetary Assets	186.480	466.322
Purchases During the Year	258.255	937.047
Disposals through Sales and Redemptions	(1.984.409)	(2.798.047)
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	<b>7.209.790</b>	<b>8.749.464</b>

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

Revaluation differences of reclassified available for sale securities before deferred tax are TL 68.984, EUR (23.067) thousand and USD (15.207) thousand respectively and are recorded under shareholders’ equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. At the end of balance sheet date, negative revaluation differences which are accounted under shareholders’ equity are amounted as USD 10.134 thousand and EUR 840 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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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

7. Information about associates (net):

a) Information about associates (net):

	Description	Address (City/ Country)	The Bank’s Share Percentage, if Different, Voting Percentage (%)	The Bank’s Risk Group Share Percentage (%)
1	Bankalararası Kart Merkezi A.Ş.	Istanbul/TURKEY	12,50	17,98
2	Kredi Kayıt Bürosu A.Ş.	Istanbul/TURKEY	10,00	9,09
3	Arap Türk Bankası A.Ş.	Istanbul/TURKEY	22,22	15,43

	Total Assets <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)(3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)(4)</sup>
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	-
3	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 limited reviewed financial statements as of 31 March 2016.

(3) Total fixed assets include tangible and intangible assets.

b) Information about Financial associates (net):

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>88.846</b>	<b>88.846</b>
<b>Movement During the Period</b>	-	-
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer	-	-
Sales	-	-
Revaluation	-	-
Impairment Provision	-	-
<b>Ending Balance</b>	<b>88.846</b>	<b>88.846</b>
Capital Commitments	-	-
Period Ending Share of Capital Participation (%)	15,43	15,43

	Current Period	Prior Period
Banks	88.846	88.846
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

c) Associates quoted to a stock exchange:

None (31 December 2016: None).

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

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

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

**a) Information on subsidiaries (net):**

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

	Description	Address (City/ Country)	The Bank’s Share Percentage-if different Voting Percentage (%)	The Bank’s Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	İstanbul / TÜRKİYE	100,00	100,00
2	Ziraat Sigorta A.Ş.	İstanbul / TÜRKİYE	100,00	100,00
3	Ziraat Finansal Kiralama A.Ş.	İstanbul / TÜRKİYE	100,00	100,00
4	Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul / TÜRKİYE	100,00	99,60
5	Ziraat Portföy Yönetimi A.Ş.	İstanbul / TÜRKİYE	100,00	99,70
6	Ziraat Katılım Bankası A.Ş.	İstanbul / TÜRKİYE	100,00	100,00
7	Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul / TÜRKİYE	100,00	100,00
8	Ziraat Teknoloji A.Ş.	İstanbul / TÜRKİYE	100,00	100,00
9	Ziraat Bank International A.G.	Frankfurt / ALMANYA	100,00	100,00
10	Ziraat Bank BH d.d.	Saraybosna / BOSNA HERSEK	100,00	100,00
11	Ziraat Bank (Moscow) JSC	Moskova / RUSYA	100,00	100,00
12	Kazakhstan Ziraat Int. Bank	Almatı / KAZAKİSTAN	100,00	99,58
13	Ziraat Bank Azerbaycan ASC	Bakü / AZERBAYCAN	100,00	100,00
14	Ziraat Bank Montenegro AD	Podgoritsa / KARADAĞ	100,00	100,00

	Total Assets <sup>(3)</sup>	Shareholders’ Equity <sup>(3)</sup>	Total Non- Current Assets <sup>(3)</sup>	Interest Income <sup>(3) (4)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(3)</sup>	Prior Period Profit/Loss <sup>(3)</sup>	Fair Value <sup>(1)</sup>	Shareholders equity amount needed
1	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	53.355	16.822	12.206	163	32	4.048	1.491	-	-
9	6.309.792	790.559	18.045	49.421	608	16.371	7.597	782.931	-
10	1.820.565	310.541	72.937	18.861	187	423	(26.314)	280.456	-
11	304.769	153.316	11.939	7.710	66	2.961	1.313	109.090	-
12	676.146	275.210	15.396	8.880	2.830	5.500	4.613	237.838	-
13	315.290	127.254	72.676	4.853	113	2.282	3.699	135.261	-
14	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 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 of Ziraat Katılım Bankası A.Ş. shown in interest income column includes the dividend incomes.

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UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 MARCH 2017**  
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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

**a) Information on subsidiaries (net) (Continued):**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at the Beginning of the Period</b>	<b>4.101.352</b>	<b>2.442.943</b>
<b>Movements During the Period</b>	<b>200.000</b>	<b>1.658.409</b>
Additions to Scope of Consolidation	-	-
Purchases <sup>(1)</sup>	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
<b>Balance at the End of the Period</b>	<b>4.301.352</b>	<b>4.101.352</b>
Capital Commitments	-	-
Share percentage at the end of the period (%)	-	-

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

	<b>Current Period</b>	<b>Prior Period</b>
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

**b) Subsidiaries which are quoted on a stock exchange:**

None (31 December 2016: None).

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

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

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

<b>Entities under Common Control (Joint Ventures) <sup>(1)</sup></b>	<b>Parent Bank's Share <sup>(2)</sup></b>	<b>Group's Share</b>	<b>Current Assets</b>	<b>Non- Current Assets</b>	<b>Long Term Liabilities</b>	<b>Income</b>	<b>Expense</b>
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
<b>Total</b>	<b>105.314</b>	<b>105.335</b>	<b>1.371.795</b>	<b>16.274</b>	<b>15.532</b>	<b>22.224</b>	<b>13.400</b>

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

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

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

**10. Information on finance lease receivables (net):**

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

**11. Information on derivative financial assets for hedging purposes:**

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

**12. Information on investment property:**

None (31 December 2016: None).

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

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

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

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

**13. Information on assets held for sale and tangibles corresponding discontinuing operations: (Continued)**

The Bank’s immovables acquired amount to TL 624.002 consisting of TL 13.253 due to consumer loans, TL 543.603 on its commercial loans and TL 67.146 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 3.641 (31 December 2016: The Bank’s immovables acquired amount to TL 566.195 consisting of TL 14.160 due to consumer loans, TL 487.583 on its commercial loans and TL 64.452 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 2.798. Total depreciation expense is TL 6.960 for these held for sale assets.

**14. Explanations on property and equipment:**

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
<b>Prior Period End:</b>						
Cost	5.779.796	12.349	44.429	229.108	833.077	6.898.759
Accumulated Depreciation (-)	963.644	3.323	25.671	146.507	442.099	1.581.244
Impairment (-)	2.312	-	-	-	-	2.312
<b>Net Book Value</b>	<b>4.813.840</b>	<b>9.026</b>	<b>18.758</b>	<b>82.601</b>	<b>390.978</b>	<b>5.315.203</b>
<b>Current Period End:</b>						
Net Book Value at the Beginning of the Period	4.813.840	9.026	18.758	82.601	390.978	5.315.203
Change During the Period (Net)	(69.767)	(81)	(1.666)	(3.588)	2.712	(72.390)
- Cost	(12.390)	229	(805)	5.409	27.285	19.728
- Depreciation – net (-)	57.377	310	861	8.997	24.573	92.118
- Impairment (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries	-	-	-	-	-	-
Cost at Period End	5.767.406	12.578	43.624	234.517	860.362	6.918.487
Accumulated Depreciation at Period End (-)	1.021.021	3.633	26.532	155.504	466.672	1.673.362
Impairment (-)	2.312	-	-	-	-	2.312
<b>Closing Net Book Value</b>	<b>4.744.073</b>	<b>8.945</b>	<b>17.092</b>	<b>79.013</b>	<b>393.690</b>	<b>5.242.813</b>

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

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES**

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

Current Period	Demand	7 Days Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	23.399.233	-	3.027.331	58.988.661	4.443.582	962.605	799.458	65.016	91.685.886
Foreign Currency Deposits	17.333.183	-	6.322.677	21.525.365	5.039.736	3.948.005	14.856.012	614	69.025.592
Residents in Turkey	14.244.034	-	5.672.406	16.525.070	2.980.128	1.667.732	4.689.404	592	45.779.366
Residents Abroad	3.089.149	-	650.271	5.000.295	2.059.608	2.280.273	10.166.608	22	23.246.226
Public Sector Deposits	6.520.452	-	5.900.920	5.039.669	2.387.873	4.428.155	13.674	-	24.290.743
Commercial Inst. Deposits	5.370.857	-	7.176.763	8.537.601	797.596	941.757	22.548	-	22.847.122
Other Inst. Deposits	1.753.377	-	1.370.982	2.947.811	402.718	359.441	1.007.090	-	7.841.419
Precious Metals	2.304.603	-	36.490	250.514	27.092	19.701	14.732	-	2.653.132
Interbank Deposits	1.575.384	-	7.370.174	1.436.316	453.970	2.411.634	492.905	-	13.740.383
CBRT	1.028	-	-	-	-	-	-	-	1.028
Domestic Banks	65.706	-	6.509.982	104.619	66.151	-	4.096	-	6.750.554
Foreign Banks	174.467	-	860.192	1.331.697	387.819	2.411.634	488.809	-	5.654.618
Participation Banks	1.334.183	-	-	-	-	-	-	-	1.334.183
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>58.257.089</b>	<b>-</b>	<b>31.205.337</b>	<b>98.725.937</b>	<b>13.552.567</b>	<b>13.071.298</b>	<b>17.206.419</b>	<b>65.630</b>	<b>232.084.277</b>

Prior Period	Demand	7 Days Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	21.995.821	-	3.023.954	59.361.003	4.378.317	974.707	798.679	44.170	90.576.651
Foreign Currency Deposits	15.258.270	-	6.027.777	17.500.205	4.968.506	3.839.907	14.361.729	619	61.957.013
Residents in Turkey	13.495.718	-	5.793.930	14.835.795	4.270.715	3.044.420	10.808.628	619	52.249.825
Residents Abroad	1.762.552	-	233.847	2.664.410	697.791	795.487	3.553.101	-	9.707.188
Public Sector Deposits	6.142.683	-	2.831.975	6.846.612	2.056.284	4.742.350	13.571	-	22.633.475
Commercial Inst. Deposits	5.909.878	-	7.469.751	9.373.969	461.512	13.101	29.439	-	23.257.650
Other Inst. Deposits	1.786.765	-	2.708.390	4.149.597	343.730	353.031	851.744	-	10.193.257
Precious Metals	2.042.960	-	32.607	213.683	23.155	15.622	12.911	-	2.340.938
Interbank Deposits	1.731.844	-	4.933.257	1.650.521	635.446	2.303.709	805.173	-	12.059.950
CBRT	3.750	-	-	-	-	-	-	-	3.750
Domestic Banks	397.818	-	4.405.820	69.430	191.176	-	6.363	-	5.070.607
Foreign Banks	245.568	-	527.437	1.581.091	444.270	2.303.709	798.810	-	5.900.885
Participation Banks	1.084.708	-	-	-	-	-	-	-	1.084.708
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>54.868.221</b>	<b>-</b>	<b>27.027.711</b>	<b>99.095.590</b>	<b>12.866.950</b>	<b>12.242.427</b>	<b>16.873.246</b>	<b>44.789</b>	<b>223.018.934</b>

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

**II. EXPLANATIONS AND NOTES RELATED TO 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:**

Saving Deposits	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits <sup>(2)</sup>	61.966.819	60.568.084	29.512.694	29.701.060
Foreign Currency Saving Deposits <sup>(2)</sup>	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 <sup>(1)</sup>	671.853	636.306	57.966	42.853
Deposits at Off-Shore Banking Regions’ and under Foreign Authorities’ Insurance	-	-	-	-

<sup>(1)</sup> In Bulgaria and Greece, since both real person and legal entity’s saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 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).

<sup>(2)</sup> Related deposit balances do not include foreign branches.

Based on the Council of Minister’s decree dated 29 December 2003 and numbered 2003/6668, TL 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 the Banks. As total of capital amount and interest expense accruals of saving deposits up to TL 100 attributable to a real person is covered by the insurance, TL 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 Bank whose head office is abroad, and reasons if it is covered in where the head office is located:**

The Bank’s head office is located in Turkey.

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

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

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

**3) Amounts which are not covered by deposit insurance:**

**a) Saving deposits of real persons not covered by the deposit insurance fund:**

	Current Period	Prior Period
Deposits and other Accounts in Branches Abroad	67.439	81.373
Deposits of Ultimate Shareholders and Their Close Family Members	-	-
Deposits of Chairman and Members of the Board of Directors, CEO, Executive Vice Presidents and Their Close Family Members	5.004	6.448
Deposits Obtained through Illegal Acts Defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

**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	51.481
Swap Transactions	44.760	392.879	206.170	352.444
Futures Transactions	-	-	-	-
Options	106	-	35	-
Other	-	-	-	-
<b>Total</b>	<b>84.837</b>	<b>439.340</b>	<b>239.703</b>	<b>403.925</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	438.732	845.471	854.994	613.745
Foreign Banks, Institutions and Funds	933.948	21.520.940	933.948	20.414.049
<b>Total</b>	<b>1.372.680</b>	<b>22.366.411</b>	<b>1.788.942</b>	<b>21.027.794</b>

**b) Maturity structure of funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	422.243	6.801.100	844.858	6.024.836
Medium and Long-Term	950.437	15.565.311	944.084	15.002.958
<b>Total</b>	<b>1.372.680</b>	<b>22.366.411</b>	<b>1.788.942</b>	<b>21.027.794</b>

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

60,33% of the Bank's liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Bank's liabilities are not subject to a significant concentration risk.

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

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

**3. d) Information on funds supplied from repurchase agreements:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Domestic Transactions</b>	<b>9.575.481</b>	-	<b>30.251.538</b>	-
Financial Institutions and Organizations	9.345.689	-	30.077.731	-
Other Institutions and Organizations	222.370	-	166.520	-
Real Person	7.422	-	7.287	-
<b>From Overseas Operations</b>	-	<b>13.181.660</b>	-	<b>12.270.423</b>
Financial Institutions and Organizations	-	13.181.660	-	12.270.423
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
<b>Total</b>	<b>9.575.481</b>	<b>13.181.660</b>	<b>30.251.538</b>	<b>12.270.423</b>

**e) Information on securities issued:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.438.155	-	2.156.778	-
Asset-Backed Securities	-	-	-	-
Treasury Bills	-	4.858.532	-	4.676.223
<b>Total</b>	<b>2.438.155</b>	<b>4.858.532</b>	<b>2.156.778</b>	<b>4.676.223</b>

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

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

**5. Information on finance lease payables (net):**

In the financial lease agreements, lease payments are determined according to the price of leasehold, the Bank's interest rate of commercial loan and maturity of the agreement. The amounts in the lease agreements are paid in equal installments. There are not any restrictions in these agreements that create significant obligations to the Bank.

Information on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	474	469	499	492
Between 1-4 Years	-	-	-	-
More than 4 Years	-	-	-	-
<b>Total</b>	<b>474</b>	<b>469</b>	<b>499</b>	<b>492</b>

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

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

**7. Explanations on provisions:**

**a) Information on general provisions:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>General Provisions</b>	<b>4.226.578</b>	<b>3.921.625</b>
Allocated for Group-I Loans and Receivables	3.449.295	3.190.815
Additional Provision for Loans and Receivables with Extended Maturities	265.949	233.456
Allocated for Group-II Loans and Receivables	179.795	175.700
Additional Provision for Loans and Receivables with Extended Maturities	66.476	61.127
Allocated for Non-cash Loans	491.559	465.263
Other	105.929	89.847

**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 for unindemnified non-cash loans amount to TL 147.518 (31 December 2015: 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.

	<b>Current Period</b>	<b>Prior Period</b>
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 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 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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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**7. Explanations on provisions: (Continued)**

The Bank also provided provisions amounting to TL 147.518 (31 December 2016: TL150.916) for unindemnified non-cash loans, and TL 101.664 (31 December 2016: TL 41.728) for other provisions. As a result of the provisions mentioned above, the other provision balance on the Bank’s balance sheet amounts to TL 1.569.355 (31 December 2016: TL 1.253.697).

**e) Vacation and employment termination benefits obligations**

**1) Employment termination benefits and unused vacation rights**

The Bank accounts for its vacation and retirement pay obligations in accordance with the TAS 19 “Employee Benefits”. The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation. As of 31 March 2017, unpaid vacation liability amounted to TL 221.600 (31 December 2016: TL 187.500), and employment termination amounted to TL 701.289 (31 December 2016: TL 690.189) 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 884.311 (31 December 2016: TL 404.409).

**2) Information on current taxes payable:**

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Tax Payable	884.311	404.409
Taxation on Income From Securities	164.087	211.632
Property Tax	2.528	2.399
Banking Insurance Transactions Tax (BITT)	129.467	138.046
Foreign Exchange Transactions Tax	68	59
Value Added Tax Payable	4.839	5.881
Other	129.091	62.453
<b>Total</b>	<b>1.314.391</b>	<b>824.879</b>

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

**8. Information on tax liability: (Continued)**

**3) Information on premiums:**

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums - Employee	36	33
Social Security Premiums - Employer	51	47
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	1.495	1.348
Unemployment Insurance - Employer	2.990	2.696
Other	-	-
<b>Total</b>	<b>27.711</b>	<b>25.436</b>

**a) Information on deferred tax liabilities, if any:**

The Bank’s deferred tax liability amounts to TL 499.445 (31 December 2016: TL 912.442). However, this amount is netted off against the deferred tax asset and accordingly deferred tax asset amounting to TL 116.037 (31 December 2016: TL 75.757) is presented in the financial statements.

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

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

**10. Explanations on subordinated debts:**

The Bank does not have any subordinated debts.

**11. Information on shareholders’ equity:**

**a) Presentation on paid-in capital:**

	<b>Current Period</b>	<b>Prior Period</b>
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 Bank does not have a registered capital system.

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

None.

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

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

**11. Information on shareholders’ equity: (Continued)**

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

There is no share capital amount included in capital.

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

The Bank has no capital commitments.

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

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

**g) Information on preferred shares representing the capital:**

The Bank has no preferred shares.

**h) Information on marketable securities value increase fund:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	615.642	1.025	615.642	1.025
Revaluation Difference	-	1.025	-	1.025
Foreign Exchange Difference	615.642	-	615.642	-
From Available for Sale Marketable Securities	(1.199.681)	254.958	(1.259.685)	(355.468)
Revaluation Difference	(1.431.185)	254.958	(1.656.280)	(355.468)
Deferred Tax Effect	231.504	-	396.595	-
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(584.039)</b>	<b>255.983</b>	<b>(644.043)</b>	<b>(354.443)</b>

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

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

**1. Information on off-balance sheet liabilities:**

**a) Nature and amount of irrevocable loan commitments:**

	<b>Current Period</b>	<b>Prior Period</b>
Commitments for Credit Card Expenditure Limits	7.385.926	7.258.758
Other Irrevocable Commitments	7.892.771	7.220.867
Loan Granting Commitments	4.049.527	3.598.753
Payment Commitments for Cheques	3.421.754	3.138.916
Asset Purchase Commitments	2.351.046	2.123.301
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	22.488	22.138
Subsidiaries and Associates Capital Contribution Commitments	-	-
<b>Total</b>	<b>25.123.512</b>	<b>23.362.733</b>

**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 Bank arising from off-balance sheet items is explained in note 7 explanations on provisions of section five Explanations and Notes to the Unconsolidated Financial Statements.

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

	<b>Current Period</b>	<b>Prior Period</b>
Guarantee Letters	68.447.654	65.779.579
Letter of Credits	9.789.755	9.121.397
Bank Acceptances	4.715.257	4.254.132
<b>Total</b>	<b>82.952.666</b>	<b>79.155.108</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Letters of Certain Guarantees	43.279.496	41.993.880
Letters of Advance Guarantees	17.675.051	17.582.696
Letters of Temporary Guarantees	3.916.371	3.381.752
Letters of Guarantees given to Customs Offices	924.751	753.939
Other Letters of Guarantees	2.651.985	2.067.312
<b>Total</b>	<b>68.447.654</b>	<b>65.779.579</b>

**c) 1) Total non-cash loans:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>812.915</b>	<b>810.996</b>
With Original Maturity of One Year or Less	13.187	2.183
With Original Maturity of More than One Year	799.728	808.813
<b>Other Non-Cash Loans</b>	<b>82.139.751</b>	<b>78.344.112</b>
<b>Total</b>	<b>82.952.666</b>	<b>79.155.108</b>

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

**IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT**

**1. a) Information on interest income from loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Interest on Loans <sup>(1)</sup></b>	<b>5.391.930</b>	<b>863.035</b>	<b>4.351.765</b>	<b>574.274</b>
Short Term Loans	1.425.553	35.553	959.054	15.897
Medium and Long Term Loans	3.936.958	827.472	3.361.221	558.372
Interest on Non-Performing Loans	29.419	10	31.490	5
Premiums from Resource Utilization Support Fund	-	-	-	-

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

**b) Information on interest received from the banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	2.982	-	1.079	-
Domestic Banks	10.987	402	10.847	293
Foreign Banks	339	11.651	388	6.977
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>14.308</b>	<b>12.053</b>	<b>12.314</b>	<b>7.270</b>

**c) Information on interest income on marketable securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	407	487	287	199
Financial Assets at Fair Value through Profit and Loss	-	-	-	-
Financial Assets Available-for-Sale	1.292.674	206.384	1.089.677	143.895
Investments Held-to-Maturity	107.209	83.667	126.659	89.011
<b>Total</b>	<b>1.400.290</b>	<b>290.538</b>	<b>1.216.623</b>	<b>233.105</b>

**d) Information on interest income from subsidiaries and associates:**

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	7.521	3.496

**2. a) Information on interest expense on borrowings:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks <sup>(1)</sup></b>	<b>32.722</b>	<b>109.929</b>	<b>29.204</b>	<b>72.705</b>
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	11.902	2.272	6.513	984
Foreign Banks	20.820	107.657	22.691	71.721
Foreign Head Office and Branches	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>32.722</b>	<b>109.929</b>	<b>29.204</b>	<b>72.705</b>

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	26.509	12.113

c) Information on interest given on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	61.431	54.268	57.788	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	-	146.054	-	-	-	-	-	146.054
Saving Deposit	-	57.308	1.312.591	91.292	18.929	17.051	191	1.497.362
Public Sector Deposit	596	59.553	118.288	48.533	98.908	202	-	326.080
Commercial Deposit	78	135.992	192.390	10.234	27.594	444	-	366.732
Other Deposit	42	19.574	70.196	7.856	9.099	21.878	-	128.645
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>716</b>	<b>418.481</b>	<b>1.693.465</b>	<b>157.915</b>	<b>154.530</b>	<b>39.575</b>	<b>191</b>	<b>2.464.873</b>
FC								
Foreign Currency Deposit	566	16.447	70.284	13.793	11.927	51.243	1	164.261
Bank Deposit	2	14.767	-	-	-	-	-	14.769
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	40	410	47	35	28	-	560
<b>Total</b>	<b>568</b>	<b>31.254</b>	<b>70.694</b>	<b>13.840</b>	<b>11.962</b>	<b>51.271</b>	<b>1</b>	<b>179.590</b>
<b>Grand Total</b>	<b>1.284</b>	<b>449.735</b>	<b>1.764.159</b>	<b>171.755</b>	<b>166.492</b>	<b>90.846</b>	<b>192</b>	<b>2.644.463</b>

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

	Current Period	Prior Period
<b>Profit</b>	<b>14.210.349</b>	<b>9.777.960</b>
Foreign Exchange Gains	13.448.287	7.832.479
Profit on Derivative Financial Instruments	745.681	1.938.037
Profit from the Capital Market Transactions	16.381	7.444
<b>Loss (-)</b>	<b>14.108.475</b>	<b>9.777.294</b>
Foreign Exchange Loss	13.299.758	8.531.631
Loss on Derivative Financial Instruments	808.364	1.243.557
Loss from the Capital Market Transactions	353	2.106

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(375.154)	940.586
Effect of the change in interest rates on profit/loss	312.471	(246.106)
<b>Total</b>	<b>(62.683)</b>	<b>694.480</b>

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

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

**5. Information on other operating income:**

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

There are no significant matters covering the recent developments which have significant effect on the Bank’s income. Main component of the Bank’s other operating income consists of reversals from prior period provisions amounting to TL 226.271 (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:**

	<b>Current Period</b>	<b>Prior Period</b>
Specific Provisions for Loans and Other Receivables <sup>(1)</sup>	334.745	355.030
Group III Loans and Receivables	258.137	134.283
Group IV Loans and Receivables	54.366	202.412
Group V Loans and Receivables	22.242	18.335
General Provision Expenses	304.497	89.750
Provision Expenses for the Possible Losses	265.000	960
Marketable Securities Impairment Expense	213	125
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available for Sale	213	125
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Business Partners)	-	-
Investment Securities Held to Maturity	-	-
Other	62.500	710
<b>Total</b>	<b>966.955</b>	<b>446.575</b>

<sup>(1)</sup> 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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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**7. a) Information on other operating expenses:**

	<b>Current Period</b>	<b>Prior Period</b>
Personnel Expenses	627.970	559.419
Reserve for Employee Termination Benefits	30.000	25.356
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	97.839	68.843
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	11.580	8.426
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	400.561	298.072
Operational Leasing Expenses	62.835	49.704
Maintenance Expenses	16.554	19.606
Advertisement Expenses	21.476	18.111
Other Expenses	299.696	210.651
Loss on Sales of Assets	100	426
Other <sup>(1)</sup>	347.761	381.525
<b>Total</b>	<b>1.515.811</b>	<b>1.342.067</b>

<sup>(1)</sup> TL 127.613 of other item consists of Saving Deposit Insurance Fund accrual expense (31 March 2016: TL 111.746) while TL 132.433 consists of taxes, duties and charges expense (31 March 2016: TL 109.973).

**8. Information on profit/loss before tax from continuing and discontinuing operations:**

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

	<b>Current Period</b>	<b>Prior Period</b>
Net Interest Income	4.308.912	3.150.536
Net Fees and Commissions Income	499.397	367.817
Other Operating Income	416.651	336.028
Dividend Income	3.309	2.785
Trading Income/Expense (Net)	101.874	666
Provision for Loan or Other Receivables Losses (-)	966.955	446.575
Other Operating Expenses (-)	1.515.811	1.342.067
<b>Profit / (Loss) From Continuing Operations</b>	<b>2.847.377</b>	<b>2.069.190</b>

**9. Information on tax provision for continuing and discontinuing operations**

As of 31 March 2017, TL 676.992 (31 March 2016: TL 459.788) of the Bank's total tax provision expense amounting to TL 882.865 (31 March 2016: 562.219), consists of current tax expense while remaining balances amounting to TL 205.873 (31 March 2016: TL 102.431 deferred tax income) consists of deferred tax income.

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

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

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

The Bank’s net operating income after tax amounts to TL 2.170.385 (31 March 2016: TL 1.609.402).

**11. Information on net profit/loss:**

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

The 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 UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

**a) Current Period:**

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash <sup>(2)</sup>	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	1.190.812	3.502.628	-	-	-	-
Closing Balance	1.285.382	3.512.834	-	-	-	-
<b>Interest and Commissions Income</b>	<b>7.521</b>	<b>37</b>	-	-	-	-

**b) Prior Period:**

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash <sup>(2)</sup>	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	856.298	1.919.303	-	-	-	-
Closing Balance	1.190.812	3.502.628	-	-	-	-
<b>Interest and Commissions Income</b>	<b>3.496</b>	<b>53</b>	-	-	-	-

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

<sup>(2)</sup> Placements to foreign banks in the risk group amounting to TL 1.377.688 are included in the cash loans.

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Deposits</b>						
Opening Balance	1.545.917	553.962	-	-	-	-
Closing Balance	2.127.947	1.545.917	-	-	-	-
<b>Interest Expense on Deposits</b>	<b>26.509</b>	<b>12.113</b>	-	-	-	-

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss						
Opening Balance	127.897	66.595	-	-	-	-
Closing Balance	94.840	127.897	-	-	-	-
<b>Total Profit/Loss</b>	<b>(131)</b>	<b>1.349</b>	-	-	-	-
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

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

Fees paid to the Bank’s key management amount to TL 6.455 (31 March 2016: TL 6.622).

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

**VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS**

Tbilisi branch and Batum and Marneuli sub branches of the Bank 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 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 REVIEW REPORT**

**I. EXPLANATIONS ON REVIEW REPORT**

As of 31 March 2017, unconsolidated 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 2017 is presented preceding the financial statements.

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

None.

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**SECTION SEVEN (\*)**

**EXPLANATIONS ON THE INTERIM REPORT**

**I. Chairman’s Assessment**

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 INTERIM REPORT (Continued)**

**II. Assessment of General Manager**

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 cash loans reached to TL 252 billion with more than 8% increase in Q1 2017. Total loan book including non-cash loans was materialized as TL 335 billion. Thereby the Bank preserved its status of being the highest contributor to finance the economy. As of end of March, more than 65% of the TL 385 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 bank.

**IV. Main Financial Indicators**

In the first quarter of 2017, total assets of the Bank has risen to TL 384.695 million by increasing 7,5% compared to December 2016.

In Bank's assets, loans with TL 251.901 million volume share 65,5%, securities portfolios with TL 68.492 million volume share 17,8%, liquid assets and banks with TL 48.656 million volume share 12,6% amounting to TL 15.646 , and other assets share 4,1%. In the first quarter of 2017, loans of the Bank has risen to TL 251.901 million by increasing 8,3% compared to December 2016. TL loans has reached to TL 186.762, FC loans has reached to TL 65.139.

In Bank's liabilities, deposits with TL 232.084 million volume share 60,3%, non-deposits resources with TL 90.259 million volume share 23,5%, equities with TL 41.206 million volume share 10,7%, and other liabilities amounting to TL 21.146, share 5,5%.

Bank's total deposit in first period of 2017 recognised at a level of 232.084 million TL by increasing 4,1% compared to December 2016. Deposit volume of TL is 151.918 million TL and deposit volume of FC is 80.166 million TL.

Bank's total equity increased 7,4% compared to December 2016 and reached to 41.206 million TL.

By the end of the first quarter of 2017 Bank's net period profit recognized at a 2.170 million TL level by increasing 34,9% compared to the same period of last year.

By the end of first quarter of 2017, Bank's capital adequacy ratio recognised at a level of 14,85%.

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**EXPLANATIONS ON INTERIM REPORT (Continued)**

**V. Main Financial Indicators (Continued)**

<b>ASSETS (TL Million)</b>	<b>31 March 2017</b>	<b>31 December 2016</b>	<b>(%)</b>
Liquid Assets and Banks	48.656	43.069	13,0
Securities Portfolio	68.492	69.066	(0,8)
Loans	251.901	232.644	8,3
Other Assets	15.646	12.982	20,5
<b>Total Assets</b>	<b>384.695</b>	<b>357.761</b>	<b>7,5</b>
<b>LIABILITIES (TL Million)</b>	<b>31 March 2017</b>	<b>31 December 2016</b>	<b>(%)</b>
Deposits	232.084	223.019	4,1
Non-deposits Resources	90.259	76.862	17,4
Other Liabilities	21.146	19.498	8,5
Shareholders' Equity	41.206	38.382	7,4
<b>Total Liabilities</b>	<b>384.695</b>	<b>357.761</b>	<b>7,5</b>
<b>CHOSEN INCOME-EXPENSES (TL Million)</b>	<b>31 March 2017</b>	<b>31 December 2016</b>	<b>(%)</b>
Interest Income	8.205	6.448	27,2
Interest Expense	3.896	3.298	18,1
Net Interest Income	4.309	3.151	36,8
Net Fees and Commission Income	499	368	35,6
Other Operations Income	417	336	24,1
Other Operations Expense	1.516	1.342	13,0
Provision for Losses on Loans Or Other Receivables	967	447	116,3
Income Before Taxes From Continuing Operations	2.847	2.069	37,6
Provision For Taxes On Income From Continuing Operations	677	460	47,2
<b>Net Profit/Losses</b>	<b>2.170</b>	<b>1.609</b>	<b>34,9</b>

<b>RATIOS (%)</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
Capital Adequacy Ratio	14,85	14,55
Equity / Total Assets	10,7	10,7
Cash Loans / Total Assets	65,5	65,0
Loans under follow-up (Gross) / Total Loans	1,7	1,8
Saving Deposits/ Total Deposits	25,1	24,6
FC Assets / FC Liabilities	94,4	108,0
Liquid Assets / Total Assets	12,6	12,0
	<b>31 March 2017</b>	<b>31 March 2016</b>
Return on Assets ( ROA )	2,4	2,1
Return on Equity ( ROE )	22,1	19,9
Interest Incomes / Interest Expenses	210,6	195,5

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**EXPLANATIONS ON INTERIM REPORT (Continued)**

**VI. 2016 I. Interim Activities**

**Correspondent Banking**

As of the end of March 2017, Ziraat Bank has correspondent relations with approximately 1800 correspondent banks in more than 130 countries. The extensive correspondent bank network is constantly diversifying and evolving in line with customer demands and the conjuncture and trends in the world economy. Thanks to its expanding and strengthening correspondent network, Ziraat Bank provides its customers foreign trade opportunities with many points of the world.

Ziraat Bank also provides products such as letter of credit, escort and aviation police for the financing needs of foreign trade and works closely with Export Insurance Organizations such as Hermes, Coface, Serv, Sace to provide medium and long term country loans to its customers. Ziraat Bank also increased its market share in the financing of foreign trade through various agreements with correspondent banks.

Thanks to its strong correspondent network, Ziraat Bank has continued to provide financing from correspondent banks at affordable costs and conditions by providing access to alternative sources of funding. It aims to sustain this success by strengthening it with new financing methods that will diversify in the coming years.

**Foreign Issued Bonds**

As a part of the studies for diversification of the Bank’s funds and supply of long term funds with a favorable cost for borrowing purposes on international capital markets, GMTN Program (Global Medium Term Notes), amounting to 4 billion US Dollars, is updated on 13 March 2017.

As a part of this GMTN program that enables Bank to issue in different maturities and different currencies operations practiced as a “private placement” continued to raise funds in international markets.

**Risk Management**

Bank’s risk management operations, within the frame of BRSA legislations and Basel regulations, are targeted for the best risk management function by applying risk culture alongside the Bank and maintaining the improvement of employee quality and information technologies.

Risk management policy is identified as loan risks, market risks, operational risks, balance sheet risks on the volume of Bank’s transactions, measurement and monitoring of quality and complication, stress test, scenario analysis and reporting the outcomes from these studies. Policies and application methods of risk management are carried out in accordance with the decisions by the Board of Directors.

In the last quarter of the year, our Bank has started to work on the calculation of credit risk by using an internal rating approach with the participation of various units within the scope of "Credit Risk Management Project with Advanced Methods" and to use the outputs in different areas. The projects target is to calculate credit risk parameters that can feed the capital budget, credit pricing and Turkish Financial Reporting Standards 9 (TFRS 9) areas.

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**EXPLANATIONS ON INTERIM REPORT (Continued)**

**VII. Other Important Activities**

With the protocol signed between KOSGEB and our Bank; in order to provide financial support to our SMEs, "2017 KOSGEB Zero-Interest Enterprise Loan Interest Support" product was applied.

Within the scope of agricultural banking activities, Agriculture Summit Conference was held on March 29, 2017 in order to create sectoral awareness in addition to lending of credits, bringing together all the players in the sector and producing solutions to the problems of country agriculture.

With the cooperation of TOBB and KGF, the amount of disbursement amount reached to TL 1.3 billion in the "Breathing Credits" product, which is used for the loan of collateralized loans with appropriate interest to the Chamber / Exchange members.

In case that the ATM's withdrawals / deposits can not be completed successfully, the address and geographical coordinates of the nearest Ziraat Bank ATM where the transactions can be made are sent as instant SMS.

The project is started for the e-mortgage system for real estate mortgage facility operations which will be carried out with General Directorate of Land Registry and Cadastre and the project contains credit guarantees for mortgage securities.

The effectiveness of Ziraat Bank in social media is increasing day by day. As of the first quarter of 2017; more than 1.660.000 followers on Facebook, over 238.000 followers on Twitter, around 94.000 followers on Instagram, and over 18.900.000 views on YouTube are recorded.

Ziraat Bank, which started operating in Prishtina Branch in 2016 in Kosovo, will open its second branch in Prizren. Prizren Branch, which has the necessary permissions for opening, is planned to start operating in 2017.

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**EXPLANATIONS ON INTERIM REPORT (Continued)**

**VIII. 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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UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 MARCH 2017**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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**EXPLANATIONS ON INTERIM REPORT (Continued)**

**VIII. 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 reflation 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.