

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

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

**(Convenience Translation of Publicly Announced Unconsolidated
Financial Statements and Independent Auditor's Report
Originally Issued in Turkish,
See in Note I. of Section Three)**

**CONVENIENCE TRANSLATION INTO ENGLISH OF THE
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY PREPARED AND ISSUED IN TURKISH**

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

Report on the Unconsolidated Financial Statements

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

Management's Responsibility for the Unconsolidated Financial Statements

Bank management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, other regulations on accounting records of Banks published by BRSA, circulars and interpretations published by BRSA, and Turkish Accounting Standards for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

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

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

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

Basis for the qualified opinion

As mentioned in Section II. Note 7.d1 of Explanations and Notes to the Unconsolidated Financial Statements; as of the balance sheet date, the accompanying unconsolidated financial statements include a free provision amounting to TL945.000 thousand (TL295.400 thousand of this provision amount was reversed from the income statement in the current year), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions.

Qualified Opinion

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

Report on Other Responsibilities Arising From Regulatory Requirements

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

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

Additional Paragraph for Convenience Translation

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

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

Didem Demer Kaya, SMMM
Partner

Istanbul, 17 February 2017



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

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

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

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

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

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

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

Hüseyin AYDIN
Member of the Board,
CEO

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

Peyami Ömer ÖZDİLEK
Financial Coordination
Executive Vice President

Atakan BEKTAŞ
Senior Vice President
of Financial Reporting and
Budget Management

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

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

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**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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

(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, has its head office located in Ankara and all shares of the Bank belong to the Treasury. While all of the shares of the Bank that are entitled to carry out all kinds of banking activities belong to The Undersecretariat of Treasury (“the Treasury”) of the Prime Ministry of Turkish Republic, all of the Bank's shares have been transferred to the Turkey Wealth Fund in accordance with the decision of the Council of Ministers dated January 24, 2017 and with decree no. 2017/9756. The head office of the Bank is in Ankara.

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

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

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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

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

GENERAL INFORMATION ABOUT THE BANK (Continued)

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

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

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

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

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

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

**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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

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

GENERAL INFORMATION ABOUT THE BANK (Continued)

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

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

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

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

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

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

None.

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 DECEMBER 2016

(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 (31/12/2016)			Prior Period (31/12/2015)		
			TL	FC	Total	TL	FC	Total
			ASSETS					
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	7.541.324	31.625.773	39.167.097	4.072.948	32.463.015	36.535.963
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	1.209.019	475.772	1.684.791	662.198	282.701	944.899
2.1	Financial Assets Held for Trading		1.209.019	475.772	1.684.791	662.198	282.701	944.899
2.1.1	Public Sector Debt Securities		12.855	4.549	17.404	12.238	4.377	16.615
2.1.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.1.3	Derivative Financial Assets Held for Trading		1.196.164	471.223	1.667.387	649.960	278.324	928.284
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1	Public Sector Debt Securities		-	-	-	-	-	-
2.2.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	(3)	527.107	3.374.567	3.901.674	735.999	3.710.793	4.446.792
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	43.863.060	14.768.893	58.631.953	42.207.247	11.575.061	53.782.308
5.1	Securities Representing a Share in Capital		104.142	539.323	643.465	103.528	500.214	603.742
5.2	Public Sector Debt Securities		43.700.624	14.119.670	57.820.294	42.100.780	11.004.930	53.105.710
5.3	Other Marketable Securities		58.294	109.900	168.194	2.939	69.917	72.856
VI.	LOANS AND RECEIVABLES	(5)	168.980.221	63.663.314	232.643.535	141.002.935	45.809.916	186.812.851
6.1	Loans and Receivables		168.728.772	63.663.314	232.392.086	140.133.474	45.809.385	185.942.859
6.1.1	Loans Granted to Risk Group of The Bank		31.598	1.159.214	1.190.812	100.929	755.369	856.298
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		168.697.174	62.504.100	231.201.274	140.032.545	45.054.016	185.086.561
6.2	Loans under Follow-up		4.200.259	16.838	4.217.097	3.129.081	11.443	3.140.524
6.3	Specific Provisions (-)		3.948.810	16.838	3.965.648	2.259.620	10.912	2.270.532
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	INVESTMENTS HELD TO MATURITY (Net)	(6)	3.601.088	5.148.376	8.749.464	4.538.342	5.605.800	10.144.142
8.1	Public Sector Debt Securities		3.462.285	5.140.155	8.602.440	4.504.483	5.594.461	10.098.944
8.2	Other Marketable Securities		138.803	8.221	147.024	33.859	11.339	45.198
IX.	INVESTMENTS IN ASSOCIATES (Net)	(7)	94.912	-	94.912	94.912	-	94.912
9.1	Accounted with Equity Method		-	-	-	-	-	-
9.2	Unconsolidated Associates		94.912	-	94.912	94.912	-	94.912
9.2.1	Financial Associates		88.846	-	88.846	88.846	-	88.846
9.2.2	Non-financial Associates		6.066	-	6.066	6.066	-	6.066
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	2.532.473	1.575.116	4.107.589	1.157.477	1.291.703	2.449.180
10.1	Unconsolidated Financial Subsidiaries		2.526.236	1.575.116	4.101.352	1.151.240	1.291.703	2.442.943
10.2	Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237	6.237	-	6.237
XI.	ENTITIES UNDER COMMON CONTROL (Net)	(9)	-	109.239	109.239	-	111.274	111.274
11.1	Accounted with Equity Method		-	-	-	-	-	-
11.2	Unconsolidated Entities Under Common Control		-	109.239	109.239	-	111.274	111.274
11.2.1	Financial Entities Under Common Control		-	109.239	109.239	-	111.274	111.274
11.2.2	Non Financial Entities Under Common Control		-	-	-	-	-	-
XII.	RECEIVABLES FROM LEASING TRANSACTIONS	(10)	-	-	-	-	-	-
12.1	Finance Lease Receivables		-	-	-	-	-	-
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1	Fair Value Hedges		-	-	-	-	-	-
13.2	Cash Flow Hedges		-	-	-	-	-	-
13.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(14)	5.300.983	14.220	5.315.203	4.830.792	10.846	4.841.638
XV.	INTANGIBLE ASSETS (Net)	(15)	305.716	7.098	312.814	207.761	3.750	211.511
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		305.716	7.098	312.814	207.761	3.750	211.511
XVI.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-	-	-	-
XVII.	TAX ASSET		76.878	-	76.878	262.631	-	262.631
17.1	Current Tax Asset		1.121	-	1.121	901	-	901
17.2	Deferred Tax Asset	(16)	75.757	-	75.757	261.730	-	261.730
XVIII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	562.033	-	562.033	240.606	-	240.606
18.1	Held for Sale		562.033	-	562.033	240.606	-	240.606
18.2	Held from Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(17)	1.214.427	1.189.756	2.404.183	1.266.086	703.533	1.969.619
	TOTAL ASSETS		235.809.241	121.952.124	357.761.365	201.279.934	101.568.392	302.848.326

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

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

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 OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2016

(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 (31/12/2016)			Prior Period (31/12/2015)		
			TL	FC	Total	TL	FC	Total
			A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		59.657.458	123.271.460	182.928.918
I.	GUARANTEES AND WARRANTIES	(1),(3)	24.763.329	54.391.779	79.155.108	19.707.145	40.579.030	60.286.175
1.1	Letters of Guarantee		24.571.621	41.207.958	65.779.579	19.606.622	29.635.315	49.241.937
1.1.1	Guarantees Subject to State Tender Law		1.482.932	7.391.519	8.874.451	1.181.920	5.635.033	6.816.953
1.1.2	Guarantees Given for Foreign Trade Operations		20.772.639	33.311.238	54.083.877	16.927.658	23.740.445	40.668.103
1.1.3	Other Letters of Guarantee		2.316.050	505.201	2.821.251	1.497.044	259.837	1.756.881
1.2	Bank Acceptances		34.549	4.219.583	4.254.132	12.965	4.178.340	4.191.305
1.2.1	Import Letter of Acceptance		29.427	4.216.440	4.245.867	12.965	4.173.792	4.186.757
1.2.2	Other Bank Acceptances		5.122	3.143	8.265	-	-	4.548
1.3	Letters of Credit		157.159	8.964.238	9.121.397	87.558	6.765.375	6.852.933
1.3.1	Documentary Letters of Credit		157.159	8.918.813	9.075.972	87.558	6.728.524	6.816.082
1.3.2	Other Letters of Credit		-	45.425	45.425	-	36.851	36.851
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		-	-	-	-	-	-
1.9	Other Collaterals		-	-	-	-	-	-
II.	COMMITMENTS	(1),(3)	18.457.103	4.909.554	23.366.657	15.984.047	3.614.654	19.598.701
2.1	Irrevocable Commitments		18.457.091	4.905.642	23.362.733	15.984.035	3.609.756	19.593.791
2.1.1	Asset Purchase and Sales Commitments		368.494	1.754.807	2.123.301	153.461	1.695.131	1.848.592
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		3.538.378	60.375	3.598.753	2.693.280	112.533	2.805.813
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		3.138.916	-	3.138.916	3.076.439	-	3.076.439
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		7.258.758	-	7.258.758	7.130.144	-	7.130.144
2.1.10	Commitments for Credit Cards and Banking Services Promotions		22.138	-	22.138	20.185	-	20.185
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		4.130.407	3.090.460	7.220.867	2.910.526	1.802.092	4.712.618
2.2	Revocable Commitments		12	3.912	3.924	12	4.898	4.910
2.2.1	Revocable Loan Granting Commitments		-	3.912	3.912	-	4.898	4.898
2.2.2	Other Revocable Commitments		12	-	12	12	-	12
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	16.437.026	63.970.127	80.407.153	3.119.312	54.430.547	57.549.859
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		16.437.026	63.970.127	80.407.153	3.119.312	54.430.547	57.549.859
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.353.480	3.946.217	5.299.697	1.332.892	4.096.601	5.429.493
3.2.1.1	Forward Foreign Currency Transactions-Buy		628.181	2.026.549	2.654.730	642.706	2.072.867	2.715.573
3.2.1.2	Forward Foreign Currency Transactions-Sell		725.299	1.919.668	2.644.967	690.186	2.023.734	2.713.920
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		15.072.546	60.012.592	75.085.138	1.773.374	50.290.572	52.063.946
3.2.2.1	Foreign Currency Swap-Buy		13.193.333	20.280.990	33.474.323	436.624	22.770.642	23.207.266
3.2.2.2	Foreign Currency Swap-Sell		1.879.213	30.408.968	32.288.181	1.336.750	21.284.304	22.621.054
3.2.2.3	Interest Rate Swap-Buy		-	4.661.317	4.661.317	-	3.117.813	3.117.813
3.2.2.4	Interest Rate Swap-Sell		-	4.661.317	4.661.317	-	3.117.813	3.117.813
3.2.3	Foreign Currency, Interest rate and Securities Options		11.000	11.318	22.318	13.046	43.374	56.420
3.2.3.1	Foreign Currency Options-Buy		5.500	5.659	11.159	6.523	21.687	28.210
3.2.3.2	Foreign Currency Options-Sell		5.500	5.659	11.159	6.523	21.687	28.210
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		918.306.978	124.983.490	1.043.290.468	645.572.139	98.062.897	743.635.036
IV.	ITEMS HELD IN CUSTODY		250.919.547	14.347.876	265.267.423	87.769.019	11.281.019	99.050.038
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		3.548.171	6.190.399	9.738.570	30.615.944	4.389.662	35.005.606
4.3	Checks Received for Collection		6.091.308	550.260	6.641.568	4.576.100	342.690	4.918.790
4.4	Commercial Notes Received for Collection		6.333.865	474.990	6.808.855	4.782.653	309.103	5.091.756
4.5	Other Assets Received for Collection		8.834	8.834	8.834	-	-	8.934
4.6	Assets Received for Public Offering		230.493.772	-	230.493.772	44.389.111	-	44.389.111
4.7	Other Items Under Custody		4.441.948	7.132.227	11.574.175	3.394.628	6.239.564	9.634.192
4.8	Custodians		1.649	-	1.649	-	-	1.649
V.	PLEDGES RECEIVED		666.794.362	108.762.025	775.556.387	557.200.217	85.495.840	642.696.057
5.1	Marketable Securities		1.536.809	37.532	1.574.341	907.730	28.100	935.830
5.2	Guarantee Notes		13.839.965	1.051.907	14.891.872	13.208.506	808.101	14.016.607
5.3	Commodity		1.089.260	70.224	1.159.484	1.072.015	18.248	1.090.263
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		588.923.360	83.692.739	672.616.099	495.609.918	65.182.872	560.792.790
5.6	Other Pledged Items		61.399.759	23.896.905	85.296.664	46.396.839	19.447.947	65.844.786
5.7	Pledged Items-Depository		5.209	12.718	17.927	5.209	10.572	15.781
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		593.069	1.873.589	2.466.658	602.903	1.286.038	1.888.941
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			977.964.436	248.254.950	1.226.219.386	684.382.643	196.687.128	881.069.771

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 INCOME STATEMENT AS OF 31 DECEMBER 2016

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

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

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 DECEMBER 2016**

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

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

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

**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 CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2015

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																		
	31 December 2015	Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancell. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Total Equity
I.	Balance at the Beginning of the Period		2.500.000	543.482	-	-	2.725.124	-	11.880.556	850.864	-	4.210.307	2.178.133	3.634.310	17.388	-	-	28.540.164
	Changes During the Period																	
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(2.656.924)	-	-	-	-	(2.656.924)
IV.	Hedging Funds (Active Part)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	(27.143)	-	-	-	(27.143)
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	157.751	-	-	-	-	157.751
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Increase in Capital		2.500.000	(543.482)	-	-	-	-	(1.281.518)	-	-	-	-	-	-	-	-	675.000
12.1	Cash		675.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	675.000
12.2	From Internal Resources		1.825.000	(543.482)	-	-	-	-	(1.281.518)	-	-	-	-	-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	(13.964)	-	-	-	-	-	-	-	(13.964)
XVII.	Net Profit or Losses		-	-	-	-	-	-	-	-	5.162.470	-	-	-	-	-	-	5.162.470
XVIII.	Profit Distribution		-	-	-	-	195.859	-	3.060.208	503.357	-	(4.050.509)	-	-	-	-	-	(291.085)
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	(291.085)	-	-	-	-	-	(291.085)
18.2	Transfers to Legal Reserves		-	-	-	-	195.859	-	3.060.208	503.357	-	(3.759.424)	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)		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

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

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

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

v. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																			
	31 December 2016	Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premiu m	Share Canc. 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	
I.	Balance at the Beginning of the Period		5.000.000	-	-	-	2.920.983	-	13.659.246	1.340.257	-	5.322.268	(321.040)	3.607.167	17.388	-	-	-	31.546.269
	Changes During the Period																		
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(817.927)	-	-	-	-	-	(817.927)
IV.	Hedging Funds (Active Part)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	570.699	-	-	-	-	570.699
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	140.481	-	-	-	-	-	140.481
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Increase in Capital		100.000	-	-	-	-	-	(28.000)	-	-	-	-	-	-	-	-	-	72.000
12.1	Cash		72.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72.000
12.2	From Internal Resources		28.000	-	-	-	-	-	(28.000)	-	-	-	-	-	-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	6.736	-	746.547	-	-	-	-	-	-	753.283
XVII.	Net Profit or Losses		-	-	-	-	-	-	-	-	6.576.420	-	-	-	-	-	-	-	6.576.420
XVIII.	Profit Distribution		-	-	-	-	282.324	-	4.421.359	-	-	(5.162.470)	-	-	-	-	-	-	(458.787)
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	(458.787)	-	-	-	-	-	-	(458.787)
18.2	Transfers to Legal Reserves		-	-	-	-	282.324	-	4.421.359	-	-	(4.703.683)	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)		5.100.000	-	-	-	3.203.307	-	18.052.605	1.346.993	6.576.420	906.345	(998.486)	4.177.866	17.388	-	-	-	38.382.438

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

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

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

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

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

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

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

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

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

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

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

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

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

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

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

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

I. BASIS OF PRESENTATION (Continued)

Additional paragraph for convenience translation into English:

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

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

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

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

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

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

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

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

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

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

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

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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

c. Loans and receivables:

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

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

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

d. Available-for-sale financial assets:

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

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

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

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

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

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

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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.

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

IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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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

Tangible assets acquired in consideration of receivables are accounted for in accordance with the requirements of the Communiqué on “Methods, Principles for Purchase and Sale of Precious Metal and Sale of Goods and Immovables obtained in Return of Receivables” published in the Official Gazette numbered 26333 and dated 1 November 2006 and these assets are subject to revaluation by no means.

A discontinued operation is a part of the Bank’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.

The Bank has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. The Bank’s tangible fixed assets purchased before 1 January 2005 are carried at inflation adjusted cost in the balance sheet before 31 December 2004 and its tangible fixed assets that are purchased subsequent to 1 January 2005 are valued at historical cost. As of 31 January 2014 the Bank has changed its accounting policies and has decided to pursue the real estates registered in its portfolio at fair values. In this context, for all real estates registered in the Bank’s inventory, appraisal study was carried by independent expertise companies, and from 1 January 2014 valuation results are reflected in the accounting records. As a result of the fair valuation of the real estates which is included in tangible fixed assets, TL 4.177.866 revaluation difference is followed under shareholders’ equity as of 31 December 2016. As of 30 January 2014, the net book amount of real estates of the tangible assets before valuation was TL 816.950.

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

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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.

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment Termination and Vacation Benefits

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

Under the Turkish legislation as supplemented by union agreements, Employment Termination Benefit payments are made in case of retirement or resignation depending on the arise of the legal conditions or employment termination. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, Employment Termination Benefit Provision is calculated based on the final salary at the date of retirement or leave (to the extent that the payments and/or salary amount does not exceed the Employment Termination Benefit Provision ceiling).

The Bank uses independent actuaries in determining liability, and also makes assumptions relating to the discount rate, future salary increases, and the employee turnover. These assumptions are reviewed on an annual basis. Retirement benefit obligation is 690.189 TL (31 December 2015: 683.269 TL).

	Current Period	Prior Period
Discount Ratio (%)	11,40	10,70
Expected Inflation Rate (%)	8,00	7,00

Communiqué on “Turkish Accounting Standard (TAS 19) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TL 78.342 was classified as “Other Comprehensive Expense” in the financials (31 December 2015: 85.078 TL actuarial loss).

In every year the unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting cumulative summation of used vacation days of all personnel from legally deserved vacation days.

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

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

Some of the Bank’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees Pension Fund (“Fund”) which was established by 20th provisional article of Social Security Law Act numbered 506. As of 31 December 2016 the number of personnel who benefit from the Fund, excluding dependents, is 22.221 (31 December 2015: 21.347). 18.450 of these members are active while 3.771 are passive members. (31 December 2015: 17.644 active members, 3.703 passive members).

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS (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 20th provisional article of law numbered 506, the deadline for transferring banks, insurance and reinsurance companies, chambers of commerce, chambers of industry, exchange markets and the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for two years.

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

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

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

The technical balance sheet report as of 31 December 2016 which is prepared in accordance with the new law and the rate determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the 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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION

a. Current Tax

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

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

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 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.

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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVIII. EXPLANATIONS ON BORROWINGS

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

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

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

XIX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

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

XX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXI. EXPLANATIONS ON GOVERNMENT GRANTS

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

XXII. CASH AND CASH EQUIVALENTS

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

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

XXIII. EXPLANATIONS ON SEGMENT REPORTING

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

XXIV. EXPLANATIONS ON OTHER MATTERS

In accordance with the decision taken in the General Assembly of the year 2015, which was carried out on 30 March 2016, from TL 5.162.470 net profit, which is subject to distribution, TL 258.124 is transferred to first legal reserve and TL 24.200 is transferred to second legal reserve TL 220.000 was paid to employees and TL 231.200 is distributed to Treasury after deducting withholding tax of 15% (TL 40.800) in cash. In this context, TL 4.388.146 of the profit is preserved; dividend payment made to Treasury on 15 April 2016, and TL 186.788 was paid to employees as an additional premium. With respect to the decision of the Board of Directors the remaining amount of additional premium to employees, which amounts 33.212 TL has been transferred to the “Profit Reserves” account.

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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 December 2016 Bank’s total capital has been calculated as TL 41.061.245, capital adequacy ratio is 14,55%. As of 31 December 2015, Bank’s total capital amounted to TL 34.995.187, capital adequacy ratio was 15,08% calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

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

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

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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)

	Amount	Amount as per the regulation before 1/1/2014*
ADDITIONAL TIER I CAPITAL	-	-
Preferred stock not included in Common Equity Tier I Capital and the related share premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA (Covered by Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital	-	-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital during the Transition Period	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier I 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 I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	37.987.023	-
TIER II CAPITAL	-	-
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on the Equity of Banks)	3.114.746	-
Tier II Capital Before Deductions	3.114.746	-
Deductions from Tier II Capital	-	-
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	3.114.746	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	41.101.769	-
The sum of Tier I Capital and Tier II Capital (Total Capital)	41.101.769	-
Loans Granted against the Articles 50 and 51 of the Banking Law	-	-
Net book values of movables and immovables exceeding the limit defined in the Article 57, Clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years	38.071	-
Other items to be defined by the BRSA (-)	2.453	-
Items to be deducted from the sum of Tier I and Tier II Capital (“Capital”) during the Transition Period	-	-
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier I capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-

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(Continued)

I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS’ EQUITY

	Amount	Amount as per the regulation before 1/1/2014*
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not be deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	41.061.245	-
Total Risk Weighted Assets	282.252.505	-
CAPITAL ADEQUACY RATIOS		
Common Equity Tier I Capital Adequacy Ratio (%)	13,50	-
Tier I Capital Adequacy Ratio (%)	13,46	-
Capital Adequacy Ratio (%)	14,55	-
BUFFERS		
Bank-specific total buffer ratio	-	-
Capital conservation buffer ratio (%)	0,63	-
Bank-specific counter-cyclical capital buffer ratio (%)	0,004	-
The ratio of Additional Common Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	5,50	-
Amounts below the Excess Limits as per the Deduction Principles	-	-
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	153.707	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	97.415	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	75.757	-
Limits for Provisions Used in Tier II Capital Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3.921.625	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	3.114.746	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subject to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subject to temporary Article 4	-	-

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

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

	Prior Period^(*)
COMMON EQUITY TIER 1 CAPITAL	
Paid-in Capital to be Entitled for Compensation after All Creditors	5.000.000
Share Premium	-
Share Cancellation Profits	-
Reserves	18.005.564
Income recognized under equity in accordance with TAS	4.664.239
Profit	5.322.268
Current Period’s Profit	5.162.470
Prior Period’s Profit	159.798
Free Provision for Possible Risks	1.257.419
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	17.388
Common Equity Tier 1 Capital Before Deductions	34.266.878
Deductions from Common Equity Tier 1 Capital	
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	1.463.190
Leasehold Improvements on Operational Leases (-)	86.055
Goodwill and intangible asset and the related deferred tax liability (-)	84.604
Net Deferred Tax Asset / Liability (-)	-
Excess amount expressed in the law (Article 56 4th paragraph) (-)	-
Bank’s direct or indirect investments on its own Tier 1 Capital (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Amounts related to mortgage servicing rights (-)	-
Excess amount of deferred tax assets from temporary differences (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from common equity tier 1 capital (-)	-
Total Deductions from Common Equity Tier 1 Capital	1.633.849
Total Common Equity Tier 1 Capital	32.633.029
ADDITIONAL TIER 1 CAPITAL	
Premiums that are not included in Common Equity Tier 1 capital	-
Bank’s borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank’s borrowing instruments and related issuance premium (issued before 1.1.2014)	-
Additional Tier 1 Capital before Deductions	-

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(Continued)**

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

	Prior Period^(*)
Deductions from Additional Tier 1 Capital	-
Bank’s a direct or indirect investment in Tier 1 Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from Additional Tier 1 Capital (-)	-
Total Deductions from Additional Tier 1 Capital	-
Total Additional Tier 1 Capital	-
Deductions From Tier 1 Capital	126.907
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	126.907
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-
Tier 1 Capital	32.506.122
TIER 2 CAPITAL	
Bank’s borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank’s borrowing instruments and related issuance premium (issued before 1.1.2014)	-
Pledged assets of the shareholders to be used for the Bank’s capital increases	-
General Provisions	2.490.182
Tier 2 Capital Before Deductions	2.490.182
Deductions From Tier 2 Capital	
Bank’s direct or indirect investment in Tier 2 capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common EquityTier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other Items Determined by BRSA (-)	-
Total Deductions From Tier 2 Capital	-
Total Tier 2 Capital	2.490.182
TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS	34.996.304
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	1.044
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-
Securitization positions that is deducted -preferably- from the shareholders' equity (Article 20 paragraph 2) (-)	-
Other items to be defined by BRSA (-)	73
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%, but exceeding 10% of Common Equity Tier 1not deducted from Common Equity Tier 1, Tier 1 or Tier 2 (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of the bank (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of bank(-)	-
TOTAL CAPITAL	34.995.187
Amounts below deduction thresholds	
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%	120.823
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%	80.423
Mortgage servicing rights	-
Deferred tax assets arising from temporary differences (net of related tax liability) (-)	261.730

(*) Total capital has been calculated in accordance with the “Regulations regarding to changes on Regulation on Equity of Banks” effective from date 31 March 2016, the information given in the prior period column has been calculated pursuant to former regulation and reflects the information dated 31 December 2015.

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(Continued)**

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

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

None.

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

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision. In the calculation of Total Capital, general provision up to 1,25% credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

II. EXPLANATIONS ON THE CREDIT RISK

Credit risk is the possibility of loss that the bank may be exposed due to the partial or complete default of the debtor by not complying to the obligations of the agreement made, or due to the decrease in credit worthiness.

The limits of the credit customers are identified, after combined assessment of various factors like the financial and non-financial information of the credit customers, credit requirements, sectoral and geographical features and, in conformity with the legal legislation, in line with the credit authorization limits of the branches, Regional Managements, Group Presidencies, Department Presidencies, Assistant General Management, General Manager, Credit Committee and Board of Directors.

The average limits identified related the credit portfolio are approved by the Board of Directors and revised when required. The identified limits are allocated by related departments on Regional Managements basis by considering the factors like portfolio structure, potentials of the customers and credit, regional and sectoral characteristics, competencies of the personnel.

In order to prevent the risk intensity on the commercial loan portfolio, limits are determined and followed on the basis of group companies, private and public firms, and different debtor groups. Similarly, in determining the limits of the agricultural loan portfolio the structures of the regions are considered. The bank’s credit authority limits on given consumer loans are defined with the separation of type and guarantee and these limits are updated according to economic conjuncture and demands of Regional Managements/Branches.

In line with the budgeted targets, TL/FC Cash/Non-Cash Corporate/Commercial/Entrepreneurial loan placements are issued and followed on sectoral and regional basis.

The loans issued by the branches are periodically analyzed on the basis of the limits, subjects, guarantees, maturities, accounts followed, outstanding balances, numbers of the customers, and followed on customer and regional basis.

After the opening of the lines of the commercial loans, the firms are continued to be monitored and the changes at the financial structures and market relations of the credit firms are followed. The credit limits are identified and approved for one year and renewed in case of no negative change in the situation of the customer (financial structure, market, guarantee, etc.).

The Bank is assessing credibility of the customer as the essential factor in issuing credits and creditors’ credit worthiness are ascertained during credit application and limit allocation/renewal. Documents to be obtained during the application are evidently mentioned in regulations and appropriateness of the documents obtained during application is controlled by internal audit departments. The Bank considers guarantees as important in minimization and elimination of the risk. As a result of policies and process based on obtaining reliable and robust guarantees, the Bank’s credit risk significantly declines.

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

II. EXPLANATIONS ON THE CREDIT RISK (Continued)

On January 2011 the Bank started applying internal ratings processes as a decision support system for analysing credit worthiness and determining credit allocation for Corporate/Commercial/Entrepreneurial consumer loans.

The Bank is not engaging in credit transactions that are not defined at the legislation and not put into the practice.

The Bank makes provision in conformity with the “Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”.

Identification of limits for domestic and foreign banks are done by rating which is determined by considering the needs of clients and departments together with financial and economic conditions of the banks and their countries. When banks and/or countries are financially or economically risky, identified limits can be restricted with maturity, amount or type of transaction or use of credit is called off.

Since the Bank’s abroad lending operations have no significant effect on the financial statements, and operations and transactions are diversified via the use of different financial institutions in various countries, the Bank is not believed to be exposed to a significant credit risk as a result of these operations.

Foreign financial institution and country risks of the Bank are generally taken on financial institutions and countries which are rated by international rating institutions. Treasury operations are executed in the frame of pre-determined authorization and limits, these authorization and limits are monitored. Client transactions within the context of Fund Management are done in the frame of general loan limits determined for the clients

The Bank engages in foreign currency swaps and forward transactions considering its asset-liability balance and legal limits. These are not considered to generate material risk given the amount of these transactions in the balance sheet.

In line with the regulation on provisions, if the cash risk of a customer classified as nonperforming, the non-cash is classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured and rescheduled loans are also booked in line with procedures and under accounts defined by the related regulation. Furthermore, they are monitored by the bank in line with credit risk policies. In this context, financial situation and commercial operations of related customers are analyzed and in terms of restructured plan, whether principal and interest payments have been paid is being checked and necessary measures are taken.

The percentage of top 100 and top 200 cash loans in the total cash loan portfolio is 26% and 31% respectively (31 December 2015: 24% and 29%).

The percentage of top 100 and top 200 non-cash loans in the total non-cash loan portfolio is 57% and 67% respectively (31 December 2015: 57% and 68%).

The percentage of top 100 and top 200 cash and non-cash loans in the total cash and non-cash loan portfolio is 27% and 34% respectively (31 December 2015: 32% and 38%).

General provision made by the Bank for the credit risk is TL 3.921.625 (31 December 2015: TL 2.844.184).

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EXPLANATIONS RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. EXPLANATIONS ON CREDIT RISK (Continued)

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Investments in Equity Instruments ⁽³⁾	Other receivables	Total
Current Period																		
Domestic	79.163.571	565.336	552.253	-	-	34.082.846	133.171.905	89.792.217	36.926.407	-	317.409	-	-	-	1.673.629	103.025	15.871.966	392.220.564
European Union Countries	35.476	-	-	-	-	20.432.496	120.899	51.486	-	-	2.352	-	-	-	-	5	-	20.642.714
OECD Countries ⁽¹⁾	-	-	-	-	-	577.856	-	-	-	-	-	-	-	-	-	-	-	577.856
Off-shore Banking Regions	-	-	-	-	-	18.223	-	-	-	-	-	-	-	-	-	-	-	18.223
USA, Canada	902.384	-	-	-	-	2.160.369	171.214	851	-	-	-	-	-	-	-	-	-	3.234.818
Other Countries	524.567	19.131	181	-	-	977.486	220.979	97.225	4.987	-	8.932	-	-	-	15.123	-	-	1.868.611
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	5.117.282	1.320.682	6.067	-	-	-	-	-	-	-	-	-	6.444.031
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	80.625.998	584.467	552.434	-	-	63.366.558	135.005.679	89.947.846	36.931.394	-	328.693	-	-	-	1.673.629	118.153	15.871.966	425.006.817

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other Receivables ⁽³⁾	Total
Prior Period																	
Domestic	79.800.139	457.492	542.487	6	-	29.495.171	110.297.369	71.239.492	18.125.101	567.395	9.210.227	-	-	-	105.708	14.842.948	334.683.535
European Union Countries	37.219	1.125	-	-	-	8.805.518	294.202	32.527	-	523	16.653	-	-	-	84	-	9.187.851
OECD Countries ⁽¹⁾	-	-	-	-	-	265.921	-	-	-	-	-	-	-	-	-	-	265.921
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	1.823.929	-	1.234	-	-	553.170	349.733	586	-	-	610	-	-	-	-	-	2.729.262
Other Countries	325.617	1.741	289	-	-	1.119.173	181.669	88.386	458	2.013	12.604	-	-	-	-	-	1.731.950
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	3.753.801	1.055.740	-	-	-	-	-	-	-	-	-	4.809.541
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	81.986.904	460.358	544.010	6	-	43.992.754	112.178.713	71.360.991	18.125.559	569.931	9.240.094	-	-	-	105.792	14.842.948	353.408.060

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

(1) OECD Countries other than EU countries, USA and Canada

(2) Assets and liabilities that could not be distributed on a consistent basis

(3) The risk groups related with “Investments in Equity Instruments” are being included in the current period. The prior period records have been transferred into “Other Receivables” account.

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EXPLANATIONS RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. EXPLANATIONS ON CREDIT RISK (Continued)

Analysis of maturity-bearing exposures according to remaining maturities:

	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Exposure Classifications:					
Conditional and unconditional exposures to central governments or central banks	2.449.903	270.163	210.485	29.051	77.666.396
Conditional and unconditional exposures to regional governments or local authorities	5.789	5	-	10.602	568.071
Conditional and unconditional receivables from administrative units and non-commercial enterprises	19.932	14	5.040	135.688	391.760
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	44.678.329	6.936.964	328.479	2.745.826	8.676.960
Conditional and unconditional exposures to corporates	1.025.207	3.257.121	5.106.629	27.717.552	97.899.170
Conditional and unconditional retail exposures	737.503	281.937	791.686	19.615.162	68.521.558
Conditional and unconditional exposures secured by real estate property	505	17.421	34.340	3.024.620	33.854.508
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	65.909	-	4.735	2.647	255.402
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	3.729	-	-	6.660	1.663.240
Investments in Equity Instruments	-	-	-	-	118.153
Grand Total	48.986.806	10.763.625	6.481.394	53.287.808	289.615.218

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

Grades of Fitch Ratings International Rating Agency are used in determining risk weights for risk classes being used rating grade of risk classes indicated in article 6 of Communiqué on "Measurement and Assessment of Capital Adequacy of Banks". Additionally, grades of Fitch Ratings International Rating Agency were used for receivables from central government and central bank of our country and counter parties abroad. Counter parties resident are accepted as “gradeless” and take risk weight suited for “gradeless” category in relevant risk class.

For determination of risk weight regarding items that export or issuer rating not included to purchase/sale accounts is firstly considered to export rating, and also issuer’s credit rating is considered in the absence of export rating.

Exposures by risk weights:

	Risk Weights												Deductions from Equity	
		0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%		
1	Exposures before Credit Risk Mitigation	51.826.674	-	41.994.688	-	62.123.776	123.396.986	145.336.000	328.693	-	-	-	-	435.939
2	Exposures after Credit Risk Mitigation	92.574.644	-	10.112.901	27.239.255	70.667.529	89.147.618	134.936.881	327.989	-	-	-	-	435.939

Prepared with the numbers after conversion rate to credit.

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EXPLANATIONS RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. EXPLANATIONS ON CREDIT RISK (Continued)

Information in terms of major sectors and type of counterparties:

Impaired Credits; are the credits that were deemed to be impaired because of the credibility or delaying more than 90 days as of the end of the reporting period. For these credits “Specific Provision” calculation is made within the scope of Regulation on Provisions.

Past Due Credits; are the credits whose maturity delayed up to 90 days as of the end of the reporting period but not incurred to impairment. For these credits “General Provision” calculation is made within the scope of Regulation for Provisions.

	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	644.185	975.960	38.832	399.592
Farming and Stockbreeding	636.678	970.533	38.616	392.085
Forestry	3.611	2.768	110	3.611
Fishery	3.896	2.659	106	3.896
Manufacturing	744.282	702.014	27.932	744.282
Mining and Quarrying	17.200	9.964	396	17.200
Production	711.979	582.607	23.181	711.979
Electricity, Gas and Water	15.103	109.443	4.355	15.103
Construction	923.605	221.812	8.826	916.944
Services	979.194	1.312.543	52.224	979.194
Wholesale and Retail Trade	802.160	934.939	37.200	802.160
Accommodation and Dining	36.062	107.784	4.289	36.062
Transportation and Telecom.	45.853	94.304	3.752	45.853
Financial Institutions	1.605	2.959	118	1.605
Real Estate and Rental Services	66.572	139.619	5.555	66.572
Professional Services	-	-	-	-
Educational Services	13.666	24.233	964	13.666
Health and Social Services	13.276	8.705	346	13.276
Other	925.831	1.203.502	47.886	925.636
Total	4.217.097	4.415.831	175.700	3.965.648

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

Information about Value Adjustment and Change in Provisions:

		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	2.270.532	2.154.866	(459.750)	-	3.965.648
2	General Provisions	2.844.184	1.078.085	(644)	-	3.921.625

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EXPLANATIONS RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. EXPLANATIONS ON CREDIT RISK (Continued)

The table below shows the maximum exposure to credit risk for the components of the financial statements:

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	1.684.791	944.899
Banks	3.901.674	4.446.792
Interbank Money Market Placements	-	-
Available-for-sale Financial Assets	58.631.953	53.782.308
Held-to-maturity Investments	8.749.464	10.144.142
Loans	232.643.535	186.812.851
Other Assets	2.257.069	1.771.166
Total credit risk exposure of balance sheet items	307.868.486	257.902.158
Financial Guarantees	79.155.108	60.286.175
Commitments	23.366.657	19.598.701
Total credit risk exposure of off-balance sheet items	102.521.765	79.884.876
Total credit risk exposure	410.390.251	337.787.034

Information about credit quality per class of financial assets

	Current Period			Prior Period		
	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
Financial Assets						
Banks	3.901.674	-	3.901.674	4.446.792	-	4.446.792
Financial Assets at Fair Value Through Profit or Loss	1.684.791	-	1.684.791	944.899	-	944.899
Loans:	227.976.255	4.415.831	232.392.086	181.932.549	4.010.310	185.942.859
Corporate/Entrepreneurial Loans	120.437.368	2.370.758	122.808.126	95.869.566	1.651.939	97.521.505
Consumer Loans	62.296.314	1.070.056	63.366.370	49.627.211	1.382.290	51.009.501
Specialized Loans	45.242.573	975.017	46.217.590	36.435.772	976.081	37.411.853
Available-for-sale Financial Assets	58.631.953	-	58.631.953	53.782.308	-	53.782.308
Held-to-maturity Investments	8.749.464	-	8.749.464	10.144.142	-	10.144.142

Carrying amount per class of financial assets whose terms have been renegotiated:

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Loans:	8.112.945	4.091.650
Corporate/Entrepreneurial Loans	3.081.223	1.209.157
Consumer Loans	1.397.886	768.734
Specialized Loans	3.633.836	2.113.759
Other	-	-
Available-for-sale Financial Assets	-	-
Held-to-maturity Investments	-	-

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EXPLANATIONS RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

III. RISKS INCLUDED CAPITAL CAPACITY BUFFER CALCULATIONS

Country	Banking Accounts RWA	Trading Accounts RWA	TOTAL
Germany	985.884	-	985.884
UK	832.352	-	832.352
USA	804.249	-	804.249
France	699.077	-	699.077
Bosnia and Herzegovina	518.239	-	518.239
Turkish Republic of Northern Cyprus	367.875	-	367.875
Iraq	230.787	-	230.787
Uzbekistan	167.510	-	167.510
Switzerland	141.706	-	141.706
Holland	87.983	-	87.983
Other	852.445	-	852.445

IV. EXPLANATIONS ON THE CURRENCY RISK

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

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

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

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

None.

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

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
23.12.2016	3,4990	3,6519	2,5088	0,4913	0,3791	3,4074	2,5833	0,4013	4,2845	0,9330	2,9814
26.12.2016	3,4924	3,6524	2,5107	0,4914	0,3801	3,4039	2,5852	0,4011	4,2915	0,9311	2,9844
27.12.2016	3,5071	3,6645	2,5202	0,4929	0,3795	3,4092	2,5917	0,4017	4,2983	0,9350	2,9853
28.12.2016	3,5307	3,6701	2,5318	0,4938	0,3837	3,4285	2,6012	0,4037	4,3141	0,9413	3,0000
29.12.2016	3,5126	3,6718	2,5277	0,4941	0,3848	3,4293	2,5950	0,4041	4,2974	0,9366	3,0097
31.12.2016	3,5076	3,6998	2,5350	0,4977	0,3874	3,4527	2,6110	0,4065	4,3431	0,9352	3,0054

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
3,4836	3,6693	2,5570	0,4935	0,3780	3,4151	2,6098	0,4057	4,3460	0,9290	3,0011

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(Continued)

IV. EXPLANATIONS ON THE CURRENCY RISK (Continued)

Information on the foreign currency risk of the Bank:

Current Period	EUR	USD	Other FC ⁽¹⁾	Total
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	9.065.507	16.078.496	6.481.770	31.625.773
Banks	715.769	2.321.265	337.533	3.374.567
Financial Assets at Fair Value Through Profit and Loss ⁽⁵⁾	-	4.549	-	4.549
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.004.694	10.709.868	54.331	14.768.893
Loans ⁽²⁾	20.974.208	44.097.884	64.866	65.136.958
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) ⁽⁴⁾	1.112.624	571.731	-	1.684.355
Investments Held-to-Maturity	1.339.247	3.808.631	498	5.148.376
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	5.079	1.403	7.738	14.220
Intangible Assets	2.950	1	4.147	7.098
Other Assets ⁽⁶⁾	843.721	332.341	8.593	1.184.655
Total Assets	38.063.799	77.926.169	6.959.476	122.949.444
Liabilities				
Interbank Deposits	4.538.983	4.260.487	54.704	8.854.174
Foreign Currency Deposits	39.043.962	21.303.688	3.959.657	64.307.307
Money Market Borrowings	306.464	11.963.959	-	12.270.423
Funds Provided from Other Financial Institutions	6.282.415	14.742.567	2.812	21.027.794
Issued Marketable Securities	-	4.676.223	-	4.676.223
Sundry Creditors	1.132.106	79.365	2.356	1.213.827
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	296.605	196.986	29.734	523.325
Total Liabilities	51.600.535	57.223.275	4.049.263	112.873.073
Net Balance Sheet Position	(13.536.736)	20.702.894	2.910.213	10.076.371
Net Off-Balance Sheet Position ⁽³⁾	14.404.536	(21.814.361)	(2.611.272)	(10.021.097)
Financial Derivative Assets	16.594.256	7.787.185	2.593.074	26.974.515
Financial Derivative Liabilities	2.189.720	29.601.546	5.204.346	36.995.612
Non-cash Loans	18.783.775	31.762.066	3.845.938	54.391.779
Prior Period				
Total Assets	25.328.934	69.683.515	7.291.987	102.304.436
Total Liabilities	43.677.501	56.883.928	2.567.778	103.129.207
Net Balance Sheet Position	(18.348.567)	12.799.587	4.724.209	(824.771)
Net Off-Balance Sheet Position ⁽³⁾	19.428.812	(12.841.685)	(5.051.656)	1.535.471
Financial Derivative Assets	21.565.135	5.207.441	1.210.433	27.983.009
Financial Derivative Liabilities	2.136.323	18.049.126	6.262.089	26.447.538
Non-cash Loans	12.805.276	24.756.552	3.017.202	40.579.030

- 1) Of the foreign currencies presented in the other FC column of assets 91,94% is Gold, 2,69% is GBP, 1,73% is IQD, 1,25% is SAR, and the remaining 2,39% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 57,79% is Gold, 21,31% is GBP, 10,98% is CHF, 3,61% is DKK, 1,77% SEK, 1,19% is SAR, 0,71% is BGN and the remaining 2,64% is other foreign currencies. (31 December 2015: Of the foreign currencies presented in the other FC column of assets 94,50% is Gold, 1,43% is GBP, 1,55% is IQD, 0,71% is SAR, and the remaining 1,81% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 47,63% is Gold, 25,49% is GBP, 14,23% is CHF, 4,66% is DKK, 1,53% is BGN, 1,28% is SAR and the remaining 5,18% is other foreign currencies).
- 2) TL 874.972 equivalent of EUR and TL 598.672 equivalent of USD loans are originated as foreign currency indexed loans (31 December 2015: TL 721.987 equivalent of EUR and TL 296.717 equivalent of USD).
- 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 5.101 are not included in the table.

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

V. EXPLANATIONS ON THE INTEREST RATE RISK

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	26.226.267	-	-	-	-	12.940.830	39.167.097
Banks	1.144.317	313.430	784.787	-	-	1.659.140	3.901.674
Financial Assets at Fair Value Through Profit and Loss	534.967	715.930	377.036	52.425	4.433	-	1.684.791
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	6.082.221	5.989.035	10.829.270	16.548.932	18.459.714	722.781	58.631.953
Loans Given	69.800.889	18.547.083	52.762.832	74.387.619	16.893.663	251.449	232.643.535
Investments Held-to-Maturity	3.616.855	824.631	60.683	2.564.614	1.682.681	-	8.749.464
Other Assets	-	-	-	-	-	12.982.851	12.982.851
Total Assets	107.405.516	26.390.109	64.814.608	93.553.590	37.040.491	28.557.051	357.761.365
Liabilities							
Interbank Deposits	6.796.605	1.563.724	1.967.777	-	-	1.731.844	12.059.950
Other Deposits	111.750.707	25.137.918	20.392.313	541.668	1	53.136.377	210.958.984
Money Market Borrowings	41.662.750	3.747.109	1.085.940	716.162	-	-	47.211.961
Sundry Creditors	-	-	-	-	-	2.480.721	2.480.721
Issued Marketable Securities	836.455	1.367.032	255.514	4.374.000	-	-	6.833.001
Funds provided from Other Financial Institutions	4.442.774	4.306.983	10.593.970	2.041.048	1.431.961	-	22.816.736
Other Liabilities	216.934	325.705	51.950	5.999.588	-	48.805.835	55.400.012
Total Liabilities	165.706.225	36.448.471	34.347.464	13.672.466	1.431.962	106.154.777	357.761.365
Balance Sheet Long Position	-	-	30.467.144	79.881.124	35.608.529	-	145.956.797
Balance Sheet Short Position	(58.300.709)	(10.058.362)	-	-	-	(77.597.726)	(145.956.797)
Off-Balance Sheet Long Position	808.285	2.189.886	-	-	-	-	2.998.171
Off-Balance Sheet Short Position	-	-	(373.698)	(1.428.568)	-	-	(1.802.266)
Total Position	(57.492.424)	(7.868.476)	30.093.446	78.452.556	35.608.529	(77.597.726)	1.195.905

- (1) Balances without fixed maturity are shown in the “Up to 1 Month” and “Non-Interest Bearing” columns.
(2) TL 5.950.057 of fund balance, whose risk does not belong to the Bank, in other liabilities is shown under the “1 - 5 Years” column. TL 70.782 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.
(3) Deferred tax asset is shown under the “Non-Interest Bearing” column.
(4) Net balance of loans under follow-up is shown under the “Non-Interest Bearing” column in loans given.
(5) Total shareholders’ equity is shown under the “Non-Interest Bearing” column.

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V. EXPLANATIONS ON THE INTEREST RATE RISK (Continued)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	68.125	-	-	-	-	36.467.838	36.535.963
Banks	1.440.455	261.811	622.259	-	-	2.122.267	4.446.792
Financial Assets at Fair Value Through Profit and Loss	271.581	178.096	435.552	55.405	4.265	-	944.899
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	5.500.374	6.886.623	10.873.456	15.334.272	14.583.841	603.742	53.782.308
Loans Given	59.537.587	17.681.107	45.334.801	53.769.634	9.619.730	869.992	186.812.851
Investments Held-to-Maturity	3.408.301	1.648.784	935.985	2.757.201	1.393.871	-	10.144.142
Other Assets	-	-	-	-	-	10.181.371	10.181.371
Total Assets	70.226.423	26.656.421	58.202.053	71.916.512	25.601.707	50.245.210	302.848.326
Liabilities							
Interbank Deposits	7.360.373	1.894.998	135.475	-	-	336.455	9.727.301
Other Deposits	95.316.420	23.117.617	17.613.731	401.647	-	40.292.719	176.742.134
Money Market Borrowings	36.277.186	4.312.765	1.841.293	654.532	-	-	43.085.776
Sundry Creditors	-	-	-	-	-	2.320.183	2.320.183
Issued Marketable Securities	932.357	1.605.472	486.509	2.263.268	-	-	5.287.606
Funds Provided from Other Financial Institutions	2.636.989	4.182.857	10.332.714	1.518.502	871.586	-	19.542.648
Other Liabilities	101.620	101.760	36.844	5.885.912	-	40.016.542	46.142.678
Total Liabilities	142.624.945	35.215.469	30.446.566	10.723.861	871.586	82.965.899	302.848.326
Balance Sheet Long Position	-	-	27.755.487	61.192.651	24.730.121	-	113.678.259
Balance Sheet Short Position	(72.398.522)	(8.559.048)	-	-	-	(32.720.689)	(113.678.259)
Off Balance Sheet Long Position	621.061	1.300.401	-	-	-	-	1.921.462
Off Balance Sheet Short Position	-	-	(111.409)	(1.222.188)	-	-	(1.333.597)
Total Position	(71.777.461)	(7.258.647)	27.644.078	59.970.463	24.730.121	(32.720.689)	587.865

- (1) Balances without fixed maturity are shown in the “Up to 1 Month” and “Non-Interest Bearing” columns.
(2) TL 5.833.179 of fund balance, whose risk does not belong to the Bank, in other liabilities is shown under the “1 - 5 Years” column.
TL 97.950 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.
(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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V. EXPLANATIONS ON THE INTEREST RATE RISK (Continued)

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

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

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

⁽²⁾ Credit card loans are not included.

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

⁽⁴⁾ Rates include also demand deposit data.

	EUR	USD	JPY	TL
Prior Period				
Assets				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾	-	0,28	-	3,45
Banks	1,30	1,82	-	9,68
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	6,84
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,71	5,68	-	9,09
Loans Given ⁽²⁾	4,09	4,98	-	12,82
Investments Held-to-Maturity	6,42	7,08	-	9,71
Liabilities				
Interbank Deposits ⁽³⁾	0,65	0,58	-	9,06
Other Deposits ⁽⁴⁾	1,21	1,12	-	7,19
Money Market Borrowings	0,72	1,05	-	9,84
Sundry Creditors	-	-	-	-
Issued Marketable Securities	0,59	3,79	-	10,86
Funds Provided from Other Financial Institutions	1,22	1,69	-	10,03

⁽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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VI. EXPLANATIONS ON THE POSITION RISK OF EQUITY SECURITIES

1. Equity securities position risk derived from banking books:

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

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

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

The investments in equity instruments, partaking in banking accounts according to the credit risk standard method, are amounted TL 118.153 and 100% of them are risk weighted.

VII. EXPLANATIONS ON THE LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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

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

1) Liquidity Risk

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

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

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

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

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

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

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

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

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

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

The Bank’s source of funds is mainly formed of deposits. The Bank’s deposits do not fluctuate considerably in line with the broadly dispersed customer network. Besides, in order to increase the fund range and decrease the maturity gap between assets and liabilities, giving weight to liabilities other than deposits such as bond/bill issuance, repo and funds borrowed. As for the asset side of the Bank, within the scope of reformatting short-term cash cycle, dissonance reducing the maturity of asset and liability, the policy for shortening the average maturity on loans being pursued.

f) Explanation regarding the usage of the stress test

In the presence of unexpected negative circumstances, stress tests being done in order to test the endurance of the bank. These actions have been shared with key management and all related units for the purpose of taking necessary precautions. Additionally, stress tests also taken into consideration on subjects like the Bank’s estimated financial position for the next period, the progress of legal ratios and the liquidity need in short and long term as part of budget practices.

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

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

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

2) Liquidity Coverage Ratio:

Within the frame of the regulation named “Regulation on the Calculation of Liquidity Coverage Ratio” issued by BRSA in the Official Gazette numbered 28948, dated 21 March 2014, the Bank calculates the liquidity coverage ratio and reports it to BRSA monthly in an unconsolidated base. The liquidity coverage ratio sails above the frontier limits determined by BRSA. Within the last 3 months the unconsolidated lowest ratios are as follows: Take place for FC as 84,49 in the week of October 28, 2016; and for the total 74,51 in the week of 16 December 2016. As for the highest ratios take place for FC as 109,22 in the week of December 23, 2016 and for the total as 88,54 in the week of October 7, 2016.

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

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

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

	Total Unweighted Value (Average)		Total Weighted Value (Average)	
	TL+FC	FC	TL+FC	FC
Prior Period - 31 December 2015				
High Quality Liquid Assets				
High Quality Liquid Assets			45.308.278	29.686.334
Cash Outflows				
Retail and Small Business Customers, of which;	121.542.584	42.195.973	8.916.790	3.414.841
Stable deposits	64.749.352	16.095.120	3.237.467	804.756
Less stable deposits	56.793.232	26.100.853	5.679.323	2.610.085
Unsecured wholesale funding , of which;	58.157.462	22.380.140	31.641.440	14.271.644
Operational deposit	941.417	30.185	235.356	7.546
Non-operational deposits	50.614.196	17.065.024	24.804.235	8.979.167
Other unsecured funding	6.601.849	5.284.931	6.601.849	5.284.931
Secured funding			-	-
Other cash outflows, of which;	54.050.254	25.490.090	15.453.351	6.541.385
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	406.059	609.286	406.059	609.286
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	42.314.873	13.638.436	14.480.826	5.369.980
Other revocable off-balance sheet commitments and contractual obligations	6.409	6.396	320	320
Other irrevocable or conditionally revocable off-balance sheet obligations	11.322.913	11.235.972	566.146	561.799
Total Cash Outflows			56.011.581	24.227.870
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	9.023.285	1.541.481	5.239.401	1.071.973
Other cash inflows	605.197	744.605	605.197	744.605
Total Cash Inflows	9.628.482	2.286.086	5.844.598	1.816.578
			Total Adjusted Value	
Total HQLA Stock			45.308.278	29.686.334
Total Net Cash Outflows			50.166.983	22.411.293
Liquidity Coverage Ratio (%)			90,31	132,46

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

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

2) Minimum statements concerning liquidity coverage ratio by Banks

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

Bank deposit, which has not a fluctuant structure, together with constituting an important part of its sources and liquidity coverage ratio, in proportion to other deposits, public deposits can cause periodic changes within total deposits. In line with the prior period, the percentage of the total deposit in financial statement follows a stable pattern of change with an increasing trend.

As well as its low turn into cash ratio, since the non-cash loans have a remarkable extent in proportion to financial statement, they have an influence on the calculation of liquidity coverage ratio. In compared with the prior periods there exists a tendency of increase on the non-cash loans.

As a guarantee for the repo transactions a portfolio of securities which includes T-Bills and government bonds is being used. The securities which have been used for the repo transactions lose their flexibility. Hence as a result of the usage method of the securities as a guarantee the liquidity coverage ratio is effected.

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

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

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

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

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

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

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

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

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

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

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

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed ^{(1) (2)}	Total
Current Period								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	39.167.097	-	-	-	-	-	-	39.167.097
Banks	1.659.140	1.144.317	313.430	784.787	-	-	-	3.901.674
Financial Assets at Fair Value Through Profit and Loss	-	534.968	521.710	564.952	58.728	4.433	-	1.684.791
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	1.623.787	1.748.538	7.630.510	21.025.074	25.960.579	643.465	58.631.953
Loans Given	-	8.685.180	16.150.787	87.914.227	94.336.198	25.305.694	251.449	232.643.535
Investments Held-to-Maturity	-	1.192.908	824.631	60.683	4.988.561	1.682.681	-	8.749.464
Other Assets	2.227.444	-	-	1.121	23.839	-	10.730.447	12.982.851
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
Liabilities								
Interbank Deposits	1.731.844	6.796.605	1.563.724	1.967.777	-	-	-	12.059.950
Other Deposits	53.136.377	111.750.447	25.137.472	20.353.316	568.506	12.866	-	210.958.984
Funds Provided from Other Financial Institutions	-	1.829.074	2.173.168	11.782.480	4.328.256	2.703.758	-	22.816.736
Money Market Borrowings	-	41.662.750	3.747.109	1,085.940	716.162	-	-	47.211.961
Issued Marketable Securities	-	836.455	1,342.446	255.514	4,398.586	-	-	6,833.001
Sundry Creditors	1,904.409	576.312	-	-	-	-	-	2,480.721
Other Liabilities ⁽³⁾	3,462.868	729.785	732.927	58.919	5,999.588	877.690	43,538.235	55,400.012
Total Liabilities	60.235.498	164.181.428	34.696.846	35.503.946	16.011.098	3,594.314	43,538.235	357.761.365
Liquidity Gap	(17.181.817)	(151.000.268)	(15.137.750)	61.452.334	104.421.302	49,359.073	(31,912.874)	-
Net Off-Balance Sheet Position	-	106.768	(2,364)	503.202	588.299	-	-	1,195.905
Financial Derivative Assets	-	23,473.210	7,443.469	2,592.683	2,630.850	-	-	36,140.212
Financial Derivative Liabilities	-	23,366.442	7,445.833	2,089.481	2,042.551	-	-	34,944.307
Non-cash Loans	37,633.442	1,000.651	4,810.877	18,060.727	14,125.438	3,523.973	-	79,155.108
Prior Period								
Total Assets	40,433.482	10,400.564	14,888.786	78,261.355	107,451.111	41,553.200	9,859.828	302,848.326
Total Liabilities	44,457.930	142,427.967	34,581.557	29,860.821	12,631.801	3,044.567	35,843.683	302,848.326
Liquidity Gap	(4,024.448)	(132,027.403)	(19,692.771)	48,400.534	94,819.310	38,508.633	(25,983.855)	-
Net Off-Balance Sheet Position	-	42.330	(1,708)	33,271	513,972	-	-	587,865
Financial Derivative Assets	-	21,189.422	719.944	1,615.895	2,425.788	-	-	25,951.049
Financial Derivative Liabilities	-	21,147.092	721.652	1,582.624	1,911.816	-	-	25,363.184
Non-cash Loans	32,422.339	487.504	2,652.182	13,060.132	9,581.201	2,082.817	-	60,286.175

(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 5,950,057 of the funds balance, whose risk is not born by the Bank, is included in other liabilities and shown under the "1-5 years" column, fund balance amounted to TL 70,782 is not granted as loan and is included under “Up to One Month” column.

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

Presentation of liabilities according to their remaining maturities:

Current Period⁽¹⁾	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Bank deposits	8.536.613	1.569.830	1.978.303	-	-	12.084.746
Other deposits	165.190.307	25.363.026	20.767.090	587.864	27.279	211.935.566
Funds borrowed from other financial institutions	1.845.785	2.190.655	12.017.271	4.414.434	1.530.736	21.998.881
Funds borrowed from Interbank money market	41.684.501	3.757.618	1.101.437	734.017	-	47.277.573
Total	217.257.206	32.881.129	35.864.101	5.736.315	1.558.015	293.296.766
Prior Period⁽¹⁾						
Bank deposits	7.703.727	1.900.300	136.863	-	-	9.740.890
Other deposits	135.878.366	23.315.323	17.963.103	422.800	139	177.579.731
Funds borrowed from other financial institutions	1.055.486	3.280.495	9.928.626	3.565.005	1.260.477	19.090.089
Funds borrowed from Interbank money market	36.309.740	4.319.621	1.854.917	672.295	-	43.156.573
Total	180.947.319	32.815.739	29.883.509	4.660.100	1.260.616	249.567.283

⁽¹⁾ Amounts related with the fund balances are not included in the table since decomposition on the basis of their remaining maturities could not be performed.

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VIII. EXPLANATIONS ON LEVERAGE

Explanations on the subjects caused a gap between prior and current period leverage: The Bank’s leverage calculated by force of the regulation “Regulation on Measurement and Assessment of Leverage Ratios of Banks” is 8,20% (31 December 2015: 8,47%). The change on leverage results heavily from the increase on risk amounts of balance sheet assets. The regulation sentenced the minimum leverage as 3%.

Balance sheet assets	Current Period (*)	Prior Period (*)
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	346.632.324	298.737.007
(Assets deducted in determining Tier 1 capital)	(1.692.335)	(1.483.856)
Total on-balance sheet risks (sum of lines 1 and 2)	344.939.989	297.253.151
Derivative financial instruments and credit derivatives		
Replacement cost associated with all derivative financial instruments and credit Derivatives	1.504.647	904.739
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	387.907	288.044
Total risks of derivative financial instruments and credit derivatives	1.892.554	1.192.783
Securities or commodity financing transactions (SCFT)		
Risks from SCFT assets	4.866.676	4.564.184
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	4.866.676	4.564.184
Other off-balance sheet transactions		
Gross notional amounts of off-balance sheet transactions	100.106.176	78.078.887
(Adjustments for conversion to credit equivalent amounts)	(6.360)	(5.478)
Total risks of off-balance sheet items	100.099.816	78.073.409
Capital and total risks		
Tier 1 capital	36.997.585	32.261.636
Total risks	451.799.035	381.083.527
Leverage ratio		
Leverage ratio %	8,20	8,47

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

IX. EXPLANATIONS ON RISK MANAGEMENT

This section contains notes and explanations regarding the "Communiqué on Disclosures about Risk Management to be Announced to Public by Banks" released by the Banking Regulation and Supervision Agency (BRSA), published in the Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016.

As part of its controlling activities, the Risk Management Group Presidency conducts controls on Risk Management Explanations. Two different control processes, e.g. Calculation of Capital Adequacy process and other Risk Management processes, are conducted by the relevant unit periodically in line with capital adequacy control points and guidelines as well as control points for other Risk management field of activity and guideline.

Furthermore, as part of legislation compliance controls, compliance of all activities, new transactions and products planned by the Bank with relevant laws, legislation, internal Bank policies and banking practices is controlled.

Accordingly, compliance of legislative regulations regarding Risk Management Explanations with internal Bank practices is also controlled.

Controlling activities conducted by the Head Office Units are performed in line with the control periods determined by considering functions of Units and risks they bear, job definitions of the Units and their impact on the Bank's balance sheet. Control processes by the Head Office Units are performed based on control points determined according to processes, duties and powers of unit's field of activity and control techniques are elaborated in the head office control guideline.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

1. Explanations on Risk Management and Risk Weighted Amount

a) Bank's Risk Management Approach

- i. It has to do with how the business model determines the Bank's risk profile; how it interacts with it (e.g. key risks related to the business model and how each of these risks is reflected on explanations); and how the Bank's risk profile interacts with the risk appetite approved by the board of directors**

While risk appetite determines the Bank's risk level, risk capacity determines its risk appetite and, therefore, risk profile. Local and international conjuncture is also considered to determine the risk level. Establishment of forward-looking strategies and policies is also considered in this regard. The Bank's risk level is restricted to the limits consistent with its risk appetite.

Risk limits are determined in accordance with the level of risks that may be assumed by the Bank, its activities, size and complexity of its products and services. The limits are revised and, if needed, updated regularly in line with the developments in market conditions, the Bank's strategy and risk appetite.

Critical thresholds (signal and limit values) indicating that limits are approached due to internal or external developments have been identified. In the event that these values are approached or exceeded, relevant units take required actions.

Parameters regarding signal and limit structure as well as limit values of parameters are determined in coordination with the relevant units and implemented upon approval of the Audit Commission and Board of Directors.

Signal and limit values based on risk weighted assets are monitored by the Bank's Risk Management Group Presidency regularly and actual values are reported periodically to the Bank's Top Management.

- ii. Risk management structure: Responsibilities distributed at the Bank (e.g. supervision and delegation of authority); segregation of duties by risk type, business unit, etc.; relations between structures included in risk management processes (e.g. board of directors, top management, separate risk committee, risk management unit, compliance and internal audit function)**

The Bank's Top Management and relevant units perform their risk management duties, authorities and responsibilities in line with the relevant legal legislation and internal Bank regulations.

Structure of the Bank's risk management is consistent with the Regulation on Internal Systems and Internal Capital Adequacy Assessment Processes of Banks. Accordingly, internal system units consisting of the Inspection Board Presidency, Internal Control and Compliance Group Presidency and Risk Management Group Presidency report to the Audit Committee and Board of Directors through the Vice President who is responsible for internal systems and operates separate from executive units.

Risk measurement and monitoring activities are conducted as part of risk management and the results are considered in strategic decision-making process by relevant units and bodies. Risk management operations are conducted in accordance with the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks, issued by the BRSA, within the scope of Regulation on Risk Management, Stress Test Program and the Bank's Internal Capital Adequacy Assessment Process (“ICAAP”) approved by the Bank's Board of Directors.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

Organizational structure of the Bank's Risk Management Group Presidency consists of credit risk management, market risk management, operational risk management and statement risks management units. Duties of risk management:

- Ensuring identification, measurement, reporting, monitoring and control of risks exposed through policies, practices and limits established to monitor, control and revise, when necessary, the risk-return structure of the Bank's cash flows in the future, quality and level of its associated activities
- Conducting stress tests and scenario analyses
- Establishing and maintaining a system that will ensure determination of capital required to cover significant risks exposed or possible risks and assessment of capital adequacy/requirement level in line with the strategic goals
- Preparing ICAAP reports periodically.

ICAAP analyses and activities are validated by a team that reports to the Audit Committee independently from the team that develops and implements the methodology of such activities. The same team issues a Validation Report as well. Analyses and activities conducted within the process, including validation activities are reviewed by the Inspection Board Presidency and a Review Report is issued for the results.

iii. Channels used for disseminating and implementing risk culture within the Bank (e.g. codes of conduct, manuals including operational limits or procedures to be performed when risk thresholds are exceeded, procedures for identifying and sharing risk issues between business units and risk units)

The Bank exercises maximum efforts to perceive both risks and returns accurately during its activities and maintain its perspective for disseminating risk culture across the Bank. Accordingly, goals, vision and strategic approaches are shared in large group meetings held by the Bank's Top Management with employees.

Signal and limit structure established based on risk weighted assets is one of the channels used to disseminate risk culture within the Bank. Parameters for signal and limit structure and limit values of parameters are determined by risk management by consulting the relevant units and approved by the Board of Directors.

It is ensured that risk signal and limit structure is forwarded to relevant units in the Bank and the structure is understood by the staff. Usage levels for signal and risk parameters are subject to reports submitted to the Top Management.

If limits are exceeded, the Bank's Top Management is notified. In such a case, matters such as risk mitigation, risk transfer or risk-averse, increasing collaterals and so on can be considered as part of required actions. If limits are exceeded, forward-looking strategies and policies of the Bank—including budget figures—can be reviewed or,, where necessary, revised.

Another channel used to disseminate the risk culture is in the scope of ICAAP activities. It is essential to include assessment results for capital adequacy in the ICAAP Report covering all significant risks of the Bank. The report is prepared in coordination with risk management and with participation from other relevant units. Similarly, the Bank's budget goals for the upcoming years are also established with the participation of relevant units. The Bank's Top Management and relevant units conduct their ICAAP duties, authorities and responsibilities in line with the Bank regulations and relevant legal legislation.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

iv. Principal elements and scope of risk measurement systems

The Bank's risk measurement system functions in line with the best practices, legal regulations, fields of activity and product ranges in a consistent, reliable and integrated way. Regarding the inclusion of risk measurement results in decision-making processes, reports are elaborated with extensive explanations and assumptions to avoid any misinterpretation that may arise from errors and deficiencies.

Required activities are performed to engage in design, selection, implementation and pre-approval processes for risk measurement models; review accuracy, reliability and performance of models regularly through various methodologies and make required revisions accordingly; and report results of analyses conducted with such models.

The Bank's capital adequacy ratio is calculated in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks, Communiqué on Credit Risk Mitigation Techniques and other relevant legal regulations.

Counter parties/operations related to the credit risk are separated on the basis of risk classes mentioned in Appendix-1 of the Communiqué on Measurement and Assessment of Capital Adequacy of Banks, and each of them is assigned by the weight of risk in line with the matters specified for relevant risk class. Then, they are subject to risk mitigation in accordance with the principles of Communiqué on Credit Risk Mitigation Techniques and weighted based on the risk weights.

After deduction of specific provisions in accordance with Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves, non-cash loans and commitments are included in the calculation of credit-risk-weighted amount with loan conversion rates presented in article 5 of Communiqué on Measurement and Assessment of Capital Adequacy of Banks.

Trading accounts and the values deducted from the capital base in the shareholders' equity computation are excluded from calculation of credit risk-weighted assets.

Calculations regarding to the counter party credit risk are made for repurchase agreement and derivative transactions. These transactions are added to the calculations after applying the rates presented in the amendments of the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and Communiqué on Credit Risk Mitigation Techniques.

Calculations regarding counter parties credit risks are made with the basic financial collateral method and extensive collateral method for banking accounts and trading accounts respectively.

The amount subject to the total market risk is calculated through the standard method. Furthermore, value at risk forecasts are made on a daily basis and backward testing is performed so as to measure performance of the model.

Liquidity Coverage Ratio and Liquidity Risk Analysis reports for the liquidity risk are prepared in accordance with the relevant regulations. Furthermore, stress test is performed to assess maturity mismatch between sources and uses, contractual maturities as well as behavioral maturities of assets and liabilities, the Bank's liquidity requirement in a worst case scenario and relevant damages that may be incurred based on scenario and sensitivity analysis activities.

Control of interest rate risk on banking accounts entails monitoring rate and maturity mismatch between sources and uses of fixed and variable interest rates, contractual maturities as well as behavioral maturities assets and liabilities and the effects of the usual and unusual changes in interest rates which is possibly uptrend and downtrend.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

v. Explanations provided to the board of directors and top management on risk reporting processes, particularly scope and main contents of reporting

It is essential to inform the Top Management about developments and results of the analysis and activities conducted in order to achieve efficiency in risk management. Accordingly, a reporting system for informing Top Management is established and required measures are taken for healthy functioning of the system.

Informing process as part of reporting should be based on the most current data available on a periodical basis. Reports issued contain, at minimum, information on risk amount and development, legal capital requirement, legal ratios for liquidity and interest rate risks, stress test analysis results, effect of such results on capital adequacy level and ratios, realization level of risk limits and limitations, and assumptions of risk measurement method used.

As part of the reporting system, an information systems infrastructure is established for external reporting and required actions are taken to fulfill legal obligations fully in a timely manner in this regard.

vi. Explanations on stress test (e.g. assets subject to stress test, scenarios applied, methodologies used and the use of stress test in risk management)

Stress test is intended to pre-assess the effect of negative developments in specified risk factors on amounts subject to risk and capital adequacy/requirement level.

Conducting the stress test periodically is essential, and test result must be included in internal reporting and considered in strategic decision-making process or capital management. Results of stress test analysis are considered while establishing risk management policies.

In stress test activities, shock is applied to risk factors determined (factors specific to debtor or transaction or macroeconomic variables such as exchange rate, price, interest and so on), and the effects of results on risk-weighted asset amount and capital adequacy ratio are identified. Accordingly, risk factors are identified first and then assumptions to be implemented are determined and possible losses in the future are estimated. Stress test activities include creating scenarios, which are unlikely, if not impossible, and which may affect the Bank's risk level significantly.

The results of stress test are subject to internal Bank reporting and ICAAP Report. The results of stress test may be used in processes to determine the Bank's risk appetite or risk limits and identify new and current business strategies as a planning instrument and their effect on capital utilization.

Analyses of credit risk based on internal and external risk factors, counter party credit risk, liquidity risk, interest rate risk and market risk are conducted in the case of stress tests which are subject to internal reporting.

The Board of Directors is responsible for assessing the results of the Stress Test Program and taking actions based on the results. Accordingly, actions such as revision of risk appetite, strategy and risk limits or restriction of activities to specific sectors or portfolios can be taken.

The Bank performs risk mitigation with a simple financial method. Credibilities of guarantors are monitored and assessed in the scope of credit revision maturity.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

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

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

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

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

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

1. Explanations on Risk Management and Risk Weighted Amount

Overview of RWA

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	244.241.413	196.343.973	19.539.313
2	Standardised approach	244.241.413	196.343.973	19.539.313
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3.268.338	2.113.638	261.467
5	Standardised approach for counterparty credit risk	3.268.338	2.113.638	261.467
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies-look through approach	-	-	-
9	Investments made in collective investment companies-mandate-based approach	1.669.911	102.098	133.593
10	Investments made in collective investment companies-1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB Supervisory Formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	14.083.788	16.653.125	1.126.703
17	Standardised Approach	14.083.788	16.653.125	1.126.703
18	Internal model approaches	-	-	-
19	Operational risk	18.989.055	16.271.329	1.519.124
20	Basic Indicator Approach	18.989.055	16.271.329	1.519.124
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity(subject to a 250% risk weight)	-	654.851	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	282.252.505	232.139.014	22.580.200

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2. Connections Between Financial Statements and the Risk Amounts

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

Current Period – 31 December 2016	Carrying values as reported in published financial statements (*)	Subject to credit risk framework	Carrying values of items			Not subject to capital requirements or subject to deduction from capital
			Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	
Assets						
Cash and balances at central bank	39.167.097	39.167.097	-	-	-	-
Financial assets held for trading	1.684.791	-	1.667.387	-	17.404	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	3.901.674	3.901.674	-	-	-	-
Receivables from money markets	-	-	-	-	-	-
Available for sale financial assets (net)	58.631.953	12.280.866	19.336.654	-	27.014.433	-
Loans and receivables	232.643.535	232.641.082	-	-	-	2.453
Factoring receivables	-	-	-	-	-	-
Held to maturity investments (net)	8.749.464	4.063.536	4.685.928	-	-	-
Investments in associates (net)	94.912	94.912	-	-	-	-
Investments in subsidiaries (net)	4.107.589	4.107.589	-	-	-	-
Investments in joint ventures (net)	109.239	109.239	-	-	-	-
Leasing receivables	-	-	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	5.315.203	5.194.531	-	-	-	120.672
Intangible assets (net)	312.814	-	-	-	-	312.814
Investment properties (net)	-	-	-	-	-	-
Tax assets	76.878	76.878	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	562.033	562.033	-	-	-	-
Other assets	2.404.183	2.404.183	-	-	-	-
Total assets	357.761.365	304.603.620	25.689.969	-	27.031.837	435.939
Liabilities						
Deposits	223.018.934	-	-	-	-	-
Derivative financial liabilities held for trading	643.628	-	-	-	-	-
Loans	22.816.736	-	2.508.783	-	-	-
Debt to money markets	47.211.961	-	42.521.961	-	-	-
Debt securities in issue	6.833.001	-	-	-	-	-
Funds	6.020.839	-	-	-	-	-
Various debts	2.480.721	-	-	-	-	-
Other liabilities	3.449.289	-	-	-	-	-
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	492	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-	-
Provisions	6.053.011	-	-	-	-	-
Tax liability	850.315	-	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	-	-	-	-	-	-
Equity	38.382.438	-	-	-	-	-
Total liabilities	357.761.365	-	45.030.744	-	-	-

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

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

b) The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

	Total	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework
Asset carrying value amount under scope of regulatory consolidation	357.761.365	304.603.620	25.689.969	27.031.837
Liabilities carrying value amount under regulatory scope of consolidation	-	-	45.030.744	-
Total net amount under regulatory scope of consolidation	357.761.365	304.603.620	(19.340.775)	27.031.837
Differences in valuations	141.199.993	43.738.989	40.801.529	-
Valuation Differences	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-
Differences due to consideration of provisions	-	-	-	-
Differences due to prudential filters	-	-	-	-
Amount of Risk	498.961.358	348.342.609	21.460.754	27.031.837

c) Explanations on differences between risk amounts and valued amounts in accordance with the Turkish Accounting Standards

There is no significant difference between financial statement values of assets and liabilities and values included in capital adequacy calculation.

2. Credit Risk Explanations

1) General explanations on credit risk

a) General qualitative information on credit risk

i. Transformation of bank's business model into components in credit risk profile

The banks must allocate risk limits approved by board of directors of the banks and monitor limit utilization pursuant to Article 38 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks issued by the BRSA and published in the Official Gazette no. 29057 dated 11 July 2014. Furthermore, pursuant to paragraph 5 of the same article, it is expected to establish a signal structure that will serve as an early warning mechanism in addition to the limit structure.

Additionally, principle 5 of the Guideline for Counter Party Credit Risk Management announced to the public by the BRSA with the Agency Decision no. 6827 dated 31 March 2016 states that banks must allocate a limit for counter party credit risk (CCR).

Pursuant to aforementioned regulations, to what extent the Bank gets closer to allocated limits approved by the board of directors or to what extent these levels were exceeded must be monitored by the risk management unit which was structured independent from executive units. This practice that was included in monitoring function of the risk management unit is significant as it presents a legal obligation and it helps optimization of resource utilization.

As part of the variation in customer segmentation due to changing organizational structure of the Bank, credit risk signal and limit parameters were determined on the basis of corporate, entrepreneur and personal segment in line with the customer segment structure and they are updated according to the changes in the segmentation structure. Signal and limit values for counter party credit risk transactions were determined separately for banking accounts and trading accounts based on portfolio type. Calculations were made based on ratio of risk weighted asset amounts calculated for relevant parameters to total credit and market risk weighted asset amounts and they are reported to the Bank's Top Management periodically through relevant units.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

In an attempt to prevent significant effects of unfavorable developments in the portfolio subject to market risk, it is essential to restrict risk level to the limits in line with the Bank's risk appetite. Market risk limits were determined as interest rate risk and currency risk limits. Current values for such limits are calculated on a daily basis with market data and reported to the Bank's Top Management through relevant units. Market risk signal and limit values are monitored dynamically in the light of market developments and, if necessary, updated based on the developments in the Bank's strategy and risk appetite.

ii. Criteria and approach adopted for determining credit risk policy and credit risk limits

As part of credit risk management, the Bank's risk management team conducts the functions of identification, measurement, monitoring and controlling of credit risk in line with the structure, size, complexity and growth rate of products and activities and reports the analysis, including stress test, and its results to the Bank's Top Management.

In an attempt to prevent significant effects of unfavorable developments in the portfolio subject to credit risk, credit risk level was restricted to the limits in line with the Bank's risk appetite. The limits are revised and, if needed, updated regularly in line with the developments in market conditions, the Bank's strategy and risk appetite.

There is a signal and limit structure in place, indicating that credit risk limits are almost reached as a result of internal and external developments. Parameters for signal and limit structure and limit values of parameters are determined by risk management by consulting the relevant units. The approval of Audit Committee and Board of Directors is sought in order to implement parameters and signal/limit threshold values within the Bank. It is ensured that risk signal and limit structure is forwarded to relevant units in the Bank and the structure is understood by the relevant staff. Actual values are monitored closely by the risk management. Actual values regarding signal and limit parameters are reported to the Bank's Top Management.

iii. Structure and organization of credit risk management and control function

The Bank's internal system units consist of the Inspection Board Presidency, Internal Control and Compliance Presidency and Risk Management Group Presidency. Credit risk management is one of the four services under the Risk Management Group Presidency.

Activities conducted at the credit risk management unit, which is subject to inspection and controlling activities periodically, aim to establish and maintain a credit risk management infrastructure that is structured enough to meet legal obligations and flexible enough to accommodate the best practices. Accordingly, capital amount that should be reserved for credit risk is calculated; risk mitigation techniques are implemented; stress tests are conducted; credit risk signal and limit structures are monitored; activities are conducted to calculate credit risk with advanced methods and developments that may affect the Bank's credit risk are monitored. Analyses conducted are reported to the Top Management and relevant units periodically.

iv. Relationship between credit risk management, risk control, legal compliance and internal audit functions

Risk Management Group Presidency goes through inspection and control activities periodically. In case of any findings, they are reported and required activities are performed.

Furthermore, inspection and control units involve in the process also for the ICAAP activities that constitute a significant part of risk management activities. Accordingly, ICAAP analyses and activities are validated by Internal Control and Compliance Group Presidency that reports to the Audit Commission independent from the team that develops and implements the methodology of the ICAAP analyses. The same team issues a Validation Report as well. The entire ICAAP process is subject to an inspection by the Inspection Board Presidency and reported through Examination Report issued.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

v. Scope and main content for reporting to top management and board members on credit risk management function and credit risk exposed

It is essential to inform the Bank's Top Management about developments in credit risk management and results of the analysis and activities conducted in order to achieve efficiency in risk management. Accordingly, a reporting system for informing the Bank's Top Management on credit risk management is established and required measures are taken for healthy functioning of the system.

Informing process as part of reporting should be based on the most current data available on a periodical basis.

Reports issued contain, at a minimum, information on risk amount and development, legal capital requirement, stress test analysis results, effect of such results on capital adequacy level, actualization level of risk limits and limitations and assumptions of risk measurement method used.

b) Credit Quality of Assets

	Defaulted	Non-defaulted	Allowances/amortisation and impairments	Net values
Loans	4.217.097	232.392.086	3.965.648	232.643.535
Debt Securities	-	71.096.788	2.030.580	69.066.208
Off-balance sheet exposures	-	102.668.757	150.916	102.517.841
Total	4.217.097	406.157.631	6.147.144	404.227.584

c) Changes in the Defaulted Receivables and Debt Instruments

1	Defaulted loans and debt securities at end of the previous reporting period	3.140.524
2	Loans and debt securities that have defaulted since the last reporting period	2.383.943
3	Returned to non-defaulted status	245.111
4	Amounts written off	-
5	Other changes	(1.552.481)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions	4.217.097

d) Additional explanations on credit quality of assets

i. Differences between definitions and explanations of "deferred" receivables and receivables for which "provision was allocated", and definitions of "deferred" and "provision of allocation", if any

The Bank classifies its credits and other receivables and allocates specific and general provisions pursuant to the "Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions" published in the Official Gazette no. 26333 dated 1 November 2006. The term "Deferred Receivables" is used for credits named "Loans under Close Monitoring" whose maturity is deferred for up to 90 days as of the end of period without any impairments as well as for credits named "Non-Performing Loans" whose maturity is deferred for more than 90 days or subject to impairment. In practice, the Bank sets general provisions for credits classified as "Standard Credits" and "Under Close Monitoring" and specific provisions for credits classified as "Non-Performing Loans".

ii. The portion that is not considered within the scope of "allocation of provision" among deferred receivables (over 90 days) and reasons for this practice

The Bank transfers credits whose maturity is deferred for more than 90 days automatically to monitoring accounts pursuant to the classification provisions of Regulation on Provisions, and allocates provision of respective class; whereas it does not allocate specific or general provisions for fund-based credits classified as "Non-Performing Loans" pursuant to Article 13 "Exceptions" of the Regulation on Provisions as the relevant risk is not assumed by the Bank.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

iii. Definitions of methods used for determining provision amount

Pursuant to provisions of the Regulation on Provisions, the Bank allocates a General Provision of at least one percent (1%) of total standard cash loans and at least two percent (2%) of total cash loans under close monitoring (deferred for less than 90 days) and it calculates general provision by applying general provision rates applicable to cash loans (e.g. 1% for standard loans and 2% for loans under close monitoring) over risk amount calculated pursuant to the provisions of "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" for non-cash loans, commitments and derivative financial instruments. While it is determined in the Regulation on Provisions that specific provision of at least 20%, 50% and 100% must be allocated for loans in groups 3, 4 and 5, respectively, which are classified as non-performing loans (deferred for more than 90 days), a specific provision of 100% is allocated for all loans under follow-up groups of receivables, regardless of their collaterals, pursuant to the precautionary principle.

iv. Definitions of restructured receivables

Real/legal persons using credit may, from time to time, face usual risks of business life such as failure to include the excessive cost increases in sales prices, loss of market share and turnover, unexpected expenses, problems in collection of receivables due to some factors that are beyond reasonable control of its own businesses or other businesses worked with. They may therefore have temporary liquidity difficulties. It involves setting new loan repayment maturities in line with cash flows for businesses which have no significant problem in credit worthiness and sustain their income-generating activities but fail, or priorly imply failure, to make their loan repayment in a timely manner due to temporary liquidity problems.

v. Breakdown of receivables by geographic regions, sectors and remaining maturity; receivable amounts subject to allocation of provision by geographic regions and sectors and their respective provisions; amounts removed from the assets

	Loans and Receivables	Loans Under Follow-Up	Specific Provisions	Total
Domestic	226.498.658	4.176.355	3.924.906	226.750.107
European Union Countries	138.388	12.431	12.431	138.388
USA, Canada	27.793	193	193	27.793
OECD Countries	-	-	-	-
Off-Shore Banking Regions	7.260	-	-	7.260
Other	5.719.987	28.118	28.118	5.719.987
Total	232.392.086	4.217.097	3.965.648	232.643.535

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

	Loans and Receivables	Loans Under Follow Up	Specific Provisions	Total
Agriculture	49.899.581	644.185	399.592	50.144.174
Farming and Stockbreeding	49.295.582	636.678	392.085	49.540.175
Forestry	352.602	3.611	3.611	352.602
Fishing	251.397	3.896	3.896	251.397
Manufacturing	45.794.478	744.282	744.282	45.794.478
Mining and Quarrying	4.385.467	17.200	17.200	4.385.467
Production	29.499.936	711.979	711.979	29.499.936
Electric, Gas and Water	11.909.075	15.103	15.103	11.909.075
Construction	13.310.680	923.605	916.944	13.317.341
Services	52.206.098	979.194	979.194	52.206.098
Wholesale and Retail Trade	20.685.712	802.160	802.160	20.685.712
Hotel Food and Beverage Services	3.899.201	36.062	36.062	3.899.201
Transportation and Telecommunication	7.325.692	45.853	45.853	7.325.692
Financial Institutions	5.533.523	1.605	1.605	5.533.523
Real Estate and Leasing Services	13.438.275	66.572	66.572	13.438.275
Self Employment Services	-	-	-	-
Education Services	388.039	13.666	13.666	388.039
Health and Social Services	935.656	13.276	13.276	935.656
Other	71.181.249	925.831	925.636	71.181.444
Total	232.392.086	4.217.097	3.965.648	232.643.535

Current Period	Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non-distributed	Total
Loans and Receivables	-	8.685.180	16.150.787	87.914.227	94.336.198	25.305.694	251.449	232.643.535

vi. Aging Analysis for Deferred Receivables

The Aging Analysis regarding the loans which are overdue but yet have not lost its value has been presented below;

Current Period	Up to 1 Month	1-2 months	2-3 months	Total
Loans and Receivables ⁽¹⁾				
Corporate/Entrepreneur Loans	200.836	50.074	29.555	280.465
Retail Loans	39.378	9.080	3478	51.936
Specialized Loans	346.390	44.254	21.789	412.433
Total	586.604	103.408	54.822	744.834

⁽¹⁾ Explanations on the amounts; For the loans with instalments, the overdue installment amounts, for other type of credits, the overdue principal amount and the remaining principal amounts of intallmanent results with a grand total of TL 3.670.997.

vii. Breakdown of restructured receivables by allocation of provision

Out of the Bank's total restructured loans amounting to TL 8.312.683, a portion of TL 8.112.945 consists of performing loans and remaining portion of TL 199.738 consists of non-performing loans. While the specific provision allocated for non-performing loans amounts to TL 199.567, no specific provision was allocated for non-performing loans of TL 171, whose risk is not assumed by the Bank.

2) Credit risk mitigation

a) Qualitative requirements to be disclosed to public regarding credit risk mitigation techniques

i. Basic characteristics of policies and processes on the extent of utilization of on-balance sheet and off-balance sheet netting

The practice of on-balance sheet and off-balance sheet netting is used while mitigating credit risk within the Bank.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

b) Credit risk mitigation techniques - Overview

	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	224.806.421	6.943.684	1.220.992	893.430	610.373	-	-
Debt Securities	69.066.208	-	-	-	-	-	-
Total	293.872.629	6.943.684	1.220.992	893.430	610.373	-	-
Of which defaulted	4.217.097	-	-	-	-	-	-

3) Credit risk if standard approach is used

a) Qualitative explanations on ratings used by the banks while calculating credit risk with standard approach

i. Names of Credit Rating Agencies (CRA) and Export Rating Agencies (ERA) used by the Bank and the reasons in case of any change during the reporting period

The Bank uses ratings of Fitch Ratings International Rating Agency while calculating the amount subject to credit risk through standard approach.

ii. Risk classes using CRA and ERA ratings

Grades of Fitch Ratings International Rating Agency are used for receivables from central government and central bank of our country as well as for foreign-based counter parties. Resident counter parties are accepted as “gradeless” and take risk weight appropriate for “gradeless” category in relevant risk class.

Rating grades are used in risk classes of Receivables from Central Governments or Central Banks and Receivables from Banks and Brokerage Houses.

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

For determination of risk weight regarding items included in banking accounts which are subject to issue or issuer rating, issue rating is considered first, and issuer’s credit rating is considered in the absence of issue rating.

While the rating assigned by Fitch Ratings International Rating Agency corresponds to credit quality level 3 in the risk class "Receivables from Central Governments or Central Banks", ratings used for the risk class "Receivables from Banks and Brokerage Houses" match with different credit quality levels.

iv. Matching rating grades on the basis of risk

Rating grade assigned by a credit rating agency that is not listed in the BRSA's matching table is not used in calculations.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

b) Standard Approach- Loan risk Exposure and the Effects of Loan Risk Reduction Techniques

Risk Classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount
Exposures to sovereigns and their central banks	80.309.755	769.437	86.065.163	367.270	24.158.466	28,0%
Exposures to regional and local governments	526.453	232.722	483.924	84.127	277.481	48,8%
Exposures to administrative bodies and non-commercial entities	181.165	811.560	375.265	378.764	709.861	94,1%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	59.310.148	8.661.972	59.675.079	4.593.661	8.735.688	13,6%
Exposures to corporates	99.311.342	69.334.389	93.137.097	35.083.157	124.637.156	97,2%
Retail exposures	87.019.701	19.738.718	86.924.741	2.917.439	66.899.690	74,5%
Exposures secured by residential property	27.200.877	111.527	27.200.877	55.764	9.543.770	35,0%
Exposures secured by commercial property	9.458.822	420.049	9.456.125	215.932	4.898.303	50,6%
Past-due items	-	-	-	-	-	-
Exposures in high-risk categories	308.898	119.744	308.890	19.795	492.014	149,7%
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	1.650.548	47.437	1.650.548	23.081	1.669.910	99,8%
Other exposures	15.871.965	-	15.871.965	-	7.039.170	44,3%
Equity share investments	118.153	-	118.153	-	118.153	100,0%
Total	381.267.827	100.247.555	381.267.827	43.738.990	249.179.662	58,6%

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

c) Standard Approach: Receivables related with Risk Classes and Risk Weights

Risk Classes/ Risk Weight	0%	10%	20%	35% secured by property mortgage	50% secured by property mortgage	50% (*)	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	38.613.807	-	14.020	-	-	47.297.889	-	506.717	-	-	-	86.432.433
Exposures to regional and local government	32.187	-	34	-	-	516.711	-	19.119	-	-	-	568.051
Exposures to administrative bodies and non-commercial entities	43.756	-	516	-	-	-	-	709.757	-	-	-	754.029
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	43.124.024	-	8.565.059	-	-	11.113.963	-	1.465.694	-	-	-	64.268.740
Exposures to corporates	1.404.491	-	1.349.906	-	-	2.197.365	-	123.268.492	-	-	-	128.220.254
Retail exposures	511.274	-	175.558	-	-	7.730	89.147.618	-	-	-	-	89.842.180
Exposures secured by residential property	6.594	-	951	27.239.255	-	-	-	9.841	-	-	-	27.256.641
Exposures secured by commercial property	4.389	-	3.037	-	9.533.871	-	-	130.760	-	-	-	9.672.057
Past-due items	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	632	-	41	-	-	-	-	23	327.989	-	-	328.685
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	3.718	-	-	-	-	-	-	1.669.911	-	-	-	1.673.629
Equity share investments	-	-	-	-	-	-	-	118.153	-	-	-	118.153
Other exposures	8.829.772	-	3.779	-	-	-	-	7.038.414	-	-	-	15.871.965
Total	92.574.644	-	10.112.901	27.239.255	9.533.871	61.133.658	89.147.618	134.936.881	327.989	-	-	425.006.817

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

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

4) Credit risk under Internal Ratings-Based (IRB) Approach

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

3. Counter Party Credit Risk Explanations

a) Qualitative explanations on counter party credit risk

i. Risk management goals and policies for CCR

As part of the Bank's counter party credit risk management, the functions of identification, measurement, monitoring and controlling of counter party credit risk are conducted in line with the structure, size, complexity and growth rate of products and activities, and the analysis, including stress test, and its results are reported to the Top Management.

As part of capital adequacy ratio calculations, activities for counter party credit risk are an integral part of planning, monitoring and controlling of total risk profile, and counter party credit risk management is integrated to periodic risk management process.

In the scope of counter party risk management, it is aimed to meet legal obligations and to establish and maintain counter party credit risk management infrastructure that is flexible and structured enough to accommodate the best practices. Accordingly, it is planned to conduct stress test activities, improve counter party credit risk signal and limit structure and conduct relevant monitoring function.

ii. Operational limit allocation method specified in the scope of internal capital calculated for CCR and CCP risks

Critical thresholds (signal and limit values) indicating that limits are approached due to internal or external developments have been identified. In the event that these values are approached or exceeded, relevant units take required actions.

Parameters for signal and limit structure and limit values of parameters are determined by consulting the relevant units and implemented at the Bank upon approval of the Audit Committee and Board of Directors.

Internal limits are determined by considering the Bank's budget, strategy and expectations for upcoming years, developments in Turkey and abroad and historical realization of risks.

iii. Policies for establishing guarantee and other risk mitigation and CCR, including CCP risk

In an attempt to identify the counter party credit risk that the Bank may face, risk measurement and monitoring activities are performed and their results are considered in strategic decision-making process.

Our risk management structure involves activities to ensure that counter party credit risk measurement system functions and is maintained in line with the best practices, legal regulations, fields of activity and product ranges in a consistent, reliable and integrated way.

As part of counter party credit risk management, stress test scenarios were created by anticipating any unfavorable developments in macroeconomic conditions and the Bank's balance sheet. Results of stress test analysis are considered while establishing risk management policies.

Amount subject to counter party credit risk is calculated with appraisal method based on its fair value in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and provisions in Appendix-2, and reported on a monthly basis. Accordingly, replacement cost and potential counter party credit risk amounts are calculated. Furthermore, capital obligation is also calculated for credit appraisal adjustment for all derivatives.

Additionally, compliance of transactions posing counter party credit risk with thresholds within signal and limit structure is monitored and research is conducted for counter party credit risk calculations with advanced methods.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

iv. Rules for countertrend risk

Boasting a strong lending and collateralization structure, the Bank avoids collateralization in positive correlation with the debtor's credibility and activities in connection with risk mitigation techniques are performed by considering qualitative criteria specified in legal legislation for calculation of amount subject to credit risk.

v. Amount of additional collateral that the Bank must submit in case of a decline in credit rating

As the Bank has no transactions in connection with credit rating, there is not any additional collateral amount it must pay.

b) Evaluation of counterparty credit risk in accordance with the measurement methods

		Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) ^(*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
	Valuation Method according to fair value - CCR (for derivatives)	1.561.694	426.533			1.988.227	835.877
1	Standardised approach - CCR (for derivatives)	-	-		1,4	-	-
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					28.040.506	1.583.207
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					2.775.653	828.479
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	Total						3.247.563

^(*) Effective Expected Positive Exposure

c) Capital Requirement for Loan Valuation Adjustments

		Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	1.988.227	20.775
4	Total subject to the CVA capital charge	1.988.227	20.775

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

d) Standardised approach - CCR exposures by risk class and risk weights

Risk Weight	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure^(*)
Regulatory portfolio									
Exposures to sovereigns and their central banks	130.193	-	-	-	-	-	-	-	130.193
Exposures to regional and local governments	5.771	-	-	18	-	-	-	-	5.789
Exposures to administrative bodies and non-commercial entities	15.695	-	-	-	-	50	-	-	15.745
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	42.115.329	-	6.398.526	3.757.054	-	643	-	-	52.271.552
Exposures to corporates	12.069	-	-	-	-	108.485	-	-	120.554
Retail exposures	10.558	-	-	-	1.211	-	-	-	11.769
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	3.718	-	-	-	-	11	-	-	3.729
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets ^(**)	-	-	-	-	-	-	-	-	-
Total	42.293.333	-	6.398.526	3.757.072	1.211	109.189	-	-	52.559.331

^(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

^(**) Other assets: the amount excludes exposures to “Central counterparty” which are reported in Counterparty credit risk.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

e) Risk classes and counterparty credit risk explanations

None.

f) Collaterals for CCR

	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	31.119.235	-
Cash-foreign currency	-	-	-	-	13.753.198	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	44.872.433	-

g) Credit Derivatives

None.

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

None.

i) Risks Related with Other Parts of the Center

None.

4. Explanations on Securitization Disclosures

None.

5. Explanations on Market Risk

a) Qualitative information to be disclosed to public on market risk

i. The Bank's process and strategies: A disclosure on the Bank's strategic goals for trading activities is made in a manner that includes processes for identification, measurement, monitoring and controlling of the Bank's market risks, hedging processes and strategies/processes for monitoring continuity of hedging efficiency

For the purposes of market risk aversion in line with financial risk management, the Bank has identified market risk management activities in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks and has taken required precautions.

The Bank's market risk management policies and implementation procedures have been specified in the scope of the Regulation on Risk Management, Stress Test Program and ICAAP approved by the Board of Directors.

The Bank ensures that measurement, monitoring, limiting, stress test and scenario analysis activities are conducted in line with the structure and complexity of its positions for market risk management and their results are reported periodically.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

Activities sustained are conducted over a trading portfolio specified by the Bank's Treasury Management and other activities subject to market risk.

The amount subject to market risk is calculated and monitored with standard method and advanced measurement method at the Bank. Furthermore, scenario analysis and stress tests are also conducted periodically.

ii. Organization and structure of market risk management function: Definition of market risk management structure established for implementation of the Bank's strategies and processes as mentioned in line i) and definition of communication mechanism and relationship between different parties involved in market risk management

Market risk management is a subunit of Risk Management Group Presidency, one of internal systems units established independently from executive units of the Bank.

Market risk management activities are conducted in line with the Regulation on Risk Management, Stress Test Program and ICAAP approved with the Board Decision no. 15/18 dated 28 April 2015 and performed by aiming the best practices in this structure.

The Bank's trading activities and transactions subject to market risk are monitored and measured regularly and required practices are performed for risk management. Required reports on market risk are submitted to relevant units and the Bank's Top Management regularly.

iii. Structure and scope of risk reporting and/or measurement systems

The amount subject to the Bank's market risk is calculated on a monthly basis with the standard method and included in the Bank's capital adequacy ratio.

Apart from the standard method, Value at Risk (VaR) estimations are made for trading accounts on a daily basis and reported to relevant units. VaR calculated with Historical Simulation Method is used in daily reporting and limit measurement with a confidence level of 99%. VaR can be calculated with Parametric and Monte Carlo Methods in addition to Historical Simulation Method. Backward testing is performed so as to measure performance of used model and monitor market realization. Also, the Bank performs stress tests and scenario analyses on a daily and monthly basis so as to observe the effect of excessive market fluctuations that are not covered in the models on the Bank's financial position. Scenario analysis and stress test activities are reviewed and improved regularly in line with the market dynamics.

The market risk exposure is restricted with VaR-based limits (interest rate and currency risk limit) within the context of the Regulation on Risk Management, Stress Test Program and ICAAP. Market risk limits are determined by the Bank's Board of Directors.

b) Standard approach

		RWA
	Outright products	
1	Interest rate risk (general and specific)	12.214.288
2	Equity risk (general and specific)	1.050.625
3	Foreign exchange risk	818.875
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	14.083.788

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

7. Explanations on the Operational Risk

In the Bank, Amount subject to Operational Risk is calculated with Basic Indicator Approach based on yearly. The parameter which determines the amount subject to operational risk in Basic Indicator Approach is gross revenue. Yearly gross revenue is calculated by adding net interest incomes to net fees and commission income, dividend income obtained from shares excluding shares of subsidiaries and associates, trading profit/loss (net) and other operating incomes and also by deducting profit/loss gained from sale of assets monitored out of purchase-sale account, extraordinary incomes, operating expense made against support service and amounts compensated from insurance.

Within the scope of the performances for modeling with the Advanced Measurement Approach of operational risk, based on the data in Operational Risk Loss database, Operational Value at Risk (OpVAR) measurements are calculated using Monte Carlo Simulation within the scope of Loss Distribution Method.

	31.12.2013	31.12.2014	31.12.2015	Total/PositiveYear	Rate (%)	Total
Gross Income	8.638.823	9.806.263	11.937.403	10.127.496	15	1.519.124
Amount Subject to Operational Risk						18.989.055

8. Explanations on the Interest Rate Risk for Banking Accounts

Banking accounts interest rate risk management strategy policy and implementation procedures are determined within the context of “Regulation on Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”)”.

Bank performs scenario analysis with measurements that are suitable for structure and complexness of positions related to the market risk management, limiting, scenario analysis and stress test and also reports the findings cyclically. Bank’s perform analysis related to interest rate risks for the entire balance sheet. New products and services are also evaluated from the point of interest rate risk that is originated from banking accounts.

In the risk management, the following methods are followed at minimum level: The follow-up of rate and maturity mismatch between sources and uses of fixed and variable interest rates, the analysis and follow-up of the effects of the usual and unusual changes in interest rates which is possibly uptrend and downtrend on the interest margin and on the current value of assets and liabilities, the analysis and follow-up of contractual maturities as well as behavioral maturities assets and liabilities, monitoring closely of interest margins for provided Turkish Liras and foreign currency, the follow-up of the effects of interest rate changes on Bank’s economic value and capital requirement, the follow-up of potential impacts of valuation methods, the calculation and the determination of the size of interest rate shock in Bank’s internal applications, the follow-up of yield curve, basis risk and option risk. Also, in order to limit the impact of interest rate changes on Bank’s financial structure, the interest rate risk limit arising from banking accounts which is approved by the Board of Directors is followed monthly.

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity- (Losses)/Equity
1. TL	500	(5.973.447)	(14,55%)
2. TL	(400)	5.897.170	14,36%
3. EUR	200	100.055	0,24%
4. EUR	(200)	(65.175)	(0,16%)
5. USD	200	(1.075.912)	(2,62%)
6. USD	(200)	1.337.975	3,26%
Total (of negative shocks)		7.169.970	17,46%
Total (of positive shocks)		(6.949.304)	(16,92%)

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X. EXPLANATIONS ON OPERATIONAL SEGMENTS

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

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

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

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

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

Treasury transactions and international banking activities; national and international organisation, over-the-counter money, spot and forward Turkish Lira, foreign currency, precious metal, securities, trading of derivative instruments are executed by Treasury Management and International Banking Assistant General Management. Furthermore, bank’s liquidity, securities, deposits and non-deposit equity management activities are carried out.

Besides, studies are being conducted to present and market treasury products to our customers in our branches and distribution channels and finance of companies’ foreign trade transactions. By the authority of the Service Unit, for the trade of the securities, the mercantile agent of Ziraat Yatırım Menkul Değerler A.Ş. undertaken an intermediary role for the public offering of securities and also an intermediary role for the trade of the investment funds managed by Ziraat Portföy Yönetimi A.Ş. and the other asset management firms. The recognition, storage of the mentioned financial derivatives and individual portfolio management services are provided by the discussed subdivision of the Bank. On the other hand, to provide long term financing for the banks and the international finance organizations and diversify the methods of financing on this direction to issue domestic and foreign T-bills and government bonds and as well as to sustain corresponding bank relations and the relation of our Bank with the international investors is on the objectives of the Service Unit.

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

As of 31 December 2016 explanations on segment reporting as shown on the following page are in line with Communiqué on “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures”.

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X. EXPLANATIONS ON OPERATIONAL SEGMENTS (Continued)

Table for Segment Reporting:

Current Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE						
Interest Income	6.868.452	9.484.342	4.629.507	6.289.005	19.383	27.290.689
Interest Income from Loans	6.868.452	9.484.342	4.629.507	529.882	-	21.512.183
Interest Income from Banks	-	-	-	86.129	-	86.129
Interest Income from Securities	-	-	-	5.487.868	-	5.487.868
Other Interest Income	-	-	-	185.126	19.383	204.509
Interest Expense	6.485.355	2.996.083	-	3.806.297	54.683	13.342.418
Interest Expense on Deposits	6.485.355	2.996.083	-	429.885	-	9.911.323
Interest Expense on Funds Borrowed	-	-	-	469.531	-	469.531
Interest Expense on Money Market Transactions	-	-	-	2.524.582	-	2.524.582
Interest Expense on Securities Issued	-	-	-	382.299	-	382.299
Other Interest Expense	-	-	-	-	54.683	54.683
Net Interest Income/Expense	383.097	6.488.259	4.629.507	2.482.708	(35.300)	13.948.271
Net Fees and Commission Income/Expense	1.063.047	734.445	105.147	(251.144)	(8.647)	1.642.848
Fees and Commissions Received	1.063.047	734.445	105.147	4.128	116.085	2.022.852
Fees and Commissions Paid	-	-	-	255.272	124.732	380.004
Dividend Income	-	-	-	259.184	-	259.184
Trading Income/Loss (Net)	-	-	-	(187.837)	-	(187.837)
Other Operating Income	35.619	277.235	34.836	3.168	1.203.680	1.554.538
Provision for Loans or Other Receivables Losses	946.209	1.686.728	693.715	119	18.099	3.344.870
Other Operating Expense	76.487	251.960	49.083	-	4.925.469	5.302.999
Income Before Tax	459.067	5.561.251	4.026.692	2.305.960	(3.783.835)	8.569.135
Profit/Loss on Equity Method	-	-	-	-	-	-
Tax Provision	-	-	-	-	(1.992.715)	(1.992.715)
Net Profit/Loss	459.067	5.561.251	4.026.692	2.305.960	(5.776.550)	6.576.420
SEGMENT ASSETS						
Financial Assets at FV Through P/L	-	-	-	1.684.791	-	1,684,791
Banks and Other Financial Institutions	-	-	-	3,901,674	-	3,901,674
Financial Assets Available for Sale (Net)	-	-	-	58,631,953	-	58,631,953
Loans	63,372,852	112,969,545	46,461,974	9,839,164	-	232,643,535
Held to Maturity Investments (Net)	-	-	-	8,749,464	-	8,749,464
Associates, Subsidiaries and Joint Ventures	-	-	-	4,311,740	-	4,311,740
Other Assets	-	-	-	-	47,838,208	47,838,208
Total Segment Assets	63.372.852	112.969.545	46.461.974	87.118.786	47.838.208	357.761.365
SEGMENT LIABILITIES						
Deposits	152,533,664	56,051,062	-	12,093,270	2,340,938	223,018,934
Derivative Financial Liabilities Held for Trading	-	-	-	643,628	-	643,628
Funds Borrowed	-	-	-	22,816,736	-	22,816,736
Money Market Funds	-	-	-	47,211,961	-	47,211,961
Securities Issued (Net)	-	-	-	6,833,001	-	6,833,001
Provisions	-	-	-	-	6,053,011	6,053,011
Other Liabilities	-	-	-	-	12,801,656	12,801,656
Shareholders' Equity	-	-	-	-	38,382,438	38,382,438
Total Segment Liabilities	152.533.664	56.051.062	-	89.598.596	59.578.043	357.761.365
OTHER SEGMENT ITEMS						
Capital Investment	-	-	-	-	-	-
Amortization Expense	-	-	-	-	352,946	352,946
Restructuring Costs	-	-	-	-	-	-

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(Continued)

X. EXPLANATIONS ON OPERATIONAL SEGMENTS (Continued)

Prior Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Other /Undistributed	Total
OPERATING INCOME/EXPENSE						
31 December 2015						
Interest Income	5.768.008	6.902.276	3.481.380	5.849.438	49.393	22.050.495
Interest Income from Loans	5.768.008	6.902.276	3.481.380	525.285	-	16.676.949
Interest Income from Banks	-	-	-	66.961	-	66.961
Interest Income from Securities	-	-	-	5.197.221	-	5.197.221
Other Interest Income	-	-	-	59.971	49.393	109.364
Interest Expense	5.708.603	2.532.004	-	3.240.193	60.769	11.541.569
Interest Expense on Deposits	5.708.603	2.532.004	-	427.858	-	8.668.465
Interest Expense on Funds Borrowed	-	-	-	403.341	-	403.341
Interest Expense on Money Market Transactions	-	-	-	2.127.843	-	2.127.843
Interest Expense on Securities Issued	-	-	-	281.151	-	281.151
Other Interest Expense	-	-	-	-	60.769	60.769
Net Interest Income/Expense	59.405	4.370.272	3.481.380	2.609.245	(11.376)	10.508.926
Net Fees and Commission Income/Expense	814.629	542.480	79.035	(203.994)	67.931	1.300.081
Fees and Commissions Received	814.629	542.480	79.035	5.275	195.275	1.636.694
Fees and Commissions Paid	-	-	-	209.269	127.344	336.613
Dividend Income	-	-	-	213.056	-	213.056
Trading Income/Loss (Net)	-	-	-	(165.539)	-	(165.539)
Other Operating Income	24.519	215.576	47.778	3.731	1.048.291	1.339.895
Provision for Loans or Other Receivables Losses	401.160	712.904	296.159	1.715	8.616	1.420.554
Other Operating Expense	45.338	196.494	35.715	-	4.930.695	5.208.242
Income Before Tax	452.055	4.218.930	3.276.319	2.454.784	(3.834.465)	6.567.623
Profit/Loss on Equity Method	-	-	-	-	-	-
Tax Provision	-	-	-	-	(1.405.153)	(1.405.153)
Net Profit/Loss	452.055	4.218.930	3.276.319	2.454.784	(5.239.618)	5.162.470
SEGMENT ASSETS						
31 December 2015						
Financial Assets at FV Through P/L	-	-	-	944.899	-	944.899
Banks and Other Financial Institutions	-	-	-	4.446.792	-	4.446.792
Financial Assets Available for Sale (Net)	-	-	-	53.782.308	-	53.782.308
Loans	51.034.781	90.694.305	37.676.823	7.406.942	-	186.812.851
Held to Maturity Investments (Net)	-	-	-	10.144.142	-	10.144.142
Associates, Subsidiaries and Joint Ventures	-	-	-	2.655.366	-	2.655.366
Other Assets	-	-	-	-	44.061.968	44.061.968
Total Segment Assets	51.034.781	90.694.305	37.676.823	79.380.449	44.061.968	302.848.326
SEGMENT LIABILITIES						
31 December 2015						
Deposits	135.886.429	39.624.867	-	9.734.353	1.223.786	186.469.435
Derivative Financial Liabilities Held for Trading	-	-	-	292.271	-	292.271
Funds Borrowed	-	-	-	19.542.648	-	19.542.648
Money Market Funds	-	-	-	43.085.776	-	43.085.776
Securities Issued (Net)	-	-	-	5.287.606	-	5.287.606
Provisions	-	-	-	-	5.160.896	5.160.896
Other Liabilities	-	-	-	-	11,463,425	11,463,425
Shareholders' Equity	-	-	-	-	31,546,269	31,546,269
Total Segment Liabilities	135.886.429	39.624.867	-	77.942.654	49.394.376	302.848.326
OTHER SEGMENT ITEMS						
Capital Investment	-	-	-	-	-	-
Amortization Expense	-	-	-	-	324.876	324.876
Restructuring Costs	-	-	-	-	-	-

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(Continued)**

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

a) Information regarding the fair value of financial assets and liabilities:

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	303.926.626	255.186.093	304.338.015	255.742.675
Due from Interbank Money Market	-	-	-	-
Banks	3.901.674	4.446.792	3.901.674	4.446.792
Available-for-sale Financial Assets	58.631.953	53.782.308	58.631.953	53.782.308
Held-to-maturity Investments	8.749.464	10.144.142	9.160.853	10.700.724
Loans	232.643.535	186.812.851	232.643.535	186.812.851
Financial Liabilities	255.149.392	213.619.872	255.149.392	213.619.872
Bank Deposits	12.059.950	9.727.301	12.059.950	9.727.301
Other Deposits	210.958.984	176.742.134	210.958.984	176.742.134
Funds Borrowed from Other Financial Institutions	22.816.736	19.542.648	22.816.736	19.542.648
Issued Marketable Securities	6.833.001	5.287.606	6.833.001	5.287.606
Miscellaneous Payables	2.480.721	2.320.183	2.480.721	2.320.183

Receivables from money markets, receivables from banks and bank deposits are of short term nature, therefore carrying values are considered as fair value.

In determination of book and fair value of available-for-sale securities, market prices are taken into consideration. If these securities are not traded in an active market, the indicator prices calculated by CBRT are taken into account.

The fair value of held to maturity financial assets is calculated by considering market prices. In cases where these prices cannot be determined, the fair value is assessed on the basis of market prices quoted for securities that have the same attributes in terms of interest, maturity and other terms.

The fair value of loans and other deposits represent the sum of the cost and the accrued interest.

b) Information on fair value measurements recognized in the financial statements:

According to TFRS 7 “Financial Instruments: Explanations” Standard, the accounts recognized with the fair value in the balance sheet should be presented and classified sequentially in the related footnotes. Respectively, such financial instruments are classified in three levels representing the importance of the data used during for the measurement of fair values. At level one, the financial instruments whose fair values are determined with the recorded prices in the active markets for the assets and liabilities with identical fair values; at level two, the financial instruments whose fair value is based on the directly or indirectly observable market indicators and at level three; the financial instruments whose fair value is not based on the directly or indirectly observable market indicators are considered. The financial instruments which are recognized with their fair values at the Bank’s balance sheet, are presented with respect to such basis of classification in the table below:

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(Continued)**

**XI. EXPLANATIONS ON THE FAIR VALUE REALIZATION OF FINANCIAL ASSETS AND LIABILITIES
(Continued)**

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or (Loss)	17.404	1.667.387	-	1.684.791
Government Debt Securities	17.404	-	-	17.404
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	1.667.387	-	1.667.387
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
Available-for-Sale Financial Assets	58.436.951	171.816	-	58.608.767
Equity Securities ⁽¹⁾	525.314	94.965	-	620.279
Government Debt Securities	57.820.294	-	-	57.820.294
Other Marketable Securities	91.343	76.851	-	168.194
Total Assets	58.454.355	1.839.203	-	60.293.558
Trading Derivative Financial Liabilities	-	643.628	-	643.628
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	-	643.628	-	643.628

⁽¹⁾ Since equity securities under the heading of financial assets available for sale amounting to TL 23.186 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or (Loss)	16.615	928.284	-	944.899
Government Debt Securities	16.615	-	-	16.615
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	928.284	-	928.284
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
Available-for-Sale Financial Assets	53.516.040	148.054	95.028	53.759.122
Equity Securities ⁽¹⁾	388.536	96.992	95.028	580.556
Government Debt Securities	53.105.710	-	-	53.105.710
Other Marketable Securities	21.794	51.062	-	72.856
Total Assets	53.532.655	1.076.338	95.028	54.704.021
Trading Derivative Financial Liabilities	-	292.271	-	292.271
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	-	292.271	-	292.271

⁽¹⁾ Since equity securities under the heading of financial assets available for sale amounting to TL 23.186 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

XII. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ON ACCOUNT OF OTHER PARTIES

1. Transaction, Custody, Management and Consultancy Services of the Bank on behalf of Third Parties:

The Bank acts as an intermediary for purchases and sales of government securities on behalf of real persons and corporate, conducts repo transactions, and provides custody services. The bank does not provide consultancy and management services.

2. Transactions with other financial institutions under fiduciary transaction agreements and financial services rendered to other financial institutions under the scope of fiduciary transactions and the effects of such services to the financial position of the Bank or the Group:

The Bank has no fiduciary transactions.

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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	1.720.392	925.443	1.718.357	705.176
Central Bank of the Republic of Turkey	5.817.157	30.694.784	2.354.591	31.753.858
Other	3.775	5.546	-	3.981
Total	7.541.324	31.625.773	4.072.948	32.463.015

1.a.1) Information on Required Reserves:

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to Communiqué on Required Reserves of Central Bank of the Republic of Turkey’s numbered 2013/15. Based on accounting standards and registration layout for banks and companies, the items specified within the Communiqué, except from liabilities to Central Bank, Treasury, Domestic banks, and head offices and branches in Turkey of the banks established by international agreements, constitute required reserves liabilities.

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	5.719.162	2.254.136	2.286.466	236.672
Unrestricted Time Deposit	-	2.312.376	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves ^{(1) (2)}	97.995	26.128.272	68.125	31.517.186
Total	5.817.157	30.694.784	2.354.591	31.753.858

⁽¹⁾ Required reserve of branches abroad amounting to TL 88.706 is presented in this line (31 December 2015: TL 78.150).

⁽²⁾ TL 12.506.189 of the current period’s FC required reserve is the part of the TL required reserves that are held in FC (31 December 2015: TL 19.082.468).

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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	34.251	53.817	25.242	46.642
Swap Transactions	1.161.871	417.406	624.709	231.637
Futures Transactions	-	-	-	-
Options	42	-	9	45
Other	-	-	-	-
Total	1.196.164	471.223	649.960	278.324

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	460.807	103.935	708.886	358.580
Foreign Banks	66.300	3.270.632	27.113	3.352.213
Foreign Head Office and Branches	-	-	-	-
Total	527.107	3.374.567	735.999	3.710.793

b) Information on Foreign Bank Accounts

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	1.698.421	1.097.791	-	-
USA, Canada	1.022.476	1.903.114	-	-
OECD Countries ⁽¹⁾	21.197	8.874	-	-
Off-shore Banking Regions	-	-	-	-
Other	594.838	369.547	-	-
Total	3.336.932	3.379.326	-	-

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

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	41.249.265	40.599.081
Assets Blocked/Given as Collateral	5.865.705	5.251.648
Total	47.114.970	45.850.729

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

b) Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	59.985.217	54.495.737
Quoted in Stock Exchange	59.908.367	54.444.675
Not Quoted in Stock Exchange	76.850	51.062
Share Certificates	676.873	630.832
Quoted in Stock Exchange	525.325	483.687
Not Quoted in Stock Exchange	151.548	147.145
Provision for Impairment (-)	2.030.137	1.344.261
Total	58.631.953	53.782.308

5. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees ^{(1) (2)}	273.923	-	253.756	-
Total	273.923	-	253.756	-

(1) Interest rediscount and interest accrual amounting TL 2.429, are not included in the table above.

(2) Since the balance of overdraft accounts related to employees amounting TL 15.257, is showed under Table 5-c as overdraft accounts (real person), it is not included to the table above.

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
Loans and other receivables with revised contract terms ⁽¹⁾		Other	Loans and other receivables with revised contract terms ⁽¹⁾		Other	
Non-Specialized Loans	177.447.340	2.920.871	-	1.871.658	1.558.238	-
Commercial Loans	105.656.585	1.704.312	-	931.357	1.376.911	-
Export Loans	3.574.356	-	-	39.940	-	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	6.224.868	-	-	-	-	-
Consumer Loans	57.784.941	1.216.383	-	843.143	178.849	-
Credit Cards	3.342.902	176	-	46.179	2.478	-
Other	863.688	-	-	11.039	-	-
Specialized Lending ^{(3) (4)}	39.785.103	3.310.904	-	663.003	322.932	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals ⁽²⁾	4.512.037	-	-	-	-	-
Total	221.744.480	6.231.775	-	2.534.661	1.881.170	-

(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)

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended (*)	6.105.238	1.807.327
3 - 4 or 5 Times Extended	126.534	73.126
Over 5 Times Extended	3	717

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

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	2.694.994	911.280
6 – 12 Months	890.875	155.311
1 - 2 Years	1.976.732	347.178
2 - 5 Years	621.569	445.045
5 Years and Over	47.605	22.356
Total	6.231.775	1.881.170

c) Loans according to maturity structure:

	Standard Loans and Other Receivables ⁽¹⁾		Loans and Other Receivables under Close Monitoring ⁽¹⁾	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans	45.873.340	1.672.881	555.787	230.969
Non-specialized Loans	37.834.108	161.261	472.786	57.003
Specialized Loans ⁽²⁾	8.039.232	1.511.620	83.001	173.966
Other Receivables	-	-	-	-
Medium and Long-term Loans and Other Receivables	171.359.103	4.558.894	1.978.874	1.650.201
Non-specialized Loans	139.613.232	2.759.610	1.398.872	1.501.235
Specialized Loans ⁽²⁾	31.745.871	1.799.284	580.002	148.966
Other Receivables	-	-	-	-

⁽¹⁾ Rediscounts are not included.

⁽²⁾ Agricultural loans originated from funds are shown under Specialized Lending.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	444.629	58.467.080	58.911.709
Real Estate Loans ⁽²⁾	10.790	32.377.934	32.388.724
Vehicle Loans	1.591	186.477	188.068
Consumer Loans ⁽²⁾	428.441	25.596.524	26.024.965
Abroad	3.807	306.145	309.952
Other	-	-	-
Consumer Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	835	30.906	31.741
Real Estate Loans	-	277	277
Vehicle Loans	-	-	-
Consumer Loans	85	2.486	2.571
Abroad	750	28.143	28.893
Other	-	-	-
Individual Credit Cards-TL	2.846.986	12.675	2.859.661
With Installment	982.975	9.815	992.790
Without Installment	1.864.011	2.860	1.866.871
Individual Credit Cards-FC	403	-	403
With Installment	-	-	-
Without Installment	403	-	403
Personnel Loans-TL	9.392	180.103	189.495
Real Estate Loans	-	181	181
Vehicle Loans	-	-	-
Consumer Loans	9.278	178.361	187.639
Abroad	114	1.561	1.675
Other	-	-	-
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	84.140	282	84.422
With Installment	34.670	213	34.883
Without Installment	49.470	69	49.539
Personnel Credit Cards-FC	6	-	6
With Installment	-	-	-
Without Installment	6	-	6
Overdraft Accounts-TL (Real Person)	890.371	-	890.371
Overdraft Accounts-FC (Real Person)	-	-	-
Total ⁽¹⁾	4.276.762	58.691.046	62.967.808

(1) TL 398.562 of interest income accrual and rediscount are not included in the table above.

(2) Consumer loans originated from funds amounting to TL 3.636.941 of are included in the table above.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	1.452.414	13.722.084	15.174.498
Business Loans	323	492.559	492.882
Vehicle Loans	43.249	861.336	904.585
Consumer Loans	1.408.842	12.368.189	13.777.031
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	8.336	16.498.601	16.506.937
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	8.336	16.498.601	16.506.937
Other	-	-	-
Corporate Credit Cards-TL	445.220	2.007	447.227
With Installment	143.425	1.977	145.402
Without Installment	301.795	30	301.825
Corporate Credit Cards-FC	16	-	16
With Installment	-	-	-
Without Installment	16	-	16
Overdraft Account-TL (Legal Entity)	120.195	-	120.195
Overdraft Account-FC (Legal Entity)	-	-	-
Total ⁽¹⁾	2.026.181	30.222.692	32.248.873

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

f) Loans according to types of borrowers:

	Current Period	Prior Period
Public	2.353.565	1.544.376
Private	225.526.484	181.086.537
Interest Income Accruals of Loans	4.512.037	3.311.946
Total	232.392.086	185.942.859

g) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	222.345.932	177.799.281
Foreign Loans	5.534.117	4.831.632
Interest Income Accruals of Loans	4.512.037	3.311.946
Total	232.392.086	185.942.859

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

h) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	1.168.414	831.174
Indirect loans granted to subsidiaries and associates	-	-
Total	1.168.414	831.174

k) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	340.774	143.144
Loans and other receivables with doubtful collectability	934.428	478.653
Uncollectible loans and other receivables	2.690.446	1.648.735
Total	3.965.648	2.270.532

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

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
Current period	14.498	58.203	127.037
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	14.498	58.203	127.037
Rescheduled loans and other receivables	-	-	-
Prior period	11.844	51.598	92.945
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	11.844	51.598	92.945
Rescheduled loans and other receivables	-	-	-

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (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
Prior Period Ending Balance	289.920	486.739	2.363.865
Additions (+)	1.848.781	198.861	336.301
Transfers from Other Categories of Loans under Follow-Up (+)	-	1.639.530	1.223.847
Transfers to Other Categories of Loans under Follow-Up (-)	1.639.530	1.223.847	-
Collections (-) ⁽¹⁾	156.470	158.164	992.736
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance ⁽²⁾	342.701	943.119	2.931.277
Specific Provision (-) ⁽³⁾	340.774	934.428	2.690.446
Net Balance on Balance Sheet ⁽²⁾	1.927	8.691	240.831

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

⁽²⁾ Includes the loans originated from funds amounting to TL 251.449 whose risk does not belong to the Bank.

⁽³⁾ As of 31 December 2015 the Bank made 100% provision for the portion of TL 627.566 of the loans under Group V: The Impairment Loss related Credits and Other Receivables which is TL 156.894 after taking guarantees into consideration. Since date of 30 June 2016, the Bank made 100% specific provision for the whole credit risk by giving up to take guarantees into consideration for that loan.

3) Information on foreign currency non-performing loans:

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
Current Period:			
Period Ending Balance	254	34	16.550
Specific Provision (-)	254	34	16.550
Net Balance on Balance Sheet	-	-	-
Prior Period:			
Period Ending Balance	1.062	4.690	5.691
Specific Provision (-)	531	4.690	5.691
Net Balance on Balance Sheet	531	-	-

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
Current Period (Net)	1.927	8.691	240.831
Loans to Real Persons and Legal Entities (Gross)	342.701	867.487	2.931.277
Specific Provisions (-)	340.774	858.796	2.690.446
Loans to Real Persons and Legal Entities (Net)	1.927	8.691	240.831
Banks (Gross)			
Specific Provisions (-)			
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	75.632	-
Specific Provisions (-)	-	75.632	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	146.776	8.086	715.130
Loans to Real Persons and Legal Entities (Gross)	289.920	410.130	2.363.865
Specific Provisions (-)	143.144	402.044	1.648.735
Loans to Real Persons and Legal Entities (Net)	146.776	8.086	715.130
Banks (Gross)			
Specific Provisions (-)			
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	76.609	-
Specific Provisions (-)	-	76.609	-
Other Loans and Receivables (Net)	-	-	-

i) Information on liquidating policy of uncollectible loans and other receivables:

Execution proceedings are carried out for the collection of receivables from loan services of the Bank’s. During this process, tangible guarantees constituting guarantees of receivables of the Bank and assets of the debtor(s) are realized while receivables of the Bank are also tried to be collected and liquidated by means of administrative procedures. Transactions are performed within the context of legislation agreement, which ensures the collection of receivables through administrative channels, and authorizations transferred to the Branch/Regional Management. When the debtor offers exceed authorizations transferred to the Branch/Regional Management or includes matters outside the scope of current legislation agreements and the Branch/Regional Management submit favorable opinion to the Head Office regarding this issue, receivables should be restructured on a company/debtor basis in accordance with the decisions made by the related authorities.

j) Explanations on write-off policy:

The Bank writes off the receivables from its records with the actualized circumstances of deaths of the debtor and/or the related people, refusals of the heritage by the heritors within the legal time limits, becoming legally and effectively impossible of the collection of the receivable, and the given financial accountability decision on the related personnel of the considered receivable.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

k) Other explanations and disclosures:

Current Period	Corporate and Entrepreneurial	Consumer	Agricultural	Total
Neither Past Due nor Impaired Loans ⁽¹⁾	120.437.368	62.296.314	45.242.573	227.976.255
Past Due but not Impaired Loans	2.370.758	1.070.056	975.017	4.415.831
Impaired Loans	2.752.322	824.732	640.043	4.217.097
Total	125.560.448	64.191.102	46.857.633	236.609.183
Specific Provisions of Impaired Loans (-)	2.751.739	818.250	395.659	3.965.648
Net Loan Amount	122.808.709	63.372.852	46.461.974	232.643.535

⁽¹⁾ TL 3.636.941 consumer, TL 2.061.670 agricultural, and TL 18 corporate and entrepreneurial loans originated from funds whose risk does not belong to the Bank, are shown under Neither Past Due nor Impaired Loans.

Prior Period	Commercial	Consumer	Agricultural	Total
Neither Past Due nor Impaired Loans ⁽¹⁾	95.869.566	49.627.211	36.435.772	181.932.549
Past Due but not Impaired Loans	1.651.939	1.382.290	976.081	4.010.310
Impaired Loans	1.843.939	741.401	555.184	3.140.524
Total	99.365.444	51.750.902	37.967.037	189.083.383
Specific Provisions of Impaired Loans (-)	1.264.197	716.121	290.214	2.270.532
Net Loan Amount	98.101.247	51.034.781	37.676.823	186.812.851

⁽¹⁾ TL 3.442.911 consumer, TL 2.135.499 agricultural, and TL 18 commercial loans originated from funds whose risk does not belong to the Bank, are shown under Neither Past Due nor Impaired Loans.

6. Information on held-to-maturity investments:

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	2.301.823	2.384.104	1.114.647	3.567.579
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	2.301.823	2.384.104	1.114.647	3.567.579

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	1.089.898	2.252.339	3.009.483	1.987.576
Other	-	-	-	-
Total	1.089.898	2.252.339	3.009.483	1.987.576

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Current Period	Prior Period
Government Bonds	8.602.440	10.098.944
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Total	8.602.440	10.098.944

c) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities	8.749.464	10.144.142
Quoted in a Stock Exchange	8.602.440	10.098.944
Not Quoted in a Stock Exchange	147.024	45.198
Provision for Impairment (-)	-	-
Total	8.749.464	10.144.142

d) Movements of held-to-maturity investments:

	Current Period	Prior Period
Beginning Balance	10.144.142	10.021.056
Foreign Currency Differences on Monetary Assets	466.322	1.059.935
Purchases During the Year	937.047	148.236
Disposals through Sales and Redemptions	(2.798.047)	(1.085.085)
Provision for Impairment (-)	-	-
Period End Balance	8.749.464	10.144.142

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

Revaluation differences of reclassified available for sale securities before deferred tax are TL 68.984, EUR (23.067) thousand and USD (15.207) thousand respectively and are recorded under shareholders’ equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. At the end of balance sheet date, negative revaluation differences which are accounted under shareholders’ equity are amounted as USD 10.547 thousand and EUR 999 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 24.246 thousand and USD 62.392 thousand respectively.

If the reclassification from the held for trading securities portfolio to the held-to-maturity portfolio had not been performed, income accrual amounting to TL 5.272 would have been recorded. As of 31 December 2016, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL 8.613 (expense).

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

7. Information about associates (net):

a) 1) Information about unconsolidated associates:

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

	Total Assets ⁽²⁾	Shareholders' Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾⁽³⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽²⁾	Prior Period Profit / Loss ⁽²⁾	Fair Value ⁽¹⁾
1	82.182	38.919	53.921	904	-	13.002	3.869	-
2	224.364	130.960	138.543	33.538	-	39.302	33.299	-

⁽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 December 2016. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 December 2015.

⁽³⁾ Total non-current assets include tangible and intangible assets.

b) 1) Explanation regarding consolidated associates:

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

	Total Assets ⁽²⁾	Shareholders' Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽²⁾	Prior Period Profit / Loss ⁽²⁾	Fair Value ⁽¹⁾
1	4.842.849	640.756	21.157	129.633	52.565	61.597	70.106	-

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

⁽²⁾ Current period information of Arap Türk Bankası A.Ş. has been provided from unaudited financial statements as of 31 December 2016. Prior period profit/loss information of ArapTürk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2015.

b) 2) Information about consolidated associates:

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

b) 3) Sector information about consolidated associates:

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

c) Consolidated associates quoted to a stock exchange:

None (31 December 2015: None).

8. Information on subsidiaries (net):

a) 1) Information about unconsolidated subsidiaries:

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

	Total Assets⁽²⁾	Shareholders’ Equity⁽²⁾	Total Non- Current Assets⁽²⁾	Interest Income⁽²⁾	Income from Marketable Securities⁽²⁾	Current Period Profit / Loss⁽²⁾	Prior Period Profit / Loss⁽²⁾	Fair Value⁽¹⁾
1	47.820	13.011	11.784	871	96	2.703	2.984	-

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

⁽²⁾ Current period information of subsidiaries has been provided from unaudited financial statements as of 31 December 2016. Prior period profit/loss information has been provided from audited financial statements as of 31 December 2015.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

b) 1) Information about consolidated subsidiaries:

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

	Description	Address (City/ Country)	The Bank’s Share Percentage-if different Voting Percentage (%)	The Bank’s Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	Istanbul / TURKEY	100,00	100,00
2	Ziraat Sigorta A.Ş.	Istanbul / TURKEY	100,00	100,00
3	Ziraat Finansal Kiralama A.Ş.	Istanbul / TURKEY	100,00	100,00
4	Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul / TURKEY	100,00	99,60
5	Ziraat Portföy Yönetimi A.Ş.	Istanbul / TURKEY	100,00	99,70
6	Ziraat Katılım Bankası A.Ş.	Istanbul / TURKEY	100,00	100,00
7	Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul / TURKEY	100,00	100,00
8	Ziraat Bank International A.G.	Frankfurt / GERMANY	100,00	100,00
9	Ziraat Bank BH d.d.	Sarajevo / BOSNIA HERZEGOVINA	100,00	100,00
10	Ziraat Bank (Moscow) JSC	Moscow / RUSSIA	100,00	100,00
11	Kazakhstan Ziraat Int. Bank	Almaty / KAZAKHSTAN	100,00	99,58
12	Ziraat Bank Azerbaycan ASC	Baku/ AZERBAIJAN	100,00	100,00
13	Ziraat Bank Montenegro AD	Podgorica / MONTENEGRO	100,00	100,00

	Total Assets⁽³⁾	Shareholders’ Equity⁽³⁾	Total Non- Current Assets⁽³⁾	Interest Income⁽³⁾⁽⁴⁾	Income from Marketable Securities⁽²⁾	Current Period Profit / Loss⁽³⁾	Prior Period Profit / Loss⁽³⁾	Fair Value⁽¹⁾	Shareholders equity amount needed
1	3.792.342	394.081	3.895	135.535	-	231.541	162.350	-	-
2	837.640	265.007	2.418	60.878	-	128.912	86.936	-	-
3	2.355.261	265.209	1.348	1.079	-	28.424	37.407	-	-
4	129.226	99.745	617	9.720	48.063	24.935	23.990	-	-
5	29.775	26.156	760	2.550	18.787	8.204	5.653	-	-
6	7.959.507	764.622	66.547	366.243	24.499	30.673	(11.982)	-	-
7	1.327.028	1.326.409	1.056.312	4.169	-	26.409	-	-	-
8	6.196.471	730.421	17.419	149.943	2.752	48.173	32.382	782.931	-
9	1.618.882	294.407	69.017	56.187	728	319	27.651	280.456	-
10	318.227	132.731	9.263	18.874	228	7.271	5.307	109.090	-
11	605.795	242.045	14.295	29.330	7.559	21.508	16.676	237.838	-
12	260.101	117.708	22.396	13.784	72	10.149	9.262	135.261	-
13	148.846	21.664	4.070	2.754	160	(3.736)	(3.205)	29.540	-

(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 December 2016, the prior period profit/loss balances have been provided from audited financial statements as of 31 December 2015.

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

2) Information about consolidated subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	2.442.943	1.453.735
Movements During the Period	1.658.409	989.208
Additions to Scope of Consolidation	-	-
Purchases ⁽¹⁾	1.446.624	997.857
Bonus Shares Obtained	2.996	16.921
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales	-	-
Revaluation Increase	281.824	227.760
Impairment Provision (-)	73.035	253.330
Balance at the End of the Period	4.101.352	2.442.943
Capital Commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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

	Current Period	Prior Period
Banks	2.322.116	1.966.702
Insurance Companies	129.972	129.972
Factoring Companies	-	-
Leasing Companies	282.839	282.839
Financing Companies	-	-
Other Financial Subsidiaries	1.366.425	63.430

c) Subsidiaries which are quoted on a stock exchange:

None (31 December 2015: None).

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

Entities under Common Control (Joint Ventures) ⁽¹⁾	Parent Bank's Share ⁽²⁾	Group's Share	Current Assets	Non- Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	47.649	47.649	967.937	12.930	11.755	37.513	25.788
UTBANK JSC	51.015	51.035	257.090	3.474	21	29.323	20.389
Total	98.664	98.684	1.225.027	16.404	11.776	66.836	46.177

⁽¹⁾ Information on entities under joint control is provided from the unaudited financial statements as of 31 December 2016.

⁽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 2015: None).

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

11. Information on derivative financial assets for hedging purposes:

The Bank has no derivative financial assets for hedging purposes (31 December 2015: None).

12. Information on investment property:

None (31 December 2015: None).

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

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

The Bank’s immovables acquired amount to TL 566.195 consisting of TL 14.160 due to consumer loans, TL 487.583 on its commercial loans and TL 64.452 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 2.798. Total depreciation expense is TL 6.960 for these held for sale assets. (31 December 2015: The Bank’s immovables acquired amount to TL 243.415 consisting of TL 13.494 due to consumer loans, TL 184.069 on its commercial loans and TL 45.852 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1.849. Total depreciation expense is TL 4.658 for these held for sale assets.

14. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End:						
Cost	5.261.605	9.759	44.735	196.387	721.746	6.234.232
Accumulated Depreciation (-)	902.143	2.090	22.547	110.332	351.742	1.388.854
Impairment (-)	3.740	-	-	-	-	3.740
Net Book Value	4.355.722	7.669	22.188	86.055	370.004	4.841.638
Current Period End:						
Net Book Value at the Beginning of the Period	4.355.722	7.669	22.188	86.055	370.004	4.841.638
Change During the Period (Net)	458.118	1.357	(3.430)	(3.454)	20.974	473.565
- Cost	518.191	2.590	(306)	32.721	111.331	664.527
- Depreciation – net (-)	61.501	1.233	3.124	36.175	90.357	192.390
- Impairment (-)	(1.428)	-	-	-	-	(1.428)
- Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	5.779.796	12.349	44.429	229.108	833.077	6.898.759
Accumulated Depreciation at Period End (-)	963.644	3.323	25.671	146.507	442.099	1.581.244
Impairment (-)	2.312	-	-	-	-	2.312
Closing Net Book Value	4.813.840	9.026	18.758	82.601	390.978	5.315.203

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

15. Explanations on intangible assets:

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Establishment Costs	4.859	4.618	241	4.098	3.788	310
Goodwill	-	-	-	-	-	-
Intangible Rights	461.458	148.885	312.573	312.499	101.298	211.201
Total	466.317	153.503	312.814	316.597	105.086	211.511

- Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.
- Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition : None.
- The book value of intangible fixed assets that are pledged or restricted for use: None.
- Amount of purchase commitments for intangible fixed assets: None
- Information on revalued intangible assets according to their types: None.
- Amount of total research and development expenses recorded in income statement within the period if any: None.
- Positive or negative consolidation goodwill on entity basis: Not applicable for the unconsolidated financial statements
- Information on Goodwill: None.

16. Information on deferred tax asset:

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit in accordance with the Turkish Accounting Standards (TAS 12) “Income Taxes”. In the computation of deferred tax, effective tax rates as of the balance sheet date are used in accordance with the current tax legislation.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Calculated deferred tax assets and deferred tax liabilities are net off in the financial statements.

Information on calculated deferred tax including deductible temporary differences, financial losses, tax deductibles and tax exemptions is shown below:

	Current Period	Prior Period
Deferred Tax Assets	175.538	261.730
Deferred Tax Liabilities	(99.781)	-
Net Deferred Tax Assets	75.757	261.730
Net Deferred Tax Income / (Expense)	(97.521)	(583.824)

	Current Period	Prior Period
Reserve for Employment Termination Benefits	138.038	136.654
Short Term Employee Benefits	37.500	33.720
Financial Assets Valuation	(93.267)	49.940
Other	(6.514)	41.416
Net Deferred Tax Assets	75.757	261.730

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

	Current Period	Prior Period
As of 1 January	261.730	220.823
Effect of Change in the Effective Tax Rate	-	-
Deferred Tax (Expense) / Income	(97.521)	(583.824)
Deferred Tax Expenses (Net)	(97.521)	(583.824)
Deferred Tax Recognized Under Shareholders' Equity	(88.452)	624.731
Deferred Tax Assets	75.757	261.730

17. Information on other assets:

As of 31 December 2016 and 2015, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

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

1) For deposit banks:

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

Prior Period	Demand	7 Days Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	15.816.483	-	2.735.768	53.726.579	4.216.969	983.553	725.483	5.538	78.210.373
Foreign Currency Deposits	11.985.041	-	8.833.462	16.142.462	4.764.012	3.584.819	12.365.829	431	57.676.056
Residents in Turkey	10.818.260	-	8.648.524	14.110.439	4.266.621	2.916.587	9.711.963	431	50.472.825
Residents Abroad	1.166.781	-	184.938	2.032.023	497.391	668.232	2.653.866	-	7.203.231
Public Sector Deposits	5.760.534	-	3.350.698	4.464.880	1.246.059	2.865.402	12.219	-	17.699.792
Commercial Inst. Deposits	4.162.028	-	3.961.935	4.971.688	1.051.130	49.035	56.548	-	14.252.364
Other Inst. Deposits	1.529.794	-	1.855.891	3.036.021	258.961	737.257	261.839	-	7.679.763
Precious Metals	1.038.839	-	25.203	123.100	18.600	9.382	8.662	-	1.223.786
Interbank Deposits	336.455	-	6.095.526	989.548	1.078.159	1.116.474	111.139	-	9.727.301
CBRT	875	-	-	-	-	-	-	-	875
Domestic Banks	32.900	-	5.046.468	51.023	93.274	36.885	-	-	5.260.550
Foreign Banks	89.063	-	1.049.058	938.525	984.885	1.079.589	111.139	-	4.252.259
Participation Banks	213.617	-	-	-	-	-	-	-	213.617
Other	-	-	-	-	-	-	-	-	-
Total	40.629.174	-	26.858.483	83.454.278	12.633.890	9.345.922	13.541.719	5.969	186.469.435

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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 ⁽²⁾	60.568.084	52.356.589	29.701.060	25.598.381
Foreign Currency Saving Deposits ⁽²⁾	21.431.931	19.394.479	28.972.511	23.644.817
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance ⁽¹⁾	636.306	549.775	42.853	57.489
Deposits at Off-Shore Banking Regions’ and under Foreign Authorities’ Insurance	-	-	-	-

⁽¹⁾ In Bulgaria and Greece, since both real person and legal entity’s saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 47.282 and TL 13.226 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2015: Bulgaria and Greece, TL 57.299 and TL 7.465, respectively).

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

Based on the Council of Minister’s decree dated 29 December 2003 and numbered 2003/6668, TL 940 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş.

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of the Banks. As total of capital amount and interest expense accruals of saving deposits up to TL 100 attributable to a real person is covered by the insurance, TL 514.083 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 15 February 2013 and numbered 28560.

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

The Bank’s head office is located in Turkey.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (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	81.373	52.302
Deposits of Ultimate Shareholders and Their Close Family Members	-	-
Deposits of Chairman and Members of the Board of Directors, CEO, Executive Vice Presidents and Their Close Family Members	6.448	3.923
Deposits Obtained through Illegal Acts Defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

2. Information on derivative financial liabilities held for trading:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	33.498	51.481	26.696	43.551
Swap Transactions	206.170	352.444	3.956	218.044
Futures Transactions	-	-	-	-
Options	35	-	3	21
Other	-	-	-	-
Total	239.703	403.925	30.655	261.616

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	854.994	613.745	448.444	363.932
Foreign Banks, Institutions and Funds	933.948	20.414.049	944.015	17.786.257
Total	1.788.942	21.027.794	1.392.459	18.150.189

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	844.858	6.024.836	434.340	6.076.594
Medium and Long-Term	944.084	15.002.958	958.119	12.073.595
Total	1.788.942	21.027.794	1.392.459	18.150.189

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

62,34% of the Bank’s liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Bank’s liabilities are not subject to a significant concentration risk.

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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
From Domestic Transactions	30.251.538	-	27.240.963	-
Financial Institutions and Organizations	30.077.731	-	27.020.179	-
Other Institutions and Organizations	166.520	-	212.000	-
Real Person	7.287	-	8.784	-
From Overseas Operations	-	12.270.423	-	14.744.813
Financial Institutions and Organizations	-	12.270.423	-	14.744.813
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
Total	30.251.538	12.270.423	27.240.963	14.744.813

e) Information on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.156.778	-	2.199.333	756.233
Asset-Backed Securities	-	-	-	-
Treasury Bills	-	4.676.223	-	2.332.040
Total	2.156.778	4.676.223	2.199.333	3.088.273

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

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

5. Information on finance lease payables (net):

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

Information on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	499	492	699	686
Between 1-4 Years	-	-	-	-
More than 4 Years	-	-	-	-
Total	499	492	699	686

6. Information on derivative financial liabilities for hedging purposes:

There are no derivative financial liabilities for hedging purposes (31 December 2015: None).

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

7. Explanations on provisions:

a) Information on general provisions:

	Current Period	Prior Period
General Provisions	3.921.625	2.844.184
Allocated for Group-I Loans and Receivables	3.190.815	2.459.607
Additional Provision for Loans and Receivables with Extended Maturities	233.456	121.600
Allocated for Group-II Loans and Receivables	175.700	151.763
Additional Provision for Loans and Receivables with Extended Maturities	61.127	28.425
Allocated for Non-cash Loans	465.263	163.020
Other	89.847	69.794

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

Foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables amount to TL 327 (31 December 2015: TL 5.561).

c) Information on specific provisions for unindemnified non-cash loans:

Specific provisions for unindemnified non-cash loans amount to TL 150.916 (31 December 2015: TL 55.629).

d) Information on other provisions:

1) Information on free provisions for possible risks:

These financial statements include a free provision which is not in accordance with BRSA Principles amounting to TL 945.000 (TL 295.400 of this provision amount was reversed from the income statement in the current year), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions. Moreover, the provision of TL 19.700 and other provision of TL 244 exist for cash transfers made by Bank officials.

	Current Period	Prior Period
Provisions for Possible Risks	964.944	1.257.419

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

Based on the information provided by the legal department, lawsuits against the Bank over TL 100 amounts to TL 65.095. Full provision has been provided in these financial statements for law suits ended against the Bank but not finalized yet, amounting to TL 35.709.

Based on the decision of the Bank management, provision amounting to TL 60.400 is provided for the consumer loans followed under standard loan portfolio that also have amounts in the non-performing loan portfolio in compliance with the Act on Preservation of Consumers numbered 4077. The provision is made in accordance with the “Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”, published in Official Gazette numbered 26333, dated 1 November 2006 and considering the conservatism principle without taking into consideration the guarantees of these loans.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

The Bank also provided provisions amounting to TL 150.916 (31 December 2015: TL 55.629) for unindemnified non-cash loans, and TL 41.728 (31 December 2015: TL 28.436) for other provisions. As a result of the provisions mentioned above, the other provision balance on the Bank’s balance sheet amounts to TL 1.253.697 (31 December 2015: TL 1.464.843).

e) Liabilities on reserve for employee termination benefits

1) Employment termination benefits and unused vacation rights

The Bank accounts for its vacation and retirement pay obligations in accordance with the TAS 19 “Employee Benefits”. The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation. As of 31 December 2016, unpaid vacation liability amounted to TL 187.500 (31 December 2015: TL 168.600) and employment termination amounted to TL 690.189 (31 December 2015: TL 683.269) are presented under the “Employee Benefits Provision” in the financial statements.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
As of 1 January	683.269	666.464
Current Service Cost	55.867	46.701
Interest Cost	73.999	46.244
Severance Pay	(114.314)	(93.519)
Payment/Abating Benefits/ Gain (Loss) in consequence of Layoff	(212)	(76)
Actuarial Gain (Loss)	(8.420)	17.455
Balance at period end	690.189	683.269

2) Pension Rights

The technical balance sheet reports which are prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9,80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2016 and 2015.

The liability related to Bank’s benefits to be transferred to SSI as of the balance sheet date is expected payment to be made to SSI during the transfer. Actuarial parameters and results used in calculation of this amount reflects the Act’s, numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, principles related to pension and health benefits to be transferred to SSI (9,80% real discount rate, etc.).

According to related Actuary Report, the Fund’s surplus is TL 2.835.975 as of 31 December 2016 (31 December 2015: TL 2.284.502).

	Current Period	Prior Period
Present value of funded obligations	1.197.092	911.002
-Pension benefits transferable to SSI	361.635	212.216
-Post employment medical benefits transferable to SSI	835.457	698.786
Fair value of plan assets	1.638.883	1.373.500
Actuarial Surplus	2.835.975	2.284.502

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

The principal actuarial assumptions used are as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9,80%	9,80%
- Post employment medical benefits transferable to SSI	9,80%	9,80%

To represent mortality rates both before and after retirement, CSO 1980 Female/Male mortality table is used.

Plan assets are comprised as follows:

	Current Period	Prior Period
Bank Placements	1.284.298	1.114.760
Property and Equipment	66.844	149.281
Marketable Securities	-	-
Other	287.741	109.459
Total	1.638.883	1.373.500

8. Information on tax liability:

a) Information on current tax liability:

1) Information on tax provisions:

As of 31 December 2016, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 404.409 (31 December 2015: TL 402.339).

2) Information on current taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	404.409	402.339
Taxation on Income From Securities	211.632	201.694
Property Tax	2.399	2.186
Banking Insurance Transactions Tax (BITT)	138.046	113.890
Foreign Exchange Transactions Tax	59	28
Value Added Tax Payable	5.881	4.307
Other	62.453	50.243
Total	824.879	774.687

3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	33	30
Social Security Premiums - Employer	47	42
Bank Social Aid Pension Fund Premium - Employee	8.840	330
Bank Social Aid Pension Fund Premium - Employer	12.400	528
Pension Fund Membership Fees and Provisions - Employee	13	10
Pension Fund Membership Fees and Provisions - Employer	59	45
Unemployment Insurance - Employee	1.348	544
Unemployment Insurance - Employer	2.696	1.089
Total	25.436	2.618

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

b) Information on deferred tax liabilities, if any:

The Bank’s deferred tax asset amounts to TL 912.442 (31 December 2015: TL 538.021). However, this amount is netted off against the deferred tax liability and accordingly deferred tax liability amounting to TL 75.757 (31 December 2015: TL 261.730) is presented in the financial statements.

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

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

9. Explanations on subordinated debts:

The Bank does not have any subordinated debts.

10. Information on shareholders’ equity:

a) Presentation on paid-in capital:

	Current Period	Prior Period
Common stock	5.100.000	5.000.000
Preferred stock	-	-

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

The Bank does not have a registered capital system.

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

In accordance with the decision taken at the Ordinary General Assembly, carried out on 30 March 2016, the paid-in capital of the bank which was TL 5.000.000 has been increased by TL 28.000 from internal sources, and TL 72.000 cash to TL 5.100.000 and the capital increase has been registered to Trade Registry Gazette No. 9071 dated 9 May 2016.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (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	342.182	61.381
Revaluation Difference	-	1.025	-	61.381
Foreign Exchange Difference	615.642	-	342.182	-
From Available for Sale Marketable Securities	(1.259.685)	(355.468)	(1.344.071)	619.468
Revaluation Difference	(1.656.280)	(355.468)	(1.619.618)	619.468
Deferred Tax Effect	396.595	-	275.547	-
Foreign Exchange Difference	-	-	-	-
Total	(644.043)	(354.443)	(1.001.889)	680.849

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III. EXPLANATIONS AND NOTES TO OFF-BALANCE SHEET ACCOUNTS

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	7.258.758	7.130.144
Other Irrevocable Commitments	7.220.867	4.712.618
Loan Granting Commitments	3.598.753	2.805.813
Payment Commitments for Cheques	3.138.916	3.076.439
Asset Purchase and Sale Commitments	2.123.301	1.848.592
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	22.138	20.185
Subsidiaries and Associates Capital Contribution Commitments	-	-
Total	23.362.733	19.593.791

b) Nature and amount of possible losses and commitments arising from the off-balance sheet items including the below mentioned:

Bank has no possible losses arising from the off-balance sheet items.

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

	Current Period	Prior Period
Guarantee Letters	65.779.579	49.241.937
Letter of Credits	9.121.397	6.852.933
Bank Acceptances	4.254.132	4.191.305
Total	79.155.108	60.286.175

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

	Current Period	Prior Period
Letters of Certain Guarantees	41.993.880	31.838.860
Letters of Advance Guarantees	17.582.696	12.911.588
Letters of Temporary Guarantees	3.381.752	2.734.608
Letters of Guarantees given to Customs Offices	753.939	655.083
Other Letters of Guarantees	2.067.312	1.101.798
Total	65.779.579	49.241.937

c) 1) Total non-cash loans:

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	810.996	786.280
With Original Maturity of One Year or Less	2.183	284
With Original Maturity of More than One Year	808.813	785.996
Other Non-Cash Loans	78.344.112	59.499.895
Total	79.155.108	60.286.175

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III. EXPLANATIONS AND NOTES TO OFF-BALANCE SHEET ACCOUNTS (Continued)

c) 2) Information on sectoral risk concentrations of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	66.276	0,27	14.374	0,03	38.976	0,20	23.711	0,06
Farming and Raising Livestock	24.908	0,10	92	-	154	-	-	-
Forestry	41.368	0,17	14.282	0,03	38.822	0,20	23.711	0,06
Fishing	-	-	-	-	-	-	-	-
Manufacturing	6.369.469	25,72	27.491.362	50,54	5.042.506	25,59	21.459.362	52,88
Mining and Quarrying	234.866	0,95	265.710	0,49	147.703	0,75	205.000	0,51
Production	3.947.744	15,94	25.159.690	46,26	3.195.510	16,21	19.169.229	47,24
Electric, Gas and Water	2.186.859	8,83	2.065.962	3,80	1.699.293	8,62	2.085.133	5,14
Construction	6.327.345	25,55	14.905.357	27,40	4.314.151	21,89	10.822.868	26,67
Services	11.542.354	46,61	11.355.670	20,88	9.205.882	46,71	6.307.578	15,54
Wholesale and Retail Trade	5.562.864	22,46	3.421.018	6,29	5.048.269	25,62	2.868.971	7,07
Hotel, Food and Beverage Services	132.315	0,53	264.205	0,49	111.654	0,57	169.961	0,42
Transportation and Telecommunication	1.122.151	4,53	3.419.070	6,29	844.375	4,28	1.714.324	4,22
Financial Institutions	3.465.541	13,99	2.772.707	5,10	2.166.818	11,00	374.183	0,92
Real Estate and Leasing Services	1.143.793	4,62	1.413.797	2,60	943.923	4,79	1.103.379	2,72
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	68.136	0,28	7.067	0,01	52.607	0,27	18.500	0,05
Health and Social Services	47.554	0,19	57.806	0,11	38.236	0,19	58.260	0,14
Other	457.885	1,85	625.016	1,15	1.105.630	5,61	1.965.511	4,84
Total	24.763.329	100,00	54.391.779	100,00	19.707.145	100,00	40.579.030	100,00

c) 3) Information on the non-cash loans classified under Group I and Group II:

	Group I:		Group II:	
	TL	FC	TL	FC
Non-Cash Loans	24.609.091	54.314.613	154.238	77.166
Letters of Guarantee	24.417.383	41.134.282	154.238	73.676
Bank Acceptances	34.549	4.218.355	-	1.228
Letters of Credit	157.159	8.961.976	-	2.262
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	-	-	-

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III. EXPLANATIONS AND NOTES TO OFF-BALANCE SHEET ACCOUNTS (Continued)

2. Explanations on derivative transactions: (Continued)

	Current Period	Prior Period
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions: (I)	71.084.519	51.314.233
Forward Transactions	5.299.697	5.429.493
Swap Transactions	65.762.504	45.828.320
Futures Transactions	-	-
Option Transactions	22.318	56.420
Interest Related Derivative Transactions (II)	9.322.634	6.235.626
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	9.322.634	6.235.626
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivative Transactions: (III)	-	-
A. Total Trading Derivative Transactions (I+II+III)	80.407.153	57.549.859
Types of Hedging Derivative Transactions		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
B. Total Hedging Derivative Transactions	-	-
Total Derivative Transactions (A+B)	80.407.153	57.549.859

The Bank has no derivative instruments for hedging purposes. There are no unrealized transactions (those are estimated in the prior period and recognized based on this assumption however; it is clear that those transactions would not be realized) or expense and income from agreements in the income statement in the current period.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Derivatives held for trading						
Foreign exchange derivatives	106.762	(2.361)	503.202	588.302	-	1.195.905
- Inflow	23.462.232	7.454.445	2.592.683	2.630.852	-	36.140.212
- Outflow	(23.355.470)	(7.456.806)	(2.089.481)	(2.042.550)	-	(34.944.307)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	4.661.317	4.661.317
- Outflow	-	-	-	-	(4.661.317)	(4.661.317)
Derivatives held for hedging						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total Inflow	23.462.232	7.454.445	2.592.683	2.630.852	4.661.317	40.801.529
Total Outflow	(23.355.470)	(7.456.806)	(2.089.481)	(2.042.550)	(4.661.317)	(39.605.624)

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III. EXPLANATIONS AND NOTES TO OFF-BALANCE SHEET ACCOUNTS (Continued)

2. Explanations on derivative transactions: (Continued)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Derivatives held for trading						
Foreign exchange derivatives	57.831	11.138	33.267	485.629	-	587.865
- Inflow	21.191.213	729.772	1.615.897	2.414.167	-	25.951.049
- Outflow	(21.133.382)	(718.634)	(1.582.630)	(1.928.538)	-	(25.363.184)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	3.117.813	3.117.813
- Outflow	-	-	-	-	(3.117.813)	(3.117.813)
Derivatives held for hedging						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total Inflow	21.191.213	729.772	1.615.897	2.414.167	3.117.813	29.068.862
Total Outflow	(21.133.382)	(718.634)	(1.582.630)	(1.928.538)	(3.117.813)	(28.480.997)

3. Explanations on contingent assets and liabilities:

Provision is allocated for transactions with complete and accurate data that may have an effect on the financial structure of the Bank and otherwise, provision is provided based on the estimations.

The Bank’s liability resulting from the cheques given to its customers amounts to TL 3.138.916 (31 December 2015: TL 3.076.439).

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

4. Explanations on services in the name of others:

The Bank acts as an intermediary for purchases and sales of government securities on behalf of individuals and entities, conducts repo transactions, and provides custody services. The Bank does not provide consultancy and management services.

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

1. a) Information on interest income from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans ⁽¹⁾	18.686.712	2.825.471	14.640.081	2.036.868
Short Term Loans	4.627.255	88.518	3.762.406	80.679
Medium and Long Term Loans	13.937.004	2.736.916	10.712.432	1.956.166
Interest on Non-Performing Loans	122.453	37	165.243	23
Premiums from Resource Utilization Support Fund	-	-	-	-

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

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

b) Information on interest received from the banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	4.508	-	1.231	-
Domestic Banks	39.866	2.688	35.763	449
Foreign Banks	2.182	36.885	1.547	27.971
Head Office and Branches	-	-	-	-
Total	46.556	39.573	38.541	28.420

c) Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	938	424	1.299	252
Financial Assets at Fair Value through Profit and Loss	-	-	-	-
Financial Assets Available-for-Sale	4.032.825	676.838	3.924.583	492.433
Investments Held-to-Maturity	416.053	360.790	412.024	366.630
Total	4.449.816	1.038.052	4.337.906	859.315

d) Information on interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	22.674	14.892

2. a) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks ⁽¹⁾	118.890	350.641	107.542	295.799
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	33.935	5.957	21.073	3.946
Foreign Banks	84.955	344.684	86.469	291.853
Head Office and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	118.890	350.641	107.542	295.799

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

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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	61.146	31.645

c) Information on interest given on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	219.766	162.533	174.551	106.600

d) Maturity structure of the interest expense on deposits:

Account Name	Demand Deposit	Time Deposit						Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 year			
TL									
Bank Deposit	-	378.609	-	-	-	-	-	378.609	
Saving Deposit	1	217.549	5.144.517	365.263	75.923	57.058	2.558	5.862.869	
Public Sector Deposit	215	340.316	417.077	100.430	306.369	762	-	1.165.169	
Commercial Deposit	174	516.269	585.329	50.493	32.432	6.428	-	1.191.125	
Other Deposit	100	138.541	365.111	37.398	69.267	29.371	-	639.788	
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-	
Total	490	1.591.284	6.512.034	553.584	483.991	93.619	2.558	9.237.560	
FC									
Foreign Currency Deposit	814	75.095	236.719	55.330	47.220	205.902	15	621.095	
Bank Deposit	60	51.155	-	62	-	-	-	51.277	
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-	
Gold Vault	-	118	969	142	79	83	-	1.391	
Total	874	126.368	237.688	55.534	47.299	205.985	15	673.763	
Grand Total	1.364	1.717.652	6.749.722	609.118	531.290	299.604	2.573	9.911.323	

3. Explanations on dividend income:

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-Sale Financial Assets	30.302	2.188
Other ⁽¹⁾	228.882	210.868
Total	259.184	213.056

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period	Prior Period
Profit	33.233.065	37.881.153
Foreign Exchange Gains	29.741.034	34.269.050
Profit on Derivative Financial Instruments	3.457.893	3.534.354
Profit from the Capital Market Transactions	34.138	77.749
Loss (-)	33.420.902	38.046.692
Foreign Exchange Loss	28.136.772	33.265.185
Loss on Derivative Financial Instruments	5.280.480	4.780.181
Loss from the Capital Market Transactions	3.650	1.326

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	1.506.876	156.786
Effect of the change in interest rates on profit/loss	(3.329.463)	(1.402.613)
Total	(1.822.587)	(1.245.827)

6. Information on other operating income:

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

There are no significant matters covering the recent developments which have significant effect on the Bank’s income. Main component of the Bank’s other operating income consists of reversals from prior period provisions amounting to TL 839.296 (31 December 2015: TL 776.168) and income from sales of assets amounting to TL 212.041 (31 December 2015: TL 98.170).

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

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables ⁽¹⁾	2.250.153	880.862
Group III Loans and Receivables	378.938	161.286
Group IV Loans and Receivables	925.264	413.388
Group V Loans and Receivables	945.951	306.188
General Provision Expenses ⁽²⁾	1.078.085	529.360
Provision Expenses for the Possible Losses	3.960	7.350
Marketable Securities Impairment Expense	119	1.714
Financial Assets at Fair Value through Profit and Loss	-	33
Financial Assets Available for Sale	119	1.681
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Business Partners)	-	-
Investment Securities Held to Maturity	-	-
Other	12.553	1.268
Total	3.344.870	1.420.554

⁽¹⁾ The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL 459.750 are presented in other operating income (31 December 2015: TL 545.644).

⁽²⁾ The relevant balances include the expenses related to the current period. The provision reversals within the period amounting to TL 644 are presented in other operating income.

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

8. a) Information on other operating expenses:

	Current Period	Prior Period
Personnel Expenses	2.286.812	2.065.716
Reserve for Employee Termination Benefits	19.639	21.185
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	304.805	277.953
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	45.338	44.304
Impairment Expense for Equity Shares subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	2.803	2.619
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	1.302.561	1.183.752
Operational Leasing Expenses	212.513	182.999
Maintenance Expenses	78.622	84.341
Advertisement Expenses	83.419	95.112
Other Expenses	928.007	821.300
Loss on Sales of Assets	1.290	1.605
Other ⁽¹⁾	1.339.751	1.611.108
Total	5.302.999	5.208.242

⁽¹⁾ TL 475.532 of other item consists of Saving Deposit Insurance Fund accrual expense (31 December 2015: TL 405.201) while TL 499.342 consists of taxes, duties and charges expense (31 December 2015: TL 407.768).

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

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

	Current Period	Prior Period
Net Interest Income	13.948.271	10.508.926
Net Fees and Commissions Income	1.642.848	1.300.081
Dividend Income	1.554.538	1.339.895
Trading Income/Expense (Net)	259.184	213.056
Other Operating Income	(187.837)	(165.539)
Provision for Loan or Other Receivables Losses (-)	3.344.870	1.420.554
Other Operating Expenses (-)	5.302.999	5.208.242
Profit / (Loss) From Continuing Operations	8.569.135	6.567.623

10. Information on tax provision for continuing and discontinuing operations

As of 31 December 2016, TL 1.992.715 (31 December 2015: TL 1.405.153) of the Bank’s total tax provision expense amounting to TL 1.895.194 (31 December 2015: 821.329), consists of current tax expense while remaining balances amounting to TL 97.521 (31 December 2015: TL 583.824 deferred tax expense) consists of deferred tax income.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

The Bank’s net operating income after tax amounts to TL 6.576.420 (31 December 2015: TL 5.162.470).

12. Information on net profit/loss:

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

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

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

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period (31 December 2015: None).

13. If other items in the income statement exceed 10% of the income statement total, sub-accounts constituting at least 20% of these items are shown below:

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

a) Explanations on inflation adjustment differences for equity items:

As per the BRSA's Circular numbered 5 announced on 28 April 2005, it is stated that the indicators of hyperinflationary period are eliminated to a large extent, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 on 21 April 2005.

b) Explanations on profit distribution:

In accordance with the decision taken in the General Assembly of the year 2015, which was carried out on 30 March 2016, from TL 5.162.470 net profit, which is subject to distribution, TL 258.124 is transferred to first legal reserve and TL 24.200 is transferred to second legal reserve TL 220.000 was paid to employees and TL 231.200 is distributed to Treasury after deducting withholding tax of 15% (TL 40.800) in cash. In this context, TL 4.388.146 of the profit is preserved; dividend payment made to Treasury on 15 April 2016, and TL 186.788 was paid to employees as an additional premium. With respect to the decision of the Board of Directors the remaining amount of additional premium to employees, which amounts 33.212 TL has been transferred to the “Profit Reserves” account.

Bank is planning to distribute its profit on 2016 in accordance with its articles of association. However, as of the report date, there is no decision taken regarding the profit distribution.

c) Explanations on Available For Sale Financial Assets:

Available for sale financial assets are not included in the current income statement, until their collections, disposals, sales or losses are realized and those assets are recognized under the “Marketable Securities Revaluation Fund” under equity. In accordance with TAS 39 and due to the change in the Bank's intention to hold the previously classified as available for sale securities to maturity the Bank has reclassified the securities under available for sale portfolio to held to maturity portfolio. The valuation differences of these securities is presented under shareholders' equity as a “Marketable Securities Valuation Differences” and transferred to profit/loss with subject to redemption with proportional to the maturity of security.

Subsidiaries and jointly controlled entities domiciled and operating abroad are followed by their fair values. For such subsidiaries and entities under common control, the fair value is determined with revaluation report prepared by independent valuation firm and revaluation differences are recognized under “Marketable Securities Revaluation Fund” under equity.

d) Profit Reserves:

As of the balance sheet date, profit reserves amount to TL 22.681.245, legal reserves amount to TL 3.203.305, extraordinary reserves amount to TL 18.052.605 and other profit reserves amount to TL 1.425.335.

e) Explanations Related to Prior Period Profit/Loss

The revaluation increase in the account “Tangible Assets Revaluation Reserves” amounting to TL 746.547 related with the properties transferred as capital in kind to Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş. is classified in the profit/loss of the previous year under the “TAS 16 Property, Plant and Equipment” standard.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. EXPLANATIONS ON CASH FLOW STATEMENTS

Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 5.930.079 is composed mainly from interest received from loans and securities amounting to TL 26.056.965 and interest paid to deposit and money market operations which is amounting to TL 12.988.609. Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 1.042.601 as of 31 December 2016 (31 December 2015: TL 549.935).

Cash in TL, cash in foreign currency, Central Bank of the Republic of Turkey, money in transit, bank cheques purchased and cash on money market operations are defined as “cash”; interbank money transactions placements having maturities less than three months, and time deposits in banks are defined as “cash equivalents”.

Period opening and end cash and cash equivalents balance:

Period Opening	Current Period	Prior Period
Cash in TL and in Foreign Currency	2.427.513	1.783.890
Central Bank of the Republic of Turkey and Other Banks	5.636.584	3.082.482
Money Market Operations	-	-
Total Cash and Cash Equivalents	8.064.097	4.866.372

Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	2.655.156	2.427.513
Central Bank of the Republic of Turkey and Other Banks	12.911.327	5.636.584
Money Market Operations	-	-
Total Cash and Cash Equivalents	15.566.483	8.064.097

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

a) Current Period:

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 ⁽²⁾	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables ⁽¹⁾						
Opening Balance	4.693.525	1.919.303	-	-	-	-
Closing Balance	6.880.240	3.502.628	-	-	-	-
Interest and Commissions Income	22.674	-	-	-	-	-

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

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

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 ⁽²⁾	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables ⁽¹⁾						
Opening Balance	3.320.000	1.612.751	-	-	-	-
Closing Balance	4.693.525	1.919.303	-	-	-	-
Interest and Commissions Income	14.892	-	-	-	-	-

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

⁽²⁾ Placements to foreign banks in the risk group amounting to TL 1.177.445 are included in the cash loans.

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Opening Balance	553.962	411.176				
Closing Balance	1.545.917	553.962				
Interest Expense on Deposits	61.146	31.645				

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss						
Opening Balance	66.595	-	-	-	-	-
Closing Balance	127.897	66.595	-	-	-	-
Total Profit/Loss	(5.424)	4.735	-	-	-	-
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

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

Fees paid to the Bank’s key management amount to TL 29.166 (31 December 2015: TL 27.329).

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIII. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

- 1) The Bank was continuing its national and international banking activities via its domestic / foreign branches and subsidiaries that serve in different financial areas under the ownership of Undersecretariat of Treasury. With the decision agreed, decree no. 2017/9756 dated 24 January 2017, the Bank will continue its operations under the ownership of the Turkey Wealth Fund.
- 2) A protocol has been signed with SSO on 1 February 2017 regarding the payment of promotions by the Bank to customers who receive Emekli Sandığı, SSK, Bağ-Kur (all referred as Social Security Organization) pension payments through the Bank.

IX. EXPLANATIONS AND NOTES RELATED TO DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR AFFILIATES AND FOREIGN REPRESENTATIVES OF THE BANK

1. Information on the Bank’s domestic and foreign branches and foreign representatives of the Bank:

	Number	Number of Employees			
Domestic Branch ⁽¹⁾	1.786	24.932			
			Country of Incorporation		
Foreign Representative Office ⁽²⁾	1	-	1- Iran		
				Total Assets	Statutory Share Capital
Foreign Branch ⁽²⁾	1	2	1- USA	1.295.174	412.020
	1	2	2- England	5.375.390	184.104
	4	2	3- Bulgaria	199.844	52.051
	3	6	4- Georgia	97.975	20.149
	2	3	5- Iraq	307.190	49.106
	4	4	6- Greece	382.891	122.093
	1	2	7- Saudi Arabia	120.251	52.614
	1	-	8- Kosovo	68.419	36.998
	10	42	9- T.R. of Northern Cyprus	1.201.983	136.238
Off-Shore Banking Region Branches	1	1	1- Bahrain	2.434.370	17.538

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

⁽²⁾ Excluding the local employees of the foreign branches.

2. Information on the Bank about opening, closing, changing its organization considerably for domestic and foreign branches and foreign representatives of the Bank:

In 2016, 15 new branches were opened, 15 branches were closed in Turkey. On the other side, Bahrain branch in Bahrain has started to its operations in 28 November 2016 in abroad.

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SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. INFORMATION ON THE BANK’S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL RATING AGENCIES

Information on the assessment done by the international rating agencies Moody’s Investor Services, Fitch Ratings and JCR Eurasia are as follows:

Moody’s Investor Services: September 2016

Outlook	Stable
Long term Foreign Currency Deposit	Ba2
Short term Foreign Currency Deposit	Not-Prime
Long term Turkish Liras Deposit	Ba1
Short term Turkish Liras Deposit	Not-Prime
Long term Foreign Currency Bond	Ba1
Long term Turkish Lira Bond	Ba1
Basic Credit Note	ba2
Adjusted Basic Credit Note	ba2

Fitch Ratings: October 2016

Foreign Currency Commitments	BBB-
Outlook	Negative
FC Long Term	F3
TL Long Term	BBB-
Outlook	Negative
TL Short Term	F3
National Long Term	AAA (tur)
Outlook	Stable
Support	2
Support Rating Base	BBB-
Financial Capability Grade	bbb-

JCR Eurasia: November 2016

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

II. OTHER EXPLANATIONS ON THE BANK’S OPERATIONS

None.

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SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT

As of 31 December 2016, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and Independent Auditor’s Report dated 17 February 2017 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

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