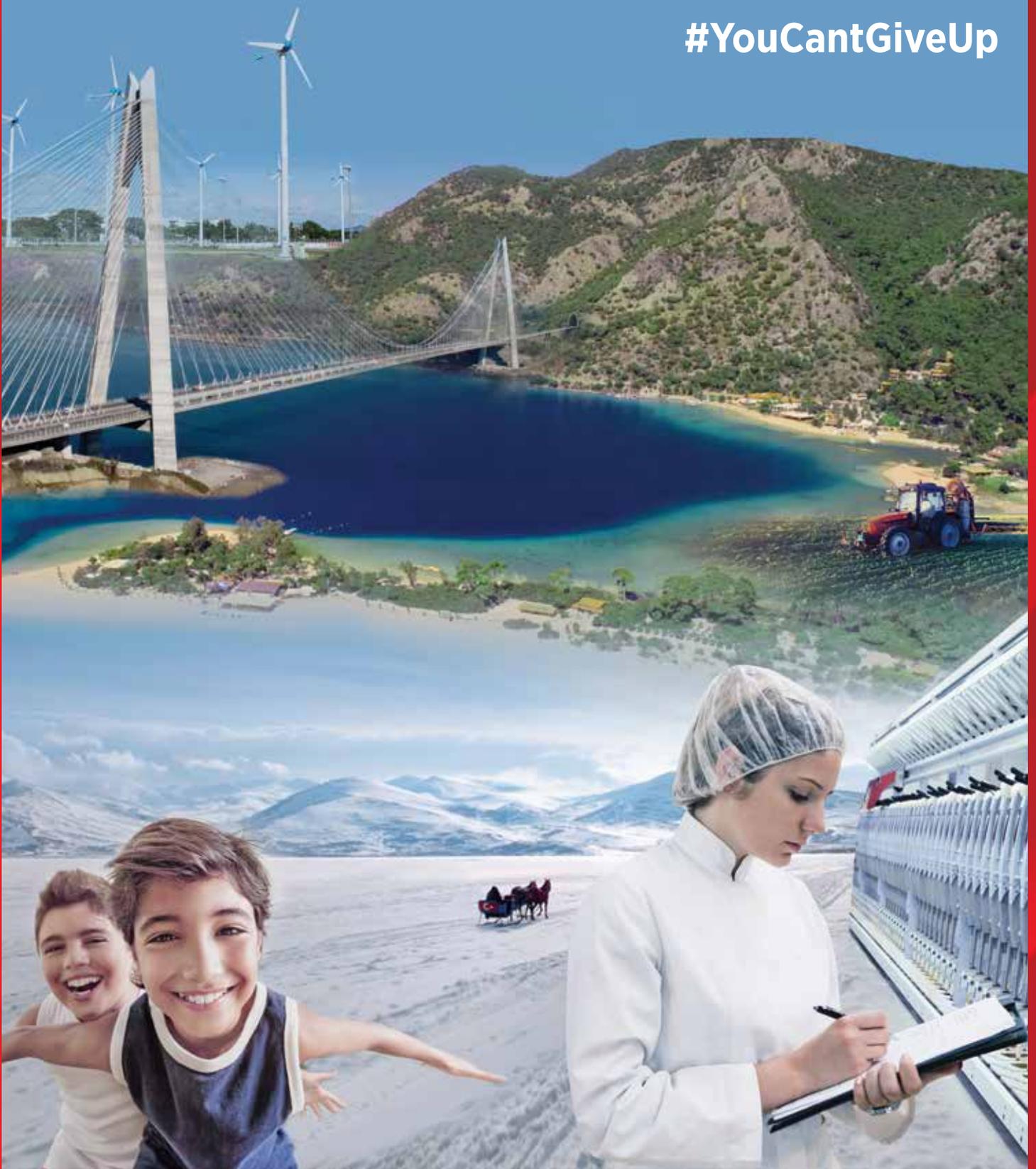


#YouCantGiveUp



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OUR VISION-OUR MISSION-OUR STRATEGIES

Our Vision

To be a bank that understands customer needs and expectations, thereby offering them the best solutions and value proposition from the most appropriate channel; a bank that brings to every segment of society a wide range of products and services in the fastest, most effective way through its extensive network of branches and alternative distribution channels; a bank that operates with profitability and productivity at global standards by recognizing its ethical values and social responsibility; a bank that holds customer satisfaction to be more important than anything else.

Our Mission

To be a leading bank that is universal, respected and has high market value; a bank that provides extensive, reliable service everywhere in Turkey and the world at the same quality, and meets the needs of every segment; a bank that sees human resources as its most valuable asset; a bank that continuously makes a difference and creates value in a way that befits its deep-rooted past; a bank that promises more from a bank at every stage and serves as a model for its competitors.

Our Strategies

Banking for Everyone

- To be “Morale Bank” that derives satisfaction and happiness from working with its customers,
- To provide universal service at the same high level of quality everywhere in the world,
- To manage its agricultural – especially industrial agricultural financing more effectively,
- To ensure organic growth in the local and global distribution network.

Effective Banking

- To ensure the optimization of sectoral distribution in the portfolio of the corporate customer,
- To proactively manage credit quality through more effective credit processes,
- To ensure effective business and expenditure management.

Global Player

- To obtain a rapid increase in the share of foreign trade transactions sector,
- To provide global level value to customers,
- To more effectively integrate with the international financial structure,
- To be in the markets of North Africa, the Middle East, the Gulf Region and the Far East.

CORPORATE PROFILE

With its strong position, Ziraat Bank closely reflects the growth potential offered by financial markets with its performance, and is committed to applying the best practices in business processes.

Ziraat Bank has made great strides, created high value added for society and reached the status of being a leading bank during its 154 year history.

Ziraat Bank, Turkey's strongest and most deeply rooted bank, commenced operations in 1863. Since its establishment, the Bank has been involved with individuals from all walks of life and institutions and organizations from all sectors, transferring funds and being the driving force of economic development.

Ziraat Bank has a rich diversity of products and services, years of knowledge and experience, competent human resources and a strong financial structure.

The Bank continues to shape the Turkish banking sector with its excellent service delivery scale, growth power and potential.

Ziraat Bank, which has the widest banking service network in Turkey, offers its customers high quality services in the fields of corporate, entrepreneurial and individual banking with its

- 1,781 branches in Turkey and abroad,
- 24,554 employees,
- 7,085 ATMs,
- Internet Banking (Retail and Corporate Internet Banking),
- Mobile Banking (Ziraat Mobile, Ziraat Tablet, Mobile Branch),
- Telephone Banking,
- SMS Banking.

Ziraat Bank also holds a prestigious position in international banking. Operating at 95 locations in 18 countries around the world, the Bank has a large international network of services, consisting of 9 international subsidiary banks, 22 foreign branches and one representative office.

Additionally, the Bank has a wide portfolio of subsidiaries in Turkey under the roof of the Ziraat Finance Group, that provide services in an extensive range of areas including financial leasing, private pensions, insurance, banking, investment banking, portfolio management, real estate investment trusts and IT. This strong group structure is the most important factor supporting Ziraat Bank's competence in providing integrated financial services.

Ziraat Bank manages innovation and change in accordance with its objectives and continues its operations in a stable manner both financially and operationally.

Ziraat Bank's total assets increased by 21% YoY in 2017 to reach TL 434 billion. Ziraat Bank is one of the leading banks in the financing of agricultural enterprises, small and medium-sized companies, large corporations and major infrastructure and energy projects.

Ziraat Bank is aware of the size of the asset under its control, what it means for the country's economy and the responsibility that it bears. The Bank will continue to target the best for its customers, employees and Turkey as a whole and to record strong and significant results in the coming period.

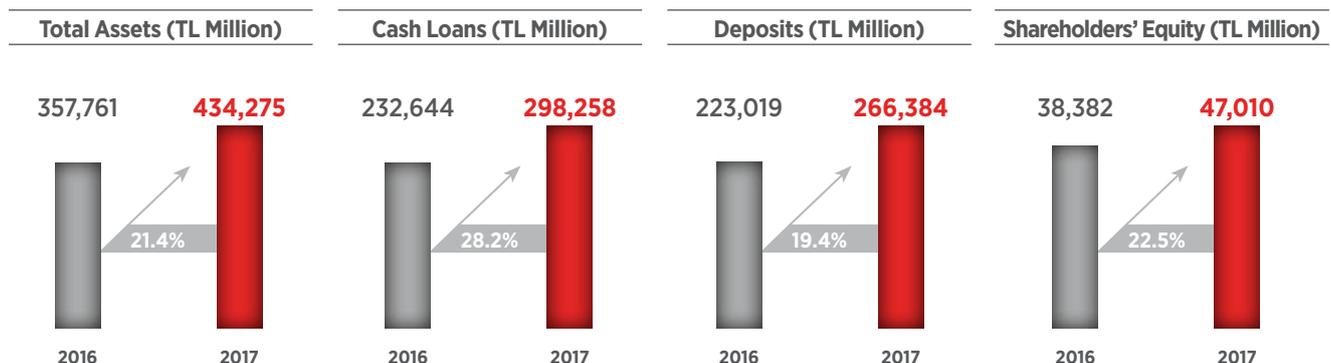
FINANCIAL INDICATORS

In 2017, Ziraat Bank continued to develop its strong position in the market in line with its sustainable and profitable growth strategy; it has further enhanced its value proposition to its customers with its innovative products and services.

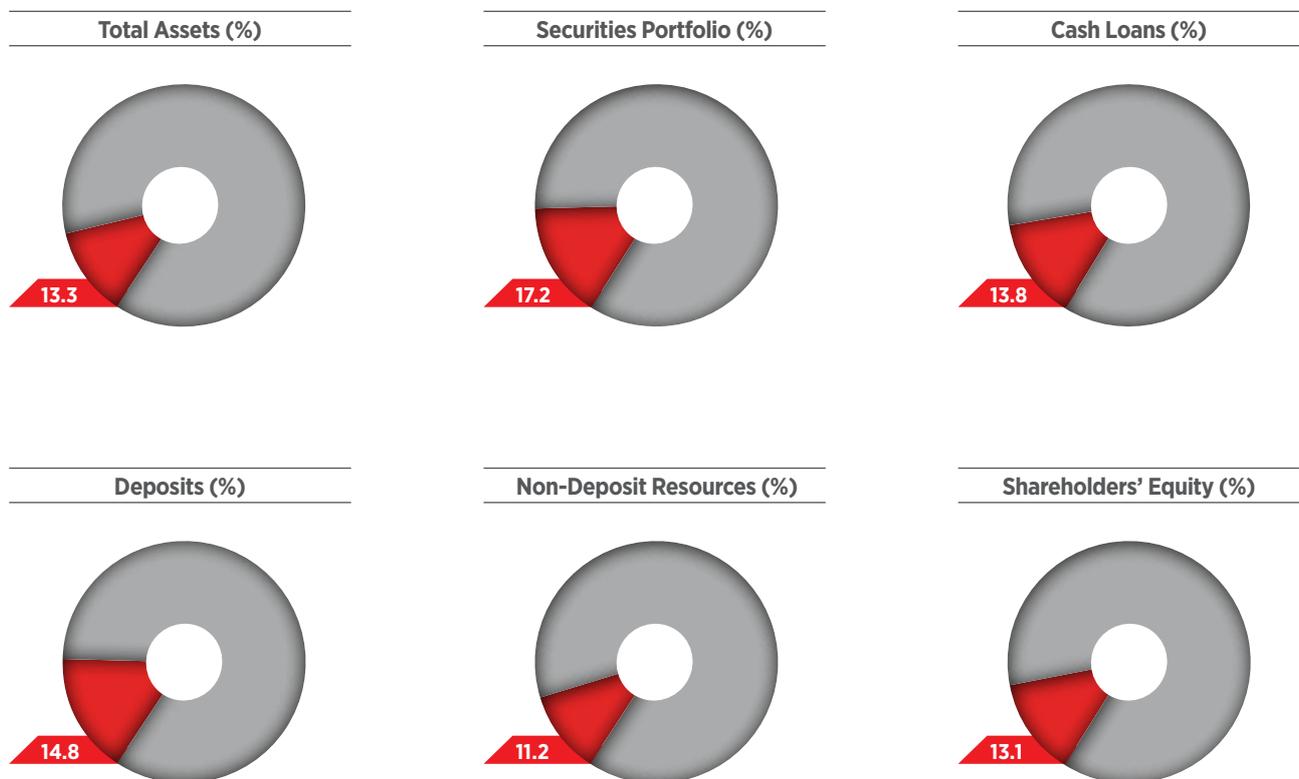
(TL Million)	2016	2017	% Change
Liquid Assets and Banks	43,069	48,571	12.8
Securities Portfolio	69,066	72,019	4.3
Cash Loans	232,644	298,258	28.2
Deposits	223,019	266,384	19.4
Non-deposit Resources	76,862	98,080	27.6
Shareholders' Equity	38,382	47,010	22.5
Interest Income	27,291	35,463	29.9
Interest Expense	13,342	18,561	39.1
Net Profit/Loss	6,576	7,940	20.7
Total Assets	357,761	434,275	21.4

Ziraat Bank's Market Shares

Market Share (%)	2016	2017
Total Assets	13.1	13.3
Securities Portfolio	18.8	17.2
Cash Loans	13.0	13.8
Deposits	14.4	14.8
Non-Deposit Resources	11.1	11.2
Shareholders' Equity	12.8	13.1



Ziraat Bank's Market Shares



Ziraat Bank Shareholding Structure

While the only shareholder of the Bank is the Undersecretariat of the Treasury of the Republic of Turkey, 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. The transfer of shares was registered in the Trade Registry Directorate in Ankara on 18 September 2017, and was announced in the issue no. 9413 of the Trade Registry Gazette on 21 September 2017.

The Chairman and Members of the Board of Directors, Members of the Board of Auditors, the CEO and Executive Vice Presidents do not hold shares in the Bank.

WE HAVE BEEN GENERATING VALUE FOR THE FUTURE FOR 154 YEARS, NEVER GIVING UP ON OUR OBJECTIVE OF DOING MORE.

In 2017, Ziraat Bank continued on its journey of change and development by adding new chapters to its success story in different fields, and creating value for both our country and the world.

Ziraat bank, which integrates change and development projects into corporate business processes and moves forward with the support of all of its personnel, has implemented a wide array of innovations which bring ease to the lives of its customers and employees.

In 2017, the Bank focused on renewing its services through its branches, non-branch channels, financial companies, international subsidiary banks and branches abroad in line with the changing needs of its customers and the flexibility provided by new technology.

Ziraat bank's road map in 2017 was shaped in line with the main strategic targets and the projects were realized with the participation of all employees.

1. Customer Oriented Strong Balance Sheet: While the Bank's balance sheet has become more focused on customers and the real sector, expense items have been optimized with the use of the latest technology in line with efficiency principles.

Within the scope of activities carried out by Ziraat Bank in order to diversify its resources, a syndication loan, which was extended in USD and EUR terms in 2016, was renewed in 2017 at a total amount of USD 1,050 million, including denominations of USD 278 million and EUR 706.5 million. In addition, within the scope of the resource management strategy to extend debt maturities, USD 600 million of Eurobonds with a maturity of 5 years were issued.

Another loan agreement with the European Investment Bank (EIB) was signed for EUR 100 million for the financing of SMEs in 2017.

The Bank, which has reached an agreement with the China Development Bank, for a cost-effective loan of USD 600 million and a three-year term, signed a contract for the first USD 200 million tranche of the loan. The second tranche, consisting of the remaining USD 400 million, is planned to be used in the first quarter of 2018.

Ongoing infrastructure studies aimed at managing the credit risk based on the Basel 3 Internal Rating (IRB) approach are targeted to be completed in the second half of 2018.

New applications for expense processes have been added to the corporate expense management module designed to provide effective management and cost advantages for the bank's expense items.

Effective management

NEW APPLICATIONS FOR EXPENSE PROCESSES HAVE BEEN ADDED TO THE CORPORATE EXPENSE MANAGEMENT MODULE DESIGNED TO PROVIDE EFFECTIVE MANAGEMENT AND COST ADVANTAGES FOR THE BANK'S EXPENSE ITEMS.

2. A Customer Oriented Business Model: Ziraat Finance Group focuses on establishing sustainable relationships that create value in a service model that aims to ease the lives of its customers.

In 2017, Ziraat Bank continued to develop customized products and services to meet the financial needs of its customers and to reshape its service channels in line with the needs of its customers. In 2017, new products, services and processes specific to each customer segment were developed with the aim of understanding the needs of customers and to produce solutions.

A customer specific automatic pricing structure based on risk grade was established for Ziraat customers in the corporate segment. Projects to develop cash management products also continued in 2017, and the Fuel Collection System was introduced.

The “Entrepreneur Value Loan” was introduced to provide SME’s with operating capital financing on affordable terms. In addition, under the protocol signed with KOSGEB, with the “KOSGEB Emergency Support Loan”, which extends financial support to businesses affected by natural disasters in our country, the valuable contribution that SMEs bring to the economy was supported.

In order to modernize agricultural enterprises, increase productivity and profitability and to contribute to sustainable development in rural areas, financial support was offered to customers under the IPARD Program under the management of the Agricultural and Rural Development Support Institution (TKDK).

The “PPS for the Youth”, to be offered to young customers aged between 18 and 25 and the “Zümrüt PPS Plan”, for employees within the scope of the Private Pension Automated Participation System (OPS) products were developed within Ziraat Hayat ve Emeklilik A.Ş., a subsidiary of the Bank, to help raise awareness of saving and increase saving among individual customers.

The “Gold Bond and Gold Based Lease Certificate” products, issued for the first time by the Undersecretariat of the Treasury, were offered to customers through Ziraat Bank. A total of 2.5 tons of gold was collected with the issuance aimed at bringing idle gold kept ‘under the mattress’ into the national economy.

Investments in non-branch channels continued to enable customers to process transactions over the digital channels quickly and easily. In this context, in order to provide a common experience across all non-branch channels, renovation of the channel front faces was carried out. The renewal of the corporate Internet branch and corporate mobile branch for corporate customers was completed. In addition, individual and institutional transaction sets related to mobile banking were developed and brought into service for customers.

The live chat application was implemented to resolve the problems frequently encountered by Ziraat Bank customers using the internet branch.

2.5 tons of gold

THE “GOLD BOND AND GOLD BASED LEASE CERTIFICATE” PRODUCTS WERE OFFERED TO CUSTOMERS THROUGH ZIRAAT BANK. A TOTAL OF 2.5 TONS OF GOLD WAS COLLECTED WITH THE ISSUANCE AIMED AT BRINGING IDLE GOLD KEPT ‘UNDER THE MATTRESS’ INTO THE NATIONAL ECONOMY.

WE HAVE BEEN GENERATING VALUE FOR THE FUTURE FOR 154 YEARS, NEVER GIVING UP ON OUR OBJECTIVE OF DOING MORE.

Important investments were carried out in the Ziraat Bank Call Center in 2017 in order to increase customer satisfaction and the quality of service.

Work on Cash Withdrawal/Deposit transactions with a QR code from Ziraat ATMs was completed, allowing money to be withdrawn / deposited safely and quickly by using the mobile application on smartphones, without the need for any card.

Important investments were carried out in the Ziraat Bank Call Center in 2017 in order to increase customer satisfaction and the quality of service.

In 2017, vehicles sold by Ziraat Bank were accessible through the Bank's website and offered for sale through the e-procurement method.

3. Process Perfection: Ziraat Bank continues to improve its processes in order to bring ease to lives of its customers and employees, and to generate value through its productivity oriented business model.

Aware of the importance of the resources it uses for our country and our world, Ziraat Bank is also aware of that the savings obtained from every source that is spent to generate value will be transferred to future generations. The Bank continues to integrate the principles of sustainability into its business processes and to participate in environmental and people-focused projects. In this context, the 2016 Sustainability Report, published in 2017, was prepared using Miniature Art.

Using a model focused on productivity and continuous improvement in business processes, Ziraat Bank continued its work on process improvement and centralization of branch operational processes in 2017. This work, which has been carried out with the same discipline for 5 years, has saved 4,500 man hours of work and allowed employees

to be directed to jobs that generate higher added value. A large number of operations are centralized in accordance with the work on the centralization of operational transactions.

In that context;

- Transactions that were carried out by the branches have been taken to the head office by providing integration within the scope of the protocol signed with the General Directorate of the Land Registry and Cadaster for mortgage establishment and registration operations.
- Confirmation transactions such as Letters of Guarantee / Reference Letters / Letters of Guarantee Maturity Extension have been centralized.
- Work on the centralization of loan disbursement was completed in 2017 and corporate cash loans started to be disbursed from the head office.
- Certain operational transactions carried out by the subsidiaries started to be carried out by the operations center.
- A transition to barcode document production infrastructure was achieved, paving the way for document optimization and the creation of a central archive infrastructure.
- Integration between the Bank and the Electronic Public Information Management System (KAYSIS) was achieved.
- Integration work related to the E-Collection project, which is carried out jointly by the Revenue Administration and TÜBİTAK, got underway.

Work initiated for the renewal of the Bank’s data center in 2014 was completed in 2017 and all transactions could be carried out without interruption. The Data Centre received the “Uptime Tier III Facility” and “Uptime Tier III Design” certificates in view of its ability to increase the server access capacity by up to 10 times.

4. Modern Infrastructure Systems: Ziraat Bank is continuing its investments in modern infrastructure to make its processes more technology intensive.

Ziraat Bank, which has been renewing its service model and internal processes with the intensive use of technology, continued to carry out its major technological investments in 2017.

In order to develop modern and agile business processes and to create a digital workforce, studies were initiated to integrate Robotic Process Automation (RPA) technology, which is defined as software that imitates people and carries out routine business processes and is capable of making simple decisions, into the Bank’s processes.

Work initiated for the renewal of the Bank’s data center in 2014 was completed in 2017 and all transactions could be carried out without interruption. The Data Centre received the “Uptime Tier III Facility” and “Uptime Tier III Design” certificates in view of its ability to increase the server access capacity by up to 10 times, its fire, security and seismic monitoring systems, its 100% air to air natural cooling systems and its minimum energy consumption.

Work to renew banking software in 2016 continued with the same enthusiasm and at an increasing pace in 2017. In the Ziraat Finance Application, which is integrated with the existing Fin@rt application, users are unaware that they have entered a separate application and perform a significant portion of their work time with the redesigned screens and renewed infrastructure. With the new banking software planned to be completed in 2019, work equivalent to 550 persons is planned to be automated.

RPA

IN ORDER TO DEVELOP MODERN AND AGILE BUSINESS PROCESSES AND TO CREATE A DIGITAL WORKFORCE, STUDIES WERE INITIATED TO INTEGRATE ROBOTIC PROCESS AUTOMATION (RPA) TECHNOLOGY INTO THE BANK’S PROCESSES.

Cyber security investments were also an important agenda item in 2017. In this context, work continues on detection and prevention of new generation malware, the establishment of network threat monitoring systems, and ensuring the security of mobile application. Necessary hardware and software supplies have been provided in order to detect all threats and to intervene within predetermined processes, and to ensure continuous monitoring.

Work was completed on the Corporate Architecture Governance Project, which was initiated to ensure the effective creation of business, application architectures and technological infrastructure integration under the roof of corporate architecture. A meta-model was created to align business architecture and IT architecture in line with business strategies and to be used as a decision-supporting tool in investment processes, and corporate architectural processes were put into practice in business units and technology companies.

WE HAVE BEEN GENERATING VALUE FOR THE FUTURE FOR 154 YEARS, NEVER GIVING UP ON OUR OBJECTIVE OF DOING MORE.

Ziraat Bank contributes to both the sector and its own development through its projects that make a difference and bring innovation in many different areas.

5. A developing Organization: We continue to evolve with our most valuable asset - our employees - to as we increase our service quality

Work got underway on the performance system for general directorate units in 2017 in order to promote an efficiency-oriented work approach in general directorate units, as in the field. In this context, the Bank will evaluate projects that will facilitate the operation of the units, innovative solutions and quality-focused work in the existing business processes.

Ziraat Bank continues to work on establishing permanent learning-oriented business environments in order to prepare its employees for the banking of the future. In 2017, the integration of the Bank's subsidiaries into the Training Management System and work to execute all the training management from the head office was completed. In addition, the Bank also applied the "dramatization" method of education, which makes learning enjoyable and permanent.

Ziraat Bank contributes to both the sector and its own development through its projects that make a difference and bring innovation in many different areas. The Bank continued to increase its corporate value with a clutch of international awards in 2017, as it has every year.

In the "Financial Innovation Awards 2017" awards organized by the London Institute of Banking and Finance, in which over 1,000 projects compete worldwide, Ziraat Bank received the "Best Bank" Award in the "Innovative Data Usage and Applications" category with its Branch Location Analysis Application which produces interdisciplinary information using statistical and geographic information systems in the banking sector.

Ideal employer

BASED ON THE RESULTS OF "IDEAL EMPLOYER SURVEY 2017" CONDUCTED BY THE GLOBAL RESEARCH COMPANY, UNIVERSUM AND HBR (HARVARD BUSINESS REVIEW), ZIRAAT BANK WAS ONCE AGAIN RANKED AMONG THE BEST COMPANIES TO WORK IN.

Ziraat Bank's operations center won the "Best Operations Centre Innovation Project in Turkey 2017" award in the "Global Banking & Finance Awards 2017".

Based on the results of "Ideal Employer Survey 2017" conducted by the global research company, Universum and HBR (Harvard Business Review), Ziraat Bank was once again ranked among the best companies to work in. In addition, in the "Lovemarks of Turkey 2017" survey, the Bank became Turkey's most popular bank brand as "the first bank that comes to mind" for one in every four respondents.

At Stevie Awards, the world's most prestigious international Business Awards program, Ziraat Bank received 5 awards in the categories of "Corporate Communication Department of the Year", "Sponsorship Campaign of the Year", "Public Relations-Video", "Best Annual Report" and "Best Internal Motivation Event".

Studies are underway to build the “Ziraat Finance Group” in order to provide integrated financial solutions to customers receiving services from the Ziraat brand and to design business processes in line with the common objectives of the Group.

6. Ziraat Finance Group: In order to meet the financial needs of Ziraat customers as a whole, we continue to generate integrated solutions with our subsidiaries, our branches abroad and our financial companies.

Studies are underway to build the “Ziraat Finance Group” in order to provide integrated financial solutions to customers receiving services from the Ziraat brand and to design business processes in line with the common objectives of the Group. In this context, the centralization of operations with all partner companies and work on integrated product designs stood out as an important agenda item in 2017. The integration and execution of operational processes from a single location with the Ziraat Sigorta, Ziraat Hayat ve Emeklilik, and Ziraat Investment companies was completed and opening and updates for TOKİ housing accounts, workplace accounts, DASK insurance policies and Ziraat Investment accounts started to be carried out at the Bank’s operations center.

In line with the principles of its corporate image, the Ziraat Finance Group maintains its efforts to revamp the corporate websites for its domestic and foreign subsidiaries, to ensure customers receive a common experience.

Recruitment processes for subsidiary companies have been centralized and the process has started to be carried out centrally. In 2017, a total of 255 new employees joined the Group and the standardization efforts for the career and pay management principles of Group companies have been completed.

In order to ensure that all foreign employees learn Turkish, which is the common communication language at the Ziraat Finance Group, international language training practices and Turkish lessons have been provided.

Within the scope of the ongoing technological investments in all subsidiaries and branches abroad, the renewal of banking software is carried out by using local solutions under the supervision of Ziraat Teknoloji.

In 2017, the Georgia branch was restructured into a new bank and JSC Ziraat Bank Georgia was established. The subsidiary bank in Uzbekistan, in which Ziraat Bank’s share in the capital increased to 100%, started activities as Ziraat Bank Uzbekistan JSC from 2018.

Work on becoming a 3% shareholder in the Product Specialized Commodity Exchange was completed, and the exchange is planned to be established in 2018.

Georgia

IN 2017, THE GEORGIA BRANCH WAS RESTRUCTURED INTO A NEW BANK AND JSC ZIRAAT BANK GEORGIA WAS ESTABLISHED.

#YouCantGiveUp

Ziraat Bank: The bank that never ceases to do more to stand by the people who do more for this country

Ziraat Bank: More than a bank





MILESTONES IN THE HISTORY OF ZIRAAT BANK

Ziraat Bank has been the most important building block in the development of the banking sector in Turkey as well as in the wider region around Turkey with the activities it has carried out throughout its 154 year history, and the many contributions it has made to the economy.

1863-1888

- On 20 November 1863, Mithat Paşa spearheads the establishment of Memleket Sandıkları (Homeland Funds) in the town of Pirot, which later served as the core from which Ziraat Bank grew.
- Turkey's first statutorily regulated credit system is launched.
- Mithat Paşa's Homeland Funds are reconstituted as Menafi Sandıkları (Benefit Funds) to become stronger and more sustainable.
- Ziraat Bank's Headquarters are opened in İstanbul.

1889-1913

- Ziraat Bank extends credit to the Imperial Treasury for the first time.
- Ziraat Bank supplies credit to supply grain to needy refugees and others in drought-stricken İzmit.
- A project to fund purchases of European agricultural equipment using Ziraat Bank's capital is studied.
- Ziraat Bank offices are opened in Kerek, İpek, Prizren, Timișoara and Karacasu.
- Ziraat Bank provides drought-stricken Kosovo farmers with low-cost credit on convenient terms.
- Ziraat Bank opens a branch in Medina.
- Ziraat Bank branches open in Baghdad and Basra.
- Ziraat Bank branches provide earthquake-stricken farmers with loans.

1914-1938

- Ziraat Bank begins lending to commercial enterprises.
- The first seed-finance loans are provided.
- First general deferment is granted on agricultural loans.
- With the opening of the Grand National Assembly in Ankara, the city's Ziraat Bank branch is made responsible for the administration and oversight of all Bank branches and offices in localities controlled by the Nationalists.
- Control of Ziraat Bank's İzmir and İstanbul operations are given to Ankara.

1939-1963

- Work is completed on the set of operational regulations called for by Statute 3202. Consisting of 198 articles, the regulations governing the operations of Ziraat Bank go into effect.
- Ziraat Bank becomes a member of Confédération Internationale du Crédit Agricole (CICA), a non-profit worldwide association of banks and other entities interested and involved in rural financial processes.
- Under Statute 7052, Ziraat Bank is authorized to restructure agricultural loan repayments.

1964-1988

- Ziraat Bank's representative office opens in Hamburg.
- Ziraat Bank opens its Lefkoşa, Gazimağusa and Güzelyurt branches in the Turkish Republic of Northern Cyprus.
- Ziraat Bank's representative office in New York is transformed into a branch while new offices are opened in Duisburg, Berlin, Munich, Stuttgart and Rotterdam.
- Under the Ziraat Bank 86 project, the first steps to adapt improvements in technology to banking services so as to deliver them faster, more efficiently and at better quality are taken with the automation of a total of 7 branches located in Ankara and İstanbul.
- Ziraat Bank ranks 452nd among "The World's 500 Biggest Banks as Measured by Equity" according to Euromoney, a magazine.

1989-2012

- The Ziraat Bank Banking School begins instruction in order to keep the Bank supplied with the qualified human resources that it needs.
- The first investment fund (Fund I) was established.
- Gold sales were initiated under the name of Ziraat Gold. The first consumer loan was issued, along with the first credit card. The Bingöl-Muş Rural Development Project was initiated.
- As well as ATM machines, foreign currency exchange machines were brought into service for the first time in Turkey, along with self-service information terminals,

voice messaging systems and the Bingöl-Muş Rural Development Project, which included a branch not requiring human staffing, aiming to provide uninterrupted 24-hour service.

- Ziraat Bank Moscow, Kazkommerts Ziraat International Bank (KZI Bank), Turkmen Turkish Commercial Bank (TTC Bank) and Uzbekistan Turkish Bank (UT Bank) were established and entered operation.
- Ziraat Bank was ranked 202nd in Euromoney's "Top 500 Banks", 41st in terms of net profit, and the world's first in terms of its return on equity. Moreover, the Bank ranked 12th in the "World's 50 Most Rapidly Developing Banks" listing.
- The Sofia Branch entered operation.
- The Stuttgart, Hannover, Frankfurt and Duisburg representative offices began to operate as branches. Newly-launched banking software makes it easier to create and offer new products and services.
- Turkish-Ziraat Bank Bosnia DD receives Visa and Europay International licenses and begins processing Visa acquiring and issuing transactions for the first time in Bosnia- Herzegovina in coordination with Ziraat Kart A.Ş.
- The Law numbered 4603 passed on 25 November 2000 paved the way for Ziraat Bank to be transformed into a joint-stock company.
- The scope of the banking software centralization project (Fin@rt) is expanded.
- In Greece, the Athens and Komotini branches entered operation.
- The Bank announced TL 3,511 million net profit, the highest profit ever announced by a Turkish company until 2009.
- Branches were opened in Baghdad, Erbil and Jeddah.
- Ziraat Bank purchases the rights to the Turkish Cup name.
- Ziraat Bank launches its "Together, to a Better Future" Change & Transformation Project.

2013-2016

- Ziraat Bank celebrates its first century and a half in business with its employees.
- On 30 September 2014, the Board of Directors approved and announced the Sustainability Policy which summarizes Ziraat Bank's sustainability vision, goals and approach and defines the Bank's stance on the pillars of the environment, society and products and services.
- Ziraat Bank published its first sustainability report, which was GRI rated at A+ standards.
- Ziraat Bank tops the 2014 corporate income tax league table.
- Ziraat Participation commences operations.
- The Bank's Pristina Branch opens in Kosovo.
- Ziraat Bank Azerbaijan ASC commences operations.

- Ziraat Bank is designated "Europe's 2nd Most Robust Bank".
- Ziraat Bank Montenegro AD commences operations.
- In keeping with its principle of sustainable profitability, Ziraat Bank reports 2015 profits amounting to TL 5,162 million, the highest of Turkish banking sector.
- The Marneuli Branch in Georgia and the Bahrain Branch in Manama/Bahrain were opened.
- Ziraat REIT joined the Ziraat Finance Group and began operations.
- Ziraat Bank wrote a net profit of TL 6,576 million in 2016, while reporting TL 358 billion of assets at the end of 2016.

2017

- In 2017, the Georgia branch was restructured into a new bank and JSC Ziraat Bank Georgia was established.
- The name of the subsidiary bank in Uzbekistan, in which Ziraat Bank's share in the capital increased to 100%, was changed to Ziraat Bank Uzbekistan JSC.
- Ziraat Bank was awarded in the "Best Use of Data Analytics" category in the "2017 Global Retail Banking Awards" organized with the participation of more than 200 banks worldwide.
- Ziraat Bank was again named the top brand in the banking category in 2017 in Turkey's Lovemarks 2017 survey.
- Ziraat Bank achieved the biggest increase its brand value of any Turkish bank in the "World's Most Valuable 500 Bank Brands 2017" survey conducted by Brand Finance'.
- Ziraat Bank received five awards at the Stevie Awards, the world's most prestigious business award program.
- Ziraat Bank reached an asset size of TL 434 billion in 2017.



ACCORDING TO A SURVEY CONDUCTED BY BRAND FINANCE, ZIRAAT BANK HAS INCREASED ITS BRAND VALUE BY 52% IN THE LAST TWO YEARS.

CHAIRMAN OF THE BOARD'S MESSAGE

Global synchronized growth supported demand for consumption throughout Europe, the Middle East and Africa - all important export markets for us. Our industries, and the automotive industry in particular, became integrated into the global value chain and broke export records.



2017

INCREASED TRADE VOLUMES HAVE LED TO RAPID AND SYNCHRONIZED GROWTH WORLDWIDE. IT WAS A YEAR WHEN THE ECONOMIES OF THE WORLD'S LEADING DEVELOPED COUNTRIES SUCCEEDED IN ADVANCING THEIR GROWTH RATES TO ABOVE THEIR LONG TERM TREND GROWTH RATES.

The year 2017 was a year when foreign trade supported global economic activity.

Increased trade volumes have led to rapid and synchronized growth worldwide. It was a year when the economies of the world's leading developed countries succeeded in advancing their growth rates to above their long term trend growth rates.

The Chinese economy also managed to increase its growth rate for the first time since 2010. The dynamism in the global economy has precipitated an increase in prices of oil and other raw materials. Thus, global synchronized growth supported demand for consumption throughout Europe, the Middle East and Africa - all important export markets for us. Our industries, and the automotive industry in particular, became integrated into the global value chain and broke export records.

Although the Fed began to reduce the size its balance sheet, it carefully communicated the process to reduce market uncertainty. Thus, at the end of the period of around a year and a half, the Fed's balance sheet will have a size of about USD 4 trillion.

Ziraat Bank has continued to increase its share in the growth of our economy while continuing to operate as the leading bank of our country, meeting a wide range of needs from large projects to small businesses.

The European Central Bank (ECB) maintained its expansionary monetary policy. The ECB has opted to extend the duration of the asset purchase program, but reduced its monthly purchases. The stance of central banks and verbal communication with the markets stimulated risk appetite. Capital flows were directed from developed countries to developing countries, and Turkey attracted more than USD 10 billion of international investment during the year.

As a result of the Fed's interest rate hikes, there was a limited rise in dollar costs; nevertheless, a high growth performance was recorded thanks to the contribution of brisk risk appetite and Turkey's young and dynamic population demographic. Thus, our banks did not encounter any difficulty in accessing resources in the international capital and money markets.

Both the Undersecretariat of the Treasury and the banking sector have diversified the investor reach, attracting investors from new regions, as new issuances are realized. The participants of our sector are not expected to experience any difficulty accessing foreign resources in the coming period. Regional diversification offers the opportunity for improvement in supporting cost elements. In the process of strengthening global trade, the banking sector continues its efforts to bolster trade in local currency with the support of other economic and financial sector decision makers. We are establishing mechanisms that provide mutual exchange (swaps) with the central banks of the countries in our own region that are among the target markets for our exporters. Thus, the decrease in demand for foreign exchange will limit exchange rate volatility, while targeting an increase in the capacity of our entrepreneurs who are interested in foreign trade.

Thanks to a combination of supportive conditions abroad and the right economic policies implemented by the government, our country achieved a record 11.1% growth rate in the third quarter. With the "employment mobilization" program, more than 1 million citizens were provided with jobs, and the reduction in unemployment had a positive

effect on the development of the country's economy, public finance and the asset quality of the banking sector. With the Credit Guarantee Fund (CGF) program which places priority on industry and production, financing was principally provided to SMEs who could not reach financing due to collateral problems.

In a high growth environment, the banking sector financed the production of our real sector and the consumption demand of households. Our banks, managed in accordance with international standards and focused on productivity, have not compromised their asset quality and increased their capital adequacy ratios, while encouraging lending.

Thanks to its strong capital structure and qualified workforce, our sector is ensuring the sustainable financing of our country's projected high growth trend going forward. Ziraat Bank remains the sector's leading bank in many areas, such as in terms of total assets, loans and equity. Our Bank has extended financing support through loans with the CGF (Credit Guarantee Fund) guarantee to SMEs, while achieving a significant increase in housing loans and maintained the financing of agriculture as an area of priority. We have continued to increase our share in the growth of our economy while continuing to operate as the leading bank of our country, meeting a wide range of needs from large projects to small businesses.

On behalf of myself and the Board of Directors, I would like to thank our employees who have contributed to the performance of Ziraat Bank in 2017 with such dedication, our customers who are deeply committed to the Ziraat brand, and all of our other stakeholders.



MUHARREM KARŞLI
Chairman of the Board

CEO'S MESSAGE

At a time when our world's global geopolitical and financial balances are more crucial than ever, Ziraat Bank focuses on making the most effective use of changes that it sees taking place as a way of doing even better under all market conditions and of creating even more added value for Turkey.



28%

TOTAL FINANCING VOLUMES WITH LOANS STOOD AT TL 394 BILLION IN 2017 WHILE OUR CASH LOANS INCREASED BY 28% YOY IN 2017.

With a balance sheet volume of TL 434 billion, Ziraat Bank stands as one of Turkey's most important assets. It continues its banking activities within the framework of extending resources to support the development of our country and deploying these resources in the most appropriate areas.

Maintaining our momentum in loans in 2017 by supporting high value added investments.

Total financing volumes with loans stood at TL 394 billion in 2017 while our cash loans increased by 28% YoY in 2017. In this framework, we focused on housing loans and loans for small and medium-sized enterprises in 2017.

The volume of our agricultural loans reached TL 52 billion. Thanks to the well-placed establishment of the agricultural value chain with our new business model, we continue to contribute to the industrialization of the agricultural sector.

In the area of CGF loans, we followed a widespread disbursement strategy and provided financing support to the largest number of businesses. The volume of CGF backed loans made available for small and medium-sized enterprises reached TL 20 billion. We have already extended such loans to approximately 110,000 customers to date.

Having accounted for more than half of the increase in housing loans of the sector, the Bank increased its market share in housing loans in the sector to approximately 25%. Ziraat Bank single-handedly extended more than half of the housing loans in the sector during the year.

The “Bankkart”, which we designed as a bank card and a credit card on a single card, will be made available to our customers in the first quarter of 2018. In the short to medium term, we will maintain our market leadership in bank cards and maintain our efforts to transform our credit card brand into a platform.

Every day, we are working on improving our structuring, which provides financing for our country and even for the some of the world’s most important and largest projects, as well as for widely issued loans, such as retail and SME loans. We have financed a number of important projects such as Istanbul’s 3rd Airport, the Yavuz Sultan Selim Bridge, the Osman Gazi Bridge and the Gebze-Izmir motorway. In addition to these projects, some of which have already entered operation, we also aim to finance new projects.

While we continue to expand our broad-based deposits, we continue to provide funds from abroad. We renewed our USD 1.1 billion syndication loan in 2017 and issued two new Eurobonds amounting to USD 1.1 billion, one with a 5 year maturity and the other with a 6 year maturity. In addition to international financial institutions and banks, we have provided USD 600 million from China.

We aim to provide our customers with faster and safer services by expanding our investments in digital banking.

We offer the most extensive branch network in Turkey with 1,759 branches. While we provide services from our branches, in which we are increasing our efficiency and effectiveness, we continue to develop our non-branch channels within the framework of digital banking. We aim to provide easy access to financial services by meeting the financial needs of our customers with a smart infrastructure through a wide array of channels.

With the most comprehensive ATM network in the sector, we are also the leading bank in this field. Thanks to our ongoing internet and mobile banking investments, we are striving to strengthen our competitiveness in the banking sector by increasing our operational efficiency.

bankKart Combo

THE “BANKKART”, WHICH WE DESIGNED AS A BANK CARD AND A CREDIT CARD ON A SINGLE CARD, WILL BE MADE AVAILABLE TO OUR CUSTOMERS IN THE FIRST QUARTER OF 2018.

We will continue to expand our international organization by increasing our efficiency and effectiveness in the regions where we offer services.

We successfully reflect our restructured business model to the services we provide in our international service network. We converted our branches operating in Georgia into an affiliate bank with the title of JSC Ziraat Bank Georgia, which is owned by our bank. We took a strategic step in relation to our affiliate in Uzbekistan, while in October we purchased a 50% stake in our partner and we are carrying on our activities under the name of Ziraat Bank Uzbekistan JSC, which is 100% owned by Ziraat Bank. We will continue to establish a presence in regions where we identify opportunities, and expand our international organization, by initially increasing our efficiency and effectiveness in the places where we are operating.

By reinforcing the strength derived from our past with the support of our customers, we carry our quality forward with the aim of being the most successful Bank in the sector for years to come.

Our bank is determined to build on its success in the coming years. In doing so, it will continue to be a bank that provides a better service to its customers, is more efficient, contributes more to the real sector and the economy, pioneers new products and services and takes decisions in parallel with developments in the economy.

The devoted contributions of our employees, who have the greatest stake in our achievements, and the confidence that our customers have placed in us are our greatest source of motivation for Ziraat Bank in reaching its new targets. I would like to take this opportunity to extend my thanks to them.



HÜSEYİN AYDIN
Member of the Board and CEO

MACROECONOMIC OUTLOOK

In 2017, Turkey managed to keep its growth composition balanced, while growing at a rate above its long term trend rate.

The Turkish economy is expected to have rounded off 2017 with growth of around 7%. In 2017, Turkey managed to keep its growth composition balanced while growing at a rate above its long term trend rate.

According to current figures, foreign trade contributed 1.6 percentage points to the overall rate of growth, with private consumption and investments contributing 4 points and 3 points to growth, respectively. Accelerating credit growth through policies such as the Credit Guarantee Fund (CGF) and similar growth initiatives also stimulated an increase in consumption expenditures in domestic demand. On the other hand, the use of public finance in supporting the economy and incentive programs implemented paved the way an average 6.2% YoY increase in investments in the first and second quarters of the year.

According to the available figures, more than 1.3 million new jobs were created in the first 10 months of the year. Moreover, the tourism sector rebounded with a substantial recovery. According to recently announced figures, more than 30 million tourists visited our country between January and November period, marking an increase of 28% YoY. As we entered 2017, the risk of trade wars was cited as one of the highest risks facing the global economy. However, contrary to expectations, 2017 turned out to be a year when global trade volumes increased. The vitality of trade brought

1.3 million people

ACCORDING TO THE AVAILABLE FIGURES, MORE THAN 1.3 MILLION NEW JOBS WERE CREATED IN THE FIRST 10 MONTHS OF THE YEAR.

with it globally synchronized growth, and in this process, the positive reflections of the developments in Europe, our main trading partner, on the Turkish economy were seen.

The Chinese economy has achieved an annual growth rate of 6.9%, accelerating its growth on an annual basis for the first time since 2011. The fact that the Fed shares a calendar of balance sheet downsizing with the public and that the balance sheet will still have a size of USD 4 trillion at the end of one and a half years has helped increase the risk appetite while supporting trading volumes.

The Borsa Istanbul benchmark index BIST 100 notched up a gain of almost 50%, while global stock indices gained 20%.

Despite the strengthening of the economy, the continuation of the European Central Bank's asset purchases with inflation below its target has increased vitality in risk appetite, and the S&P 500 index ended the year with an 18.4% gain. The Borsa Istanbul benchmark index BIST 100 notched up a gain of almost 50%, while global stock indices gained 20%.

In the Business Tendency Survey released by the Central Bank of Turkey, export orders are trending upward. In 2017, Turkey's exports increased by approximately 11% on average each month, while six different industries broke records in exports.

At the beginning of 2018, the signals for global trade appear positive. The first figures of the year indicate that trade volumes will continue to increase. Positive developments are expected in the export component of the growth in 2018.

Credit demand is expected to maintain its growth in 2018 and this will bring vitality to investment expenditures. Capacity utilization rate reached 79.5% - its highest level since 2008 - indicating that installed capacity needs to be increased. This could be considered as a finding that will strengthen the tendency to increase investment expenditures. In the second half of the year, with the rebound in tourism and revival of the employment market in the summer, domestic demand-driven economy is expected to kick in with consumption expenditures taking the reins rather than foreign demand. The economy is expected to record a growth rate of 5% in 2018.

CBRT

THE CBRT MAINTAINED ITS TIGHT MONETARY POLICY IN THE FACE OF RISING INFLATION.

On the other hand, the CBRT maintained its tight monetary policy in the face of rising inflation. Through verbal communication in the communication policy, the firmness of the tight monetary policy stance has been reinforced; thus, at the beginning of the year, steps were taken to ensure there will be no changes in monetary policy, despite the decline in inflation due to the base effect.

In the first quarter of 2018, consumer inflation is expected to follow the downward trend. Similarly, it is likely that the inflation of producer prices will decline.

If the CBRT continues its tight monetary policy, inflation will remain level for the remainder of the year. High global risk appetite could set the stage for improved inflation expectations later in the year. In this case, expectations that the CBRT could signal a moderate relaxation in its tight monetary policy may gather pace in the last period of the year.



Ziraat Bank: The bank that never ceases to do more to stand by the people who do more for this country

Ziraat Bank: More than a bank

#YouCantGiveUp



AN ASSESSMENT OF 2017: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

In 2017, Ziraat Bank further advanced its position as the strongest national bank and achieved significant progress in all of its business lines.

The successful financial performance of Ziraat Bank for many years, achieved without any loss of momentum, is the result of a rigorous application of business strategies. Operating in a sector where competition is intense, the Bank has advanced its position as the most powerful national bank in 2017 and achieved significant progress in all of its business lines.

The change and transformation project, which Ziraat Bank launched in recent years, brought together comprehensive innovations in both technological infrastructure and product and service lines, and positively affected the Bank's performance in terms of productivity, profitability and efficiency.

The change and transformation that took place provided a rapid increase in customer satisfaction and significant improvement in bank's cost base; the newly introduced products and services played an important role in deepening customer relations and increasing transaction volumes in the corporate, entrepreneurial and individual banking areas.

In 2017, Ziraat Bank recorded 21% growth and expanded its total assets to TL 434 billion with loans forming a 69% share in total assets. As of the year-end, the Bank provided a Return on Assets of 2% and a Return on Equity of 18.3%.

Ziraat Bank's main objective in the coming period is to provide its millions of customers with banking products and services in a lean, safe and accurate format and to continue to support the banking sector with modern practices.

TL 434 billion

IN 2017, ZIRAAT BANK RECORDED 21% GROWTH AND EXPANDED ITS TOTAL ASSETS TO TL 434 BILLION.

Corporate / Entrepreneurial Banking

Ziraat Bank continued to implement its credit policies in 2017 and unwaveringly maintained its commitment to supporting the real sector.

Within the framework of the vision of being a leading bank, Ziraat Bank offers high quality banking services to its customer portfolio formed of leading companies in the sectors steering the country's economy. In 2017, the Bank continued to provide services with 20 corporate branches, with the strategy of being the sector's "Moral Bank".

A fast growing service provider in the corporate and entrepreneurial banking business.

Ziraat Bank recorded 25.6% YoY growth in its corporate cash loans in 2017 with a 19.2% YoY increase in non-cash loans.

The volume of cash loans extended to customers in the corporate segment reached TL 96 billion, with non-cash loans reaching TL 76 billion to total TL 172 billion, marking an increase of 20% YoY.

Foreign trade volume also improved significantly in 2017 with a foreign trade volume of USD 51 billion, up by 39% YoY.

The pioneering role of Ziraat Bank in this area, which stimulated the country's economy and supported high value-added investment, continued in 2017.

The main activities in the corporate / entrepreneurial banking segment in 2017 were as follows:

- Under the protocol signed between the Union of Chambers and Commodity Exchanges of Turkey, the Credit Guarantee Fund and Ziraat Bank, a total of TL 1.45 billion in loans were allocated to 15,000 customers within the scope of the "Room to Breathe Loans (NefesKredisi)" product which was implemented in order to provide business capital financing to members of the Chambers and Exchanges at affordable terms.
- More than 53,000 customers, especially SMEs - who command an important place in the business and production life of our country - but who lack sufficient collateral, were given TL 10 billion in loans with the "Entrepreneur Value Credits" product in order to finance working capital at affordable terms.
- Within the framework of the cooperation established by the Turk Eximbank and Ziraat Bank to support exports from Turkey, the Bank's branches, subsidiaries and correspondent banks operating abroad extend loans to importers at appropriate maturities and cost. In order to support Turkish exporters, open new markets for our export products and increase our share in existing markets, the "Turk Eximbank Sourced Buyer Loan" was revised.
- With the aim of developing new products from the perspective of the "Ziraat Finance Group Customer", the "Domestic Machine Support Package" was renewed in order to increase efficiency and productivity in the domestic machinery manufacturing industry.

39%

ZIRAAT BANK'S FOREIGN TRADE VOLUME REACHED USD 51 BILLION, UP BY 39% YOY.

Financing of the Agricultural Sector

Increased support for the agricultural sector with uninterrupted financing

Ziraat Bank has been the main supporter of agriculture in our country throughout history, and has transferred a significant sum of resources to the various business lines of the agricultural sector. Continuing to develop and expand the quality and modern banking services needed in this segment, the Bank also produces projects aimed at solving the sector's structural problems and facilitating the sector's access to finance.

Ziraat Bank has been working with the relevant institutions, organizations and agricultural institutions, in particular the Turkish Ministry of Food, Agriculture and Livestock to conduct studies to diversify credit products and develop alternative collateral components from farmers' agricultural assets.

Aiming to meet all kinds of financing needs of small-scale farmers with fast and cost-effective solutions, Ziraat Bank also supports investment projects that will create added value in agricultural production and respond to the country's needs.

AN ASSESSMENT OF 2017: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

The total volume of loans extended by Ziraat Bank from its own resources to finance the agricultural sector and the fund-based credits that it mediated in had reached TL 51.9 billion by the end of 2017, with the number of customers receiving loans reaching 708,000.

Investments and activities aimed at increasing the agricultural mechanization level of enterprises, increasing the storage, processing, packaging and marketing capacities of agricultural enterprises, including licensed warehousing and cold storage investments, stand out among as target production areas for the Bank.

TL 51.9 billion in loans extended for financing of the agricultural sector

In 2017, a total of TL 33.7 billion was extended from Ziraat Bank's resources to 451,000 customers to finance the agricultural sector, and 69,000 new customers were added to the portfolio. The balance of these agricultural loans had reached TL 49.9 billion by the end of the year, and the number of customers with loans reached 630,000.

In terms of the breakdown, 38% of the agricultural loan portfolio consists of investment credits (TL 18.8 billion) while 62% of the loans consist of business loans (TL 31.1 billion).

On the other hand, the Bank mediated in the payment of TL 67.3 million in loans from the funds provided by various institutions to a total of 10,000 persons determined by related institutions. In this context, the amount of fund-based credit payments stood at TL 2 billion with the number of customers reaching 78,000 by the end of the year.

When evaluated as a whole, the total volume of loans extended by Ziraat Bank from its own resources to finance the agricultural sector and the fund-based credits that it mediated in had reached TL 51.9 billion by the end of 2017, with the number of customers receiving loans reaching 708,000.

451,000 customers

IN 2017, A TOTAL OF TL 33.7 BILLION WAS EXTENDED FROM ZIRAAT BANK'S RESOURCES TO 451,000 CUSTOMERS TO FINANCE THE AGRICULTURAL SECTOR.

Low interest rates on agricultural loans

In line with the decree and communiqué on low interest rate loans published in 2017, credit continues to be provided with annual interest rates ranging from 0% to 8.25% for customers operating in the sector within the subsidized rates determined on the basis of production areas.

A total of 320,000 producers and companies operating in the agricultural sector received TL 22.9 billion of loans at the discounted interest rates during 2017.

Financial model contribution for agriculture-industry-producer cooperation

Within the framework of contracts entered into with 44 firms operating in a number of areas including vegetable farming, seed farming, broiler breeding, pepper and tomato cultivation and sugar beet production, the Bank's balance of contracted production loans extended to nearly 19,000 contract producers stood at TL 141.2 million at the end of the third quarter of 2017.

In 2017, Ziraat Bank provided TL 3 billion in loans to finance the purchase of tractors to 52,000 customers, and TL 488 million in agricultural mechanization financing loans to 20,000 customers.

Livestock loans

In 2017, Ziraat Bank extended a total of TL 11 billion in loans to 148,000 customers under various titles of animal production. As of the end of 2017, the balance of loans dispersed for animal husbandry had reached TL 15.6 billion and the number of customers with such credit had reached 205,000.

Cooperation with livestock organizations

In 2017, Ziraat Bank signed a protocol with the Manufacturers Union and Cooperatives, which gathered and marketed the milk of the enterprises owned by its members, and continued to offer solutions that facilitate access to loans for the member producers of the said Unions/ Cooperatives.

Agricultural mechanization loans

In order to increase the level of mechanization of agricultural enterprises and thus increase productivity and profitability, Ziraat Bank offers loans for tractors and agricultural mechanization. In 2017, TL 3 billion in loans to finance the purchase of tractors was provided to 52,000 customers and TL 488 million in agricultural mechanization financing loans was extended to 20,000 customers. As of the year-end, a total of TL 7.5 billion of tractor loans had been extended to 193,000 customers and TL 1.3 billion had been extended to 52,000 customers for mechanization loans.

Renewed tractor loan

In order to renew the old tractor park in our country, loans were extended to producers owning tractors for at least 5 years seeking to renew tractors manufactured at least 10 years ago. The loans had maturities of up to 96 months.

Small equipment credit

Ziraat Bank offers Small Equipment Credit to enable the purchase of small farming tools and equipment needed by agricultural enterprises belonging to real or legal persons, to enable them to sustain their operations efficiently and profitably. The loan, which has a maximum limit of TL 25,000, was extended to 10,000 customers in 2017, with a total of TL 165 million loans taken out.

Greenhouse loans

In 2017 a total of TL 856 million worth of greenhouse production credit was extended to more than 8,000 producers. Ziraat Bank has lent a total of TL 4.3 billion to 111,000 customers over the last 14 years, to finance activities such as greenhouse construction and modernization, as well as crop production.

AN ASSESSMENT OF 2017: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

In 2017 Ziraat Bank continued its efforts to increase its market share in the retail lending segment and to reach out to an even bigger customer base through every possible service channel.

Retail Banking

Ziraat Bank has added innovative products to its product range with its infrastructure and superstructure projects for retail banking that it has started to roll out in recent years, continuing to offer attractive opportunities to its customers while strengthening customer satisfaction with its long term and versatile relationships.

Ziraat Bank provides services for individuals through a wide distribution network covering;

- branches,
- ATMs,
- internet and mobile banking applications
- call centers.

Ziraat Bank's projects are focused on responding rapidly to the different needs and tendencies of its customers in the field of retail banking. In this context, the following developments were realized in 2017;

- In line with the protocol entered into with the KKB (Credit Registration Bureau), Findeks Packages, which allow customers to examine the financial status, credit and debit limits and credit notes of themselves and other persons they are in commercial relations with are ready to be sold through Ziraat branches.
- Within the scope of the Ziraat Finance Applications project, demand account withdrawal screens have been expanded in all branches and processes that speed up the operational processes as well as maximizing transaction

security have been introduced. Similarly, money transfer screens were made ergonomic in order to provide a better service to customers, while authentication and missing information checks were improved in order to ensure customer security, and rolled out in pilot branches.

- The State Subsidized Dowry (Çeyiz) and the State Subsidized Housing Account products set up by the Ministry of Family and Social Policies and the Undersecretariat of Treasury continued to be offered to customers to promote saving among customers in the individual segment.
- The Bank's total housing loan balance amounted to TL 43 billion with the disbursement of TL 22 billion while the consumer loan balance amounted to TL 31 billion, by disbursing TL 28 billion.
- The Bank, which has steadily expanded its number of contracted projects in line with its growth target in qualified residential projects, continued to offer loans at

TL 43 billion

THE BANK'S TOTAL HOUSING LOAN BALANCE AMOUNTED TO TL 43 BILLION WITH THE DISBURSEMENT OF TL 22 BILLION.

Cooperation with the leading institutions in the sector continued for the Life-Long Banking World program prepared for customers of the Bank and segment-based opportunities, such as Children’s Plus, Young People’s Plus, Employees’ Plus and Pensioners’ Plus at Ziraat, and the discounts and advantages specific to this program continued to be provided.

preferential conditions to customers wishing to purchase a home in residential projects, thanks to new partnerships established with leading construction companies in the sector.

- Within the framework of the protocol signed with the Social Security Institution (SGK), 4.4 million pension customers had been paid a total of TL 1.6 billion in promotions as of the end of 2017.
- Within the scope of the protocol signed with the SGK, the volume of loans extended to 8,200 individuals within the scope of the Bağ-Kur Premium Debt Loan product, which was put into practice for those who held policies and had accumulated premium debt and were able to qualify for the old-age pension by paying their premium debts, stood at TL 156 million.
- Regarding fees and commissions received from banking services, fees in some service items, including monetary transfers from various channels, were revised.
- With the “Live Answering” application, which was launched on 30 January 2017, an online support service was rolled out for Ziraat Bank Internet banking customers. Customers using the Live Answer application over the internet banking service are able to receive this service every day between 9AM and 6PM. This application also ensures that hearing-impaired customers can also gain access to call center services.
- Confirmation of bank customers’ e-mail addresses has been improved. In addition to the branches, a confirmation e-mail is sent to customers in the process of entering and / or updating the communication e-mail to be made over internet banking, mobile banking and the Customer Contact Center, and the e-mails of the verifying customers can be recorded as “confirmed” in the system.

TL 51 billion

APPROXIMATELY TL 51 BILLION WAS DISBURSED BY ZIRAAT BANK THROUGH 1.6 MILLION INDIVIDUAL LOANS IN 2017.

- Cooperation with the leading institutions in the sector continued for the Life-Long Banking World program prepared for customers of the Bank and segment-based opportunities, such as Children’s Plus, Young People’s Plus, Employees’ Plus and Pensioners’ Plus at Ziraat, and the discounts and advantages specific to this program continued to be provided.

Most strategic targets in individual loan segment achieved.

Approximately TL 51 billion was disbursed by Ziraat Bank through 1.6 million individual loans in 2017.

Expanding the scope of insurance activities.

With Law No. 6740, entitled “Law Amending the Private Pension Savings and Investment System Law”, which was published in the Official Gazette dated 25 August 2016, all public employees under the age of 45 and all private sector employees working in a workplace registered at Social Security Institution (SSI), in line with the calendar announced by the Undersecretariat of Treasury, are included in the Individual Pension Automatic Participation System.

AN ASSESSMENT OF 2017: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

As the automatic participation system is a long-term saving tool, the employers and hence, their employees that Ziraat Bank will bring in the system will offer significant contributions to the Ziraat Finance Group in the long term in terms of profitability, customer loyalty and the acquisition of new customers.

As the automatic participation system is a long-term saving tool, the employers and hence, their employees that Ziraat Bank will bring in the system will offer significant contributions to the Ziraat Finance Group in the long term in terms of profitability, customer loyalty and the acquisition of new customers.

In this framework, a contract was signed between Ziraat Bank and a total of 764 local administrations and SEEs in the last three months of 2017. Approximately 1.5 million had been contracts following the date of the enactment of the Law as of year-end, when the number of active participants had reached 676,000 and the volume of funds had reached TL 424 million.

The “Corporate Internet Branch Screen Training” video was prepared by undertaking system improvements to digitize the process within the scope of the Automatic Participation System; in addition, the user manual was published ensuring that the following transactions regarding employees’ contracts could be carried out through the individual Internet Branch;

- Opting Out,
- Withdrawal,
- Interruption,
- Changes in Contribution Amount and
- Requests for the Initial Fund Change

The Principles and Procedures of the Insurance Application, prepared in order to guide the operational process of insurance transactions at the Bank and ensure that transactions were carried out in a manner that was correct, rapid, easy and of high quality, was revised and the Individual Pension Automatic Participation System was added to the legislation. In addition, Individual

Bancassurance Product Cards were renewed and the Travel Health Insurance product for Studying Abroad and the Foreign Health Insurance product were added to the cards.

State Supported Agricultural Insurances Tariffs and Instructions for 2017 were published by the TARSİM-Agricultural Insurance Pool. The training presentation concerning the new applications and pertinent changes were shared with the Bank personnel. In addition, District-Based Drought Yield Insurance was added to the Principles and Procedures of the Insurance Application Entrepreneurial Segment Bancassurance Product Cards.

In accordance with the agreement reached with Ziraat Hayat ve Emeklilik A.Ş., some diseases and treatments are excluded from the scope of insurance policy. Accordingly, the Credit Group Life Insurance Insurance-Health Declaration and Certificate Request Form has been revised as an attachment to the Insurance Application Principles and Procedures prepared by the Bank.

676,000 participants

IN THE AUTOMATIC PARTICIPATION SYSTEM, AS OF YEAR-END THE NUMBER OF ACTIVE PARTICIPANTS REACHED 676,000 AND THE VOLUME OF FUNDS REACHED TL 424 MILLION.

The extensive projects carried out by Ziraat Bank in the field of electronic service channels ensure that the products and services offered to customers are effective and of high quality, and contribute to customer satisfaction as well as the cost base of the Bank.

Electronic Service Channels

The extensive projects carried out by Ziraat Bank in the field of electronic service channels ensure that the products and services offered to customers are effective and of high quality, and contribute to customer satisfaction as well as the cost base of the Bank. The results recorded in this area in 2017 are listed below.

Credit Cards

As of the end of 2017, there were 4.8 million Ziraat Bank credit cards in circulation, with the Bank commanding a 7.5% market share in terms of the number of credit cards and a 3.6% market share in terms of turnover.

Bankkart

At the end of 2017, there were 28.2 million Ziraat Bank issued debit (bank) cards in circulation, and the Bank maintained its leading position in the sector with a 19.3% turnover share in direct-debit payments.

Merchant partners and POS units

At the end of 2017, Ziraat Bank commanded;

- 171,000 merchant partners,

- 112,000 POS units,
- 79,000 electronic cash registers,
- A 3.3% market share for merchant partner turnover

Operations Center

Ziraat Bank deploys a model focused on productivity in its business processes. In line with process improvements and centralization of branch operational processes in 2017, a large number of transactions were brought to the operations center, resulting in an increase in service quality and customer satisfaction. In 2017, a total of 165.2 million operations were performed from the Operations Center with an overall centralization rate of 99%.

The following activities were carried out by the operations center in 2017 under the scope of ensuring operational efficiency and standardization, and reducing the workload of Ziraat branches and the units of Ziraat Finance Group:

- The collection procedures related to the Bank's credit cards which were being carried out by the branches started to be performed by the Operations Center.
- OGS/HGS/OTP operations started to be performed by the Operations Center.
- Within the scope of the Operations Center's services to the Ziraat Finance Group, various operations of our subsidiaries started to be performed by the Operations Center.
- The replies to the relevant Directorate of Execution regarding foreclosures from the KEP system were sent through the KEP system again.

165.2 million

IN 2017, A TOTAL OF 165.2 MILLION OPERATIONS WERE PERFORMED FROM THE OPERATIONS CENTER WITH AN OVERALL CENTRALIZATION RATE OF 99%.

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Work got underway to enable foreign trade transactions to be carried out at the bank’s internet branch and for the transition to an automatic system for the preparation of draft letters of credit.

- The decision payment/collection procedures pertaining to legal action lodged either by the Bank or against the Bank in consumer courts are undertaken by the Operations Center.
- Collective Tax Collection transactions are realized through Bank Credit Cards.
- The Operations Center started to carry out the definition of the “Signature Authority Registration” transactions through the Central Registry System of the Ministry of Customs and Trade (MERSİS).
- In order to reduce the waiting times of operations in the Operations Center and ensure effective use of the idle workforce in some branches, the “Operation Center Everywhere” project was brought into operation.

Credit and Foreign Trade Operations

Ziraat Bank aims to ensure that the operational process of credit and foreign trade transactions is conducted efficiently and quickly in accordance with required standards by taking into account customer satisfaction. In this process,

- during the establishment and registration of the confirmation mortgage in the electronic environment, based on the objectives and targets such as;
 - to be the first and leading bank in the sector,
 - to provide standards with central processes,
 - to increase customer satisfaction,
 - to increase and maintain productivity;
- and in line with the ongoing work on the e-mortgage project, which envisages the establishment of real estate mortgage facility transactions which will serve as a guarantee for the loans, and be carried out in an electronic environment established with the General Directorate of Land Registry and Cadaster, all branches had been included in the scope of the application as of 30 November, 2017.

TOKİ

REAL ESTATE TAX INFORMATION BELONGING TO CUSTOMERS WHO PURCHASED HOUSING FROM THE MASS HOUSING FUND WAS INCLUDED IN THE TOKİ ONLINE INSTALLMENT INQUIRY SYSTEM.

- Systematic development studies aimed at centralizing corporate loan disbursements had been completed as of 4 December 2017, and the operations related to authorized cash credit disbursements started to be carried out within the Department of Credit and Foreign Trade Operations.
- Work got underway to enable foreign trade transactions to be carried out at the bank’s internet branch and for the transition to an automatic system for the preparation of draft letters of credit. The preparation of import letters of credit over the internet branch will bring Ziraat Bank into the position of being the leading bank in the sector in this regard; combined with other improvements, it will provide a significant contribution to the Bank’s image in the sector.
- Import / export letters of credit, cash against documents transactions and letters of guarantee transactions of the branches operating abroad started to be carried out centrally.
- Real estate tax information belonging to customers who purchased housing from the Mass Housing Fund was

included in the TOKİ online installment inquiry system. Thus, TOKİ customers will be able to access information on their real estate tax debt as well as installment debt information through TOKİ online installment inquiry screen.

Special integration solutions in cash management

Acting with the principle of providing customers with special solutions in cash management products, Ziraat Bank continues to generate technological innovations and special integration solutions in line with the developments in the sector.

In this context, the Bank provided high quality and technology-oriented products and services in 2017, taking into account the special needs and demands of its customers.

The number of parent companies with which the Company entered agreement in the Direct Debt System (DBS) increased by 19% YoY. In addition, the number of dealers included in the system increased by 90% and the volume of collection increased by 123% YoY.

The derivative of the Discounted DBS, the Direct Debit System product, was also offered to customers, providing them with the opportunity to obtain financing before the billing deadline. These invoices, which are subject to trade, could be offered as a guarantee of products other than the DBS loan, thus adding another type of guarantee that can be obtained from customers.

Within the scope of the Corporate Collection System, the number of contracted institutions increased and a total of 148 million collections were realized in 2017.

In addition, the Bank continued to offer customized payments, electronic checks / notes, accounting integrations, pool accounts and cash collection services to meet the needs of its customers.

123% increase

IN 2017 THE VOLUME OF COLLECTION IN THE DIRECT DEBT SYSTEM INCREASED BY 123% YOY.

Digital Banking

Ziraat Bank increasingly integrates digital channels into the service delivery process in an effort to provide its customers with a simplified and unlimited banking experience.

Serving a large customer base spread across the country, Ziraat Bank actively reaches its customers through its digital service channels as well as its branches. The Bank continued to roll out innovative and pioneering applications to increase the usage rates and effectiveness of the digital channels in 2017.

The following projects were carried out in the fields of ATM, Internet Banking, Mobile Banking and Digital Branch Solutions in 2017:

ATM

- Ziraat Bank's new ATM Software Project, where a host of innovations will be offered to customers including personalized menus, easy and fast process flows and a virtual keyboard experience, entered operation.
- As of the end of 2017, the number of Ziraat Bank ATMs had reached 7,085. Ziraat Bank serves as the bank with the highest number of ATMs in the banking sector and one of every four financial transactions that passes through all the ATMs of the sector is realized through ATMs of the Bank.
- With the Ziraat Mobile application, customers are able to withdraw and deposit money from ATMs safely and quickly by simply reading the QR code sent through their smart phones.
- To enable visually impaired customers of Ziraat Bank and other banks to use the ATMs, work was carried regarding voice transaction menus, which will be activated by attaching headsets to the ATM.

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The number of Ziraat Bank's digital customers increased by 50% in 2017 to 7.4 million by the end of 2017, with the number of active digital customers reaching 4.8 million.

- The flow of the "Deed Collection" transaction, carried out through Bank ATMs, was updated and steps were taken to ensure that one-time collections can be made with a single entry of information in transactions requiring multiple collections.

Internet Banking and Mobile Banking

- The number of Ziraat Bank's digital customers increased by 50% in 2017 to 7.4 million by the end of 2017, with the number of active digital customers reaching 4.8 million.
- 87% of financial transactions at the bank are realized through digital channels, a rate which is increasing rapidly. The number of financial transactions carried out using the mobile application nearly doubled when compared to the previous year.
- The Ziraat Corporate Mobile application has been rolled out for corporate customers. Customers with corporate internet banking accounts may include both main users and sub-users in the corporate mobile application.
- The addition of multi-lingual support to the Ziraat Mobile application was completed, with English language services rolled out.
- In order to provide customers with a more comprehensive banking experience, the set of transactions has been expanded in line with customer needs, and regular improvements are carried out by adding new features to the applications.
- The "nearest Ziraat" service, which displays branches and ATMs on the Map, as well as disabled friendly branches and ATMs, was added to the mobile application.
- The length and content of the Internet banking login password were updated in order to maximize customer security. As an alternative to security through SMS, Ziraat

87%

87% OF FINANCIAL TRANSACTIONS AT ZIRAAT BANK ARE REALIZED THROUGH DIGITAL CHANNELS.

Onay - which provides security verification by combing the pairing of customers' devices, the PIN code used for internet banking and the password for internet banking, where a secure login is provided with a single password.

Digital Branch Solutions

- In order to ensure that the documents produced during the business processes of the branches are transferred to the electronic environment by checking missing documents and signatures and to ensure customer satisfaction by speeding up the processes, infrastructure development for barcode printing and reading has been carried out.
- Within the scope of work being carried out to digitize the business processes of the branches, the integration studies of automatic cash-transfer devices into the main banking software has been completed and pilot applications have been introduced in two branches.

Thanks to the business model that Ziraat Bank has been carrying out with its widespread branch network and modern customer relationship management approach, the volume of foreign currency transactions realized by its customers increased by 17% YoY in 2017.

Treasury Management and International Banking

Ziraat Bank, following a dynamic and effective treasury management policy, is an active and prominent participant of money, foreign exchange and capital markets.

In line with changing market conditions, Ziraat Bank offers its customers uninterrupted service in a wide range of products and financial solutions to meet the needs, are applied the fastest way.

Thanks to the business model that the Bank has been carrying out with its widespread branch network and modern customer relationship management approach, the volume of foreign currency transactions realized by its customers increased by 17% YoY in 2017.

Ziraat Bank administered its balance sheet with the objective of maximum benefit in the domestic and international markets in order to manage its growing balance sheet in the most efficient and profitable manner and to protect it from liquidity risk, interest rate risk and exchange rate risk. It continued to create active and passive pricing strategies within the framework of market conditions.

Securities portfolio management maintained within the framework of the Bank's main strategy.

Ziraat Bank again maintained its position as a market maker in the government debt securities market in 2017 and played an active role in secondary markets.

Securities portfolio management is maintained within the framework of the Bank's main strategy. The main asset management strategy is to increase the share of loans in the balance sheet, mainly those used by the real sector, and to reduce the share of securities. The Bank's securities portfolio is managed by taking the risk-reward balance into account, thus paving the way for growth in loans, while creating a more balanced asset structure.

The Bank's primary passive management strategy is based on expanding its deposit base as well as diversifying and deepening its non-deposit resources.

Continued issuances in the capital markets.

As in previous years, Ziraat Bank continued to issue bonds and bills in 2017 in order to create resource diversity and reach different customer groups. The Bank issued TL 11.4 billion of bonds in the domestic market against TL 9.9 billion of redemptions under the issuance ceiling of TL 20 billion.

Leading the way in bringing gold investments into the economy.

Ziraat Bank's gold deposit volume increased by 45% when compared to 2016, to reach 26 tons by the end of 2017. Accordingly, the Bank's share in the gold deposit sector increased from 14% to 17%.

As part of its gold trading activities, Ziraat Bank managed a volume of approximately 95 tons of gold in 2017 and provided a continuous service to its customers through all channels. In addition, approximately 1.1 tons of scrap gold was collected from customers through the "golden time" campaigns and brought to the banking system.

The only bank in the sector to issue Gold-Denominated Lease Certificates.

Ziraat Bank is the only bank in the sector to be active in this area, by intermediating in the issuance of "Gold Bonds" and "Gold-Denominated Lease Certificates" which were issued for the first time by Republic of Turkey Prime Ministry Undersecretariat of the Treasury and the Undersecretariat of the Treasury Asset Leasing A.Ş. With the issuance of this investment tool, which allows citizens holding physical gold to earn a return from their gold, the Undersecretariat of the Treasury aims to bring these assets which have been kept "under the mattress" into the economy and strengthen the country's reserves. In this context, the Bank worked with the

#YouCantGiveUp

Ziraat Bank: The bank that never ceases to do more to stand by the people who do more for this country

Ziraat Bank: More than a bank





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Ziraat Bank undersigned a first in the sector by intermediating in the issuance of “Gold Bonds” and “Gold-denominated lease certificates” which were issued by the Republic of Turkey Prime Ministry Undersecretariat of the Treasury and the Undersecretariat of the Treasury Asset Leasing.

1.1 tons of scrap gold

IN 2017 ZIRAAT BANK COLLECTED APPROXIMATELY 1.1 TONS OF SCRAP GOLD FROM CUSTOMERS THROUGH THE “GOLDEN TIME” CAMPAIGNS AND BROUGHT TO THE BANKING SYSTEM.

Undersecretariat of Treasury to establish the primary and secondary market for the new investment tool in question and implemented the “Gold Bonds” and the “Gold lease certificates”.

During October 2017, the Undersecretariat of the Treasury issued “Gold Bonds” and “Gold lease certificates” following book building from individual investors through Ziraat Bank throughout Turkey. Applications were collected in 344 Ziraat branches throughout 81 provinces and 249 districts, and the value of 22 and 24 karat gold brought by customers was determined by gold refining experts, and 2 year maturity Gold bonds/Gold leasing certificates carrying a 6 monthly coupon were issued.

During the four stages of issuance, about 2.5 tons (with a monetary value of approximately TL 380 million) was collected from 13,000 customers and the scrap gold was added to the economy. Currently, these securities are kept under the control of Ziraat Bank and the price is declared with the aim of enabling customers to cash these securities in the second market.

Working to effectively promote the Turkish banking sector and the country's economy to foreign investors.

In 2017, a total of 10 conferences were held in Middle East, Europe and America in order to monitor the global and regional economy and developments in the capital markets, and to promote the Bank, the Turkish banking sector and the Turkish economy to foreign investors in the most effective manner. In the meetings held in 2017 at the General Directorate of the Bank and conferences abroad, interviews took place with 52 international investment companies.

Continuing the diversification of Ziraat Bank's strong funding structure.

Ziraat Bank manages the resources provided by international financial institutions in its balance sheet and provides a significant amount of external financing from international financial institutions within the framework of its wide customer base and extensive branch network. Within the context of agreements with the World Bank, the European Investment Bank and the French Development Agency, a total of USD 234 million was made available to SMEs and larger-scale customers during 2017. These resources were used to help promote the growth of customers, by increasing their production, productivity and employment, helping reduce regional development differences.

Borrowing through syndication from international markets realized for the fifth time.

Ziraat Bank's syndication loan, which was provided in US dollar and Euro denominations in April 2016, was redeemed. The loan was renewed on 6 April 2017, with a maturity of 367 days and total amounts of USD 278 million and EUR 706.5 million, with the participation of 41 banks from 21 countries. The Bank of America Merrill Lynch International Limited and Emirates NBD worked as co-coordinators in the process.

This transaction, which was aimed at diversifying Ziraat Bank's strong funding structure, was the fifth borrowing transaction carried out by the Bank through international syndication for the purpose of financing foreign trade. Having diversified and strengthened its leading position in the deposit sector with funds provided by international markets, Ziraat Bank aims to actively support its customers in the financing of foreign trade by expanding and diversifying its range of financial products and services.

Renewal of the GMTN program (Global medium term notes).

The Global Medium Term Notes (GMTN) program, which is being implemented under the scope of diversifying bank resources and international capital markets through the cost-effective and long-term allocation of resources, was renewed on 14 March 2017.

In 2017, two foreign bonds were issued under the GMTN program. The maturity of a USD 600 million issuance, which was carried out on 3 May 2017, was set as 5 years, and the maturity of a USD 500 million issuance, which was carried out on 29 September 2017, was set as 6 years.

A steady rise in Ziraat Bank's share in foreign trade over the years.

Ziraat Bank's extensive network of correspondent banks, established with nearly 1,800 banks in more than 140 countries, is constantly diversifying and evolving in line with customer demands and the conjuncture and trends in the world economy. Thanks to its expanding and strengthening correspondent network, Ziraat Bank provides its customers with foreign trade opportunities in many parts of the world. Ziraat Bank, whose share in foreign trade has risen constantly, stood as one of the leading banks in this area at the end of 2017. The Bank's preference for foreign trade by its customers is based on strong and sustainable cooperation with correspondent banks, quality of service and high product range.

Ziraat Bank offers products such as discounted letter of credit and discounted insurance policies to meet the foreign trade financing needs of its customers and works closely with export insurance companies such as Hermes, Coface, Serv and Sace to create medium and long term country loans to its customers.

Thanks to its strong correspondent network, Ziraat Bank provides easy access to alternative sources of funding and demonstrates the ability to obtain funds from correspondent banks at affordable costs and conditions. The Bank seeks to sustain and build on this success in the coming years with new ways of financing that it will diversify.

The Turkish bank with most extensive service network on a national and global scale.

Ziraat Bank operates from 95 points in 18 countries around the world. Ziraat Bank has a wide international network of services consisting of 9 international subsidiary banks, 22 international branches in 9 countries and one representative office.

Syndication

IN 2017 ZIRAAT BANK RENEWED ITS SYNDICATION LOAN WITH A MATURITY OF 367 DAYS AND TOTAL AMOUNTS OF USD 278 MILLION AND EUR 706.5 MILLION.

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Ziraat Bank has further strengthened its position in regions it considers to bear strategic importance to become a global bank, and continues its efforts to establish a presence in new countries.

Ziraat Bank has further strengthened its position in regions it considers to bear strategic importance to become a global bank, and continues its efforts to establish a presence in new countries.

Ziraat Bank's global service points are composed of the following:

- The London Branch in the UK,
- In Bulgaria, the Sofia Branch and the Plovdiv, Kardzhali and Varna sub-branches,
- In Greece, the Athens, Komotini (Gümülcine), İskeçe and Rhodes branches,
- In Iraq, the Baghdad and Erbil branches,
- The Jeddah Branch in Saudi Arabia,
- In the Turkish Republic of Northern Cyprus, the Nicosia, the Girne, Gazimağusa, Güzelyurt, Gönyeli, Akdoğan, Karaoğlanoğlu, and İskele branches,
- The Pristina Branch in Kosovo,
- The Bahrain Branch,
- The Tehran Representative Office in Iran.

Ziraat Bank also provides banking services through its subsidiary banks in Germany, Bosnia and Herzegovina, Montenegro, Russia, Georgia, Azerbaijan, Kazakhstan, Uzbekistan and Turkmenistan.

International Branch Banking

International Branch Banking work has been carried out with the following main objectives, in line with Ziraat Bank's international banking strategy and vision:

- To unwaveringly increase its effectiveness in the countries where it has operations,
- To contribute to the development of trade and economic relations between these countries and Turkey,

95 points

ZIRAAT BANK OPERATES IN 18 COUNTRIES THROUGH ITS INTERNATIONAL NETWORK CONSISTING OF 9 INTERNATIONAL SUBSIDIARY BANKS, 22 INTERNATIONAL BRANCHES AND ONE REPRESENTATIVE OFFICE.

- To play a strong role and secure a high share in the financing of foreign trade,
- To provide fast, modern and high quality services to all customers in the regions where there are operations, principally to our country's entrepreneurs and companies,
- To create effective synergies within the framework of the "Ziraat Finance Group" approach.

"Ziraat always stands with you, wherever you are in the world."

In line with the slogan of "Ziraat is always with you, wherever you are in the world", Ziraat Bank takes advantage of current and potential opportunities in each geographical region where it operates and will continue to work to become the strongest and most effective bank in Turkey and the region in the coming period. The developments of 2017 in this context are summarized below

In line with the dynamics and requirements of the London financial center, the **London Branch** revamped its range of products and services to enhance its effectiveness, particularly in the areas of structured financing and financing of foreign trade. The London Branch is an important financial contact point for access to international financial markets.

In the **TRNC** (Turkish Republic of Northern Cyprus), customer and market oriented activities have been carried out with 8 branches by expanding the product range and continuously increasing service quality. The branches in the TRNC provide corporate and retail banking products to our customers which meet our country's standards. Thus, the Bank continued to contribute significantly to the economic development of the TRNC.

In **Greece**, services are provided through four branches in Athens, Komotini (Gümülcine), İskeçe and Rhodes. Ziraat Bank aims to continuously expand the banking products and services offered to its customers in the country, from corporate loans to retail banking.

In **Bulgaria**, four branches are operating in corporate and retail segment in Sofia, Plovdiv, Kardzhali and Varna under the Bulgarian Administration. Efforts to expand ATM and internet banking services are continuing in the field of branchless banking and alternative distribution channels.

Ziraat Bank began operating in Baghdad, **Iraq**, where its first branch was opened in 2008. This was followed by the Erbil Branch on 14 February 2011, which was the first branch of a Turkish bank to open in the city. In 2017, the Bank continued to mediate in the collateral letter transactions of Turkish contracting companies operating in the region and the transfer transactions of Turkish companies and Turkish workers working in Iraq.

The Jeddah Branch in **Saudi Arabia** opened its doors in 2011. Efforts are continuing to expand the range of products and services offered at the branch with the aim of meeting the banking needs of Turkish and Saudi corporate and individual customers operating in the country, primarily the collateral letter needs of Turkish contractors.

In **Kosovo**, the Pristina Branch was opened on 8 June 2015. The branch serves the corporate and individual customer base in the country with its extensive product range.

Ziraat Bank's new address in the Gulf region, the **Bahrain Branch**, was opened on 28 November 2016. The aim of the branch is to contribute to the development of trade between the Gulf region and Turkey.

Ziraat always stands with you

IN LINE WITH THE SLOGAN OF "ZIRAAT IS ALWAYS WITH YOU, WHEREVER YOU ARE IN THE WORLD", ZIRAAT BANK TAKES ADVANTAGE OF CURRENT AND POTENTIAL OPPORTUNITIES IN EACH GEOGRAPHICAL REGION WHERE IT OPERATES.

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Ziraat Bank has created a progressive human resources management system that is compatible with its commitment to the principles of transparency, participation, and ethical banking.

46.4 hours

IN 2017 AT ZIRAAT BANK A TOTAL OF 25,000 PERSONNEL WERE GIVEN AN AVERAGE OF 46.4 HOURS OF TRAINING PER STAFF MEMBER.

Human Resources and Training

Ziraat Bank's qualified human resources, which set themselves apart with their high level of education, their professional expertise and ability to do business in global markets, is the Bank's most fundamental competitive advantage in the sector.

Key points of Ziraat Bank's human resources

- As of 31 December 2017, there were a total of 24,554 employees at Ziraat Bank.
- Ziraat Bank hired 456 new staff in 2017.
- 87% of Ziraat Bank employees graduated from higher education institutions with undergraduate degrees or diplomas, graduate degrees or doctorates.
- The average age of the Bank's employees is 35, with employees having completed an average of 11 years of employment in the Bank.

Supporting its employees throughout their careers with its continuous development philosophy, Ziraat Bank continuously undertakes investments in its employees, who are architects of the Bank's corporate success, by offering pay packages that are fair and appropriate, modern working conditions and opportunities for individual development. The Bank continues to improve its training activities each year by providing its employees with technical infrastructure in the banking field, international literature and applications, knowledgeable and visionary education. A number of training projects were implemented in 2017.

Training activities in 2017

In 2017, in line with the objectives and strategies of Ziraat Bank, the following training programs were provided;

- "Development Training" to meet the training needs of the employees and/or to convey information about new products, services or legislation,
- "Career Training" with the aim of providing the knowledge and skills required by the position that they are in charge of and preparing them for a higher position,
- "Training of Legal Obligations" in connection with the legislation.

In 2017, a total of 25,000 personnel were given an average of 46.4 hours of training per staff member.

Furthermore, various distance training programs were provided in 2017. Distance learning offers the advantages of allowing education to be provided to more employees in a short period of time, at low cost, without any loss of labor and at the employee's place of work or their home, while also enabling employees to work at their own learning speed. During the year, an average of 13 distance learning programs were assigned per user with a total of 27.4 hours spent on distance learning per user. Thanks to this application, an amount of paper equivalent to approximately 480 trees was saved in 2017.

As of the end of 2017, approximately 22,000 employees were handed Occupational Health and Safety Certificates and approximately 1,500 employees held Basic First Aid Certificates.

During the 2016-2017 academic year, 2,300 high school students and 1,900 university students were offered opportunities for vocational skills training and internship.

27.4 hours

DURING 2017, AN AVERAGE OF 13 DISTANCE LEARNING PROGRAMS WERE ASSIGNED PER USER WITH A TOTAL OF 27.4 HOURS SPENT ON DISTANCE LEARNING PER USER.

SOCIAL RESPONSIBILITY AND PUBLIC RELATIONS

Ziraat Bank maintained its social contribution efforts aimed at developing individuals and society in various fields, principally culture, the arts, education and sport, in 2017.

Ziraat Bank maintained its social contribution efforts aimed at developing individuals and society in various fields, principally culture, the arts, education and sport, in 2017.

For 154 years, Ziraat Bank has unwaveringly provided support to cultural and artistic areas by acting in the spirit of social sharing. In particular, the Bank has carried out projects that will contribute to the cultural accumulation of society and carries its mission of social responsibility forward each year.

A tradition of supporting art at Ziraat Bank.

Ziraat Bank has attached importance to art and artists since its establishment, under the slogan of “In Art for Art”, and continues to carry out various activities in all areas of the arts. Some examples of the support it has extended to the arts since the 1990s include the Kuğulu, Tunnel and Kızıltan Ulukavak Art Galleries for art lovers. A total of 22 exhibitions were opened in the Kuğulu Art Gallery in Ankara and the Istanbul Tunnel Art Gallery in 2017, which attracted more than 20,000 visitors.

The “State Theaters at Ziraat Stage” which was executed under the cooperation of the General Directorate of State Theaters and Ziraat Bank, remains a popular meeting point for theatre goers.

The First Banking Museum

The Ziraat Bank Museum, opened on 20 November 1981, is located in the Hall of Honor of the historic headquarters building in the Ulus district of Ankara. The museum, which exhibits 154 years of deep-rooted history of the Bank, that has witnessed every stage of the Republic, was the first Banking Museum to be opened in Turkey. The Ziraat Bank Museum exhibits the commercial, economic, political, cultural, artistic and educational changes that the Turkish banking system has undergone since its establishment to the present day. It also illustrates the development of the



ZIRAAT BANK WAS ONCE AGAIN RANKED FIRST IN THE BANK CATEGORY OF THE “LOVEMARKS OF TURKEY 2017” SURVEY.

banking system from past to present. The museum exhibits many antique artefacts, which includes some that are used in the banking system, in a historical setting.

Due to restoration work at the Ulus Historical Headquarters building, which also houses the Bank Museum, the Bank Museum will be closed to visitors from 3 April 2017 until the end of the restoration. Once the restoration work has been completed, the museum will continue to host visitors in a much larger area with the inclusion of the vault in the basement.

Promotion activities

As in the past 8 seasons, Ziraat Bank sponsored the Turkish Cup in the 2017/2018 football season. At the same time, the Bank continued to support the sports club which has successfully represented the Ziraat brand in the Men's 1st Volleyball League since the 2007/2008 season, with its sponsorship and promotion of the Bank in the 2017/2018 season.

In the television commercial, "You can't give up", prepared for the 154th anniversary of Ziraat Bank, it is emphasized that Ziraat Bank never gives up doing more as it stands with the people of this country, who are always working for more.

In addition, the following were widely viewed and proved popular in social media and written media,

- The film commercial prepared for the promotion of Credit Guarantee Fund secured "Entrepreneur Value Loan" from Ziraat
- The "Ziraat Turkey Cup Anthem" prepared within the scope of the activities to promote the Ziraat Turkey Cup
- The "Happy Golds" film commercial prepared for the products of "Gold Bonds and Gold Based Lease Certificates", which were issued for the first time by the Undersecretariat of Treasury, and offered to customers through Ziraat Bank.

As a result of all of its activities carried out throughout 2017, Ziraat Bank once again received the award for being the "Most Loved Bank of 2017" by Lovemark, after having won the same award in 2016.

Digital platforms and field surveys

Using the corporate identity in accordance with Ziraat Bank's standards, all Ziraat Bank branches received visits in 2017 within the scope of Visual Identity Supervision activities which are being carried out with the aim of correctly perceiving the Ziraat brand image by customers, integrating corporate identity standards into all environments and preventing errors.

In 2017, Secret Customer Program studies continued with visits to all branches. Within this scope, performance evaluations were carried out over the extent that Bank employees comply with the standards set by the business objectives, the level of effort they have demonstrated in acquiring new customers and how they reflect their product knowledge to the customers.

Social media activity

Ziraat Bank is engaged in increasing its social media activity and strives to meet the demands and the expectations of its customers on every platform, and to maintain the highest level of customer satisfaction.

Ziraat Bank, which became the most efficient Bank in the sector with its Facebook page, attracted 2,000,000 likes and followers in 2017.

In other social media channels, Ziraat Bank is one of the most active users in the industry.

- **Twitter:** Over 310,000 followers,
- **Instagram:** about 112,000 followers,
- **YouTube:** Over 29 million views

Other activities

In 2017, Ziraat Bank contributed to implement projects that are important for our country by sponsoring in a number of fairs opened both in Turkey and abroad.



THE NUMBER OF YOUTUBE VIEWERS OF ZIRAAT BANK, ONE OF THE SECTOR'S MOST INFLUENTIAL SOCIAL MEDIA USERS, HAD EXCEEDED 29 MILLION BY THE END OF 2017.

ZIRAAT BANK'S SUBSIDIARIES IN 2017

Ziraat Bank's main objective is to increase the total assets and profits of its subsidiaries within the Ziraat Finance Group in the medium term and to offer all of its services under the Ziraat Finance Group's roof.

The synergistic structure of Ziraat Bank with its subsidiaries ensures the motivation it needs for sustainable growth and is the driving force of its domestic and international development.

Ziraat Bank's corporate participation strategy focuses on sustainable profitability and growth.

Ziraat Bank has a wide ranging international and domestic participation portfolio that is shaped in the framework of its participation policy built on the basis of productivity and profitability, offering customers products and solutions in all areas of financial services.

Ziraat Bank's corporate participation strategy is to ensure sustainable profitability and growth under the roof of Ziraat Finance Group. In this context, the Bank has set out the following main strategies:

- to maximize the synergies between domestic subsidiaries operating in different sectors and foreign subsidiaries spread over a wide geographical area,
- to ensure that each subsidiary is the most popular among its customers as well as being the most profitable in their respective sectors.

The Bank's main objective is to increase the total assets and profits of its subsidiaries within the Ziraat Finance Group in the medium term and to offer all of its services under the Ziraat Finance Group's roof.

Ziraat Bank regularly evaluates organic and inorganic growth alternatives in all countries and sectors where it identifies potential based on profitability and efficiency, in line with its strategy and goals.

In this context, the Bank's branches in Georgia began operating under the name of "JSC Ziraat Bank Georgia" as of 2 May 2017 as a subsidiary bank.

All of the shares of UTBANK JSC, which has been operating as the first foreign capital Bank of Uzbekistan since 1993 and which is a 50% owned subsidiary of Ziraat Bank, were acquired by the Bank; thus UTBANK JSC is 100% owned by the Ziraat Finance Group. The Bank will continue its activities as "Ziraat Bank Uzbekistan JSC" from 2018.

International Subsidiaries

Ziraat Bank International AG

Ziraat Bank International AG has been serving its corporate and customers from a wide range of individual segments with its branches in Germany for 53 years and from the Istanbul Representative Office, which entered operation in April 2014.

As of the end of 2017, Ziraat Bank International AG had a paid capital of EUR 130 million, equity of EUR 217 million, total assets of EUR 1,744 million, loans of EUR 1,557 million and total deposits of EUR 1,507 million. In 2017, the bank's net profit stood at EUR 17.2 million, growing by 12.7% YoY, with 4% YoY growth in total assets.

ZiraatBank BH d.d.

ZiraatBank BH d.d., which began its activities in 1997, was Bosnia and Herzegovina's first bank to be owned by foreign capital. ZiraatBank BH d.d., which provides services through 30 service units and 54 ATMs throughout the country, had total assets of USD 638 million, loans of USD 636 million, deposits of USD 421 million and equity of USD 97 million at the end of 2017. The bank wrote a profit of USD 1.6 million for the 2017 full year.

Ziraat Bank Montenegro AD

Ziraat Bank Montenegro AD, which was granted a permit to conduct banking activity by the Montenegro official authorities in April 2015, began offer services in July 2015. The bank operates in the Head Office and the Podgoritsa Branch in the capital Podgoritsa. Ziraat Bank owns all the shares of the bank that has a capital of EUR 10 million. As of the end of 2017, the bank's total assets amounted to USD 63.1 million, loans amounted to USD 52.7 million and deposits amounted to USD 30.2 million.

Ziraat Bank Azerbaijan ASC

Ziraat Bank Azerbaijan ASC acquired its banking license as of 30 December 2014 and began its operations in July 2015. Established to provide services mainly in the field of corporate banking, Ziraat Bank Azerbaijan ASC operates from its Head Office in Baku as well as the İcerişehir Branch. All of the shares of the bank, which has USD 29.4 million of paid-in capital (AZN 50 million), belong to the Ziraat Finance Group (Ziraat Bank 99.98%). As of the end of 2017, the bank's total assets stood at USD 108.8 million, with loans of USD 39.1 million and deposits of USD 70.4 million. The bank wrote a net profit of USD 2.4 million in 2017.

Ziraat Bank (Moscow) JSC

Ziraat Bank (Moscow) JSC began operations in Moscow in 1993. Operating mainly in the corporate banking sector, the bank's total assets increased by 14% YoY, its deposits by 2% YoY, its loans by 104% YoY and its net profit by 26% in local currency terms. As of the end of 2017, its assets amounted to USD 109.2 million, with total loans of USD 63.9 million and a net profit of USD 3.1 million.

Kazakhstan Ziraat International Bank (KZI Bank)

KZI Bank was established in 1993 as the first bank with foreign capital in Kazakhstan with its head office in Almaty. The bank provides services to customers in the corporate and retail banking fields through its branches in the cities of Almaty, Astana, Shymkent and Aktau. As of the end of 2017, the bank's assets amounted to USD 171.9 million, with equity of USD 77 million and a net profit of USD 6.5 million. The bank's loan portfolio amounted to USD 106.4 million with customer deposits of USD 93.2 million at the end of 2017.

Ziraat Bank Uzbekistan JSC

UTBANK JSC, Uzbekistan's first bank with foreign capital, was established in 1993 in Tashkent with a Category 1 banking license, with the equal participation of Ziraat Bank and Agrobank (Uzbekistan). The bank provides all banking products and services in the corporate and retail banking fields to its customers at international quality standards. In the last quarter of 2017, all of Agrobank's shares in the Bank were transferred to Ziraat Bank and 100% of UTBANK JSC's shares were registered in the name of Ziraat. The Bank continues its activities as "Ziraat Bank Uzbekistan JSC".

In 2017, the bank's loan amounted to USD 39.2 million, total assets amounted to USD 52.5 million, deposits amounted to USD 13.9 million and net profit stood at USD 3.4 million.

JSC Ziraat Bank Georgia

JSC Ziraat Bank Georgia was established on 2 May 2017, after Ziraat Bank's Tbilisi, Batumi and Marneuli branches, which were already operating in Georgia, were transformed into the status of a subsidiary bank. The entire GEL 30 million of paid up capital of Ziraat Bank Georgia belongs to Ziraat Bank.

At the end of 2017, the Bank had USD 36 million in total assets, a loan portfolio of USD 7 million and deposits of USD 24 million.

Turkmen Turkish JSC Bank

Turkmen Turkish JSC Bank, Turkmenistan's first bank with foreign capital, was established in 1993 with the equal participation of Ziraat Bank and Dayhan Bank.

Operating in Turkmenistan's major cities, the bank reached an asset size of USD 613.5 million in 2017 and net income of USD 4.2 million. The bank offers all banking products and services to its corporate, SME and individual segment customers.

ZIRAAT BANK'S SUBSIDIARIES IN 2017

Domestic Subsidiaries

Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş. (Ziraat REIT)

Ziraat REIT began operations on 1 November 2016. Ziraat Bank owns all of the shares of the company, which has a paid capital of TL 1,300 million.

Among the Company's priorities is the development of real estate projects needed by the Ziraat Finance Group. For this purpose;

- The tender process for the construction of two towers, one with 40 storeys and the other with 46 storeys, with a combined floor area of 426,000 m², which will be realized on a 27,195.50 m² plot in the Istanbul Finance Center, which is being developed so Istanbul will become a regional and global financial center.
- 248/300 shares of real estate in the form of land in Konak, the cultural quarter of Izmir, have been purchased and a lease goodwill protocol was signed for Ziraat Bank's use.
- A sales promise contract for the purchase of a total of 140 independent sections located in the ROTA MAVİ Site, Istanbul, Yakacık Çarşı Mahallesi, Panorama Sokak, which is still under construction, was concluded with the APG firm.
- Feasibility studies are underway for the realization of a large number of real estate projects.

Ziraat Finansal Kiralama A.Ş.

Founded in 1991, Ziraat Finansal Kiralama A.Ş. has been one of the leading companies in the sector with an asset size of approximately TL 2.6 billion, net lease receivables of TL 2.3 billion and a net profit of more than TL 68 million in 2017.

Ziraat Portföy Yönetimi A.Ş.

Ziraat Portföy Yönetimi was founded in 2002. The company, which provides management services as a proxy to the investment portfolios consisting of capital market instruments, has a capital of TL 12.5 million.

Ziraat Portföy Yönetimi obtained the authority to be a fund founder in 2015 and is now the founder-manager of 18 investment funds and manager of 13 pension investment funds, together with interest-free funds.

The company's assets under management rose from TL 10 billion in 2016 to TL 13.6 billion in 2017, an increase of 36% compared to the previous year.

The company increased its size in the Private Asset Management (Individual & Legal) from TL 3.5 billion to TL 4.7 billion, achieving 34% growth.

The company, which was the sector leader in private asset management between 2015 and 2016, maintained its share in the sector in 2017.

When investment funds and pension funds are also included, the company was ranked 5th among all managed portfolios in terms of size, increasing its market share from 8.2% in 2016 to 8.6% in 2017.

Ziraat Teknoloji A.Ş.

Since its establishment in 2001, Ziraat Teknoloji has been providing information technology services to Ziraat Bank and its domestic/foreign partnerships in the fields of application development, systems management, project management and technology consultancy.

Ziraat Teknoloji continues its activities in the Technology Development Zone (Teknopark) located in the Yıldız Technical University campus. It plays an important role in the projects carried out by the Ziraat Finance Group thanks to its competence in the field of technology with the software and applications that it developed in line with the requirements of ISO 9001, 22301 and 27001 standards.

Completed the Ziraat Finance Group's Data Center last year, the company continued its new banking software development project for the entire finance group.

Ziraat Yatırım Menkul Değerler A.Ş.

Founded in 1997, Ziraat Yatırım provides services through the internet branch, mobile applications and General Directorate brokerage services (0 850 22 22 979). In addition, all branches of Ziraat Bank throughout the country serve as agents of Ziraat Yatırım Menkul Değerler.

In 2017, the company realized transaction volume of TL 49.1 billion in the Borsa İstanbul Stock Market, TL 16.2 billion in the Derivatives Exchange Market and TL 59.2 billion in the Repo-Reverse Repo and Bond and Bills Markets.

Within the scope of corporate finance services, Ziraat Yatırım maintained its effective position by intermediating in private sector bonds and bill issuance worth TL 12.9 billion aimed at qualified investors in 2017.

As of the end of the year, the company's equity amounted to TL 117 million.

Ziraat Sigorta A.Ş.

Ziraat Sigorta was established on 11 May 2009 and began its insurance activities in 2010. The company succeeded in becoming an exemplary company in the sector, maintaining sustainable growth and profitability while commanding a leadership position in the premium generation of banking insurance.

Having completed its eighth year of operation, Ziraat Sigorta maintained its steady development in 2017 and achieved a 30% YoY increase in premium generation to approximately TL 1.7 billion. This places it 7th in terms of premium generation in the sector among companies operating in the non-life branches.

As of the end of December 2017, the company commanded an asset size of TL 1.1 billion and a shareholders' equity of TL 435 million. The company's net profit increased by 64% YoY to TL 222 million during 2017.

Ziraat Hayat ve Emeklilik A.Ş.

Ziraat Hayat ve Emeklilik A.Ş., which obtained the permission for its establishment in 2009, started to offer products in the life and personal accident insurance branches at the beginning of 2010 and in the Individual Pension branch in July 2011. The company has led the sector in terms of premium generation from life insurance policies and personal accident insurance since its establishment. The company realized TL 1.4 billion of premium generation during 2017, achieving a market share of 19.2%.

In its Individual Pension System, Ziraat Hayat ve Emeklilik A.Ş. recorded a fund volume of TL 3.9 billion, marking an increase of 63.5% and the number of participants stood at 581 thousand, an increase of 13.4%. The Company, which is one of the key players of the Private Pension sector, has signed contracts with 7,000 companies in the Automatic Participation Application and became the sector leader in Automatic Participation Application with a total of 676,000 participants and a fund volume of TL 424 million.

As of the end of December 2017, the company's total assets stood at as TL 5.7 billion and its shareholders' equity at TL 662 million, while it recorded a net profit of TL 448 million.

Ziraat Katılım Bankası A.Ş. (Ziraat Participation)

Ziraat Participation entered operation on 29 May 2015. Ziraat Participation listens to its customers in all situations, in line with the principles of participation banking and works to a basic philosophy of providing solutions specific to them. As well as operating for its customers and shareholders, the bank also carries out work to add value to society and all stakeholders.

Ziraat Bank has a total of 99.99% share in the bank's shareholders' equity of TL 1.4 billion.

As of the end of 2017, the bank's total assets stood at TL 14.4 billion, with loans of TL 11.3 billion and a profit of TL 168 million.

Ziraat Participation's 2017 annual report can be reached at www.ziraatkatilim.com.tr.



Ziraat Bank: The bank that never ceases to do more to stand by the people who do more for this country

Ziraat Bank: More than a bank

#YouCantGiveUp



CHANGES IN THE ARTICLES OF ASSOCIATION IN 2017

The decision to raise the Bank's capital by TL 500,000,000.00 to TL 5,600,000,000.00 was approved at the Bank's Annual General Meeting held on 9 June 2017. The capital increase and, accordingly, the amendment made in the related article of the Articles of Association was registered on 11 July 2017 and announced in Issue 9367 of the Trade Registry Gazette dated 14 July 2017. Within this framework, the relevant article of the articles of association has been updated as follows:

Article 6 (previous version)	Article 6 (new version)
Capital	Capital
<p>Article 6- The capital of the Bank is 5,100,000,000.-Turkish Lira. All of the capital is owned by the Undersecretariat of the Treasury of the Republic of Turkey. The Bank's former capital of 5,000,000,000.-Turkish Lira was paid up. This time, the increased amount of 100,000,000 Turkish Lira consists of 28,000,000 Turkish Lira of previous periods' net profit. Of this total, 72,000,000.-Turkish Lira was committed as cash and without collusion by the Treasury and was paid up before the registration date.</p>	<p>Article 6- The capital of the Bank is 5,600,000,000 Turkish Lira. All of the capital is owned by the Undersecretariat of the Treasury of the Republic of Turkey. The capital was divided into 5,600,000,000 registered nominative shares with a nominal value of 1 Turkish Lira each. The Bank's former capital of 5,100,000,000 Turkish Lira was paid up. This time, the increased amount of 500,000,000 Turkish Lira was committed as cash and without collusion and was paid up before the registration date.</p>

THE REPORT ON COMPLIANCE OF ANNUAL REPORT



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CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Board of Directors of T.C. Ziraat Bankası A.Ş.

1) Opinion

We have audited the accompanying annual report of T.C. Ziraat Bankası A.Ş. ("the Bank") for the period between 1 January 2017 and 31 December 2017.

In our opinion, financial information included in the annual report and the analysis of the Board of Directors about the financial position of the Bank's consistent, in all material respects, with the audited complete set of financial statements and information obtained during the audit and provides a fair presentation.

2) Basis for Opinion

We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" ("BRSA Auditing Regulation") published in the Official Gazette Numbered 29314 dated 2 April 2015 by BRSA and the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Annual Report section of our report. We declare that we are independent of the Bank in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Auditor's Opinion on Complete Set of Financial Statements

We have expressed qualified opinions due to the general reserve provisions provided by the Bank on the complete sets of financial statements of the Bank for the period between 1 January 2017 and 31 December 2017 on 2 February 2018.

THE REPORT ON COMPLIANCE OF ANNUAL REPORT



4) Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code Numbered 6102 ("TCC") and Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Reports by the Bank ("Regulation") published in the Official Gazette dated 1 November 2006 and Numbered 26333, the Bank's management is responsible for the following regarding the annual report:

a) The Bank's management prepares its annual report within the first three months following the reporting date of statement of financial position and submits it to the general meeting.

b) The Bank's management prepares its annual report in such a way that it presents accurately, completely, directly, true and fairly the flow of annual operations and financial position of the Bank. In this report, the financial position of the Bank is assessed in accordance with the Bank's financial statements. The annual report shall also clearly state the details about the Bank's development and risks that might be encountered. The assessment of the board of directors on these matters is included in the report.

c) The annual report also includes:

- Significant events after the reporting period,
- The Bank's research and development activities.
- Employee benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, cash and cash facilities, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also consider the related regulations issued by the Ministry of Customs and Trade and related institutions.

5) Auditor's Responsibility for the Audit of the Annual Report

Our objective is to express an opinion on whether the financial information included in the annual report and analysis of the Board of Directors in relation to the financial position of the Bank is consistent with the audited financial statements of the Bank and the information obtained during the audit and give a true and fair view and form a report that include this opinion in accordance with the TCC and the Regulation.

We conducted our audit in accordance with the BRSA Auditing Regulation and Standards on Auditing issued by POA. Those standards are required that compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the financial information included in the annual report and analysis of the Board of Directors for the financial position of the Banks is consistent with the financial statements and the information obtained during the audit and provides a fair presentation.

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


Erdal Tıkınak, SMMM,
Partner

23 February 2018
İstanbul, Turkey

MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

ZIRAAT BANK BOARD OF DIRECTORS



CEMALETTİN BAŞLI
Member of the Board

FEYZİ ÇATUR
Member of the Board

MUSTAFA ÇETİN
Member of the Board

METİN ÖZDEMİR
Member of the Board

HÜSEYİN AYDIN
Member of the Board and
CEO



MUHARREM KARŞLI
Chairman of the Board



YUSUF DAĞCAN
Vice Chairman of the Board



SALİM ALKAN
Member of the Board



YUSUF BİLMEZ
Member of the Board

ZIRAAT BANK BOARD OF DIRECTORS

MUHARREM KARSLI

Chairman of the Board

Muharrem Karslı graduated from İstanbul University (Faculty of Economics, Department of Business Administration and Finance) in 1959, where he later completed a master's degree in money and banking. As he worked as an assistant inspector and inspector at T. İş Bankası from 1965 until 1974, he also pursued one-year research studies in banking in the UK and France. Based on his research studies, he introduced ATM devices to Turkey for the first time in 1972. In 1974, he set up the Securities Department at the same bank, a first in the Turkish banking industry, and continued to lead this process for 11 years until 1985. In 1985, he assumed the duty of establishing İstanbul Stock Exchange and served as its chairman for 5 years. During his presidency, he established İMKB Settlement and Custody Centre (Still Takasbank A.Ş.). He subsequently established his own brokerage firm, which he transferred 10 years later in 2001. On 3 November 2002, he was elected as a member of the Parliament representing İstanbul during the 22nd government of the republic. During his employment at T. İş Bankası, he served as a board member with Tofaş Türk Otomobil Fabrikaları A.Ş., the bank's subsidiary, for 5 years and for Dışbank A.Ş. (Fortis Bank) for 1½ years. During his term of office as a member of Parliament, he served as a member on the Turkey-EU Joint Parliamentary Commission for 2½ years and on the NATO Parliamentary Assembly for 2½ years. Mr. Karslı has been serving as the Chairman of the Bank since May 2010. His published work includes a book entitled "Sermaye Piyasası Borsa Menkul Kıymetler" (Capital Markets, Stock Exchange and Securities), which is used as a textbook at universities. Mr. Karslı is also the Chairman of the Board of Directors of Ziraat Bank (Moscow) JSC.

YUSUF DAĞCAN

Vice Chairman of the Board

Yusuf Dağcan graduated from Eskişehir Academy of Economic and Commercial Sciences. At Vakıfbank he worked as an assistant inspector between 1977-1981, and as an inspector and then as a branch manager between 1981-2003. He held a seat on the Board of Directors of TAIB Yatırım Bank A.Ş. from 5 September 2007 until 30 June 2008. After assuming responsibility as a member of the Audit Committee at Halkbank from 27 March 2003 until 18 April 2012, Mr. Dağcan was also the chairman of the Board of Directors of Halk Leasing, a Board member of Halk Banka A.D. Skopje operating in Macedonia, and Vice Chairman of the Arab Turkish Bank. Serving as a member on our Bank's Board of Directors since April 2012, Mr. Dağcan is Vice Chairman of the Board of the Ziraat Participation. Yusuf Dağcan is also a member of both the Bank's Credit Committee and the board of JSC Ziraat Bank Georgia.

HÜSEYİN AYDIN

Member of the Board and CEO

Hüseyin Aydın graduated from the Ankara Academy of Economics and Commercial Sciences (Faculty of Economics) in 1981. He began his career as an Assistant Inspector at Ziraat Bank and served as a director in various departments at Ziraat Bank until 27 March 2003. After working as an Executive Board member at Halkbank, as a Board member at Pamukbank and as Vice Chairman of the board at Ziraat Bank, Mr. Aydın worked as the General Manager and Board member at Halkbank between 31 May 2005 and 14 July 2011. Having joined Ziraat Bank as the CEO on 15 July 2011, Mr. Aydın also serves as the Chairman of the Banks Association of Turkey, the Board of Directors of the Ziraat Participation, and the Board of Directors of JSC Ziraat Bank Georgia.

FEYZİ ÇUTUR

Member of the Board

Feyzi Çutur graduated from Gazi University (Faculty of Economics and Administrative Sciences, Department of Banking) in 1983. He received his MBA degree from Beykent University Institute of Social Sciences Department of Business Administration. After working as accounting and finance manager at various private sector companies from 1977 until 1990, he functioned as General Accounting Manager at Bayındır Menkul Değerler A.Ş. (1990-1998), as Finance and Operations Director, Assistant General Manager and General Manager at Eti Yatırım A.Ş. (1998-2010). He served as the Fund Board member and Fund Board Chairman at Eti Yatırım and various Mutual Funds owned by Etibank, and held a seat on the Board of Directors of İktisat Yatırım A.Ş. in 2006. From July 2011 until March 2012, he was a Board member representing the Savings Deposit Insurance Fund (SDIF) at Arab Turkish Bank and its subsidiary A&T Leasing. Being a member of the Bank's Board of Directors since April 2012, Mr. Çutur is a member of the Bank's Audit Committee and Remuneration Committee, an alternate member of the Credit Committee. He is also a member of the Board of Directors, Credit Committee and Audit Committee of the Ziraat Participation. Served as a member of the Board of Directors of ZiraatBank BH d.d. until May 2017, Mr. Çutur is also a member of the Board of Directors of Ziraat Bank (Moscow) JSC.

MUSTAFA ÇETİN

Member of the Board

Mustafa Çetin graduated from Ankara University (Faculty of Law) in 1974. He served as a District Governor and Mayor in the Hadim, Akçakale and Pasinler districts between 1979 and 1985. Then he went on to work as a Chief Civil Inspector, Vice Chairman of the Board of Inspectors, Minister's Advisor and General Secretary at the Ministry of Internal Affairs between 1985 and 1996. He worked as the Governor of Gümüşhane between 1996 and 1999, as a Chairman of the Committee of Research, Planning and Coordination at the Ministry of Internal Affairs from 1999 to 2000, a Central Governor from 2000 to 2002, and Prime Ministry Deputy Undersecretary from 2002 to 2007. While he was serving as the Prime Ministry Deputy Undersecretary, he was a member of the General Assembly of the Press and Publication Agency and a member of the board of Anadolu Agency. He also served as a member of parliament representing the province of Uşak between 2007 and 2011. Mr. Çetin has been serving as a member of the Board of Ziraat Bank since July 2011. He is also the Chairman of Ziraat Sigorta A.Ş. and Ziraat Hayat ve Emeklilik A.Ş.

METİN ÖZDEMİR

Member of the Board

Metin Özdemir graduated from İstanbul University (Faculty of Business Administration) in 1990. He started his career at Kuveyt-Türk Finans Kurumu A.Ş. in 1992, and from 1996, he carried on with his business life as an executive in the retail sector. Mr. Özdemir functioned as a member of İstanbul Metropolitan Municipal Council between 2004-2014. Being a member of the Bank's Board of Directors since April 2012, Mr. Özdemir is also a member in the Board of Directors of the Ziraat Participation. Mr. Özdemir has been the CEO of Ziraat Participation since June 2017.

CEMALETTİN BAŞLI

Member of the Board

Cemalettin Başlı graduated from Hacettepe University Department of Business Administration in 1981. He got a start in business as a public servant at General Directorate of State Airports Authority in 1977. Mr. Başlı who worked as Assistant Financial Analyst at Vakıfbank between 1984-1985, as Auditor and Credit Foreign Exchange Director at Garanti Bank between 1985-1991, as Branch Manager at Albaraka Türk A.Ş. between 1991-1998, as Credits and Central Branch Manager at Faisal/Family Finans A.Ş. between 1998-2002, and later as Deputy General Manager at Haliç Finansal Kiralama A.Ş., as member of the Board and General Manager at Kıbrıs Faisal Islamic Bank, serves as a member of the Board of our Bank since June 2014. Served as a member of the Board of Directors of ZiraatBank BH d.d. until May 2017, Mr. Başlı is also a member of the Board of Directors of Ziraat Participation and Ziraat Bank (Moscow) JSC.

SALİM ALKAN

Member of the Board

Salim Alkan graduated from Ankara University (Faculty of Political Sciences, Department of Business Administration). He worked as an inspector, branch and department manager and assistant general manager at various banks from 1971. After functioning as Vice President of the Savings Deposit Insurance Fund (SDIF), Advisor to the Chairman of the SDIF,

and general manager, board member and chairman of various banks taken over by the SDIF from 2004 to 2010, he held a seat on the Board of Directors of Halkbank from 24 May 2010 until 18 April 2012, as well as on the boards of Halk Gayrimenkul Yatırım Ortaklığı A.Ş., and Halk Yatırım Menkul Değerler A.Ş. He has been a member of the Bank's Board of Directors since from April 2012. He served as Chairman of the Supervisory Board in ZiraatBank BH d.d until May 2017. Mr. Alkan is also a member of both the Bank's Credit Committee and the Board of the Ziraat Participation, which was established in 2015, and the Vice Chairman of the Board of Directors of Ziraat Bank (Moscow) JSC.

YUSUF BİLMEZ

Member of the Board

Yusuf Bilmez graduated from the Department of Business Administration at Hacettepe University in 1979. He began his career as an Assistant Inspector at Ziraat Bank on 25 July 1983 and served as an Inspector until 1989, as Deputy Personnel Manager between 1989-1992, as a Branch Manager between 1992-2003, as an Executive Vice President between 2003-2005, as the Chairman of the Inspection Board between 2005-2007, as Group President of Internal Audit between 2007-2010 and as the Executive Vice President at Ziraat Teknoloji between 2010-2013 and as a Consultant between May 2013 to 12 June 2017. He was appointed as a Board Member of our Bank in 12 June 2017. Besides the tasks described above, he served as Vice President of Executive Board and as a Board Member in Azer Turk Bank, the Turkmen Turkish JSC Bank, Kazakhstan KZI Bank, Ziraat Teknoloji A.Ş., Ziraat Sigorta A.Ş. and at Ziraat Yatırım A.Ş. respectively, which are our Bank's affiliates. He currently serves as the Vice Chairman of the Boards of Directors of Ziraat Sigorta A.Ş. and Ziraat Hayat ve Emeklilik A.Ş.

DAVUT KARATAŞ

Audit Board Member

Davut Karataş graduated from İstanbul University Faculty of Political Science, Public Administration Department. Currently serving as the General Director for Laws and Resolutions at the Prime Ministry, Mr. Karataş has been a member of the Bank's Board of Auditors since March 2013.

DENİZ YILMAZ

Audit Board Member

Deniz Yılmaz graduated from Ankara University (Faculty of Political Science, Public Administration Department) in 2001. He worked at the T.R. Prime Ministry Undersecretariat of Treasury as a Treasury Controller between 2002 and 2007, and as Internal Auditor between 2008 and 2014. He was a member of the Board of Directors of Vakıf REIT between 2015 and 2016. He became a Department Head at the Directorate General of State Owned Enterprises of the Undersecretariat of Treasury in 2015, in which position he still serves. He attended a master's program in economics at the North Carolina State University in the U.S. between 2010 and 2012, and currently pursues his doctorate studies in banking. Mr. Yılmaz has been a member of the Bank's Board of Auditors since April 2016.

ZIRAAT BANK SENIOR MANAGEMENT



ALİ KIRBAŐ

Executive Vice President
for Banking Operations
and Communication

ALPASLAN AKAR

Executive Vice President
for Payment Systems

BİLGEHAN KURU

Executive Vice President
for Treasury and
International Banking

BÜLENT SUER

Executive Vice President
for Internal Operations

M. CENGİZ GÖĞEBAKAN

Executive Vice President
for Loan Policies



MUSA ARDA
Executive Vice President
for Credit Allocation and
Management

PEYAMI ÖMER ÖZDİLEK
Executive Vice President
for Human Resources

SÜLEYMAN TÜRETKEN
Executive Vice President
for Branch Banking

YÜKSEL CESUR
Executive Vice President
for Internal Systems

ZIRAAT BANK SENIOR MANAGEMENT*

Ali KIRBAŞ

Executive Vice President for Banking Operations and Communication

He graduated from Department of Economics in Gazi University Faculty of Economics and Administrative Sciences. He served as a civil servant at the Central Bank Head Office between 1997-1999. In 1999, Mr. Kirbaş started to work as Assistant Inspector at the Inspection Board of our Bank, and then became Inspector and Head of the Inspection Board. He served as the Head of Publicity and Communication Services Department between September 2008 - May 2012 and Head of Corporate Communications Department between May 2012 - July 2017. Since August 2017, he has been serving as Executive Vice President for Banking Operations and Communication.

ALPASLAN ÇAKAR

Executive Vice President for Payment Systems

Alpaslan Çakar graduated from Ankara University (Department of Public Administration, Faculty of Economics and Administrative Sciences). He joined Ziraat Bank in 1996 as an Assistant Inspector and later served as an Inspector and Branch Manager. Mr. Çakar was appointed as the Regional Head Manager in 2005. Promoted to the position Head of Department in August 2007, Mr. Çakar has served as the Executive Vice President for Retail Banking, Executive Vice President for Operational Transactions and Executive Vice President for Retail Banking respectively. He served as Executive Vice President for Banking Channels Management between January 2016 - July 2017. Mr. Çakar has been serving as Executive Vice President for Payment Systems since July 2017.

BİLGEHAN KURU

Executive Vice President for Treasury and International Banking

Bilgehan Kuru graduated from the Middle East Technical University (Department of Mining Engineering). He studied for a master degree in finance at the Institute of Physical Sciences of the same university. He began his career as a foreign exchange clerk at Halkbank, where he worked from 1986 to 1988. He joined Pamukbank in 1988 as an assistant specialist before serving as a service director and manager of the Treasury Department at the same bank. He was appointed as the Head of the Department of Foreign Exchange and Money Markets at Halkbank in November 2004. Having held the position of Assistant General Manager for Retail Banking at Halkbank from June 2007 until July 2011, Mr. Kuru was appointed as Executive Vice President for Treasury and Strategy Management at our Bank in July 2011 and he has been working as Executive Vice President for Treasury and International Banking since August 2014.

BÜLENT SUER

Executive Vice President for Internal Operations

Mr. Suer graduated from Ankara University, Faculty of Political Sciences, Department of the Labor Economy. He has begun to work in our Bank in 1991 as the Assistant Inspector at the Board of Inspectors. Thereafter having performed his duty as the Inspector, Branch Manager, Senior Vice President and Regional Head Manager, He served as Executive Vice President for Operational Transactions between September 2013 - July 2017. Mr. Suer has been serving as Executive Vice President for Internal Operations since July 2017.

M. CENGİZ GÖĞEBAKAN

Executive Vice President for Loan Policies

Mehmet Cengiz Göğebakan graduated from Ankara University (Department of Economics, Faculty of Political Sciences) in 1987. He began his career at Pamukbank as an assistant inspector in the same year. He served at the same bank between 1994 and 2004 as a manager of the Department of Firm Evaluation, Department of Credit Monitoring, Department of Credit Allocation, Department of Administrative Follow-up and Department of Credit Policies. He joined Halkbank on 17 November 2004 where he worked as an executive responsible for Retail Loans; he was promoted to the post of Assistant General Manager responsible for risk liquidation on 9 June 2005. He served as an Assistant General Manager of credit policies from 2007 to 2010 at the same bank. He worked at Anadolubank as an Assistant General Manager responsible for loans from May 2010 to October 2011. Mr. Göğebakan has been serving at Ziraat Bank as Executive Vice President for Loan Policies since November 2011.

MUSA ARDA

Executive Vice President for Credit Allocation and Management

Musa Arda graduated from Çukurova University (Faculty of Economics and Administrative Sciences). He began his career at Pamukbank in 1994 as a financial analyst. He worked at the same bank as an analyst, a service manager in various units at the headquarters and a marketing director at Güneşli Corporate Branch between 1994 and 2004. He joined Halkbank in 2005 as a division manager at the Commercial Marketing Department before working as the head of the Financial Analysis Department, the head of the Department of Credit Policies and Project Evaluation, the head of the Department of Commercial Loans and, most recently, as the coordinator responsible for the İstanbul 2nd Region. He has been serving at Ziraat Bank as Executive Vice President for Credit Allocation and Management since November 2011.

PEYAMİ ÖMER ÖZDİLEK

Executive Vice President for Human Resources

Mr. Özdilek graduated from the Middle East Technical University, Department of Political Science and Public Administration. He has begun to work in our Bank in 1996 as the an assistant inspector, after working at the various positions of the staff, he has served respectively as London Branch Manager, Gayrettepe Branch Manager, Senior Vice President of the Human Resources Department, Executive Vice President for Human Resources and as Executive Vice President for Financial Coordination. Mr. Özdilek has been serving as Executive Vice President for Human Resources since July 2017.

SÜLEYMAN TÜRETKEN

Executive Vice President for Branch Banking

Mr. Türetken graduated from the Faculty of Economics and Administrative Sciences at Gazi University in 1983. He worked as an Inspector, Branch Manager, Head of the Department and Regional Coordinator in various institutions, before being appointed as the Head of the Corporate Marketing Group at our Bank in February 2012. He served as the Head of the Branch Banking Group between August 2016 - July 2017, and has been serving as Executive Vice President for Branch Banking since August 2017.

YÜKSEL CESUR

Executive Vice President for Internal Systems

Yüksel Cesur graduated from Boğaziçi University, Faculty of Economics & Administrative Sciences. He has begun to work in our Bank in 1996 as an Assistant Inspector, and later on he has been appointed as the Inspector. He has performed his duty as the Head of Department of Training Section since 2005. Mr. Cesur who was appointed to the Department of Treasury Operations in 2007 has served thereafter as the Head of Agricultural Marketing Group. Mr. Cesur has been serving as Executive Vice President for Internal Systems since April 2014.

SUMMARY REPORT - BOARD OF DIRECTORS

Turkey entered 2017 in a challenging position, in the aftermath of significant shocks arising from geopolitical tensions and the multi-pronged terror threats. Ziraat Bank continued to support the real sector in 2017 by acting with the responsibility required and remained the leading bank of our country according to a wide range of criteria, such as the volume of its assets, loans, deposits and equity, as well as the extent of its branch and ATM network, by facilitating access to finance. Always attaching importance to the sustainability of growth and productivity, the Bank designed and implemented strategies and business plans in line with a management approach based on efficiency. As such, it continued to mediate in the effective distribution of scarce sources of funds.

As Turkey's largest financial institution, Ziraat Bank continues its activities by focusing on efficiency and productivity. It continues to offer a long-term contribution to both its customers and the national economy with its balance sheet expanding by 21% YoY to TL 434 billion. Growth in all areas of industry and production was supported by Ziraat Bank loans. Acting on the principle of sustainable growth, the Bank expanded its cash loan volume by 28% YoY to TL 298 billion and continued to strengthen its shareholders' equity, which had increased to TL 47 billion by the end of 2017.

The recent expansion in Ziraat Bank's loans was mainly a result of the financing of small and medium-sized enterprises and housing loans. In 2017, the Bank was more focused on meeting the financing needs of small and medium-sized enterprises with new products, including CGF (Credit Guarantee Fund) backed loans.

Ziraat Bank unwaveringly maintained its support for agricultural financing. In the financing of the agricultural value chain from field to fork, it remained the first bank to come to mind with its service quality and product diversity, its operational infrastructure that has been developed in this area and its know-how and experience.

Ziraat Bank continued to provide funds through bilateral agreements from leading international financial institutions with the objective of diversification of resources and deepening of existing resources. In addition to the strategy of diversification of resources being implemented by the Bank, the Bank has also sought to ensure geographical diversity in terms of resources provided from abroad, while reaching investors and credit institutions from different economic regions.

The Bank continued to meet the financing needs of the economy, particularly in sectors and business lines that contributed to employment and to reducing the current deficit with its productions. The total volume of resources provided by the World Bank and other international financial institutions reached USD 2 billion.

In 2017, Ziraat Bank transformed its branches in Georgia into subsidiary bank under the name of "JSC Ziraat Bank Georgia", and also took a strategic step with by purchasing the remaining 50% of the shares in its subsidiary in Uzbekistan, in which it already held a 50% share. This subsidiary, now 100% owned by Ziraat Bank, continues its activities under the name of Ziraat Uzbekistan.

Ziraat Bank was once again selected as the most popular bank in the Lovemark 2017 survey, according to the "Lovemarks of Turkey 2017" survey, as it was in 2016, by being the first bank to come to mind for one in every four respondents. In addition, Ziraat won the "Best Bank" award for the second time in a row in the Turkish Youth Awards organization, which was hosted for the third time on 16 May in Istanbul by the MCD Youth Club and World Youth Policy Association.

Ziraat Bank is right in the heart of people's lives and has the highest accessibility as a bank. Ziraat Bank remains Turkey's bank that boosts morale as it works to be the bank of everyone and every segment through fulfilling the financing needs of small enterprises and retail customers, as well as those of large-scale institutional companies, and investing their savings.

Ziraat Bank Board of Directors

HUMAN RESOURCES PRACTICES

2017 Activities

In an intensively competitive sector in which there is a significant international capital presence, Ziraat Bank advances its stature as the biggest and strongest nationally-owned bank year after year. Ziraat Bank recognizes that it owes its unique and distinguished position in the sector to superior human resources whose unrivaled market knowledge and experience enable them to supply customers with the right value, at the right time, and through the right channel.

Continuing to apply the modern human resources management system in 2017, Ziraat Bank employed a total of 24,554 employees at the end of the year. The average age of the employees in the Bank, where 456 people were recruited in 2017, was 35.3 with each employee having completed an average of 11.2 years of service. As of the end of the year, 87% of the Bank's employees had a graduate, undergraduate or doctorate education.

The total number of employees in the Ziraat Finance Group at the end of 2017 was 34,089, with the inclusion of domestic and foreign partnerships and foreign personnel.

As in previous years, in 2017 Ziraat Bank once again continued to seek and recruit young people wishing to pursue a career in banking. The recruitment exam was conducted on 6 August 2017 in order to meet the personnel needs of the companies within the Ziraat Finance Group and the Bank's needs for legal staff, and the interviews were held between 23 October and 6 November 2017. As a result, the following were recruited;

- 11 Assistant Specialists at Ziraat Leasing,
- 70 Assistant Specialists at Ziraat Participation,
- 19 Assistant Specialists at Ziraat Yatırım-Ziraat Portföy,
- 50 Lawyers at Ziraat Bank,
- 50 Assistant Specialists at Ziraat Teknoloji,
- 42 Service Personnel at Ziraat Sigorta-Ziraat Emeklilik with a total of 242 personnel joining the Ziraat Finance Group family.

In keeping with the transparent career management approach to which it adheres, Ziraat Bank trains its own managers itself as much as possible. 3,129 existing employees who successfully took the written promotion exams that were conducted in 2017 were promoted to a higher job category. The average pass rate on these exams was 55%.

Ziraat Bank gives great importance to its employees' job satisfaction and it provides its personnel with career-path opportunities that allow them to advance themselves in different aspects of banking. For example to meet its

requirements for internal controllers, interviews were conducted among banking staff on 9-10 May 2017 and twenty people were transferred from their existing positions to Internal Controller position.

292 personnel were recruited to the pool of the management candidates following interviews for the Executive Candidate Program, which were held in 2017 with the aim of preparing staff with the title of Director for the positions of Branch Manager / Manager. More than 100 personnel who had successfully completed the course programs were assigned to branch offices/units in executive positions.

Following the planning for the transfer of some personnel within the scope of Support Assistant to permanent positions 135 drivers who had served for the Bank for at least 3 years and 253 private security guards who had served for at least 5 years were formally recruited in the 1st quarter and on 29 December 2017, respectively.

The Fin@rt Transfer Request program is conducted twice a year to increase Bank personnel motivation, minimize operational workloads, and ensure that transfer processes are carried out quickly, effectively, and methodically. Applications to take part in this program are accepted in December-January and in June-July. Last year 889 transfer requests were submitted in the first round and 945 were submitted in the second. Of these, 64% and 74% transfers were approved respectively.

Within the scope of the regulation published by the Ministry of Labor and Social Security on "Maternity leave and partial-time work to be done after free leave", implementation principles for both types of leave were determined and the legislative arrangements and necessary system studies were completed. As of 31 December 2017, 243 staff (formerly 38 staff were working part-time) are allowed to work part-time and 13 employees are allowed partial work.

The 2nd term collective bargaining agreement was signed between Ziraat Bank and the Öz Finans-İş Trade Union with effect from 1 January 2017 to 31 December 2018.

Within the scope of Ziraat Finance Group project, harmonization of the legislation of career paths, wage matrices and human resources in domestic participations with the Bank have been completed and implemented. Within the framework of joint IT infrastructures with the Bank, domestic participation fees are monitored on a common wage module.

HUMAN RESOURCES PRACTICES

For the expat personnel and local personnel commissioned by the Bank in foreign branches and agencies, wage matrices have been created based on the conditions in each country, in accordance with the Bank's career practices, and put into use.

Ziraat Bank Individual Performance Bonus System

Created in 2013 to be compatible with the Bank's new marketing and sales-focused organizational structure and strategy and informed by the principle that earnings should match success, the Ziraat Bank Individual Performance Bonus System was designed so as to reward employees who demonstrate superior performance and productivity by paying them more. Determined and paid on the basis of periodically conducted individual performance reviews, individual performance bonuses are intended to strengthen the Bank's customer-focused business model, to promote a marketing and effectiveness-focused approach to work, to increase company loyalty by motivating personnel, and to provide tangible benefits to those whose individual achievements are compatible with the Bank's corporate objectives.

A current bonus budget is being implemented taking the Bank's profitability and operational results into account with the proviso that the budget's total amount not exceeds 8% of the Bank's aggregate monthly salary payments. This allocation is paid out to recipients as an individual performance bonus at three-month intervals along with their February, May, August, and November salaries based on objectively defined and numerically expressible specific criteria. In this system, which has been set up to focus mainly on marketing in line with the Bank's strategies and targets, bonuses are paid so as to enhance the earnings of those who contribute more to the realization of those strategies and targets.

Branch segment and scale group rankings that have been determined according to individual performance report cards in line with the numerical performance measurement results at three-month intervals are notified to employees based on their performance bonus coefficients.

The different coefficients that are used when calculating bonuses are determined jointly by business units according to branch segment and scale, individual performance ranking, and job position criteria. Marketing group personnel bonuses are calculated in direct proportion to the numerical performance points in each section. The bonuses of counter personnel are calculated based on the performance of the counter to which they were assigned.

As is the case with other banks in Turkey, the Ziraat Bank Individual Performance Bonus System has been designed to reward superior performance and essentially to increase the productivity of sales personnel. However individual performance bonuses are also paid to operational personnel in branches and to headquarters employees in line with stipulated criteria.

The fourth competency evaluation was initiated across the Bank as of year-end 2017. The results from the competency evaluation are intended to be taken into consideration in the individual performance system training planning and career management in the future.

2018 Outlook

Ziraat Finance Group will continue to offer career opportunities fitting the relevant positions and contemporary working conditions both at the Bank and at the subsidiaries also in 2018.

It was observed that staff in the position of Supporting Assistant adapted rapidly to the Bank's culture and practices, and the overall impression of such staff was positive. Therefore, a significant proportion of these personnel are planned to be transferred into permanent positions in order to meet the Bank's personnel requirement to be established in 2018; furthermore, in order to ensure the rapid availability of personnel, the outsourcing of staff is planned to be gradually rolled out to the Bank's cadres.

Promotion exams will be held for existing employees in the second half of the year as prescribed by the Bank's human resources principles, procedures, and practices.

Employees in the management candidate pool will continue to be assigned as Branch Managers or Managers, as required.

INFORMATION ON THE ACTIVITIES OF THE COMMITTEES

Information on the Activities of the Credit Committee

Chairman

Hüseyin AYDIN
Member of the Board and CEO

Members

Yusuf DAĞCAN
Vice Chairman of the Board

Salim ALKAN
Member of the Board

Alternate Members

Feyzi ÇUTUR
Member of the Board

Yusuf BİLMEZ
Member of the Board

Credit Committee fulfills the duties and powers specified in the Banking Law, the Bank's articles of association, and other legislation issued by BRSA. Within the framework of the authority delegated by the Board of Directors, the Committee extends loans and makes decisions. Credit Committee performs other duties related to lending assigned to it by the Board of Directors.

The Credit Committee met 38 times during 2017 and passed 780 decisions.

Information on the Activities of the Audit Committee

Members

Muharrem KARSLI
Chairman of the Board

Feyzi ÇUTUR
Member of the Board

The Committee assists with the auditing and supervision activities for which the Bank is responsible, and fulfills the duties, powers and responsibilities designated by the legislation issued by the BRSA, as well as those related to the execution of the Compliance program and those defined by applicable legislation.

The Audit Committee met 14 times during 2017 and passed 32 resolutions.

Information on the Activities of the Corporate Governance Committee

Members

Muharrem KARSLI
Chairman of the Board

Mustafa ÇETİN
Member of the Board

Corporate Governance Committee monitors and audits the Bank's compliance with corporate governance principles. The Committee suggests proposals to the Board of Directors and works to ensure improvements. The Committee keeps reports of its activities in written form.

Information on the Activities of the Remuneration Committee

Members

Feyzi ÇUTUR
Member of the Board

Yusuf BİLMEZ
Member of the Board

The Remuneration Committee is responsible for overseeing and supervising the remuneration practices on behalf of the Board of Directors. The Committee assesses the remuneration policy and practices within the framework of risk management to ensure that remuneration policies are aligned with the Bank's ethical values and strategic goals, and submits its recommendations to the Board of Directors.

ATTENDANCE BY THE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE AUDIT COMMITTEE IN THE MEETINGS HELD DURING THE REPORTING PERIOD

Board of Directors

The Board of Directors meets regularly at least once a month upon summons by the chairman, vice chairman or any member of the Board. The Board met 42 times during 2017 and passed 785 resolutions.

Audit Committee

The Audit Committee meets regularly at least once a month with the attendance of all members. The committee met 14 times during 2017 and passed 32 resolutions.

RELATED PARTY TRANSACTIONS

In accordance with article 49 of the Banking Law no 5411 and because the Bank's capital belongs entirely to the Turkey Wealth Fund, the risk group of which Ziraat Bank is a member consists of itself and the companies over which it exercises control over, either directly or indirectly.

Relations between the Bank and the members of the risk group in which it controls a stake consist of banking transactions conducted in compliance with the Banking Law within the framework of normal bank-customer relationships carried out at arm's length, and consist primarily of

borrowing and lending and of accepting and extending deposits.

Details of the amounts of the transactions that Ziraat Bank engaged in with members of its own risk group in 2017 and their reasons are presented in Footnote VII of section five of the year-end financial report that is included in this annual report.

COMPANIES FROM WHICH SUPPORT SERVICES ARE OBTAINED

The services obtained by our Bank within the scope of BRSA, and the companies providing these services are presented below.

1. Güzel Sanatlar Çek Basım Ltd. Şti.; printing of cheques,,
2. Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş.; security services
3. KRL Özel Güvenlik Koruma ve Eğitim Hizmetleri Ltd. Şti.; security services,
4. Başkent Güvenlik Hizmetleri Ltd. Şti; security services,
5. Ekol Grup Güvenlik Koruma ve Eğt. Hizm. Ltd. Şti.; security services,
6. ISS Proser Koruma ve Güvenlik Hizmetleri A.Ş.: security services,
7. BRINKS Güvenlik Hizmetleri A.Ş.; cash transportation in Turkey,
8. MNG Kargo Yurtiçi ve Yurtdışı Taşımacılık A.Ş. international cargo services,
9. Global Bilgi Pazarlama Danışma ve Çağrı Servisi Hizmetleri A.Ş.; call center operations (Artvin),
10. Plaza Peyzaj Taahhüt ve İnşaat San. Tic. A.Ş. outsourced personnel for IT operations and Customer Satisfaction Management Unit,
11. Ziraat Teknoloji A.Ş.; information technologies infrastructure and its integration, system management, support-operation, application development and technical consultancy
12. Bileşim A.Ş.; account statement, card printing and archiving service,
13. Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.; software, applications and development for card-based payment systems,
14. Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizmetleri Tic. A.Ş.; internet banking software and applications development,
15. Smart Soft Kartek Kart ve Bilişim Teknolojileri Tic. Ltd. Şti.; TSK (Turkish Armed Forces) smart card software, application, development,
16. Wincor Nixdorf Bilgisayar Sistemleri A.Ş.: software development and maintenance services for ATM management,
17. AVİ Gayrimenkul Yatırım Değerleme ve Danışmanlık A.Ş.; support services for the creation and registration of mortgages,
18. FU Gayrimenkul Yatırım Danışmanlık A.Ş.; support services for the creation and registration of mortgages,
19. TULU Yapı Müşavirlik San. Tic. A.Ş. support services for the creation and registration of mortgages,
20. BBS Danışmanlık Gayrimenkul ve Eğitim A.Ş.; support services for the creation and registration of mortgages,
21. Pusula Girişim Yatırım ve Danışmanlık Hizmetleri A.Ş. support services for the creation and registration of mortgages,
22. Gram Altın Pazarlama Sanayi ve Ticaret A.Ş. appraisal services.

FINANCIAL INFORMATION AND RISK MANAGEMENT

AUDIT COMMITTEE'S ASSESSMENT OF THE OPERATION OF THE INTERNAL AUDIT, INTERNAL CONTROL, AND RISK MANAGEMENT SYSTEMS

Internal audit, internal control, and risk management activities at Ziraat Bank are performed by the Board of Inspectors, the Internal Control & Compliance Department, and the Risk Management Department. These units' duties and responsibilities, which are strictly segregated from one another, are coordinated by the Assistant General Manager for Internal Systems.

This organization is structured so as to embrace all Bank units and branches as well as Bank-owned subsidiaries subject to the Bank's oversight. Its purpose is to minimize any risks that might adversely affect the thoroughgoing and secure conduct of banking operations, the fulfillment of long-term profit targets, the reliability of financial and administrative reporting, and/or the Bank's reputation and financial stability.

Internal Audit System

The Board of Inspectors takes a risk-focused approach in the fulfillment of its responsibilities to ensure that the activities and operations of the Bank's headquarters units, domestic and international branches, and subsidiaries comply with the requirements of laws and regulations and are compatible with the Bank's own strategies, policies, principles, and objectives. The board conducts its activities in such a way as both to keep the Bank's senior management informed and to contribute to their decision-making processes.

The Board of Inspectors has 139 Bank inspectors on its staff. The board conducts its activities in line with internationally-accepted internal auditing standards. Besides checking the Bank's operations for their compliance with statutorily mandated procedures, in 2017 the board also reviewed and assessed the effectiveness and efficiency of the transaction procedures involved in both primary and secondary processes. In addition, processes governed by Banking Regulation and Supervision Agency (BRSA) regulations pertaining to information systems and banking processes were also audited in line with the Bank's own practices.

Board of Inspectors activities in 2017:

- The Central Audit Team continued its intensive operations in 2017 by performing scenario analyses which are influential in preventing irregularities from being committed. The team reviewed the effectiveness of its existing scenarios and developed new ones to cope with the possible abuses made possible by newly-introduced business processes. It has also continued to develop systematic procedures aimed at minimizing risks arising from the remaining manually-conducted processes involved in internal audit.
- The R&D Team kept a close watch on all of the Bank's other business units, revised and kept the auditing module up to date in light of changes in business processes and the regulatory framework, and modified auditing points as made necessary by laws, BRSA decisions, and changes demanded by Bank's senior management and headquarters units.

Improvements also continued to be made in all processes from the development of an auditing index to the monitoring of audit findings. Systemic changes that make it possible for inspection findings concerning critically important transactions to be drawn to the attention of business units increased the effectiveness of the finding follow-up process and had a beneficial impact on the overall percentage of findings subjected to corrective action.

- The recommendations that inspectors in the field included in their reports or made with respect to a particular transaction or practice were also circulated among the business units concerned and the outcomes of such recommendations were observed.
- A Global Auditing Module project that is aimed to be implemented at all Ziraat Finance Group members was initiated at Ziraat Bank in the last quarter of 2015. Work on this module's operating system and the task analyses for adapting it to different banking systems continued in 2017. The project of which a pilot implementation has been implemented at ZiraatBank BH d.d., is targeted to be launched in 2018.
- The Inspection Scenario Team that was set up and charged with formulating scenarios both to identify shortcomings in bank processes and to develop and improve the effectiveness of such processes and with submitting these scenarios to the appropriate business unit so as to ensure that speedy and effective solutions for dealing with them are devised throughout the Bank continued to operate in 2017. The actions business units took and the improvements they made with respect to these scenarios were closely monitored.
- During 2017, the Central Inspection Team that was set up to increase the frequency and effectiveness of inspections by constantly and centrally monitoring designated branch groups performed centralized inspections on 212 of the Bank's branches in accordance with the same criteria employed for on-site inspections.
- The Data Security team, which operates with the intention of protecting the confidential information of customers and the Bank, continued to work in 2017 as well.
- The practice of recruiting qualified human resources for the Bank's administrative staff by allowing inspectors to transfer to such positions continued in 2017.

In keeping with its strong sense of responsibility and awareness of its duties, the Board of Inspectors will continue to execute the internal auditing plan in line with goals and policies set forth by Ziraat Bank's senior management and within the framework of current auditing approaches, to report its findings to the Board of Directors through the Audit Committee, and to observe what action is taken on the basis of its reports.

Internal Control & Compliance System

Internal control activities at Ziraat Bank are structured so as to embrace the operations of all headquarters units and of all domestic and international branches as required by BRSA's "Regulation on bank internal system and intrinsic capital adequacy assessment processes".

Such activities are conducted so as to be compatible with the Bank's primary objectives and strategies from the standpoint of their scope and methodology; however a proactive approach is adopted in order to more readily accommodate changes in strategies and conditions arising from altered risk perceptions and from the changeover to a new service model.

Work has been finalized on the Control Model that was introduced and put into effect: it is no longer just a reporting model but one that requires action to be taken. The goal of this more proactive structure is to help ensure that Ziraat Bank's operations exceed sectoral norms and that they are conducted in a manner that is compatible with both internal and external regulations as well as with the demands of competition. Domestic branch checks are performed both on location and centrally within the framework of a program that is prepared taking into account branches' current levels of risk exposure. Control functions, which for the most part are structured so as to be technology-intensive and centralized, are intended to ensure that commonly-occurring mistakes are quickly corrected at the appropriate business-unit level.

Taking full advantage of the improvements in the Bank's technological infrastructure, the Ziraat Bank Instant Control Project is unique in the Turkish banking industry. This system is now being used to check operational transactions and their accounting in real time. Transactions are evaluated in light of specific scenarios and if a transaction is deemed to be in error, it can be corrected the same day. Based on the principle of preventing errors and omissions from occurring when assets and liabilities are recorded and subsequently being used as input for financial reporting, the Instant Control System has become an integral part of the Bank's day-to-day activities because of the significant improvement in operational effectiveness that is achieved by checking transactions immediately rather than in retrospect.

Headquarters unit control cycles are determined taking into account the units' functions, potential risks, terms of reference, and impact on the Bank's balance sheet. These cycles are revised as needs may require.

Internal control operations at Ziraat Bank branches located outside Turkey are carried out in line with control programs that are prepared for each year.

The findings ascertained as a result of all of these activities are periodically circulated among appropriate business units and the members of senior management.

Besides performing their internal control functions in 2017, internal control personnel also continued to prepare and issue reports containing suggestions of ways to improve existing processes at the Bank and to mitigate the risks inherent in them. The aim of this practice is to preclude risks by spotting them in advance, to make the Bank more competitive by improving its business processes, and to increase customer satisfaction while also taking measures to cut costs.

As a result of a complete change in the internal controller recruitment process, Ziraat Bank began recruiting such personal from among its existing personnel in 2015. This application

continued also in 2017. By taking advantage of the Bank-specific knowledge and experience that employees already have and thereby accelerating their adaptation to the department's work processes, this procedure significantly reduced the time it takes to train new internal controllers. One natural outcome of this is that they have also become more productive in their new duties sooner. The other is that the Bank's business processes benefit significantly from their banking and field experience. The practice of recruiting qualified human resources for the Bank's administrative staff by allowing internal control personnel to transfer to such positions continued in 2017.

In addition to such matters, compliance reviews were also carried out by internal control personnel as required by article 18 of BRSA Regulation on bank internal system and intrinsic capital adequacy assessment processes. In the course of these reviews, all operations conducted or planned by the Bank as well as new transactions and products are checked to be sure that they comply with laws and regulations, with the Bank's own policies and rules, and with generally-accepted banking practices. During such compliance reviews, existing Bank-internal rules and proposed changes in them are also examined and views concerning them are circulated among appropriate units.

The obligations set out in the legislation published under the Prevention of Laundering of Proceeds from Crime and Financing of Terrorism, principally in Law No. 5549 on the Prevention of Laundering Proceeds of Crime, are fulfilled by the Compliance Service Authority. The activities carried out within the scope of the Compliance Program prepared in this context have been carried out in accordance with national and international regulations.

The risk management, monitoring and control activities are carried out effectively through the software used in compliance service management and through the modules included in the main banking program and within the framework of the customer identification principle. In order to increase awareness of the work in the prevention of laundering proceeds of crime and financing of terrorism, all personnel were provided with in-class training or distance learning. In addition, a "Ziraat Compliance Workshop" was held for compliance officers at Ziraat Bank's branches and subsidiaries in order to ensure effective management of global compliance activities, and to ensure that all Ziraat Finance Group acted on the same compliance policy, while adopting a common risk perception concept.

Risk Management System

Ziraat Bank risk management activities are conducted subject to the requirements of BRSA's Regulation on bank internal system and intrinsic capital adequacy assessment processes and other pertinent regulations as well as of BRSA Best Practices Guidelines. They are carried out with the aim of aligning the Bank's risk management functions with best practices by fostering a risk culture throughout the entire and constantly improving system and human resources. The principal risk categories are defined as "Credit Risk", "Market Risk", "Operational Risk", and "Balance Sheet Risks", the last including the interest rate risks and liquidity risks to which the Bank is exposed on account of its banking business operations. Care is given to ensure that all activities related to risk management system are coordinated through the involved participation of the operational branches with which each type of risk is associated.

AUDIT COMMITTEE'S ASSESSMENT OF THE OPERATION OF THE INTERNAL AUDIT, INTERNAL CONTROL, AND RISK MANAGEMENT SYSTEMS

Under the heading of credit risk management, Basel III-compatible methods are used to define, measure, monitor, and report credit risk. The Bank has been calculating its core credit risk exposure and reporting it monthly on the basis of its solo and consolidated accounts to BRSA ever since this practice was mandated by law as of 1 July 2012.

At Ziraat Bank, credit limits approved by the Board of Directors are monitored and scenario analysis and stress tests are carried out by applying various shocks to credit risk factors. Counterparty Credits are measured for counterparty risk. In addition, with the participation of different units within the scope of Credit Risk Management Project with advanced methods, studies are being carried out to calculate credit risk based on internal rating and to use its outputs in different areas. The calculation of the GAP analysis phase of the project, and the modeling of the risk parameters and data architecture to be used to calculate the volume of risk weighted assets, has been completed. Work on the preparation of the dataset is ongoing.

Under the heading of market risk management, such risk is measured, analyzed, reported, and monitored. Analyses are supported by conducting stress tests. Risk measurements are performed on all accounts whose inclusion in the Bank's capital adequacy ratio calculation is mandatory as well as by means of the "value-at-risk" (VaR) methodology. The results of VaR measurements are validated by means of backtest analyses. The values on which market risk is calculated are periodically reviewed and compared with of Board of Directors-approved limits while senior management is kept informed about the results of mandatory and internal limit monitoring.

Under the heading of operational risk management, the operational risks to which the Bank is exposed are defined, classified, quantified, and analyzed. Operational risk limits approved by the Board of Directors are also monitored at regular intervals. The operational risk loss database in the Fin@rt environment allows actual instances of operational risk to be tracked.

Amount subject to Operational Risk is calculated using the Basic Indicator Approach pursuant to the Regulation on the Measurement and Assessment of Capital Adequacy of Banks. Information technology risks and associated actions are followed up. Risk exposure assessments are conducted for companies providing outsourced support services as required by current BRSA regulations, business continuity activities are supported by way of business impact analysis, and analyses for portfolio custodian services database are carried out

Under the heading of balance sheet risk management, liquidity and interest rate risks arising from banking business accounts are measured, analyzed, delimited, reported, and monitored. Analyses are also supported by means of stress tests. The work on liquidity risk at Ziraat Bank takes into consideration best practice

guides, and Time to Maturity Analysis is conducted to oversee the maturity composition of the Bank's balance sheet; Liquidity Gap and Structural Liquidity Gap Analyses to classify assets and liabilities items according to their respective times to maturity and to determine the gap amount; and Liquidity Stress Test to assess the Bank's liquidity needs in the worst case scenario and the loss resulting therefrom. In addition, the Bank follows up the renewal rates of deposits that make up the Bank's key funding source on a daily basis, and performs core vs. volatile deposits analyses using the deposit renewal analysis.

For monitoring the interest rate risk stemming from the banking accounts, Ziraat Bank periodically conducts Repricing Gap (GAP), Duration, Net Interest Income Analyses and Interest Rate Shock Reduction in Value Analyses. Used for monitoring the interest rate risk arising from the banking accounts, the Repricing Gap Analysis separates balance sheet items in terms of their cash flows with respect to their respective time to repricing, thus allowing to monitor any mismatches among the repricing times of assets and liabilities with the help of gap amounts aggregated by maturity groups.

The liquidity risk limits as may be approved by the Board of Directors are also monitored at regular intervals. The results of mandatory and internal limit monitoring and of liquidity and interest rate gap analyses are circulated among appropriate units for presentation at Asset & Liability Committee (ALCO) meetings.

Besides the stress test analyses that are the subject of periodic reporting within the Bank, year-end Stress Test and Internal Capital Adequacy Assessment Process (ICAAP) reports are also prepared and sent to BRSA. In the latter reports, the Bank's capital adequacy is analyzed over the next three-year period on the basis of a set of Base/Negative/Overly Negative scenarios not supplied by BRSA.

The results of the risk management analyses and the associated risk indicators are reported to the Board of Directors and to the Audit Committee at six-month intervals and to the Senior Management on a daily, weekly, and monthly basis.

Ziraat Bank will continue to make use of internationally-recognized advanced risk management techniques in order to carry out its risk management activities for all risk categories and to make such risk management an integral part of its strategic decision-making processes in the future as well.



Muharrem KARSLI
Chairman of the Board
Audit Committee Member



Feyzi ÇUTUR
Audit Committee Member

ZIRAAT BANK'S FINANCIAL STANDING, PROFITABILITY AND SOLVENCY

Ziraat Bank seeks to strengthen its financial structure through sustainable growth, profitability, and productivity. In 2017 the Bank continued to reinforce its equity-compatible balance sheet structure through the asset & liability management strategies that it adhered to and it remained on course in terms of capital adequacy, profitability, and productivity.

As of year-end 2017 the Bank's total assets amounted to TL 434.3 billion and its total equity to TL 47 billion. Importance was again given to supporting equity through sustainable profitability: total equity accounted for about a 10.82% share of the Bank's balance sheet.

Recognizing the key importance of sustainable profitability in equity management, Ziraat Bank's return on equity and return on assets ratios were 18.3% and 2% respectively while its capital adequacy ratio was 15.20% at 2017 year-end.

In keeping with the Ziraat Bank Customer Service Model, the Bank focuses on providing financial solutions to all real-sector actors, but especially to those in agriculture, with the result that lendings are making up a steadily increasing share in the balance sheet. As a result of this customer-weighted balance sheet management strategy, the total volume of the Bank's cash loans increased by 28% to TL 298.3 billion and corresponded to 69% of total assets

while the share of marketable securities, which was 19% in 2015, was down to 17% in 2017. Efforts to reduce the share of securities in the balance sheet will continue in the coming years. Ziraat Bank's NPL ratio in 2017 was 1.6%. The Bank's consistent ability to maintain a below-average NPL ratio without selling off any of its assets is an indication of the high quality of its asset structure.

In line with Ziraat Bank's approach of contributing to the country's overall level of saving and of having recourse to broadly-based, low-cost resources, total deposits reached TL 266 billion, a performance that maintained the Bank's standing as the sector's leading deposit-taker in 2017. Deposits and non-deposit resources including funds account for 61.3% and 24% shares respectively of total liabilities. In keeping with the Bank's ongoing efforts to diversify and deepen its sources of funding, in 2017 Ziraat Bank continued to seek out and tap alternatives such as international agency and financial institution lines of credit, post-financing, and bank bond & bill issues.

The bank's most important income item in 2017 was interest income, which amounted to TL 35.5 billion. The share of interest received from loans in total interest income increased from 79% to 80% as a result of the credit activities carried out during the year. As a result of the Bank's efforts to increase non-interest income, net fees and commission income increased by 35% in 2017.

RATIOS

(%)

	2016	2017
CAPITAL		
Capital Adequacy Ratio	14.5	15.2
Shareholders' Equity/Total Assets	10.7	10.8
Shareholders' Equity/(Total Assets+Non-cash Loans)	8.8	8.9
Shareholders' Equity/(Deposits+Non-Deposit Resources)	12.8	12.9
ASSET QUALITY		
Total Loans/Total Assets	65.0	68.7
NPL (Gross)/Cash Loans	1.8	1.6
NPL (Gross)/(Non-Cash Loans+Cash Loans)	1.3	1.2
Loans/Deposits	104.3	112.0
FC Assets/FC Liabilities	108.0	92.3
LIQUIDITY		
Liquid Assets/Total Assets	12.0	11.2
Liquid Assets/(Deposits+Non-Deposit Resources)	14.4	13.3
PROFITABILITY		
Net Profit/Average Total Assets	2.0	2.0
Net Profit/Average Shareholders' Equity	18.7	18.3
INCOME-EXPENSE STRUCTURE		
Interest Incomes/Interest Expenses	204.5	191.1
Non-Interest Incomes/Non-Interest Expenses	40.4	34.7
Total Incomes/Total Expenses	138.3	135.8
Interest Incomes/Total Incomes	88.2	91.0
Non-Interest Incomes/Total Incomes	11.8	9.0
Interest Expenses/Total Expenses	59.6	64.7
Non-Interest Expenses/Total Expenses	40.4	35.3

INFORMATION ABOUT RISK MANAGEMENT POLICIES AND ACTIVITIES ACCORDING TO TYPE OF RISK

Risk management activities at Ziraat Bank are carried out with the underlying approach of aligning the Bank's risk management functions with best practices by fostering a risk culture throughout the entire Bank and constantly improving system and human resources.

Risk management activities are conducted under the separate headings of "Credit Risk", "Market Risk", "Operational Risk", and "Balance Sheet Risks". Policies, practices, and procedures concerning the management of these risks are governed by regulations and resolutions approved by the Board of Directors for dealing with each category of risk. All risk management system activities are carried out through the involved participation of all the units with which each type of risk is associated.

Ziraat Bank has formulated an "Intrinsic capital adequacy assessment process" as required by BRSA Regulation on banks' internal system and intrinsic capital adequacy assessment processes. The purpose of this process is to set up and maintain a system that will both determine the amounts of capital that are needed to cover the risks to which the Bank is or might be exposed and will ensure capital requirements and levels are used compatibly with the Bank's strategic objectives. Analyses are performed in line with BRSA principles and are further supported by means of risk-specific stress tests and scenario analyses. Year-end Stress Test and Internal Capital Adequacy Assessment Process (ICAAP) reports are prepared with the involvement of other appropriate units and are sent to BRSA with the approval of the Board of Directors.

The Bank's risk management activities include the calculation of its leverage ratio as per Basel III criteria. The results of this are reported both to BRSA and to CBRT.

To determine the Bank's compliance with Basel III liquidity criteria, Ziraat Bank prepares and sends to BRSA a "liquidity coverage ratio report" as per that agency's Regulation on the calculation of banks' liquidity coverage ratio.

Credit Risk

Credit risk is an expression of the likelihood of the Bank's suffering a loss because a debtor fails to fulfill, in a timely manner, some or all of his obligations under an agreement that he has entered into.

Credit risk management consists of discovering the credit risks to which the Bank is exposed and defining, measuring, monitoring, controlling, and reporting such risks.

According to BRSA Regulation on measurement and assessment of capital adequacy of banks, credit risk is to be measured using the Basel III Standardized Approach and the results of such measurements are to be included in one's mandatory reporting. In compliance with this requirement, Ziraat Bank's credit risk exposure on both a solo and a consolidated basis is reported monthly to BRSA.

The measurement of the counterparty credit risk, which is considered in the framework of credit risk, is carried out by using the Reasonable Valuation Method.

As required by the Banks Association of Turkey's Circular on internal rating notifications, which went into effect as of January 2014, Ziraat Bank sends its internal rating notices to the Association's Risk Center every month. A Credit Risk Management with Advanced Methods that permits the use of advanced methods in the calculation of the Bank's core credit risk exposure is carried out.

Both customer-segment-based credit risk limits and trigger values and portfolio-based counterparty credit risk limits and trigger values arising respectively from banking accounts and from trading accounts have been calculated and approved by the Board of Directors. All these values are monitored on a monthly basis. The risk-weighted assets which the Bank may hold on a segment and portfolio basis are subject to these limits.

Market Risk

Market risk is an expression of the possibility of loss that the Bank may be exposed to on account of its on- or off-balance sheet exchange rate, commodity, interest rate and stock position risk, which are subject to the Bank's trading activities and followed up under the Bank's accounts and positions valued at fair value, and which arise from the movements in market prices.

Risk measurement and monitoring is carried out in order to reveal the market risks to which Ziraat Bank may be exposed. The results of these activities are taken into account in the Bank's strategic decision-making processes.

In order to manage market risk, market movements that affect the present value of the portfolios which expose the Bank to market risk in line with its trading strategies are kept track of on a daily basis and the impact that both upward/downward and ordinary/extraordinary movements may have on these portfolios is analyzed.

In the conduct of its day-to-day operations, trigger values are monitored as part of the early-warning process that is carried out to protect the Bank's financial strength from being seriously affected by increases in market volatility. Risk exposure levels are kept within prescribed limits.

The Standardized Approach methodology is used to calculate the Bank's exposure to market risk, the amount of which is included in its mandatory capital adequacy ratio. Market risk is also calculated on a daily basis by an independent consultancy using a VaR-based internal model that is recognized as being compatible with internationally-accepted best practices. The effectiveness of the models being used is also analyzed by means of backtesting.

Operational Risk

“Operational risk” is an expression of the likelihood of the Bank’s suffering a loss because of changes in value caused by the fact that the actual losses which are incurred on account of inadequate or failed internal processes, people, or systems or on account of external events (including legal risk) differ from expected losses. The operational risks that arise throughout the Bank are monitored through the Ziraat Bank Operational Risk Loss Database. The mandatory capital needed to cover the Bank’s operational risk exposure is calculated using the Basic Indicator Approach methodology and is allocated accordingly.

Ziraat Bank employees perform their duties taking into account the operational risk-related principles and procedures set forth in the Bank’s internal regulations and in a manner that is both sensitive to the operational risks that may be incurred and mindful of Bank policies intended to create an operational environment that will reduce the likelihood of losses.

Signals and limits related to operational risks established within the scope of “Risk Management, Stress Test Program and ISEDES Regulation” are monitored periodically. Risks and actions taken within the scope of IT are monitored through the IT database and reported to the senior management regarding operational risk.

As part of the Business Continuity Plan, “business impact analyses” are carried out in order both to identify the risks that might arise if the Bank’s operations are interrupted and to determine their potential consequences.

In order to ensure the continuity of outsourced support services, the risks that might arise from their procurement are assessed in light of BRSA Regulation on the outsourcing of support services by banks. In addition, analysis was also conducted into the portfolio custody service database.

Balance Sheet Risks

“Balance sheet risks”, which are risks that arise from the Bank’s on- and off-balance sheet asset and liability accounts, are controlled so as to manage them in the most effective way possible. Risk measurement and monitoring is carried out in order to reveal the balance sheet risks to which Ziraat Bank may be exposed on account both of its liquidity risks and of its interest rate risks arising from its banking business accounts. The results of these activities are taken into account in the Bank’s strategic decision-making processes.

There are two components of liquidity risk: funding liquidity risk and market liquidity risk. The first is an expression of the likelihood of the Bank’s suffering a loss because it is unable to satisfy all of its foreseeable/unforeseeable cash flow requirements without otherwise impairing its day-to-day operations and/or financial structure; the second is an expression of the likelihood of the Bank’s suffering a loss because the Bank is unable to close or cover a particular position at the market price owing to insufficient market depth or to excessive market volatility. Interest rate risk consists of the possibility of sustaining losses on risk-sensitive assets, liabilities, and off-balance sheet items owing to changes taking place in interest rates.

Compliance with mandatory ratios pertaining to liquidity and interest rate risks arising from banking business accounts is also monitored. In addition to the foregoing, matters with the potential to affect liquidity risk management are monitored funding and lending maturity mismatches, assets’ and liabilities’ behavioral as well as contractual maturities, the level of primary (cash and cash-equivalent) liquidity reserves needed to conduct the Bank’s normal day-to-day operations, Central Bank liquidity facilities to which recourse may be had in order to cope with unexpected liquidity requirements, secondary reserves whose potential to be converted to cash is exposed to the risk of their being under priced, and the ability to borrow from conventional markets are monitored. Additionally, within the content of scenario and sensitivity analyses stress test is conducted to assess the Bank’s liquidity needs in the worst case scenario and the loss that may result therefrom.

For the management of the interest rate risk arising on banking business accounts, attention is given to monitoring and analyzing such issues as rate and maturity mismatches between fixed- and variable-interest fundings and lendings, assets’ and liabilities’ behavioral as well as contractual maturities, both upward/downward and ordinary/extraordinary movements in interest rates, and the impact of interest rate margins on the current value of assets and liabilities. A close watch is also kept on any positions involving Turkish lira vs foreign currency interest rate margins.

In the conduct of its day-to-day operations, trigger values are monitored as part of the early-warning process that is carried out to protect the Bank’s financial strength from being seriously affected by increases in market volatility and/or by incoming/outgoing cash flow mismatches. Associated risk exposure levels are defined within limits in light of such considerations as liquidity, income level targets, and appetite for risk and come into force upon the approval of the Board of Directors.

31 DECEMBER 2013-31 DECEMBER 2017 SUMMARY BALANCE SHEET AND INCOME STATEMENT

(TL Million)

ASSETS	2013	2014	2015	2016	2017
Liquid Assets	29,067	32,340	40,983	43,069	48,571
Securities Portfolio	62,798	64,563	64,871	69,066	72,019
Loans	111,048	141,915	186,813	232,644	298,258
Associates and Subsidiaries	1,298	1,631	2,655	4,312	5,312
Fixed Assets	1,050	4,684	4,842	5,315	5,241
Other Assets	2,269	2,468	2,684	3,356	4,874
Total	207,530	247,600	302,848	357,761	434,275
LIABILITIES	2013	2014	2015	2016	2017
Deposits	141,735	153,255	186,469	223,019	266,384
Money Markets	24,571	31,781	43,086	47,212	56,258
Loans Borrowed	8,559	14,608	19,543	22,817	29,065
Marketable Securities Issued	2,637	4,219	5,288	6,833	12,757
Funds	4,036	5,426	5,931	6,021	6,031
Provisions	3,958	4,758	5,161	6,053	8,519
Other Liabilities	3,666	5,013	5,825	7,424	8,251
Shareholders' Equity	18,367	28,540	31,546	38,382	47,010
Total	207,530	247,600	302,848	357,761	434,275
STATEMENT OF INCOME	2013	2014	2015	2016	2017
Interest Income	14,370	18,165	22,050	27,291	35,463
Interest Expense	6,631	9,558	11,542	13,342	18,561
Net Interest Income	7,739	8,607	10,509	13,948	16,902
Fees and Commissions Income (net)	959	1,077	1,300	1,643	2,217
Dividend Income	321	192	213	259	285
Trading Profit/Loss (Net)	-198	-70	-166	-188	-814
Other Operating Income	1,048	911	1,340	1,555	1,378
Total Operating Income	9,868	10,717	13,196	17,217	19,968
Provisions for Loans and Other Receivables	1,828	1,443	1,421	3,345	3,191
Other Operating Expenses	3,661	4,095	5,208	5,303	6,490
Pretax Profit	4,379	5,179	6,568	8,569	10,287
Tax Provision	1,048	1,128	1,405	1,993	2,347
Net Profit/Loss for the Period	3,330	4,051	5,162	6,576	7,940

CREDIT RATINGS ASSIGNED BY RATING AGENCIES

The performance and credibility of Ziraat Bank, which has received credit rating service from Fitch Ratings, Moody's and JCR Eurasia Ratings companies, was again evaluated by these companies in 2017. In annual meetings held with these agencies, the Bank provides detailed and transparent information on its progress achieved in core lines of business, its funding ability, asset quality, liquidity, capital structure and developments in risk management.

Fitch Ratings downgraded Turkey's credit rating on 27 January 2017 from "BBB-" to "BB +" after which the credit rating of the Bank was likewise downgraded on 2 February 2017 from "BBB-" to "BB +" and all credit outlooks were revised from "stable" to "negative". After

the review on 4 October 2017, the Bank's credit ratings and outlook were confirmed.

Moody's revised Turkey's credit Outlook from "stable" to "negative" on 17 March 2017. Following this decision, the Institution changed the Bank's credit outlook from "Stable" to "Negative" on 21 March 2017 and did not make any changes to the credit ratings.

JCR Eurasia Rating confirmed the Bank's credit ratings and its outlook on 29 September 2017.

Credit ratings assigned to Ziraat Bank as of 31 December 2017 are presented below.

Rating Agency	Category	Rating	Date
Fitch Ratings	Foreign Currency Long-Term IDR	BB+	October 2017
	Outlook	Stable	
	Foreign Currency Short-Term IDR	B	
	Local Currency Long-Term IDR	BBB-	
	Outlook	Stable	
	Local Currency Short-Term IDR	F3	
	National Long-Term Rating	AAA (tur)	
	Outlook	Stable	
	Support Rating	3	
	Support Rating Floor	BB+	
	Viability Rating	bb+	
Moody's	Outlook	Negative	March 2017
	Outlook	Ba2	
	Long-Term Bank Deposit Foreign Currency	Not-Prime	
	Short-Term Bank Deposit Foreign Currency	Ba1	
	Long-Term Bank Deposit Domestic Currency	Not-Prime	
	Long-Term Bonds Foreign Currency	Ba1	
	Long-Term Bonds Domestic Currency	Ba1	
	Baseline Credit Assessment	ba2	
	Adjusted Baseline Credit Assessment	ba2	
JCR Eurasia	Long-Term International Foreign Currency	BBB -	September 2017
	Outlook	Stable	
	Long-Term International Local Currency	BBB -	
	Outlook	Stable	
	Long-Term National Local Rating	AAA (Trk)	
	Outlook	Stable	
	Short-Term International Foreign Currency	A - 3	
	Outlook	Stable	
	Short-Term International Local Currency	A - 3	
	Outlook	Stable	
	Short-Term National Local Rating	A-1+ (Trk)	
Sponsor Support	1		
Stand Alone	A		

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
**UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2017
WITH INDEPENDENT AUDITORS' REPORT THEREON**

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

INDEPENDENT AUDITOR'S REPORT



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

A) Audit of Unconsolidated Financial Statements

Qualified Opinion

We have audited the accompanying unconsolidated financial statements of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ("the Bank") which comprise the unconsolidated balance sheet as at 31 December 2017 and the unconsolidated statement of income, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended, and unconsolidated notes, comprising a summary of significant accounting policies and other explanatory information.

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

Basis for Qualified Opinion

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

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

Key Audit Matters

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

Impairment of loans and other receivables

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

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

INDEPENDENT AUDITOR'S REPORT



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Pension plan

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

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

Other Matter

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

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

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

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

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

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

INDEPENDENT AUDITOR'S REPORT



KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
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- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B) Other Legal and Regulatory Requirements

Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2017 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

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

Additional paragraph for convenience translation to English:

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

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



Erdal Tıkmak, SMMM
Partner
2 February 2018
İstanbul, Turkey

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

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

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

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

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



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



Hüseyin AYDIN
Member of the Board,
CEO



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



Ali KIRBAŞ
Banking Operations and Communication
Executive Vice President



Atakan BEKTAŞ
Senior Vice President
of Reporting and Data
Management

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

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

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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

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

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

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

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

Name/Trade Name	Amount of Share	Percentage of Share (%)	Paid-in Shares	Unpaid Shares
Turkish Wealth Fund	5,600,000	100	5,600,000	-

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

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

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

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

The Bank signed a contract with T. İş Bankası A.Ş. on 22 January 2007 to provide longer installment plan and bonus points to their credit card users and benefit from all the advantages within Maximum credit card at merchants that are a part of Maximum plan. Also with this contract the Bank has the right to register members for Maximum. Transactions between the two banks are administered by Bankalararası Kart Merkezi. Moreover, the project, which was launched in 2017, has reached the final stage for the establishment of the card branding and loyalty program of Ziraat Bank and it is planned to be put into practice in February 2018. Within the scope of the program, the credit card product will be presented together to the users with the bank card product by one plastic. In addition, new features of saving and budget friendly qualities will be brought into action for both credit card and bank card products which the bank is the leader.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE ENTITIES SUBJECT TO FULL CONSOLIDATION OR PROPORTIONAL CONSOLIDATION AND ENTITIES WHICH ARE DEDUCTED FROM EQUITY OR ENTITIES WHICH ARE NOT INCLUDED IN THESE THREE METHODS

According to Communiqué regarding the Preparation of the Consolidated Financial Statements and Turkish Accounting Standards, Arap Türk Bankası A.Ş., one of the associates of the Parent Bank, and Turkmen Turkish Joint Stock Commercial Bank which is an entity of Parent Bank under common control will be taken into the scope of consolidation “Equity Method” in accompanying consolidated financial statements of the Bank.

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

All other subsidiaries are fully consolidated.

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

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)		Note (Section Five I)	Current Period (31/12/2017)			Prior Period (31/12/2016)		
ASSETS	TL		FC	Total	TL	FC	Total	
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	4,970,977	39,297,687	44,268,664	7,541,324	31,625,773	39,167,097
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	888,200	515,682	1,403,882	1,209,019	475,772	1,684,791
2.1	Financial Assets Held for Trading		888,200	515,682	1,403,882	1,209,019	475,772	1,684,791
2.1.1	Public Sector Debt Securities		-	-	-	-	-	-
2.1.2	Securities Representing a Share in Capital		8,184	5,134	13,318	12,855	4,549	17,404
2.1.3	Derivative Financial Assets Held for Trading	(3)	880,016	510,548	1,390,564	1,196,164	471,223	1,667,387
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1	Public Sector Debt Securities		-	-	-	-	-	-
2.2.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	(4)	798,732	3,504,017	4,302,749	527,107	3,374,567	3,901,674
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(5, 6)	45,444,531	17,574,244	63,018,775	43,863,060	14,768,893	58,631,953
5.1	Securities Representing a Share in Capital		112,788	844,158	956,946	104,142	539,323	643,465
5.2	Public Sector Debt Securities		45,331,743	16,629,561	61,961,304	43,700,624	14,119,670	57,820,294
5.3	Other Marketable Securities		-	100,525	100,525	58,294	109,900	168,194
VI.	LOANS AND RECEIVABLES	(7)	221,859,779	76,398,253	298,258,032	168,980,221	63,663,314	232,643,535
6.1	Loans and Receivables		221,634,293	76,398,253	298,032,546	168,728,772	63,663,314	232,392,086
6.1.1	Loans Granted to Risk Group of The Bank		4,854	1,617,844	1,622,698	31,598	1,159,214	1,190,812
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		221,629,439	74,780,409	296,409,848	168,697,174	62,504,100	231,201,274
6.2	Loans under Follow-up		4,755,226	19,103	4,774,329	4,200,259	16,838	4,217,097
6.3	Specific Provisions (-)		4,529,740	19,103	4,548,843	3,948,810	16,838	3,965,648
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	INVESTMENTS HELD TO MATURITY (Net)	(8)	2,833,728	4,762,159	7,595,887	3,601,088	5,148,376	8,749,464
8.1	Public Sector Debt Securities		2,727,442	4,761,212	7,488,654	3,462,285	5,140,155	8,602,440
8.2	Other Marketable Securities		106,286	947	107,233	138,803	8,221	147,024
IX.	INVESTMENTS IN ASSOCIATES (Net)	(9)	94,912	-	94,912	94,912	-	94,912
9.1	Accounted with Equity Method		-	-	-	-	-	-
9.2	Unconsolidated Associates		94,912	-	94,912	94,912	-	94,912
9.2.1	Financial Associates		88,846	-	88,846	88,846	-	88,846
9.2.2	Non-financial Associates		6,066	-	6,066	6,066	-	6,066
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(10)	3,035,473	2,109,014	5,144,487	2,532,473	1,575,116	4,107,589
10.1	Unconsolidated Financial Subsidiaries		3,029,236	2,109,014	5,138,250	2,526,236	1,575,116	4,101,352
10.2	Unconsolidated Non-Financial Subsidiaries		6,237	-	6,237	6,237	-	6,237
XI.	ENTITIES UNDER COMMON CONTROL (Net)	(11)	-	72,495	72,495	-	109,239	109,239
11.1	Accounted with Equity Method		-	-	-	-	-	-
11.2	Unconsolidated Entities Under Common Control		-	72,495	72,495	-	109,239	109,239
11.2.1	Financial Entities Under Common Control		-	72,495	72,495	-	109,239	109,239
11.2.2	Non Financial Entities Under Common Control		-	-	-	-	-	-
XII.	RECEIVABLES FROM LEASING TRANSACTIONS	(12)	-	-	-	-	-	-
12.1	Finance Lease Receivables		-	-	-	-	-	-
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(13)	-	-	-	-	-	-
13.1	Fair Value Hedges		-	-	-	-	-	-
13.2	Cash Flow Hedges		-	-	-	-	-	-
13.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(16)	5,233,467	7,304	5,240,771	5,300,983	14,220	5,315,203
XV.	INTANGIBLE ASSETS (Net)	(17)	428,403	8,230	436,633	305,716	7,098	312,814
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		428,403	8,230	436,633	305,716	7,098	312,814
XVI.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(14)	-	-	-	-	-	-
XVII.	TAX ASSET		815	115	930	76,878	-	76,878
17.1	Current Tax Asset		815	115	930	1,121	-	1,121
17.2	Deferred Tax Asset	(18)	-	-	-	75,757	-	75,757
XVIII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(15)	670,215	-	670,215	562,033	-	562,033
18.1	Held for Sale		670,215	-	670,215	562,033	-	562,033
18.2	Held from Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(19)	2,570,007	1,196,070	3,766,077	1,214,427	1,189,756	2,404,183
	TOTAL ASSETS		288,829,239	145,445,270	434,274,509	235,809,241	121,952,124	357,761,365

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
LIABILITIES AND EQUITY	Note (Section Five II)	Current Period (31/12/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(1)	161,933,028	104,451,161	266,384,189	149,857,453	73,161,481	223,018,934
1.1 Deposits Held By the Risk Group of the Bank		1,286,498	491,752	1,778,250	1,191,017	354,900	1,545,917
1.2 Other		160,646,530	103,959,409	264,605,939	148,666,436	72,806,581	221,473,017
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	235,506	312,263	547,769	239,703	403,925	643,628
III. FUNDS BORROWED	(3)	1,650,412	27,414,383	29,064,795	1,788,942	21,027,794	22,816,736
IV. MONEY MARKET BALANCES		43,157,357	13,100,369	56,257,726	34,941,538	12,270,423	47,211,961
4.1 Interbank Money Market Borrowings		41,850,000	-	41,850,000	4,640,000	-	4,640,000
4.2 Istanbul Stock Exchange Takasbank Borrowings		-	-	-	50,000	-	50,000
4.3 Funds Provided under Repurchase Agreements	(4)	1,307,357	13,100,369	14,407,726	30,251,538	12,270,423	42,521,961
V. MARKETABLE SECURITIES ISSUED (Net)	(5)	3,590,796	9,166,573	12,757,369	2,156,778	4,676,223	6,833,001
5.1 Bills		3,590,796	-	3,590,796	2,156,778	-	2,156,778
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		-	9,166,573	9,166,573	-	4,676,223	4,676,223
VI. FUNDS		6,030,575	-	6,030,575	6,020,839	-	6,020,839
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		6,030,575	-	6,030,575	6,020,839	-	6,020,839
VII. MISCELLANEOUS PAYABLES		2,411,419	1,610,642	4,022,061	1,266,894	1,213,827	2,480,721
VIII. OTHER LIABILITIES	(6)	1,874,678	582,440	2,457,118	2,999,827	449,462	3,449,289
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. PAYABLES FROM LEASING TRANSACTIONS (Net)	(7)	-	447	447	-	492	492
10.1 Finance Lease Payables		-	454	454	-	499	499
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	7	7	-	7	7
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(8)	-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XII. PROVISIONS	(9)	8,458,157	60,810	8,518,967	5,981,623	71,388	6,053,011
12.1 General Provisions		5,376,195	15,675	5,391,870	3,908,739	12,886	3,921,625
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		1,315,548	-	1,315,548	877,689	-	877,689
12.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5 Other Provisions		1,766,414	45,135	1,811,549	1,195,195	58,502	1,253,697
XIII. TAX LIABILITY	(10)	1,222,555	1,110	1,223,665	848,332	1,983	850,315
13.1 Current Tax Liability		917,189	1,110	918,299	848,332	1,983	850,315
13.2 Deferred Tax Liability		305,366	-	305,366	-	-	-
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Held from Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(12)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(13)	46,064,823	945,005	47,009,828	38,736,881	(354,443)	38,382,438
16.1 Paid-in Capital		5,600,000	-	5,600,000	5,100,000	-	5,100,000
16.2 Capital Reserves		2,864,443	945,005	3,809,448	3,472,869	(354,443)	3,118,426
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(892,099)	945,005	52,906	(644,043)	(354,443)	(998,486)
16.2.4 Tangible Assets Revaluation Reserves		3,858,888	-	3,858,888	4,177,866	-	4,177,866
16.2.5 Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6 Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7 Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17,388	-	17,388	17,388	-	17,388
16.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other Capital Reserves		(119,734)	-	(119,734)	(78,342)	-	(78,342)
16.3 Profit Reserves		29,660,259	-	29,660,259	22,681,247	-	22,681,247
16.3.1 Legal Reserves		3,604,355	-	3,604,355	3,203,307	-	3,203,307
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		24,630,569	-	24,630,569	18,052,605	-	18,052,605
16.3.4 Other Profit Reserves		1,425,335	-	1,425,335	1,425,335	-	1,425,335
16.4 Profit or Loss		7,940,121	-	7,940,121	7,482,765	-	7,482,765
16.4.1 Prior Years Profit/Loss		-	-	-	906,345	-	906,345
16.4.2 Net Period Profit/Loss		7,940,121	-	7,940,121	6,576,420	-	6,576,420
TOTAL LIABILITIES AND EQUITY		276,629,306	157,645,203	434,274,509	244,838,810	112,922,555	357,761,365

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

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

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

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

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Current Period (01/01-31/12/2017)	Prior Period (01/01-31/12/2016)
I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	1,022,171	(951,047)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	(198,594)	790,587
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	253,845	140,481
V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)	-	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	(51,425)	8,420
IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(334,977)	(88,452)
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	691,020	(100,011)
XI. CURRENT YEAR PROFIT/LOSS	7,940,121	6,576,420
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	39,665	30,488
11.2 Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3 Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4 Other	7,900,456	6,545,932
XII. TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	8,631,141	6,476,409

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

31 December 2016		Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves
I.	Balance at the Beginning of the Period		5,000,000	-	-	-	2,920,983
	Changes During the Period						
II.	Increase/Decrease Related to Merger		-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-
IV.	Hedging Funds (Active Part)		-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity		-	-	-	-	-
XII.	Increase in Capital		100,000	-	-	-	-
12.1	Cash		72,000	-	-	-	-
12.2	From Internal Resources		28,000	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-
XVI.	Other		-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	282,324
18.1	Dividend Distributed		-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	282,324
18.3	Other		-	-	-	-	-
	Balance at the end of the period (I+II+III+.....+ XVI+XVII+XVIII)		5,100,000	-	-	-	3,203,307

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

	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Total Equity
	-	13,659,246	1,340,257	-	5,322,268	(321,040)	3,607,167	17,388	-	-	31,546,269
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	(817,927)	-	-	-	-	(817,927)
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	570,699	-	-	-	570,699
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	140,481	-	-	-	-	140,481
	-	-	-	-	-	-	-	-	-	-	-
	-	(28,000)	-	-	-	-	-	-	-	-	72,000
	-	(28,000)	-	-	-	-	-	-	-	-	72,000
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	6,736	-	746,547	-	-	-	-	-	753,283
	-	-	-	6,576,420	-	-	-	-	-	-	6,576,420
	-	4,421,359	-	-	(5,162,470)	-	-	-	-	-	(458,787)
	-	-	-	-	(458,787)	-	-	-	-	-	(458,787)
	-	4,421,359	-	-	(4,703,683)	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	18,052,605	1,346,993	6,576,420	906,345	(998,486)	4,177,866	17,388	-	-	38,382,438

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

31 December 2017		Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves
I.	Balance at the Beginning of the Period		5,100,000	-	-	-	3,203,305
	Changes During the Period						
II.	Increase/Decrease Related to Merger		-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-
IV.	Hedging Funds (Active Part)		-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-
XII.	Increase in Capital		500,000	-	-	-	-
12.1	Cash		500,000	-	-	-	-
12.2	From Internal Resources		-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-
XVI.	Other		-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	401,050
18.1	Dividend Distributed		-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	401,050
18.3	Other		-	-	-	-	-
	Balance at the end of the period (I+II+III+.....+ XVI+XVII+XVIII)		5,600,000	-	-	-	3,604,355

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

	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Total Equity
	-	18,052,605	1,346,993	-	7,482,765	(998,484)	4,177,866	17,388	-	-	38,382,438
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	797,293	-	-	-	-	797,293
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(318,978)	-	-	-	(318,978)
	-	-	-	-	-	-	-	-	-	-	-
	-	-	(252)	-	-	254,097	-	-	-	-	253,845
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	500,000
	-	-	-	-	-	-	-	-	-	-	500,000
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	(41,140)	-	-	-	-	-	-	-	(41,140)
	-	-	-	7,940,121	-	-	-	-	-	-	7,940,121
	-	6,577,964	-	-	(7,482,765)	-	-	-	-	-	(503,751)
	-	-	-	-	(503,751)	-	-	-	-	-	(503,751)
	-	6,577,964	-	-	(6,979,014)	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	24,630,569	1,305,601	7,940,121	-	52,906	3,858,888	17,388	-	-	47,009,828

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

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

VI. STATEMENT OF CASH FLOWS

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

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

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

^(**) The profit distribution table for the prior period becomes definite with the decision of Ordinary General Assembly after the publishing of 31 December 2016 audited financial statements. It is rearranged in this direction.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

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

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

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

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

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

Additional paragraph for convenience translation into English

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
**NOTES TO THE UNCONSOLIDATED
 FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

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

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

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

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

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

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

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

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

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

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

The Bank’s derivative transactions include cross swap transactions related to currency, swap transactions related to interest rates, currency and precious metal swaps, long-term financing transactions, full indemnity options and forward foreign currency buy/sell transaction contracts. The Bank has no embedded derivative instruments separated from the articles of association.

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

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

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

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

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V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

Interest income and expenses are recognized on an accrual basis using the internal rate of return method in conformity with TAS 39 “Financial Instruments: Recognition and Measurement”. In accordance with the Communiqué on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions” came into force after being published in the Official Gazette numbered 26333 dated 1 November 2006, no interest accrual is calculated for non-performing loans.

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

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

Held-to-maturity financial assets

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

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

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

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

Held to maturity assets are initially recognized at cost value.

Loans and receivables

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

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

The Bank sets specific and general provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 26333 and dated 1 November 2006 on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions”. However, there is no judgement in the related Regulation and the BRSA’s related disclosures that would prevent further provision of the minimum amounts required. Allocated provisions are deducted from the income for the period. The Bank reserves specific provisions for non-performing loans over the minimum ratios specified in the Regulation without considering the collaterals. If the receivables for which provisions were set in the previous years are collected, provision for allowances are released and recognized as income under “Other Operating Income” account. Releases of current period provisions are made by the reversal of the amount from the “Provision for Impairment of Loans and Other Receivables” account.

Available-for-sale financial assets

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

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

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

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

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

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

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event (“loss event”) subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group.

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

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

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

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

IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

XI. INFORMATION ON ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS AND EXPLANATIONS ON LIABILITIES RELATED WITH THESE ASSETS

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

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

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

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

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

The Bank recognizes its software costs incurred under the intangible assets-intangible rights account and the expenses that do qualify as development are added to software’s initial costs and amortized over 3 years considering the useful lives. The Bank has determined estimated useful lives of the intangible assets between 3 and 15 years and it applies depreciation rates between 6.67% to 33.3%.

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

Tangible assets are measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. As of 31 January 2014 the Bank has changed its accounting policies and has decided to pursue the real estates registered in its portfolio at fair values. In this context, for all real estates registered in the Bank’s inventory, appraisal study was carried by independent expertise companies, and from 31 December 2016 valuation results are reflected in the accounting records. As a result of the fair valuation of the real estates, TL 3,858,888 net is followed under shareholders’ equity as of 31 December 2017. As of 30 January 2014, the net book amount of real estates of the tangible assets before valuation was TL 816,950.

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

Applied depreciation rates are as follows;

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

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

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

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

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Financial Lease

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

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

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Operational Lease

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

XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES

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

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

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

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

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

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Employment Termination and Vacation Benefits

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

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

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

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

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Communiqué on “Turkish Accounting Standard (TAS19) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TL 119,483 was classified as “Other Reserves” under shareholders’ equity in the financials.

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

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

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

Some of the Bank’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees’ Pension Fund (“Fund”) which was established by 20th provisional article of Social Security Law Act numbered 506. As of 31 December 2017 the number of personnel who benefit from the Fund, excluding dependents, is 22,531 (31 December 2016: 22,221). 18,723 of these members are active while 3,808 are passive members. (31 December 2016: 18,450 active members, 3,771 passive members).

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

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

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

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

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

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

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

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

The technical balance sheet report as of 31 December 2017 which is prepared in accordance with the new law and the rate determined as 9.80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

XVII. EXPLANATIONS ON TAXATION

Current Tax

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

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

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

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

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

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

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

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

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

Deferred Tax

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

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

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

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

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

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

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XVIII. EXPLANATIONS ON BORROWINGS

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

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

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

XIX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

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

XX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXI. EXPLANATIONS ON GOVERNMENT GRANTS

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

XXII. CASH AND CASH EQUIVALENTS

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

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

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XXIII. EXPLANATIONS ON SEGMENT REPORTING

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

XXIV. EXPLANATIONS ON OTHER MATTERS

Explanations on Profit Distribution

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

Developments related to TFRS 9 Transition Process

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

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

SECTION FOUR

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

I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS’ EQUITY

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

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

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1. Information Related to The Components of Shareholders' Equity

	Current Period 31 December 2017	Amount as per the regulation before 1/1/2014*
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5,600,000	-
Share issue premiums	-	-
Reserves	29,660,259	-
Gains recognized in equity as per TAS	5,708,945	-
Profit	7,940,121	-
Current Period Profit	7,940,121	-
Prior Period Profit	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17,388	-
Common Equity Tier 1 Capital Before Deductions	48,926,713	-
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1 st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1,916,885	-
Improvement costs for operating leasing	64,822	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	349,306	436,633
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4 th clause of the 56 th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2 nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-

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

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	Current Period 31 December 2017	Amount as per the regulation before 1/1/2014*
Deductions from Total Capital	50,098,776	-
Deductions from Capital Loans granted contrary to the 50 th and 51 st Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	1,709	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	50,097,067	-
Total Risk Weighted Assets	329,495,006	-
CAPITAL ADEQUACY RATIOS		
CET 1 Capital Ratio (%)	14.14	-
Tier I Capital Ratio (%)	14.12	-
Capital Adequacy Ratio (%)	15.20	-
BUFFERS		
Total additional core capital requirement ratio (a+b+c)	1.26	-
a) Capital conservation buffer requirement (%)	1.25	-
b) Bank specific countercyclical buffer requirement (%)	0.013	-
c) Higher bank buffer requirement ratio (%)	-	-
Additional CET 1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	6.14	-
Amounts Lower than Excesses as per Deduction Rules	-	-
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	156,212	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	68,380	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	-	-
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand)	5,391,870	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,590,403	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 11.2018-11.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(*) Amounts considered within transition provisions

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

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	Prior Period 31 December 2016	Amount as per the regulation before 1/1/2014*
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5,100,000	-
Share issue premiums	-	-
Reserves	22,681,247	-
Gains recognized in equity as per TAS	4,820,602	-
Profit	7,482,765	-
Current Period Profit	6,576,420	-
Prior Period Profit	906,345	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17,388	-
Common Equity Tier 1 Capital Before Deductions	40,102,002	-
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1 st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1,719,564	-
Improvement costs for operating leasing	82,601	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	187,688	312,814
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4 th clause of the 56 th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2 nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions from Common Equity Tier I Capital	1,989,853	-
Total Common Equity Tier I Capital	38,112,149	-
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-

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	Prior Period 31 December 2016	Amount as per the regulation before 1/1/2014*
Deductions from Additional Tier I Capital	-	-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items to be defined by the BRSA (-)	-	-
Transition from the Core Capital to Continue to deduct Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	125,126	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	37,987,023	-
TIER II CAPITAL	-	-
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	3,114,746	-
Tier II Capital Before Deductions	3,114,746	-
Deductions from Tier II Capital	-	-
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	3,114,746	-
Total Tier II Capital	41,101,769	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	41,101,769	-
Deductions from Total Capital	-	-
Deductions from Capital Loans granted contrary to the 50 th and 51 st Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	38,071	-
Other items to be defined by the BRSA (-)	2,453	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

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	Prior Period 31 December 2016	Amount as per the regulation before 1/1/2014*
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	41,061,245	-
Total Risk Weighted Assets	282,252,505	-
CAPITAL ADEQUACY RATIOS		
CET 1 Capital Ratio (%)	13.50	-
Tier I Capital Ratio (%)	13.46	-
Capital Adequacy Ratio (%)	14.55	-
BUFFERS		
Bank-specific total CET 1 Capital Ratio	-	-
Capital Conservation Buffer Ratio (%)	0.63	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.004	-
Additional CET 1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5.50	-
Amounts Lower than Excesses as per Deduction Rules	-	-
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	153,707	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	97,415	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	75,757	-
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand)	3,921,625	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,114,746	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

* Amounts considered within transition provisions

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

None.

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3. Necessary Explanations in order to Reach an Agreement Between the Statement of Shareholders' Equity and Balance-Sheet Amounts

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision. In the calculation of Total Capital, general provision up to 1.25% credit risk is taken into consideration as Tier II Capital. Besides, losses that are subject to deductions from Common Equity Tier I and reflected to Equity in line with the TAS, are determined by excluding the losses related to cash flow hedge transactions. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

II. EXPLANATIONS ON CREDIT RISK

1. Information on Credit Risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The percentage of top 100 and top 200 cash loans in the total cash loan portfolio is 24% and 29% respectively (31 December 2016: 26% and 31%).

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

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

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

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2. The Profile of Important Risks of Important Regions

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

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

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

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
Prior Period							
Domestic	79,163,571	565,336	552,253	-	-	34,082,846	133,171,905
European Union Countries	35,476	-	-	-	-	20,432,496	120,899
OECD Countries ⁽¹⁾	-	-	-	-	-	577,856	-
Off-shore Banking Regions	-	-	-	-	-	18,223	-
USA, Canada	902,384	-	-	-	-	2,160,369	171,214
Other Countries	524,567	19,131	181	-	-	977,486	220,979
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	5,117,282	1,320,682
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-
Total	80,625,998	584,467	552,434	-	-	63,366,558	135,005,679

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

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

Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Investments in Equity Instruments ⁽³⁾	Other receivables	Total
119,864,412	47,607,742	-	552,922	-	-	-	1,102,157	111,213	18,658,670	428,808,221
59,104	-	-	-	-	-	-	-	7	-	23,968,133
-	-	-	-	-	-	-	-	-	-	678,838
-	-	-	-	-	-	-	-	-	-	323,789
491	-	-	-	-	-	-	-	-	-	3,540,325
113,741	14,155	-	788,270	-	-	-	-	26,187	-	2,528,690
6,066	-	-	881,000	-	-	-	1,300,000	-	-	9,418,117
-	-	-	-	-	-	-	-	-	-	-
120,043,814	47,621,897	-	2,222,192	-	-	-	2,402,157	137,407	18,658,670	469,266,113

Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Investments in Equity Instruments	Other Receivables ⁽³⁾	Total
89,792,217	36,926,407	-	317,409	-	-	-	1,673,629	103,025	15,871,966	392,220,564
51,486	-	-	2,352	-	-	-	-	5	-	20,642,714
-	-	-	-	-	-	-	-	-	-	577,856
-	-	-	-	-	-	-	-	-	-	18,223
851	-	-	-	-	-	-	-	-	-	3,234,818
97,225	4,987	-	8,932	-	-	-	-	15,123	-	1,868,611
6,067	-	-	-	-	-	-	-	-	-	6,444,031
-	-	-	-	-	-	-	-	-	-	-
89,947,846	36,931,394	-	328,693	-	-	-	1,673,629	118,153	15,871,966	425,006,817

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3. Risk Profile by Sectors or Counterparties

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

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

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

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Prior Period	Risk Classes								
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages
Sectors/Counter Parties									
Agriculture	702	1,482	7,029	-	-	-	5,546,769	3,505,501	817,466
Farming and Stockbreeding	207	401	6,838	-	-	-	5,134,000	3,052,231	701,481
Forestry	495	19	15	-	-	-	289,016	95,127	24,753
Fishing	-	1,062	176	-	-	-	123,753	358,143	91,232
Manufacturing	61,780	1,878	34,153	-	-	-	57,836,694	5,001,098	1,273,596
Mining and Quarrying	-	28	18	-	-	-	4,540,388	93,345	15,466
Production	61,769	557	34,126	-	-	-	39,317,359	4,882,437	1,209,498
Electric, Gas and Water	11	1,293	9	-	-	-	13,978,947	25,316	48,632
Construction	2	17	35,024	-	-	-	24,237,414	2,484,734	1,197,335
Services	2,704,952	2,608	355,764	-	-	39,143,346	45,263,374	14,016,041	4,523,846
Wholesale and Retail Trade	194	974	5,266	-	-	-	16,028,359	9,956,769	1,979,728
Hotel Food and Beverage									
Services	553	92	1,617	-	-	-	3,248,943	793,261	314,825
Transportation and Telecommunication	1,135	230	240,829	-	-	-	7,746,748	1,717,855	308,005
Financial Institutions	2,544,902	159	27,836	-	-	38,081,650	5,221,114	16,175	1,789
Real Estate and Leasing Services	77,823	621	5,897	-	-	1,061,696	12,107,957	1,192,839	1,711,146
Self Employment Services	-	-	-	-	-	-	5	-	-
Education Services	71,623	13	57,479	-	-	-	206,370	117,682	40,692
Health and Social Services	8,722	519	16,840	-	-	-	703,878	221,460	167,661
Other	77,858,562	578,482	120,464	-	-	24,223,212	2,121,428	64,940,472	29,119,151
Total	80,625,998	584,467	552,434	-	-	63,366,558	135,005,679	89,947,846	36,931,394

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

Risk Classes											
	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Investments in Equity Instruments	Other receivables	TL	FC	Total
-	-	3,415	-	-	-	-	-	376,398	9,753,761	505,001	10,258,762
-	-	2,068	-	-	-	-	-	372,845	9,147,991	122,080	9,270,071
-	-	221	-	-	-	-	-	1,277	154,897	256,026	410,923
-	-	1,126	-	-	-	-	-	2,276	450,873	126,895	577,768
-	-	16,577	-	-	-	-	-	189,306	24,385,014	40,030,068	64,415,082
-	-	111	-	-	-	-	-	228	775,425	3,874,159	4,649,584
-	-	13,082	-	-	-	-	-	188,900	19,334,905	26,372,823	45,707,728
-	-	3,384	-	-	-	-	-	178	4,274,684	9,783,086	14,057,770
-	-	24,060	-	-	-	44,445	-	38,133	8,887,824	19,173,340	28,061,164
-	-	23,109	-	-	-	1,629,184	118,153	85,707	73,098,444	34,767,640	107,866,084
-	-	14,293	-	-	-	-	-	55,447	21,940,731	6,100,299	28,041,030
-	-	1,861	-	-	-	-	-	5,327	1,561,870	2,804,609	4,366,479
-	-	2,148	-	-	-	-	-	19,387	2,914,581	7,121,756	10,036,337
-	-	2,419	-	-	-	1,409,018	118,153	728	39,640,747	7,783,196	47,423,943
-	-	1,811	-	-	-	220,166	-	3,883	5,995,612	10,388,227	16,383,839
-	-	-	-	-	-	-	-	-	-	5	5
-	-	128	-	-	-	-	-	245	396,355	97,877	494,232
-	-	449	-	-	-	-	-	690	648,548	471,671	1,120,219
-	-	261,532	-	-	-	-	-	15,182,422	152,184,935	62,220,790	214,405,725
-	-	328,693	-	-	-	1,673,629	118,153	15,871,966	268,309,978	156,696,839	425,006,817

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4. Analysis of maturity-bearing exposures according to remaining maturities:

Exposure Classifications:	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	1,259,796	155,397	173,005	3,159,252	67,742,930
Conditional and unconditional exposures to regional governments or local authorities	18,243	21	-	77,432	555,904
Conditional and unconditional receivables from administrative units and non-commercial enterprises	13,280	2,694	8,350	131,817	490,671
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	17,943,217	4,896,408	2,203,837	2,625,480	8,679,969
Conditional and unconditional exposures to corporates	158,576	3,416,434	1,670,340	44,455,577	118,341,346
Conditional and unconditional retail exposures	1,018,320	315,531	792,865	30,677,534	87,239,564
Conditional and unconditional exposures secured by real estate property	1,658	13,096	17,770	6,269,599	41,319,774
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	369,069	9,066	108,711	246,153	1,489,193
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	58,758	-	-	31,268	2,312,131
Investments in Equity Instruments	-	-	-	-	137,407
Grand Total	20,840,917	8,808,647	4,974,878	87,674,112	328,308,889

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

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

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

5. Exposures by risk weights:

	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1	Exposures before Credit Risk Mitigation	69,552,796	-	14,464,061	-	38,617,421	165,777,320	178,632,323	2,222,192	-	-	-	503,163
2	Exposures after Credit Risk Mitigation	98,885,531	-	9,045,613	40,264,373	48,527,356	106,347,320	163,974,867	2,221,053	-	-	-	503,163

Prepared with the numbers after conversion rate to credit.

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

Impaired Credits

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

Past Due Credits

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

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

¹ Valuation adjustments represent general provisions reserved for overdue loans.

7. Information about Value Adjustment and Change in Provisions

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

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

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

Financial Assets	Current Period			Prior Period		
	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
Banks	4,302,749	-	4,302,749	3,901,674	-	3,901,674
Financial Assets at Fair Value Through Profit or Loss	1,403,882	-	1,403,882	1,684,791	-	1,684,791
Loans:	292,723,165	5,309,381	298,032,546	227,976,255	4,415,831	232,392,086
Corporate/ Entrepreneurial Loans	155,891,622	3,265,750	159,157,372	120,437,368	2,370,758	122,808,126
Consumer Loans	83,598,503	852,172	84,450,675	62,296,314	1,070,056	63,366,370
Specialized Loans	53,233,040	1,191,459	54,424,499	45,242,573	975,017	46,217,590
Available-for-sale Financial Assets	63,018,775	-	63,018,775	58,631,953	-	58,631,953
Held-to-maturity Investments	7,595,887	-	7,595,887	8,749,464	-	8,749,464

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

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

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

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III. RISKS INCLUDED CAPITAL CAPACITY BUFFER CALCULATIONS

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

IV. EXPLANATIONS ON THE CURRENCY RISK

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

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

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

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

None.

3. Management policy for foreign currency risk

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
25.12.2017	3.7897	4.4965	2.9291	0.6047	0.4544	3.8346	2.9786	0.4551	5.0676	1.0106	3.3466
26.12.2017	3.7898	4.4993	2.9265	0.6044	0.4544	3.8327	2.9834	0.4541	5.0628	1.0106	3.3464
27.12.2017	3.8030	4.5267	2.9534	0.6081	0.4593	3.8488	3.0108	0.4577	5.1013	1.0141	3.3566
28.12.2017	3.7559	4.4876	2.9274	0.6029	0.4561	3.8385	2.9818	0.4539	5.0510	1.0016	3.3291
29.12.2017	3.7748	4.5268	2.9449	0.6072	0.4595	3.8657	3.0019	0.4587	5.0991	1.0051	3.3504
31.12.2017	3.7748	4.5268	2.9449	0.6072	0.4595	3.8657	3.0019	0.4587	5.0991	1.0051	3.3504

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
3.8240	4.5266	2.9256	0.6082	0.4560	3.8713	2.9973	0.4592	5.1258	1.0196	3.3865

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6. Information on the foreign currency risk of the Bank

	EUR	USD	Other FC ⁽¹⁾	Total
Current Period				
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	9,352,920	20,768,385	9,176,382	39,297,687
Banks	815,758	2,331,694	356,565	3,504,017
Financial Assets at Fair Value Through Profit and Loss ⁽⁵⁾	-	5,134	-	5,134
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,076,185	13,441,789	56,270	17,574,244
Loans ⁽²⁾	31,430,451	47,002,822	123,495	78,556,768
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) ⁽⁴⁾	1,364,365	763,539	53,605	2,181,509
Investments Held-to-Maturity	668,717	4,092,857	585	4,762,159
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	4,833	249	2,222	7,304
Intangible Assets	2,644	493	5,093	8,230
Other Assets ⁽⁶⁾	678,167	500,971	11,073	1,190,211
Total Assets	48,394,040	88,907,933	9,785,290	147,087,263
Liabilities				
Interbank Deposits	5,870,458	4,485,375	118,121	10,473,954
Foreign Currency Deposits	53,820,419	33,984,559	6,172,229	93,977,207
Money Market Borrowings	374,971	12,725,398	-	13,100,369
Funds Provided from Other Financial Institutions	6,971,293	20,439,526	3,564	27,414,383
Issued Marketable Securities	45,515	9,090,517	30,541	9,166,573
Sundry Creditors	1,562,316	45,646	2,680	1,610,642
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	260,435	353,685	30,687	644,807
Total Liabilities	68,905,407	81,124,706	6,357,822	156,387,935
Net Balance Sheet Position	(20,511,367)	7,783,227	3,427,468	(9,300,672)
Net Off-Balance Sheet Position ⁽³⁾	23,054,551	(9,906,110)	(3,168,819)	9,979,622
Financial Derivative Assets	27,175,489	16,757,156	2,540,420	46,473,045
Financial Derivative Liabilities	4,120,938	26,663,246	5,709,239	36,493,423
Non-Cash Loans	24,590,211	34,244,001	4,339,203	63,173,415
Prior Period				
Total Assets	38,063,799	77,926,169	6,959,476	122,949,444
Total Liabilities	51,600,535	57,223,275	4,049,263	112,873,073
Net Balance Sheet Position	(13,536,736)	20,702,894	2,910,213	10,076,371
Net Off-Balance Sheet Position ⁽³⁾	14,404,536	(21,814,361)	(2,611,272)	(10,021,097)
Financial Derivative Assets	16,594,256	7,787,185	2,593,074	26,974,515
Financial Derivative Liabilities	2,189,720	29,601,546	5,204,346	36,995,612
Non-Cash Loans	18,783,775	31,762,066	3,845,938	54,391,779

⁽¹⁾ Of the foreign currencies presented in the other FC column of assets 93.05% is Gold, 2.13% is GBP, 1.72% is IQD, 0.98% is SAR, and the remaining 2.12% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 64.17% is Gold, 17.54% is GBP, 8.17% is CHF, 3.09% is DKK, 1.27% SAR, 1.26% is SEK, 0.74% is BGN and the remaining 3.76% is other foreign currencies. (31 December 2016: Of the foreign currencies presented in the other FC column of assets 91.94% is Gold, 2.69% is GBP, 1.73% is IQD, 1.25% is SAR, and the remaining 2.39% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 57.79% is Gold, 21.31% is GBP, 10.98% is CHF, 3.61% is DKK, 1.77% is SEK, 1.19% is SAR, 0.71% is BGN and the remaining 2.64% is other foreign currencies).

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

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

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

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

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

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V. EXPLANATIONS ON THE INTEREST RATE RISK

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

(Based on days to repricing dates)

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

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

⁽²⁾ TL 5,972,568 of fund balance, whose risk does not belong to the Bank, in other liabilities is shown under the “1 - 5 Years” column. TL 58,007 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.

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

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

⁽⁵⁾ Total shareholders’ equity is shown under the “Non-Interest Bearing” column. (Based on days to repricing dates)

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	26,226,267	-	-	-	-	12,940,830	39,167,097
Banks	1,144,317	313,430	784,787	-	-	1,659,140	3,901,674
Financial Assets at Fair Value Through Profit and Loss	534,967	715,930	377,036	52,425	4,433	-	1,684,791
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	6,082,221	5,989,035	10,829,270	16,548,932	18,459,714	722,781	58,631,953
Loans Given ⁽⁴⁾	69,800,889	18,547,083	52,762,832	74,387,619	16,893,663	251,449	232,643,535
Investments Held-to-Maturity	3,616,855	824,631	60,683	2,564,614	1,682,681	-	8,749,464
Other Assets ⁽⁵⁾	-	-	-	-	-	12,982,851	12,982,851
Total Assets ⁽¹⁾	107,405,516	26,390,109	64,814,608	93,553,590	37,040,491	28,557,051	357,761,365
Liabilities							
Interbank Deposits	6,796,605	1,563,724	1,967,777	-	-	1,731,844	12,059,950
Other Deposits	111,750,707	25,137,918	20,392,313	541,668	1	53,136,377	210,958,984
Money Market Borrowings	41,662,750	3,747,109	1,085,940	716,162	-	-	47,211,961
Sundry Creditors	-	-	-	-	-	2,480,721	2,480,721
Issued Marketable Securities	836,455	1,367,032	255,514	4,374,000	-	-	6,833,001
Funds Provided from Other Financial Institutions	4,442,774	4,306,983	10,593,970	2,041,048	1,431,961	-	22,816,736
Other Liabilities ^{(2) (5)}	216,934	325,705	51,950	5,999,588	-	48,805,835	55,400,012
Total Liabilities ⁽¹⁾	165,706,225	36,448,471	34,347,464	13,672,466	1,431,962	106,154,777	357,761,365
Balance Sheet Long Position	-	-	30,467,144	79,881,124	35,608,529	-	145,956,797
Balance Sheet Short Position	(58,300,709)	(10,058,362)	-	-	-	(77,597,726)	(145,956,797)
Off Balance Sheet Long Position	808,285	2,189,886	-	-	-	-	2,998,171
Off Balance Sheet Short Position	-	-	(373,698)	(1,428,568)	-	-	(1,802,266)
Total Position	(57,492,424)	(7,868,476)	30,093,446	78,452,556	35,608,529	(77,597,726)	1,195,905

⁽¹⁾ Balances without fixed maturity are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.⁽²⁾ TL 5,950,057 of fund balance, whose risk does not belong to the Bank, in other liabilities is shown under the "1 - 5 Years" column. TL 70,782 of fund balance is not granted as loan and is shown under the "Non-Interest Bearing" column.⁽³⁾ Deferred tax asset is shown under the "Non-Interest Bearing" column.⁽⁴⁾ Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in loans given.⁽⁵⁾ Total shareholders' equity is shown under the "Non-Interest Bearing" column.

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

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

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

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

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

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VI. EXPLANATIONS ON THE POSITION RISK OF EQUITY SECURITIES

1. Equity Securities Position Risk Derived from Banking Books

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

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

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

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

The investments in equity instruments, partaking in banking accounts according to the credit risk standard method, are amounted TL 137,407 and 100% of them are risk weighted (31 December 2016: are amounted TL 118,153 and 100% of them are risk weighted).

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

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

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

1. Liquidity Risk

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

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

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

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

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

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

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

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

Information related to the techniques about the reduction of current liquidity risk

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

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

Explanation regarding the usage of the stress test

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

General information on liquidity urgent and unexpected situation plan

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

Within the framework of “Regulation on Calculation of Liquidity Covered Rate of Banks” published in the Official Gazette dated 21 March 2014 and numbered 28948 by the BRSA, the Bank calculates the Liquidity Cover Rate and transmits unconsolidated on weekly and consolidated on monthly basis to the BRSA. Within the last 3 months the unconsolidated lowest ratios are as follows: Take place for FC as 184.50% in the week of 10 November 2017; and for the total 90.14% in the week of 15 December 2017. As for the highest ratios take place for FC as 252.43% in the week of 6 October 2017 and for the total as 108.09% in the week of 20 October 2017 (31 December 2016: Within the last 3 months the unconsolidated lowest ratios are as follows: Take place for FC as 84.49% in the week of 28 October 2016; and for the total 74.51% in the week of 16 December 2016. As for the highest ratios take place for FC as 109.22% in the week of 23 December 2016 and for the total as 88.54% in the week of 7 October 2016).

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Current Period	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			51,990,108	40,322,702
Cash Outflows				
Retail and Small Business Customers, of which;	175,184,051	68,348,200	14,374,069	6,834,820
Stable deposits	62,886,712	-	3,144,335	-
Less stable deposits	112,297,339	68,348,200	11,229,734	6,834,820
Unsecured wholesale funding, of which;	82,710,386	32,522,190	44,522,787	19,745,309
Operational deposit	4,311,083	128,204	1,077,771	32,051
Non-operational deposits	65,389,711	24,659,350	31,108,251	12,646,729
Other unsecured funding	13,009,592	7,734,636	12,336,765	7,066,529
Secured funding			-	-
Other cash outflows, of which;	34,920,356	8,214,972	5,986,870	4,575,039
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2,448,025	2,819,093	2,448,025	2,819,093
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	32,472,331	5,395,879	3,538,845	1,755,946
Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	39,743,078	28,354,606	2,473,441	1,836,495
Total Cash Outflows			67,357,167	32,991,663
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	19,140,288	5,236,066	12,512,781	4,007,020
Other cash inflows	1,546,184	9,397,561	1,546,184	9,397,561
Total Cash Inflows	20,686,472	14,633,627	14,058,965	13,404,581
			Upper Limit Applied Amounts	
Total HQLA Stock			51,990,108	40,322,702
Total Net Cash Outflows			53,298,202	19,587,082
Liquidity Coverage Ratio (%)			97.55	205.86

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

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Prior Period	Total Unweighted Value (Average) ⁽¹⁾		Total Weighted Value (Average) ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			47,540,579	25,883,196
Cash Outflows				
Retail and Small Business Customers, of which;	139,622,809	48,641,664	11,188,731	4,864,166
Stable deposits	55,470,997	-	2,773,550	-
Less stable deposits	84,151,812	48,641,664	8,415,181	4,864,166
Unsecured wholesale funding, of which;	76,674,535	23,233,906	44,523,169	15,932,139
Operational deposit	1,091,398	99,046	272,850	24,761
Non-operational deposits	65,614,387	17,098,124	34,282,353	9,871,425
Other unsecured funding	9,968,750	6,036,736	9,967,966	6,035,953
Secured funding			-	-
Other cash outflows, of which;	17,543,097	11,632,861	4,231,557	10,452,019
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2,099,449	9,962,086	2,099,449	9,962,086
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	15,443,648	1,670,775	2,132,108	489,933
Other revocable off-balance sheet commitments and contractual obligations	7,958	7,946	398	397
Other irrevocable or conditionally revocable off-balance sheet obligations	41,460,379	24,592,794	10,935,263	3,671,404
Total Cash Outflows			70,879,118	34,920,125
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	15,750,567	7,211,585	11,018,841	6,409,508
Other cash inflows	1,116,070	577,297	1,116,070	577,297
Total Cash Inflows	16,866,637	7,788,882	12,134,911	6,986,805
			Upper Limit Applied Amounts	
Total HQLA Stock			47,540,579	25,883,196
Total Net Cash Outflows			58,744,207	27,933,320
Liquidity Coverage Ratio (%)			80.93	92.66

⁽¹⁾ The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

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3. Minimum Statements Concerning Liquidity Coverage Ratio by Banks

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

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

As well as its low turn into cash ratio, since the non-cash loans has a remarkable extent in proportion to financial statement, they have an influence on the calculation of liquidity coverage ratio. Comparing to previous periods, non-cash loans are tend to increase.

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

High quality liquid assets are comprised to which items

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

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

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

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

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

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

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

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

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

Explanations of cash in-flow and cash out-flow items that are considered to be related to liquidity profile of the bank and to be placed on the calculation of liquidity coverage ratio but not on the second paragraph of the disclosure template

All items on the calculation of liquidity coverage ratio are included in calculation in aggregated form on the table. In this context, there is no point included in the calculation of liquidity coverage ratio and not included in the disclosure template.

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed ^{(1) (2)}	Total
Current Period								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	44,268,664	-	-	-	-	-	-	44,268,664
Banks	1,039,233	2,374,898	259,040	629,578	-	-	-	4,302,749
Financial Assets at Fair Value Through Profit and Loss	-	622,360	608,805	119,719	47,987	5,011	-	1,403,882
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	304,508	1,532,365	6,167,492	22,919,439	31,138,025	956,946	63,018,775
Loans Given	-	11,432,382	18,856,319	104,149,557	128,368,233	35,226,055	225,486	298,258,032
Investments Held-to-Maturity	-	1,134,478	38,661	1,284,665	3,335,250	1,802,833	-	7,595,887
Other Assets	2,103,341	-	-	930	59,518	-	13,262,731	15,426,520
Total Assets	47,411,238	15,868,626	21,295,190	112,351,941	154,730,427	68,171,924	14,445,163	434,274,509
Liabilities								
Interbank Deposits	2,457,290	7,936,511	2,043,470	2,855,884	75,496	-	-	15,368,651
Other Deposits	66,396,340	129,625,727	24,762,370	29,616,810	582,404	31,887	-	251,015,538
Funds Provided from Other Financial Institutions	-	1,479,872	4,150,374	15,004,378	5,778,590	2,651,581	-	29,064,795
Money Market Borrowings	-	52,066,385	1,823,512	1,524,704	843,125	-	-	56,257,726
Issued Marketable Securities	-	1,037,669	1,589,707	1,247,993	6,994,600	1,887,400	-	12,757,369
Sundry Creditors	2,596,965	1,425,096	-	-	-	-	-	4,022,061
Other Liabilities ⁽³⁾	2,472,538	780,918	596,190	95,525	6,024,457	1,315,548	54,503,193	65,788,369
Total Liabilities	73,923,133	194,352,178	34,965,623	50,345,294	20,298,672	5,886,416	54,503,193	434,274,509
Liquidity Gap	(26,511,895)	(178,483,552)	(13,670,433)	62,006,647	134,431,755	62,285,508	(40,058,030)	-
Net Off-Balance Sheet Position	-	291,086	(48,566)	(9,626)	520,911	-	-	753,805
Financial Derivative Assets	-	31,403,786	5,393,817	3,674,751	2,487,182	-	-	42,959,536
Financial Derivative Liabilities	-	31,112,700	5,442,383	3,684,377	1,966,271	-	-	42,205,731
Non-cash Loans	44,386,984	1,797,621	4,116,299	23,142,701	19,205,108	3,458,413	-	96,107,126
Prior Period								
Total Assets	43,053,681	13,181,160	19,559,096	96,956,280	120,432,400	52,953,387	11,625,361	357,761,365
Total Liabilities	60,235,498	164,181,428	34,696,846	35,503,946	16,011,098	3,594,314	43,538,235	357,761,365
Liquidity Gap	(17,181,817)	(151,000,268)	(15,137,750)	61,452,334	104,421,302	49,359,073	(31,912,874)	-
Net Off-Balance Sheet Position	-	106,768	(2,364)	503,202	588,299	-	-	1,195,905
Financial Derivative Assets	-	23,473,210	7,443,469	2,592,683	2,630,850	-	-	36,140,212
Financial Derivative Liabilities	-	23,366,442	7,445,833	2,089,481	2,042,551	-	-	34,944,307
Non-cash Loans	37,633,442	1,000,651	4,810,877	18,060,727	14,125,438	3,523,973	-	79,155,108

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

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

⁽³⁾ TL 5,972,268 of the funds balance, whose risk is not born by the Bank, is included in other liabilities and shown under the “1-5 years” column, fund balance amounted to TL 58,007 is not granted as loan and is included under “Up to One Month” column.

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5. Presentation of Liabilities According to Their Remaining Maturities

Current Period ^(*)	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Bank deposits	10,404,749	2,047,384	2,866,861	78,030	-	15,397,024
Other deposits	196,401,403	24,993,889	30,238,337	612,447	70,421	252,316,497
Funds borrowed from other financial institutions	1,486,435	4,209,252	15,383,565	6,569,207	3,928,919	31,577,378
Funds borrowed from Interbank money market	52,136,449	1,830,587	1,542,807	846,503	-	56,356,346
Total	260,429,036	33,081,112	50,031,570	8,106,187	3,999,340	355,647,245
Prior Period ^(*)						
Bank deposits	8,536,613	1,569,830	1,978,303	-	-	12,084,746
Other deposits	165,190,307	25,363,026	20,767,090	587,864	27,279	211,935,566
Funds borrowed from other financial institutions	1,845,785	2,190,655	12,017,271	4,414,434	1,530,736	21,998,881
Funds borrowed from Interbank money market	41,684,501	3,757,618	1,101,437	734,017	-	47,277,573
Total	217,257,206	32,881,129	35,864,101	5,736,315	1,558,015	293,296,766

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

VIII. EXPLANATIONS ON LEVERAGE

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

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

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

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

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IX. EXPLANATIONS ON RISK MANAGEMENT

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

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

Furthermore, as part of legislation compliance controls, compliance of all activities, new transactions and products planned by the Bank with relevant laws, legislation, internal Bank policies and banking practices is controlled. Accordingly, compliance of legislative regulations regarding Risk Management Explanations with internal Bank practices is also controlled.

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

1. Explanations on Risk Management and Risk Weighted Amount

1.1 Bank’s Risk Management Approach

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Principal elements and scope of risk measurement systems

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Overview of Risk Weighted Amounts

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	281,524,899	244,241,413	22,521,992
2	Standardised approach	281,524,899	244,241,413	22,521,992
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3,363,968	3,268,338	269,117
5	Standardised approach for counterparty credit risk	3,363,968	3,268,338	269,117
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies-look through approach	-	-	-
9	Investments made in collective investment companies-mandate-based approach	2,343,399	1,669,911	187,472
10	Investments made in collective investment companies-1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB Supervisory Formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	18,610,561	14,083,788	1,488,845
17	Standardised approach	18,610,561	14,083,788	1,488,845
18	Internal model approaches	-	-	-
19	Operational risk	23,652,179	18,989,055	1,892,174
20	Basic Indicator approach	23,652,179	18,989,055	1,892,174
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	329,495,006	282,252,505	26,359,600

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2. Connections Between Financial Statements and the Risk Amounts

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

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

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

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

	Total	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework
Asset carrying value amount under scope of regulatory consolidation	434,274,509	385,153,832	5,848,021	42,769,493
Liabilities carrying value amount under regulatory scope of consolidation	-	-	17,134,623	-
Total net amount under regulatory scope of consolidation	434,274,509	385,153,832	(11,286,602)	42,769,493
Differences in valuations	171,975,182	54,986,217	48,207,847	-
Valuation Differences	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-
Differences due to consideration of provisions	-	-	-	-
Differences due to prudential filters	-	-	-	-
Amount of Risk	606,249,691	440,140,049	36,921,245	42,769,493

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

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

3. Credit Risk Explanations

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

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

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

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

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

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

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

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

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

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

3.3 Structure and organization of credit risk management and control function

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

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

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

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

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

3.5. Scope and Main Content for Reporting to Top Management and Board Members on Credit Risk Management Function and Credit Risk Exposed

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

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

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

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3.6. Credit Quality of Assets

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

3.7. Changes in the Defaulted Receivables and Debt Instruments

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

3.8. Additional Explanations On Credit Quality Of Assets

Differences between definitions and explanations of “deferred” receivables and receivables for which “provision was allocated”, and definitions of “deferred” and “provision of allocation”, if any

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

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

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

3.8. Additional Explanations on Credit Quality of Assets

Definitions of methods used for determining provision amount

The Bank sets specific and general provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 26333 and dated 1 November 2006 on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions”. However, there is no judgement in the related Regulation and the BRSA’s related disclosures that would prevent further provision of the minimum amounts required.

Definitions of restructured receivables

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

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

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

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

Current Period	Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non-distributed	Total
Loans and Receivables	-	11,432,382	18,856,319	104,149,557	128,368,233	35,226,055	225,486	298,258,032

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Aging Analysis for Deferred Receivables

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

Current Period	Up to 1 Month	1-2 months	2-3 months	Total
Loans and Receivables ⁽¹⁾				
Corporate/Entrepreneur Loans	171,068	37,195	69,804	278,067
Retail Loans	39,632	9,052	3,574	52,258
Specialized Loans	650,860	113,326	46,076	810,262
Total	861,560	159,573	119,454	1,140,587

⁽¹⁾ Explanations on the amounts; For the loans with instalments, the overdue installment amounts, for other type of credits, the overdue principal amount and the remaining principal amounts of instalment results with a grand total of TL 4,168,794.

Breakdown of restructured receivables by allocation of provision

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

3.9. Credit risk mitigation

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

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

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

3.10. Credit risk mitigation techniques - Overview

	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	260,812,155	9,363,583	1,229,502	28,082,294	22,633,132	-	-
Debt Securities	72,018,544	-	-	-	-	-	-
Total	332,830,699	9,363,583	1,229,502	28,082,294	22,633,132	-	-
Of which defaulted	4,774,329	-	-	-	-	-	-

3.11. Credit risk if standard approach is used

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

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

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

Risk classes using CRA and ERA ratings

Grades of Fitch Ratings International Rating Agency are used for Receivables from Banks and Brokerage Houses. Resident counter parties are accepted as “gradeless” and take risk weight appropriate for “gradeless” category in relevant risk class.

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

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

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

Matching rating grades on the basis of risk

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

3.12. Standard Approach- Loan risk Exposure and the Effects of Loan Risk Reduction Techniques

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

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3.12. Standard Approach: Receivables related with Risk Classes and Risk Weights

Risk Classes/Risk Weight	0%	10%	20%	35% secured by property mortgage	50% secured by property mortgage	50% ⁽¹⁾	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	71,504,542	-	1,050	-	-	25,122,805	-	246,961	-	-	-	96,875,358
Exposures to regional and local government	43,442	-	34	-	-	587,612	-	7,960	-	-	-	639,048
Exposures to administrative bodies and non-commercial entities	90,553	-	64	-	-	760,006	-	210,033	-	-	-	1,060,656
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	14,958,422	-	8,458,127	-	-	12,261,369	-	1,431,641	-	-	-	37,109,559
Exposures to corporates	1,863,199	-	318,308	-	-	2,960,700	-	150,519,092	-	-	-	155,661,299
Retail exposures	607,878	-	264,383	-	-	-	106,347,320	-	-	-	-	107,219,581
Exposures secured by residential property	7,861	-	1,751	40,264,373	-	-	-	15,040	-	-	-	40,289,025
Exposures secured by commercial property	4,240	-	1,562	-	6,834,864	-	-	150,550	-	-	-	6,991,216
Past-due items	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	752	-	329	-	-	-	-	2	2,221,053	-	-	2,222,136
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	58,758	-	-	-	-	-	-	2,343,399	-	-	-	2,402,157
Equity share investments	-	-	-	-	-	-	-	137,407	-	-	-	137,407
Other exposures	9,745,884	-	5	-	-	-	-	8,912,782	-	-	-	18,658,671
Total	98,885,531	-	9,045,613	40,264,373	6,834,864	41,692,492	106,347,320	163,974,867	2,221,053	-	-	469,266,113

⁽¹⁾ Demonstrates all receivables that are consisting of 50% risk weighted and out of the line “Exposures secured by commercial property”.

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

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

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3.15. Counter Party Credit Risk Explanations

Risk management goals and policies for CCR

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

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

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

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

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

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

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

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

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

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

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

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

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

Rules for countertrend risk

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

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

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

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3.16. Evaluation of Counterparty Credit Risk in Accordance with the Measurement Methods

	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) ^(*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
Valuation Method according to fair value - CCR (for derivatives)	1,228,837	470,938			1,699,775	687,293
1 Standardised approach - CCR (for derivatives)	-	-		1.4	-	-
2 Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3 Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					9,247,508	1,593,888
4 Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					3,292,474	1,049,736
5 Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6 Total						3,330,917

(*) Effective Expected Positive Exposure

3.17. Capital Requirement for Loan Valuation Adjustments

	Exposure at default post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge	-	-
1 (i) Value at Risk (VaR) component (including the 3×multiplier)		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-
3 All portfolios subject to the Standardised CVA capital charge	1,699,775	33,051
4 Total subject to the CVA capital charge	1,699,775	33,051

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

Risk Weight Regulatory portfolio	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure ^(*)
Exposures to sovereigns and their central banks	1,200,685	-	-	-	-	-	-	-	1,200,685
Exposures to regional and local governments	18,243	-	-	-	-	-	-	-	18,243
Exposures to administrative bodies and non-commercial entities	10,861	-	-	-	-	-	-	-	10,861
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	13,533,249	-	5,413,099	4,284,914	-	1,327	-	-	23,232,589
Exposures to corporates	8,396	-	-	-	-	135,429	-	-	143,825
Retail exposures	7,618	-	-	-	2,847	-	-	-	10,465
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	58,758	-	-	-	-	-	-	-	58,758
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets ^(**)	-	-	-	-	-	-	-	-	-
Total	14,837,810	-	5,413,099	4,284,914	2,847	136,756	-	-	24,675,426

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

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

3.19. Risk classes and counterparty credit risk explanations

None.

Collaterals for CCR

	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	2,180,840	-
Cash-foreign currency	-	-	-	-	14,791,915	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	16,972,755	-

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Credit Derivatives

None.

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

None.

Risks Related with Other Parts of the Center

None.

Explanations on Securitization Disclosures

None.

4. Explanations on Market Risk

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

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

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

The Bank ensures that measurement, monitoring, limiting, stress test and scenario analysis activities are conducted in line with the structure and complexity of its positions for market risk management and their results are reported periodically. Activities sustained are conducted over a trading portfolio specified by the Bank’s Treasury Management and other activities subject to market risk.

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

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

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

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

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

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

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

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

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

Standard approach

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

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

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5. Explanations on the Operational Risk

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

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

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

6. Explanations on the Interest Rate Risk for Banking Accounts

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

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

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

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

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X. EXPLANATIONS ON OPERATING SEGMENTS

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

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

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

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

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

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

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

As of 31 December 2017 explanations on segment reporting as shown on the following page are in line with Communiqué on “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures”.

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

1. Table for Segment Reporting

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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Prior Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Other /Undistributed	Total
OPERATING INCOME/EXPENSE						
Interest Income	6,868,452	9,484,342	4,629,507	6,289,005	19,383	27,290,689
Interest Income from Loans	6,868,452	9,484,342	4,629,507	529,882	-	21,512,183
Interest Income from Banks	-	-	-	86,129	-	86,129
Interest Income from Securities	-	-	-	5,487,868	-	5,487,868
Other Interest Income	-	-	-	185,126	19,383	204,509
Interest Expense	6,485,355	2,996,083	-	3,806,297	54,683	13,342,418
Interest Expense on Deposits	6,485,355	2,996,083	-	429,885	-	9,911,323
Interest Expense on Funds Borrowed	-	-	-	469,531	-	469,531
Interest Expense on Money Market Transactions	-	-	-	2,524,582	-	2,524,582
Interest Expense on Securities Issued	-	-	-	382,299	-	382,299
Other Interest Expense	-	-	-	-	54,683	54,683
Net Interest Income/Expense	383,097	6,488,259	4,629,507	2,482,708	(35,300)	13,948,271
Net Fees and Commission Income/Expense	1,063,047	734,445	105,147	(251,144)	(8,647)	1,642,848
Fees and Commissions Received	1,063,047	734,445	105,147	4,128	116,085	2,022,852
Fees and Commissions Paid	-	-	-	255,272	124,732	380,004
Dividend Income	-	-	-	259,184	-	259,184
Trading Income/Loss (Net)	-	-	-	(187,837)	-	(187,837)
Other Operating Income	35,619	277,235	34,836	3,168	1,203,680	1,554,538
Provision for Loans or Other Receivables Losses	946,209	1,686,728	693,715	119	18,099	3,344,870
Other Operating Expense	76,487	251,960	49,083	-	4,925,469	5,302,999
Income Before Tax	459,067	5,561,251	4,026,692	2,305,960	(3,783,835)	8,569,135
Profit/Loss on Equity Method Applied Subsidiaries	-	-	-	-	-	-
Tax Provision	-	-	-	-	(1,992,715)	(1,992,715)
Net Profit/Loss	459,067	5,561,251	4,026,692	2,305,960	(5,776,550)	6,576,420
SEGMENT ASSETS						
Financial Assets at FV Through P/L	-	-	-	1,684,791	-	1,684,791
Banks and Other Financial Institutions	-	-	-	3,901,674	-	3,901,674
Financial Assets Available for Sale (Net)	-	-	-	58,631,953	-	58,631,953
Loans	63,372,852	112,969,545	46,461,974	9,839,164	-	232,643,535
Held to Maturity Investments (Net)	-	-	-	8,749,464	-	8,749,464
Associates, Subsidiaries and Joint Ventures	-	-	-	4,311,740	-	4,311,740
Other Assets	-	-	-	-	47,838,208	47,838,208
TOTAL SEGMENT ASSETS	63,372,852	112,969,545	46,461,974	87,118,786	47,838,208	357,761,365
SEGMENT LIABILITIES						
Deposits	152,533,664	56,051,062	-	12,093,270	2,340,938	223,018,934
Derivative Financial Liabilities Held for Trading	-	-	-	643,628	-	643,628
Funds Borrowed	-	-	-	22,816,736	-	22,816,736
Money Market Funds	-	-	-	47,211,961	-	47,211,961
Securities Issued (Net)	-	-	-	6,833,001	-	6,833,001
Provisions	-	-	-	-	6,053,011	6,053,011
Other Liabilities	-	-	-	-	12,801,656	12,801,656
Shareholders' Equity	-	-	-	-	38,382,438	38,382,438
TOTAL SEGMENT LIABILITIES	152,533,664	56,051,062	-	89,598,596	59,578,043	357,761,365
OTHER SEGMENT ITEMS						
Capital Investment	-	-	-	-	-	-
Amortization Expense	-	-	-	-	352,946	352,946
Restructuring Costs	-	-	-	-	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

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

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

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

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

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

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

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

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2. Information on Fair Value Measurements Recognized in the Financial Statements

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

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

⁽¹⁾ Since equity securities under the heading of financial assets available for sale amounting to TL 23,186 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

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

⁽¹⁾ Since equity securities under the heading of financial assets available for sale amounting to TL 23,186 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

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

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

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

2. Transactions with Other Financial Institutions Under Fiduciary Transaction Agreements and Financial Services Rendered to Other Financial Institutions Under the Scope Of Fiduciary Transactions and the Effects of Such Services to the Financial Position of the Bank or The Group

The Bank has no fiduciary transactions.

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO ASSETS

1. Information on Cash and Balances with Central Bank of the Republic of Turkey

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

Information on Required Reserves

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

As of the balance sheet date, according to CBRT's Communiqué about Required Reserves No. 2016/4, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity, and for deposits up to 3-months maturity 10.5%; for deposits up to 6-months maturity 7.5%; for deposits up to 1-year maturity 5.5%; for deposits 1-year and longer maturity 4%; for TL liabilities other than deposits up to 1-year maturity 10.5%; for TL liabilities other than deposits between 1- and 3-years maturity 7%; for TL liabilities other than deposits more than 3-years maturity 4%; for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturities 12%; for FC deposit accounts with 1-year and longer maturity 8%, for FC liabilities other than deposits up to 1-year maturity 24%; for FC liabilities other than deposits up to 2-years maturity 19%; for FC liabilities other than deposits up to 3-years maturity 14%; for FC liabilities other than deposits up to 5-years maturity 6%; and for FC liabilities other than deposits more than 5-years maturity 4%.

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

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

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

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

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

None.

3. Positive Differences Related to The Derivative Financial Assets Held-for-Trading

Derivative financial assets held-for-trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	75,494	33,745	34,251	53,817
Swap Transactions	803,137	472,961	1,161,871	417,406
Futures Transactions	-	-	-	-
Options	1,385	3,842	42	-
Other	-	-	-	-
Total	880,016	510,548	1,196,164	471,223

4. Information on Banks and Other Financial Institutions

4.1. Information on Bank Balances

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

4.2. Information on Foreign Bank Accounts

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

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5. Explanation Regarding to the Comparison of Net Values of Financial Assets Available-For-Sale Given or Blocked as Collateral and Subject to Repurchase Agreements

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	15,365,959	41,249,265
Assets Blocked/Given as Collateral	45,242,823	5,865,705
Total	60,608,782	47,114,970

6. Information on Financial Assets Available For Sale

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

7. Information Related to Loans

7.1 Information on All Types of Loans and Advances Given to Shareholders and Employees of The Bank

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees ^{(1) (2)}	318,346	-	273,923	-
Total	318,346	-	273,923	-

⁽¹⁾ Interest rediscount and interest accrual amounting TL 2,911, are not included in the table above.

⁽²⁾ Since the balance of overdraft accounts related to employees amounting TL 16,543, is showed under Table 7.4. as overdraft accounts (real person), it is not included to the table above.

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7.2 Information on the First and Second Group Loans and Other Receivables Including Restructured or Rescheduled Loans

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

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

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

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

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7.3. Loans According to Maturity Structure

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

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

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

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

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

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7.5. Information on Commercial Installment Loans and Corporate Credit Cards

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

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

7.6. Loans According to Types Of Borrowers

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

7.7. Breakdown of Domestic and International Loans

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

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7.8. Loans Granted to Subsidiaries and Associates

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

7.9. Specific provisions provided against loans

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

7.10. Information On Non-Performing Receivables (Net)

7.10.1. Information on Loans and Other Receivables Included In Non-Performing Receivables which are Restructured or Rescheduled

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current Period	8,215	29,876	151,817
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	8,215	29,876	151,817
Rescheduled loans and other receivables	-	-	-
Prior Period	14,498	58,203	127,037
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	14,498	58,203	127,037
Rescheduled loans and other receivables	-	-	-

7.10.2. Information on the Movement of Non-Performing Receivables

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

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

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7.10.3. Information on Foreign Currency Non-Performing Loans

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

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

	Group III Loans and other receivables with limited collectability	Group IV Loans and other receivables with doubtful collectability	Group V Uncollectible loans and other receivables
Current Period (Net)	330	2,617	222,539
Loans to Real Persons and Legal Entities (Gross)	355,665	405,447	3,928,392
Specific Provisions (-)	355,335	402,830	3,705,853
Loans to Real Persons and Legal Entities (Net)	330	2,617	222,539
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	84,825	-
Specific Provisions (-)	-	84,825	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	1,927	8,691	240,831
Loans to Real Persons and Legal Entities (Gross)	342,701	867,487	2,931,277
Specific Provisions (-)	340,774	858,796	2,690,446
Loans to Real Persons and Legal Entities (Net)	1,927	8,691	240,831
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	75,632	-
Specific Provisions (-)	-	75,632	-
Other Loans and Receivables (Net)	-	-	-

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7.10.5. Information on Liquidating Policy of Uncollectible Loans and Other Receivables

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

7.10.6. Explanations on Write-Off Policy

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

7.10.7. Other Explanations and Disclosures

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

⁽¹⁾ TL 3,730,985 consumer, TL 2,016,203 agricultural, and TL 18 corporate and entrepreneurial loans originated from funds whose risk does not belong to the Bank, are shown under Neither Past Due nor Impaired Loans.

Prior Period	Commercial	Consumer	Agricultural	Total
Neither Past Due nor Impaired Loans ⁽¹⁾	120,437,368	62,296,314	45,242,573	227,976,255
Past Due but not Impaired Loans	2,370,758	1,070,056	975,017	4,415,831
Impaired Loans	2,752,322	824,732	640,043	4,217,097
Total	125,560,448	64,191,102	46,857,633	236,609,183
Specific Provisions of Impaired Loans (-)	2,751,739	818,250	395,659	3,965,648
Net Loan Amount	122,808,709	63,372,852	46,461,974	232,643,535

⁽¹⁾ TL 3,636,941 consumer, TL 2,061,670 agricultural, and TL 18 commercial loans originated from funds whose risk does not belong to the Bank, are shown under Neither Past Due nor Impaired Loans.

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8. Information on Held-To-Maturity Investments

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

Held-to-maturity investments subject to repo transactions

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

Held-to-maturity investments given as collateral or blocked

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

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

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

8.3 Information on Held-to-Maturity Investments

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

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8.4 Movements of Held-to-Maturity Investments

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

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

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

Revaluation differences of reclassified available for sale securities before deferred tax are TL 68,984, EUR (23,067) thousand and USD (15,207) thousand respectively and are recorded under shareholders’ equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. At the end of balance sheet date, negative revaluation differences which are accounted under shareholders’ equity are amounted as USD 8,873 thousand and EUR 502 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 20,020 thousand and USD 65,536 thousand respectively.

If the reclassification from the held for trading securities portfolio to the held-to-maturity portfolio had not been performed, income accrual amounting to TL 32,798 would have been recorded. As of 31 December 2017, the reclassification from held for trading securities to held-to-maturity investments has an expense impact of TL 22,165.

9. Information about Associates Accounts (Net)

9.1. Information about Associates

	Description	Address (City/Country)	The Bank’s Share Percentage, if Different, Voting Percentage (%)	The Bank’s Risk Group Share Percentage (%)
1	Bankalararası Kart Merkezi A.Ş.	Istanbul/Turkey	12.50	17.98
2	Kredi Kayıt Bürosu A.Ş.	Istanbul/Turkey	10.00	9.09
3	Arap Türk Bankası A.Ş.	Istanbul/Turkey	22.22	15.43

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

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

⁽²⁾ Current period information of associates has been provided from limited reviewed financial statements as of 31 December 2017. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 December 2016.

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

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9.2. Information about Associates (Net)

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

9.3. Sectoral Information and Related Amounts of Associates

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

9.4. Associates Quoted to a Stock Exchange

None (31 December 2016: None).

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10. Information on Subsidiaries (Net)

10.1. Information on Subsidiaries

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

	Description	Address (City/Country)	The Bank's Share Percentage-if different Voting Percentage (%)	The Bank's Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	İstanbul/Turkey	100.00	100.00
2	Ziraat Sigorta A.Ş.	İstanbul/Turkey	100.00	100.00
3	Ziraat Finansal Kiralama A.Ş.	İstanbul/Turkey	100.00	100.00
4	Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	100.00	99.60
5	Ziraat Portföy Yönetimi A.Ş.	İstanbul/Turkey	100.00	99.70
6	Ziraat Katılım Bankası A.Ş.	İstanbul/Turkey	100.00	100.00
7	Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	100.00	100.00
8	Ziraat Teknoloji A.Ş.	İstanbul/Turkey	100.00	100.00
9	Ziraat Bank International A.G.	Frankfurt/Germany	100.00	100.00
10	Ziraat Bank BH d.d.	Sarajevo/Bosnia Herzegovina	100.00	100.00
11	Ziraat Bank (Moscow) JSC	Moscow/Russia	100.00	100.00
12	Kazakhstan Ziraat Int. Bank	Almaty/Kazakhstan	100.00	99.58
13	Ziraat Bank Azerbaycan ASC	Baku/Azerbaijan	100.00	100.00
14	Ziraat Bank Montenegro AD	Podgorica/Montenegro	100.00	100.00
15	JSC Ziraat Bank Georgia ^(*)	Tbilisi/Georgia	100.00	100.00
16	Ziraat Uzbekistan JSC ^(**)	Tashkent/Uzbekistan	100.00	100.00

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

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

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

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

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

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

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

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

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

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

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10.2. Sectoral Information and Related Amounts of Subsidiaries

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

10.3. Subsidiaries which are Quoted on a Stock Exchange

None (31 December 2016: None).

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

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

^(*) Information on entity under joint control is provided from the unaudited financial statements as of 31 December 2017.

^(**) Represents the Bank's share in the shareholders' equity of this entity under common control based on the shareholding rate of the Bank.

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

12. Information on Finance Lease Receivables (Net)

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

13. Information on Derivative Financial Assets for Hedging Purposes

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

14. Information on Investment Property

None (31 December 2016: None).

15. Information on Assets Held For Sale And Tangibles Corresponding Discontinuing Operations

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

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

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16. Explanations on Property And Equipment

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

The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this:

None.

Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets:

None.

17. Explanations on Intangible Assets

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

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

None.

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

None.

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The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition:

None.

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

None.

Amount of purchase commitments for intangible fixed assets:

None

Information on revalued intangible assets according to their types:

None.

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

None.

Positive or negative consolidation goodwill on entity basis:

Not applicable for the unconsolidated financial statements

Information on Goodwill:

None.

18. Information on Deferred Tax Asset

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

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

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

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

⁽¹⁾ As a result of the amendment to the Tax Law; the tax exemption on immovable sales has been reduced from 75% to 50% and the deferred tax effect due to the change has been shown.

19. Information on Other Assets

As of 31 December 2017 and 31 December 2016, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

1. Information on Deposits/Funds Collected

1.1. Information on Maturity Structure of Deposits Collected

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

Prior Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	21,995,821	-	3,023,954	59,361,003	4,378,317	974,707	798,679	44,170	90,576,651
Foreign Currency Deposits	15,258,270	-	6,027,777	17,500,205	4,968,506	3,839,907	14,361,729	619	61,957,013
Residents in Turkey	13,495,718	-	5,793,930	14,835,795	4,270,715	3,044,420	10,808,628	619	52,249,825
Residents Abroad	1,762,552	-	233,847	2,664,410	697,791	795,487	3,553,101	-	9,707,188
Public Sector Deposits	6,142,683	-	2,831,975	6,846,612	2,056,284	4,742,350	13,571	-	22,633,475
Commercial Inst. Deposits	5,909,878	-	7,469,751	9,373,969	461,512	13,101	29,439	-	23,257,650
Other Inst. Deposits	1,786,765	-	2,708,390	4,149,597	343,730	353,031	851,744	-	10,193,257
Precious Metals	2,042,960	-	32,607	213,683	23,155	15,622	12,911	-	2,340,938
Interbank Deposits	1,731,844	-	4,933,257	1,650,521	635,446	2,303,709	805,173	-	12,059,950
CBRT	3,750	-	-	-	-	-	-	-	3,750
Domestic Banks	397,818	-	4,405,820	69,430	191,176	-	6,363	-	5,070,607
Foreign Banks	245,568	-	527,437	1,581,091	444,270	2,303,709	798,810	-	5,900,885
Participation Banks	1,084,708	-	-	-	-	-	-	-	1,084,708
Other	-	-	-	-	-	-	-	-	-
Total	54,868,221	-	27,027,711	99,095,590	12,866,950	12,242,427	16,873,246	44,789	223,018,934

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1.2. Saving Deposits Under the Guarantee of Deposit Insurance and Exceeding the Deposit Insurance Limit

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

⁽¹⁾ Related deposit balances do not include foreign branches.⁽²⁾ In Bulgaria and Greece, since both real person and legal entity's saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 92,323 and TL 20,507 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2016: Bulgaria and Greece, TL 47,282 and TL 13,226, respectively).

Based on the Council of Minister's decree dated 29 December 2003 and numbered 2003/6668, TL 917 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş.

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of the banks. As total of capital amount and interest expense accruals of saving deposits up to TL 100 attributable to a real person is covered by the insurance, TL 718,659 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 15 February 2013 and numbered 28560.

1.3. Information on Saving Deposits/Real Persons' Private Current And Accession Accounts Not Related to Commercial Transactions in a Turkish Branch of The Bank Whose Head Office is Abroad, And Reasons if it is Covered in Where The Head Office is Located

The Bank's head office is located in Turkey.

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

	Current Period	Prior Period
Deposits and other Accounts in Branches Abroad	65,522	81,373
Deposits of Ultimate Shareholders and Their Close Family Members	-	-
Deposits of Chairman and Members of the Board of Directors, CEO, Executive Vice Presidents and Their Close Family Members	7,045	6,448
Deposits Obtained through Illegal Acts Defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

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

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

3. Information on Banks and Other Financial Institutions

3.1. General Information on Banks and Other Financial Institutions

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

3.2. Maturity Structure of Funds Borrowed

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

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

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

4. Information on Funds Supplied from Repurchase Agreements

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

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5. Information on Securities Issued

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

6. If Other Liabilities Exceed 10% of The Balance Sheet Total, Name and Amount Of Sub-Accounts Constituting at Least 20% of These Liabilities

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

7. Information on Finance Lease Payables (Net)

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

Information on finance lease payables represented in the table below:

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

8. Information on Derivative Financial Liabilities for Hedging Purposes

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

9. Explanations on Provisions

9.1. Information on General Provisions

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

9.2. Foreign Exchange Loss Provisions on The Foreign Currency Indexed Loans and Finance Lease Receivables

Foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables amount to TL 6,944 (31 December 2016: TL 327).

9.3. Specific Provisions for Unindemnified Non-Cash Loans

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

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9.4. Information on Other Provisions

9.4.1. Information on Free Provisions For Possible Risks

These financial statements include a free provision which is not in accordance with BRSA Principles amounting to TL 1,475,000 which has a part of TL 530,000 from the current period, provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions. Moreover, the provision of TL 25,150 and other provision of TL 234 exist for cash transfers made by Bank officials.

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

9.4.2. The Names and Amounts of Sub-Accounts of Other Provisions Exceeding 10% of the Total Provision Amount

Based on the information provided by the legal department, TL 63,600 provision has been provided in financial statements for the lawsuits against the Bank which are not finalized yet amounting to TL 94,838.

Based on the decision of the Bank management, provision amounting to TL 38,850 is provided for the consumer loans followed under standard loan portfolio that also have amounts in the non-performing loan portfolio in compliance with the Act on Preservation of Consumers numbered 4077. The provision is made in accordance with the conservatism principle without taking into consideration the guarantees of these loans (31 December 2016: TL 60,400).

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

9.5. Liabilities on Reserve for Employee Termination Benefits

9.5.1. Employment Termination Benefits and Unused Vacation Rights

The Bank accounts for its vacation and retirement pay obligations in accordance with the TAS 19 “Employee Benefits”. The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation. As of 31 December 2017, unpaid vacation liability amounted to TL 252,000 (31 December 2016: TL 187,500), and employment termination amounted to TL 813,548 (31 December 2016: TL 690,189) are presented under the “Employee Benefits Provision” in the financial statements.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
As of 1 January	690,189	683,269
Current Service Cost	64,242	55,867
Interest Cost	180,238	73,999
Severance Pay	(71,301)	(114,314)
Payment/Abating Benefits/Loss/(Gain) in consequence of Layoff	1,606	(212)
Actuarial Loss/(Gain)	(51,426)	(8,420)
Balance at period end	813,548	690,189

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9.5.2. Additional Bonus Provision Paid to Personnel

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

9.5.3. Pension Rights

The technical balance sheet reports which are prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9.80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2017 and 31 December 2016.

The liability related to Bank’s benefits to be transferred to SSI as of the balance sheet date is expected payment to be made to SSI during the transfer. Actuarial parameters and results used in calculation of this amount reflects the Act’s, numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, principles related to pension and health benefits to be transferred to SSI (9.80% real discount rate, etc.).

According to related Actuary Report, the Fund’s surplus is TL 3,442,106 as of 31 December 2017 (31 December 2016: TL 2,835,975).

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

The principal actuarial assumptions used are as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9.80%	9.80%
- Post employment medical benefits transferable to SSI	9.80%	9.80%

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

Plan assets are comprised as follows:

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

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10. Information on Tax Liability

10.1. Information on Current Tax Liability

10.1.1. Information on Tax Provisions

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

10.1.2. Information on Current Taxes Payable

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

10.2. Information on Premiums

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

10.3. Information on Deferred Tax Liabilities, if any

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

11. Information on Payables for Assets Held For Sale and Discontinued Operations

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

12. Explanations on Subordinated Debts

The Bank does not have any subordinated debts.

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13. Information on Shareholders' Equity

13.1. Presentation on Paid-In Capital

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

13.2. Paid-In Capital Amount, Explanation Whether the Registered Capital System is Applicable by The Bank, if so the Registered Capital Ceiling Amount

The Bank does not have a registered capital system.

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

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

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

There is no share capital amount included in capital.

13.5. Capital Commitments in the Last Fiscal Year and Continue Until the End of the Following Interim Period, General Purpose of These Commitments and Estimated Resources Required for These Commitments

The Bank has no capital commitments.

13.6. Indicators of The Bank's Income, Profitability And Liquidity for The Previous Periods and Possible Effects of Future Assumptions Based on The Uncertainty of These Indicators on The Bank's Equity

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

13.7. Information on Preferred Shares Representing The Capital

The Bank has no preferred shares.

13.8. Information on Marketable Securities Value Increase Fund

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

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III. EXPLANATIONS AND NOTES TO OFF-BALANCE SHEET ACCOUNTS

1. Information on Off-Balance Sheet Liabilities

1.1. Nature and Amount Of Irrevocable Loan Commitments

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

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

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

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

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

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

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

1.3. Explanations on Non-Cash Loans

1.3.1. Total Non-Cash Loans

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

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

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

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

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

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2. Explanations on Derivative Transactions

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

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

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Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Derivatives held for trading						
Foreign exchange derivatives	292,904	(50,384)	(9,626)	520,911	-	753,805
- Inflow	30,206,844	6,590,759	3,674,751	2,487,182	-	42,959,536
- Outflow	(29,913,940)	(6,641,143)	(3,684,377)	(1,966,271)	-	(42,205,731)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	201,322	5,046,989	5,248,311
- Outflow	-	-	-	(201,322)	(5,046,989)	(5,248,311)
Derivatives held for hedging						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total Inflow	30,206,844	6,590,759	3,674,751	2,688,504	5,046,989	48,207,847
Total Outflow	(29,913,940)	(6,641,143)	(3,684,377)	(2,167,593)	(5,046,989)	(47,454,042)
Prior Period						
Derivatives held for trading						
Foreign exchange derivatives	106,762	(2,361)	503,202	588,302	-	1,195,905
- Inflow	23,462,232	7,454,445	2,592,683	2,630,852	-	36,140,212
- Outflow	(23,355,470)	(7,456,806)	(2,089,481)	(2,042,550)	-	(34,944,307)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	4,661,317	4,661,317
- Outflow	-	-	-	-	(4,661,317)	(4,661,317)
Derivatives held for hedging						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total Inflow	23,462,232	7,454,445	2,592,683	2,630,852	4,661,317	40,801,529
Total Outflow	(23,355,470)	(7,456,806)	(2,089,481)	(2,042,550)	(4,661,317)	(39,605,624)

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3. Explanations on Contingent Assets and Liabilities

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

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

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

4. Explanations on Services in the Name of Others

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

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

1. Within The Scope of Interest Income

1.1. Information on Interest Income from Loans

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

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

1.2. Information on Interest Received from the Banks

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

1.3. Information on Interest Income on Marketable Securities

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

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1.4. Information on Interest Income from Subsidiaries and Associates

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

2. Within the Scope of Interest Expense

2.1. Information on Interest Expense on Borrowings

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

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

2.2 Information on Interest Expenses Given to Subsidiaries and Associates

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

2.3 Information on Interest Given on Securities Issued

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

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2.4 Maturity Structure of the Interest Expense on Deposits

Account Name	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 year		
TL								
Bank Deposit	-	756,908	-	-	-	-	-	756,908
Saving Deposit	1	238,910	5,926,038	422,492	80,831	71,484	2,542	6,742,298
Public Sector Deposit	904	380,737	564,360	175,195	523,936	929	-	1,646,061
Commercial Deposit	235	506,869	805,103	124,436	150,573	1,234	-	1,588,450
Other Deposit	56	108,078	269,750	32,394	42,122	98,256	-	550,656
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Total	1,196	1,991,502	7,565,251	754,517	797,462	171,903	2,542	11,284,373
FC								
Foreign Currency Deposit	634	116,461	427,435	67,702	55,433	229,045	4	896,714
Bank Deposit	12	65,061	-	210	1	-	-	65,284
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	183	2,097	223	147	153	-	2,803
Total	646	181,705	429,532	68,135	55,581	229,198	4	964,801
Grand Total	1,842	2,173,207	7,994,783	822,652	853,043	401,101	2,546	12,249,174

3. Explanations on Dividend Income

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-Sale Financial Assets	4,760	30,302
Other ⁽¹⁾	279,771	228,882
Total	284,531	259,184

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

4. Information on Trading Profit/Loss (Net)

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

5. Information on Other Operating Income

5.1. Information on Factors Covering The Recent Developments which has Significant Effect on The Bank's Income And the Extent Of Effect on Income

There are no significant matters covering the recent developments which have significant effect on the Bank's income. Besides, of the Bank's other operating income consists of reversals from prior period provisions amounting to TL 612,621 (31 December 2016: TL 839,296) and income from sales of assets amounting to TL 211,106 (31 December 2016: TL 212,041).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
**NOTES TO THE UNCONSOLIDATED
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

6. Provision Expenses for Impairment on Loans and Other Receivables

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

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

7. Information on Other Operating Expenses

	Current Period	Prior Period
Personnel Expenses	2,493,686	2,286,812
Reserve for Employee Termination Benefits	90,892	19,639
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	239,934	304,805
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	63,654	45,338
Impairment Expense for Equity Shares Subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	-	2,803
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	1,984,241	1,302,561
Operational Leasing Expenses	266,409	212,513
Maintenance Expenses	64,999	78,622
Advertisement Expenses	123,041	83,419
Other Expenses	1,529,792	928,007
Loss on Sales of Assets	719	1,290
Other ⁽¹⁾	1,617,341	1,339,751
Total	6,490,467	5,302,999

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
**NOTES TO THE UNCONSOLIDATED
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(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

8. Information on Profit/Loss Before Tax from Continuing and Discontinuing Operations

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

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

9. Information on Tax Provision for Continuing and Discontinuing Operations

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

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

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

11. Information on Net Profit/Loss

11.1. Nature, Amount and Frequency of Income and Expenses Arising from Ordinary Banking Activities, if Required for the Understanding the Performance of the Bank in The Current Period

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

11.2. The Effect of the Change in Accounting Estimates to the Net Profit/Loss; Including the Effects to the Future Period, if any

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period (31 December 2016: None).

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

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

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

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

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

2. Explanations on Profit Distribution

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

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

3. Explanations on Available For Sale Financial Assets

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

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

4. Profit Reserves

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
**NOTES TO THE UNCONSOLIDATED
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VI. EXPLANATIONS ON CASH FLOW STATEMENTS

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

Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 6,865,830 is composed mainly from interest received from loans and securities amounting to TL 33,449,782 and interest paid to deposit and money market operations which is amounting to TL 18,010,343. Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 1,344,144 as of 31 December 2016 (31 December 2016: TL 1,042,601).

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

Period opening and end cash and cash equivalents balance

Period Opening	Current Period	Prior Period
Cash in TL and in Foreign Currency	2,655,156	2,427,513
Central Bank of the Republic of Turkey and Other Banks	12,911,327	5,636,584
Money Market Operations	-	-
Total Cash and Cash Equivalents	15,566,483	8,064,097
Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	3,592,955	2,655,156
Central Bank of the Republic of Turkey and Other Banks	9,422,724	12,911,327
Money Market Operations	-	-
Total Cash and Cash Equivalents	13,015,679	15,566,483

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

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

Current Period

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	1,190,812	3,502,628	-	-	-	-
Closing Balance	1,622,698	4,507,703	-	-	-	-
Interest and Commissions Income	48,506	884	-	-	-	-

Prior Period

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	856,298	1,919,303	-	-	-	-
Closing Balance	1,190,812	3,502,628	-	-	-	-
Interest and Commissions Income	38,355	220	-	-	-	-

2. Deposits Held By The Bank's Risk Group

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Opening Balance	1,545,917	553,962	-	-	-	-
Closing Balance	1,778,250	1,545,917	-	-	-	-
Interest Expense on Deposits	176,940	61,146	-	-	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

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(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

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

	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss						
Opening Balance	127,897	66,595	-	-	-	-
Closing Balance	555,062	127,897	-	-	-	-
Total Profit/Loss	20,526	(5,424)	-	-	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

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

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

VIII. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

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

1. Information on the Bank's Domestic and Foreign Branches and Foreign Representatives of The Bank

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

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

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

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

SECTION SIX

OTHER EXPLANATIONS

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

Information on the assessment done by the international rating agencies Moody's Investors Service, Fitch Ratings and JCR Eurasia are as follows:

Moody's Investors Service: March 2017

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

Fitch Ratings: October 2017

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

JCR Eurasia: September 2017

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

II. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

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

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2017

WITH INDEPENDENT AUDITORS' REPORT THEREON

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

INDEPENDENT AUDITOR'S REPORT



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

A) Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (the “Bank”) and its consolidated financial affiliates (together will be referred as to (the “Group”) which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of income, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Basis for Qualified Opinion

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

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

Key Audit Matters

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

Impairment of loans

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

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

INDEPENDENT AUDITOR'S REPORT



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Pension plan

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

Key audit matter	How the matter was addressed in our audit
<p>The Group's defined benefit pension plan (the "Plan") is managed by "T.C. Ziraat Bankası ve T. Halk Bankası Mensupları Emekli ve Yardım Sandığı (TZHEMSAN) Vakfı" (the "Fund") established as per the provisional article 20 of the Social Security Law No. 506 and the Bank's employees are the members of this Fund (TZHEMSAN). As disclosed in the section III No XVII, the Plan is composed of benefits which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Group that are not transferable to SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the non-transferable social rights and pension benefits provided under the Plan will be covered by the funds and the institutions that employ the funds' members.</p> <p>As of 31 December 2017, the Group's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. The valuation of the Pension Fund liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in Pension Plan. Management uses independent actuaries to assist in assessing the uncertainty around these assumptions.</p> <p>Considering the subjectivity of key judgments and assumptions explained in Section V No: II.9.5.3, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p>	<p>Our procedures for testing the defined benefit pension plan in accordance with the key assumptions made by management include below:</p> <ul style="list-style-type: none"> · We have involved our own actuarial specialist to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary. · We have assessed whether there have been any significant changes in actuarial assumptions, methods and underlying regulations used in calculations. Significant changes during the period in pension plan benefits, plan assets or membership profiles which affect liabilities have been evaluated. · Additionally, the adequacy of financial statement disclosures, including disclosures of key assumptions and judgments have been evaluated. · We have evaluated whether the TZHEMSAN plan assets are adequate to cover the Pension Plan liabilities, under the methods and assumptions used.

Other Matter

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

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Auditing Regulation and TSA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT



KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Other Legal and Regulatory Requirements

Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2017 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

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

Additional paragraph for convenience translation to English:

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

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

Erdal Tıkmak, SMMM
Partner

23 February 2018
İstanbul, Turkey

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

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

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

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

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

DOMESTIC SUBSIDIARIES

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

ASSOCIATES

Arap Türk Bankası A.Ş.

FOREIGN SUBSIDIARIES

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

JOINT VENTURES

Turkmen Turkish Joint Stock Commercial Bank

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



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



Hüseyin AYDIN
Member of the Board,
CEO



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



Ali KIRBAŞ
Banking Operations and Communication
Executive Vice President



Atakan BEKTAŞ
Senior Vice President
of Reporting and Data Management

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

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

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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

SECTION ONE

GENERAL INFORMATION ABOUT THE GROUP

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

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

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

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

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

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

Name/Trade Name	Amount of Share	Percentage of Share %	Paid-in Shares	Unpaid Shares
Turkish Wealth Fund	5,600,000	100	5,600,000	-

The Parent Bank’s sole shareholder is the Turkish Wealth Fund.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

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

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

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

The Parent Bank signed a contract with T. İş Bankası A.Ş. on 22 January 2007 to provide longer installment plan and bonus points to their credit card users and benefit from all the advantages within Maximum credit card at merchants that are a part of Maximum plan. Also with this contract Ziraat Bank has the right to register members for Maximum. Transactions between the two banks are administered by Bankalararası Kart Merkezi. Moreover, the project, which was launched in 2017, has reached the final stage for the establishment of the card branding and loyalty program of Ziraat Bank and it is planned to be put into practice in February 2018. Within the scope of the program, the credit card product will be presented together to the users with the Bank card product by one plastic. In addition, bank card products and credit cards, where the Bank is the leader, will have new features that are winning and budget-friendly

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

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

As of 31 December 2017, the number of the Group’s employees is 26,918 (31 December 2016: 27,030).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE ENTITIES SUBJECT TO FULL CONSOLIDATION OR PROPORTIONAL CONSOLIDATION AND ENTITIES WHICH ARE DEDUCTED FROM EQUITY OR ENTITIES WHICH ARE NOT INCLUDED IN THESE THREE METHODS

According to Communiqué regarding the Preparation of the Consolidated Financial Statements and Turkish Accounting Standards, Arap Türk Bankası A.Ş., one of the associates of the Parent Bank, and Turkmen Turkish Joint Stock Commercial Bank which is an entity of Parent Bank under common control will be taken into the scope of consolidation “Equity Method” in accompanying consolidated financial statements of the Bank.

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

All other subsidiaries are fully consolidated.

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

None.

SECTION TWO

FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet
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- III. Consolidated Income statement
- IV. Consolidated Statement of income and expense items accounted under shareholders’ equity
- V. Consolidated Statement of changes in shareholders’ equity
- VI. Consolidated Statement of cash flows
- VII. Statement of profit appropriation

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)		Note (Section Five I)	Current Period (31/12/2017)			Prior Period (31/12/2016)		
			TL	FC	Total	TL	FC	Total
ASSETS								
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	5,277,535	40,942,802	46,220,337	8,174,747	32,470,758	40,645,505
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	904,588	563,275	1,467,863	1,232,112	487,459	1,719,571
2.1	Financial Assets Held for Trading		904,588	563,275	1,467,863	1,232,112	487,459	1,719,571
2.1.1	Public Sector Debt Securities		24,367	37,470	61,837	35,694	5,131	40,825
2.1.2	Securities Representing a Share in Capital		5	-	5	-	-	-
2.1.3	Derivative Financial Assets Held for Trading	(3)	880,049	516,718	1,396,767	1,196,418	482,328	1,678,746
2.1.4	Other Marketable Securities		167	9,087	9,254	-	-	-
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1	Public Sector Debt Securities		-	-	-	-	-	-
2.2.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	(4)	2,373,229	3,258,911	5,632,140	1,586,083	2,733,983	4,320,066
IV.	MONEY MARKET PLACEMENTS		40,122	92,263	132,385	33,968	218,976	252,944
4.1	Interbank Money Market Placements		-	24,171	24,171	-	113,813	113,813
4.2	Istanbul Stock Exchange Money Market Placements		38,043	-	38,043	30,800	-	30,800
4.3	Receivables from Reverse Repurchase Agreements		2,079	68,092	70,171	3,168	105,163	108,331
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(5, 6)	45,961,580	17,676,651	63,638,231	44,271,134	14,857,080	59,128,214
5.1	Securities Representing a Share in Capital		118,095	845,817	963,912	109,021	540,377	649,398
5.2	Public Sector Debt Securities		45,331,743	16,690,632	62,022,375	43,700,624	14,199,635	57,900,259
5.3	Other Marketable Securities		511,742	140,202	651,944	461,489	117,068	578,557
VI.	LOANS AND RECEIVABLES	(7)	231,413,967	85,606,521	317,020,488	173,678,548	70,395,797	244,074,345
6.1	Loans and Receivables		231,188,481	85,606,521	316,795,002	173,427,099	70,395,797	243,822,896
6.1.1	Loans Granted to Risk Group of The Bank		-	-	-	-	22,397	22,397
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		231,188,481	85,606,521	316,795,002	173,427,099	70,373,400	243,800,499
6.2	Loans under Follow-up		4,790,067	238,900	5,028,967	4,210,742	169,748	4,380,490
6.3	Specific Provisions (-)		4,564,581	238,900	4,803,481	3,959,293	169,748	4,129,041
VII.	FACTORING RECEIVABLES		-	1,614	1,614	-	-	-
VIII.	INVESTMENTS HELD TO MATURITY (Net)	(8)	2,863,604	4,762,159	7,625,763	3,630,564	5,164,351	8,794,915
8.1	Public Sector Debt Securities		2,757,318	4,761,212	7,518,530	3,491,761	5,156,130	8,647,891
8.2	Other Marketable Securities		106,286	947	1,072,333	138,803	8,221	147,024
IX.	INVESTMENTS IN ASSOCIATES (Net)	(9)	127,251	1,168	128,419	104,935	951	105,886
9.1	Accounted with Equity Method		121,185	-	121,185	98,869	-	98,869
9.2	Unconsolidated Associates		6,066	1,168	7,234	6,066	951	7,017
9.2.1	Financial Associates		-	-	-	-	-	-
9.2.2	Non-financial Associates		6,066	1,168	7,234	6,066	951	7,017
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(10)	7,583	-	7,583	7,457	-	7,457
10.1	Unconsolidated Financial Subsidiaries		1,346	-	1,346	1,220	-	1,220
10.2	Unconsolidated Non-Financial Subsidiaries		6,237	-	6,237	6,237	-	6,237
XI.	ENTITIES UNDER COMMON CONTROL (Net)	(11)	-	52,036	52,036	-	101,105	101,105
11.1	Accounted with Equity Method		-	52,036	52,036	-	101,105	101,105
11.2	Unconsolidated Entities Under Common Control		-	-	-	-	-	-
11.2.1	Financial Entities Under Common Control		-	-	-	-	-	-
11.2.2	Non Financial Entities Under Common Control		-	-	-	-	-	-
XII.	RECEIVABLES FROM LEASING TRANSACTIONS	(12)	852,715	2,028,804	2,881,519	705,449	1,778,218	2,483,667
12.1	Finance Lease Receivables		1,073,052	2,278,160	3,351,212	855,662	2,000,508	2,856,170
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		220,337	249,356	469,693	150,213	222,290	372,503
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(13)	-	-	-	-	-	-
13.1	Fair Value Hedges		-	-	-	-	-	-
13.2	Cash Flow Hedges		-	-	-	-	-	-
13.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(16)	6,535,523	144,109	6,679,632	5,749,260	122,749	5,872,009
XV.	INTANGIBLE ASSETS (Net)	(17)	494,932	37,156	532,088	333,302	34,562	367,864
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		494,932	37,156	532,088	333,302	34,562	367,864
XVI.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(14)	-	-	-	643,290	-	643,290
XVII.	TAX ASSET		32,197	8,858	41,055	87,690	5,914	93,604
17.1	Current Tax Asset		5,741	5,520	11,261	1,121	5,914	7,035
17.2	Deferred Tax Asset	(18)	26,456	3,338	29,794	86,569	-	86,569
XVIII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(15)	674,731	88	674,819	562,983	32	563,015
18.1	Held for Sale		674,731	88	674,819	562,983	32	563,015
18.2	Held from Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(19)	2,858,008	1,332,149	4,190,157	1,398,325	1,310,143	2,708,468
	TOTAL ASSETS		300,417,565	156,508,564	456,926,129	242,199,847	129,682,078	371,881,925

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)							
LIABILITIES AND EQUITY	Note (Section Five II)	Current Period (31/12/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(1)	167,014,412	115,555,201	282,569,613	152,475,037	80,436,956	232,911,993
1.1 Deposits Held By the Risk Group of the Bank		30,053	14,053	44,106	33,645	18,875	52,520
1.2 Other		166,984,359	115,541,148	282,525,507	152,441,392	80,418,081	232,859,473
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	235,506	313,404	548,910	239,703	413,662	653,365
III. FUNDS BORROWED	(3)	1,763,056	29,355,197	31,118,253	1,338,546	23,087,983	24,426,529
IV. MONEY MARKET BALANCES		43,189,819	13,119,704	56,309,523	35,075,206	12,270,423	47,345,629
4.1 Interbank Money Market Borrowings		41,850,000	19,335	41,869,335	4,640,000	-	4,640,000
4.2 Istanbul Stock Exchange Takasbank Borrowings		-	-	-	50,000	-	50,000
4.3 Funds Provided under Repurchase Agreements	(4)	1,339,819	13,100,369	14,440,188	30,385,206	12,270,423	42,655,629
V. MARKETABLE SECURITIES ISSUED (Net)	(5)	4,298,047	9,176,233	13,474,280	2,390,059	4,680,692	7,070,751
5.1 Bills		3,562,491	-	3,562,491	2,156,778	-	2,156,778
5.2 Asset-backed Securities		557,804	-	557,804	101,459	-	101,459
5.3 Bonds		177,752	9,176,233	9,353,985	131,822	4,680,692	4,812,514
VI. FUNDS		6,030,575	-	6,030,575	6,020,839	-	6,020,839
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		6,030,575	-	6,030,575	6,020,839	-	6,020,839
VII. MISCELLANEOUS PAYABLES		2,474,671	1,668,719	4,143,390	1,305,967	1,260,934	2,566,901
VIII. OTHER LIABILITIES	(6)	1,947,850	628,104	2,575,954	3,046,595	479,291	3,525,886
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. PAYABLES FROM LEASING TRANSACTIONS (Net)	(7)	-	-	-	-	-	-
10.1 Finance Lease Payables		-	-	-	-	-	-
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(8)	-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XII. PROVISIONS	(9)	10,170,466	191,571	10,362,037	7,378,704	159,957	7,538,661
12.1 General Provisions		5,500,371	134,827	5,635,198	3,983,630	58,795	4,042,425
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		1,325,862	3,058	1,328,920	885,586	1,888	887,474
12.4 Insurance Technical Reserves (Net)		1,514,046	-	1,514,046	1,294,767	-	1,294,767
12.5 Other Provisions		1,830,187	53,686	1,883,873	1,214,721	99,274	1,313,995
XIII. TAX LIABILITY	(10)	1,304,963	5,475	1,310,438	899,544	10,030	909,574
13.1 Current Tax Liability		999,597	3,741	1,003,338	899,544	6,567	906,111
13.2 Deferred Tax Liability		305,366	1,734	307,100	-	3,463	3,463
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Held from Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(12)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(13)	47,619,530	863,626	48,483,156	39,451,361	(539,564)	38,911,797
16.1 Paid-in Capital		5,600,000	-	5,600,000	5,100,000	-	5,100,000
16.2 Capital Reserves		2,168,384	863,626	3,032,010	3,270,984	(539,564)	2,731,420
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(1,798,011)	844,055	(953,956)	(844,719)	(549,296)	(1,394,015)
16.2.4 Tangible Assets Revaluation Reserves		4,051,876	12,475	4,064,351	4,178,008	9,732	4,187,740
16.2.5 Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6 Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7 Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17,388	-	17,388	17,388	-	17,388
16.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other Capital Reserves		(102,869)	7,096	(95,773)	(79,693)	-	(79,693)
16.3 Profit Reserves		30,317,558	-	30,317,558	22,871,718	-	22,871,718
16.3.1 Legal Reserves		3,824,868	-	3,824,868	3,393,778	-	3,393,778
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		24,836,410	-	24,836,410	18,052,605	-	18,052,605
16.3.4 Other Profit Reserves		1,656,280	-	1,656,280	1,425,335	-	1,425,335
16.4 Profit or Loss		9,531,923	-	9,531,923	8,207,208	-	8,207,208
16.4.1 Prior Years Profit/Loss		647,804	-	647,804	1,322,284	-	1,322,284
16.4.2 Net Period Profit/Loss		8,884,119	-	8,884,119	6,884,924	-	6,884,924
16.5 Minority Shares		1,665	-	1,665	1,451	-	1,451
TOTAL LIABILITIES AND EQUITY		286,048,895	170,877,234	456,926,129	249,621,561	122,260,364	371,881,925

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**CONSOLIDATED STATEMENT OF
OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2017**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (31/12/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
A OFF-BALANCE SHEET COMMITMENTS (I+II+III)		73,022,242	160,157,172	233,179,414	61,626,173	127,615,763	189,241,936
I. GUARANTEES AND WARRANTIES	(1),(3)	36,067,838	66,258,784	102,326,622	26,076,864	56,644,251	82,721,115
1.1 Letters of Guarantee		35,800,639	45,354,359	81,154,998	25,872,985	42,719,354	68,592,339
1.1.1 Guarantees Subject to State Tender Law		1,676,924	8,472,455	10,149,379	1,490,146	7,994,602	9,484,748
1.1.2 Guarantees Given for Foreign Trade Operations		30,334,670	34,377,923	64,712,593	21,980,667	33,311,238	55,291,905
1.1.3 Other Letters of Guarantee		3,789,045	2,503,981	6,293,026	2,402,172	1,413,514	3,815,686
1.2 Bank Acceptances		30,004	6,277,094	6,307,098	34,549	4,227,349	4,261,898
1.2.1 Import Letter of Acceptance		30,004	6,270,461	6,300,465	29,427	4,224,206	4,253,633
1.2.2 Other Bank Acceptances		-	6,633	6,633	5,122	3,143	8,265
1.3 Letters of Credit		233,745	14,291,714	14,525,459	157,159	9,170,443	9,327,602
1.3.1 Documentary Letters of Credit		233,745	14,202,295	14,436,040	157,159	9,125,262	9,282,421
1.3.2 Other Letters of Credit		-	89,419	89,419	-	45,181	45,181
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7 Factoring Guarantees		-	1,635	1,635	-	-	-
1.8 Other Guarantees		3,450	329,962	333,412	12,000	520,131	532,131
1.9 Other Collaterals		-	4,020	4,020	171	6,974	7,145
II. COMMITMENTS	(1),(3)	23,846,740	11,162,799	35,009,539	18,528,082	6,321,850	24,849,932
2.1 Irrevocable Commitments		23,810,655	8,857,039	32,667,694	18,508,007	5,047,801	23,555,808
2.1.1 Asset Purchase and Sale Commitments		232,731	4,596,925	4,829,656	372,517	1,764,007	2,136,524
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		5,048,840	15,021	5,063,861	3,538,378	204,109	3,742,487
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		3,761,911	23	3,761,934	3,173,733	34	3,173,767
2.1.8 Tax and Fund Liabilities from Export Commitments		1,966	-	1,966	458	-	458
2.1.9 Commitments for Credit Card Limits		8,645,831	19,817	8,665,648	7,258,758	17,155	7,275,913
2.1.10 Commitments for Credit Cards and Banking Services Promotions		26,137	-	26,137	22,138	-	22,138
2.1.11 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		6,093,239	4,225,253	10,318,492	4,142,025	3,062,496	7,204,521
2.2 Revocable Commitments		36,085	2,305,760	2,341,845	20,075	1,274,049	1,294,124
2.2.1 Revocable Loan Granting Commitments		-	3,356	3,356	-	3,966	3,966
2.2.2 Other Revocable Commitments		36,085	2,302,404	2,338,489	20,075	1,270,083	1,290,158
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	13,107,664	82,735,589	95,843,253	17,021,227	64,649,662	81,670,889
3.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2 Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS		Note (Section Five III)	Current Period (31/12/2017)			Prior Period (31/12/2016)		
			TL	FC	Total	TL	FC	Total
3.2.1	Forward Foreign Currency Buy/Sell Transactions		3,617,638	5,662,634	9,280,272	1,353,480	3,719,751	5,073,231
3.2.1.1	Forward Foreign Currency Transactions-Buy		1,536,329	3,100,467	4,636,796	628,181	1,913,250	2,541,431
3.2.1.2	Forward Foreign Currency Transactions-Sell		2,081,309	2,562,167	4,643,476	725,299	1,806,501	2,531,800
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		9,122,190	76,717,313	85,839,503	15,656,747	60,918,593	76,575,340
3.2.2.1	Foreign Currency Swap-Buy		426,798	37,618,583	38,045,381	13,485,251	20,739,673	34,224,924
3.2.2.2	Foreign Currency Swap-Sell		8,695,392	28,602,108	37,297,500	2,171,496	30,856,286	33,027,782
3.2.2.3	Interest Rate Swap-Buy		-	5,248,311	5,248,311	-	4,661,317	4,661,317
3.2.2.4	Interest Rate Swap-Sell		-	5,248,311	5,248,311	-	4,661,317	4,661,317
3.2.3	Foreign Currency, Interest rate and Securities Options		367,836	355,642	723,478	11,000	11,318	22,318
3.2.3.1	Foreign Currency Options-Buy		183,918	177,821	361,739	5,500	5,659	11,159
3.2.3.2	Foreign Currency Options-Sell		183,918	177,821	361,739	5,500	5,659	11,159
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		1,132,404,895	169,456,560	1,301,861,455	933,725,665	147,072,049	1,080,797,714
IV.	ITEMS HELD IN CUSTODY		367,086,784	19,908,153	386,994,937	251,122,581	14,575,165	265,697,746
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		8,329,436	7,039,458	15,368,894	3,549,338	6,213,402	9,762,740
4.3	Checks Received for Collection		9,077,998	938,449	10,016,447	6,276,854	553,317	6,830,171
4.4	Commercial Notes Received for Collection		8,110,316	569,700	8,680,016	6,345,097	568,396	6,913,493
4.5	Other Assets Received for Collection		8,816	-	8,816	8,834	-	8,834
4.6	Assets Received for Public Offering		328,865,001	8,857	328,873,858	230,498,311	3,354	230,501,665
4.7	Other Items Under Custody		12,693,018	11,200,593	23,893,611	4,441,948	7,179,931	11,621,879
4.8	Custodians		2,199	151,096	153,295	2,199	56,765	58,964
V.	PLEDGES RECEIVED		764,354,880	147,468,325	911,823,205	682,010,015	130,623,295	812,633,310
5.1	Marketable Securities		2,713,833	383,446	3,097,279	1,557,574	37,532	1,595,106
5.2	Guarantee Notes		16,070,650	2,895,574	18,966,224	14,412,792	2,535,527	16,948,319
5.3	Commodity		1,923,260	81,296	2,004,556	1,508,261	70,224	1,578,485
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		670,555,120	110,699,922	781,255,042	601,855,777	103,085,496	704,941,273
5.6	Other Pledged Items		73,086,808	33,393,966	106,480,774	62,670,402	24,881,798	87,552,200
5.7	Pledged Items-Depository		5,209	14,121	19,330	5,209	12,718	17,927
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		963,231	2,080,082	3,043,313	593,069	1,873,589	2,466,658
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			1,205,427,137	329,613,732	1,535,040,869	995,351,838	274,687,812	1,270,039,650

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED STATEMENT OF INCOME AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

III. CONSOLIDATED INCOME STATEMENT

	Note (Section Five IV)	Current Period 01/01-31/12/2017	Prior Period 01/01-31/12/2016
INCOME AND EXPENSE ITEMS			
I. INTEREST INCOME	(1)	37,104,621	28,245,867
1.1 Interest Income from Loans		29,559,462	22,087,279
1.2 Interest Income from Reserve Deposits		395,544	189,263
1.3 Interest Income from Banks		271,352	220,658
1.4 Interest Income from Money Market Placements		347,886	12,888
1.5 Interest Income from Marketable Securities		6,250,242	5,527,745
1.5.1 Financial Assets Held for Trading		6,138	3,300
1.5.2 Financial Assets at Fair Value through Profit and Loss		-	6,757
1.5.3 Financial Assets Available-for-Sale		5,579,005	4,736,009
1.5.4 Investments Held-to-Maturity		665,099	781,679
1.6 Finance Lease Income		197,759	169,087
1.7 Other Interest Income		82,376	38,947
II. INTEREST EXPENSES	(2)	18,990,284	13,571,301
2.1 Interest Expense on Deposits		12,605,985	10,058,576
2.2 Interest on Borrowings		721,937	527,712
2.3 Interest on Money Market Borrowings		4,848,800	2,532,653
2.4 Interest on Marketable Securities Issued		724,924	397,521
2.5 Other Interest Expense		88,638	54,839
III. NET INTEREST INCOME/EXPENSES (I - II)		18,114,337	14,674,566
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		1,943,504	1,516,567
4.1 Fees and Commissions Received		2,406,518	1,874,407
4.1.1 Non-cash Loans		506,128	358,369
4.1.2 Other	(12)	1,900,390	1,516,038
4.2 Fees and Commissions Paid		463,014	357,840
4.2.1 Non-cash Loans		560	4,624
4.2.2 Other		462,454	353,216
V. DIVIDEND INCOME	(3)	7,749	32,901
VI. TRADING PROFIT/LOSS (Net)	(4)	(845,653)	(169,993)
6.1 Profit/Loss from Capital Market Operations		44,164	31,757
6.2 Profit/losses on Derivative Financial Transactions		(865,123)	(1,817,527)
6.3 Profit/Loss from Foreign Exchanges		(24,694)	1,615,777
VII. OTHER OPERATING INCOME	(5)	3,737,922	3,227,587
VIII. TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)		22,957,859	19,281,628
IX. PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)	(6)	3,493,344	3,576,252
X. OTHER OPERATING EXPENSES (-)	(7)	7,969,003	6,687,827
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		11,495,512	9,017,549
XII. GAINS RECORDED AFTER MERGER		-	-
XIII. PROFIT/LOSS ON EQUITY METHOD APPLIED SUBSIDIARIES		20,359	21,914
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(8)	11,515,871	9,039,463
XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(9)	(2,631,539)	(2,154,328)
16.1 Current Tax Provision		(2,601,014)	(2,061,503)
16.2 Deferred Tax Provision		(30,525)	(92,825)
XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(10)	8,884,332	6,885,135
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from Non-current Assets Held for Sale		-	-
18.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
18.3 Other Income from Discontinued Operations		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Expenses for Non-current Assets Held for Sale		-	-
19.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3 Other Expenses from Discontinued Operations		-	-
XX. PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/LOSSES (XVII+XXII)	(11)	8,884,332	6,885,135
23.1 Group's Profit/Loss		8,884,119	6,884,924
23.2 Minority Shares Profit/Loss		213	211
Earnings/Loss per Share		1.675	1.361

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

IV. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Current Period (01/01-31/12/2017)	Prior Period (01/01-31/12/2016)
I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	564,179	(1,142,948)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	93,433	793,533
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	424,682	169,453
V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)	-	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	(51,321)	6,909
IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(330,677)	(88,539)
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	700,296	(261,592)
XI. CURRENT YEAR PROFIT/LOSS	8,884,332	6,885,135
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	44,164	31,757
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	8,840,168	6,853,378
XII. TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	9,584,628	6,623,543

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves	Statutory Reserves
31 December 2016								
I.	Balances at beginning of the period		5,000,000	-	-	-	3,061,444	-
Changes During the Period								
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	21,038	-
IV.	Hedging Funds (Active Part)		-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	28,972	-
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-	-
XII.	Increase in Capital		100,000	-	-	-	-	-
12.1	Cash		72,000	-	-	-	-	-
12.2	From Internal Resources		28,000	-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	282,324	-
18.1	Dividend Distributed		-	-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	282,324	-
18.3	Other		-	-	-	-	-	-
Balance at the End of the Period (I+II+III+.....+XVI+ XVII+XVIII)			5,100,000	-	-	-	3,393,778	-

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

Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
13,659,246	1,340,115	-	5,564,157	(505,167)	3,614,614	17,388	-	-	1,145	31,752,942
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	(1,029,329)	-	-	-	-	(1,407)	(1,009,698)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	573,126	-	-	-	-	573,126
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	140,481	-	-	-	-	-	169,453
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
(28,000)	-	-	-	-	-	-	-	-	-	72,000
(28,000)	-	-	-	-	-	-	-	-	-	72,000
-	-	-	-	-	-	-	-	-	-	-
-	5,527	-	920,597	-	-	-	-	-	1,502	927,626
-	-	6,884,924	-	-	-	-	-	-	211	6,885,135
4,421,359	-	-	(5,162,470)	-	-	-	-	-	-	(458,787)
-	-	-	(458,787)	-	-	-	-	-	-	(458,787)
4,421,359	-	-	(4,703,683)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
18,052,605	1,345,642	6,884,924	1,322,284	(1,394,015)	4,187,740	17,388	-	-	1,451	38,911,797

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves	Statutory Reserves
31 December 2017							
I. Balance at the Beginning of the Period		5,100,000	-	-	-	3,393,778	-
Changes During the Period							
II. Increase/Decrease Related to Merger		-	-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-	-
IV. Hedging Funds (Active Part)		-	-	-	-	-	-
4.1 Cash-Flow Hedge		-	-	-	-	-	-
4.2 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
V. Revaluation Differences of Tangible Assets		-	-	-	-	-	-
VI. Revaluation Differences of Intangible Assets		-	-	-	-	-	-
VII. Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-
VIII. Foreign Exchange Differences		-	-	-	-	-	-
IX. Changes Resulted from Disposal of Assets		-	-	-	-	-	-
X. Changes Resulted from Reclassification of Assets		-	-	-	-	-	-
XI. Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-	-
XII. Increase in Capital		500,000	-	-	-	-	-
12.1 Cash		500,000	-	-	-	-	-
12.2 From Internal Resources		-	-	-	-	-	-
XIII. Issuance of Share Certificates		-	-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-	-
XV. Adjustment to Paid-in Capital		-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-
XVII. Net Profit or Losses		-	-	-	-	-	-
XVIII. Profit Distribution		-	-	-	-	431,090	-
18.1 Dividend Distributed		-	-	-	-	-	-
18.2 Transfers to Legal Reserves		-	-	-	-	431,090	-
18.3 Other		-	-	-	-	-	-
Balance at the End of the Period (I+II+III+.....+ XVI+XVII+XVIII)		5,600,000	-	-	-	3,824,868	-

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

	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
	18,052,605	1,345,642	-	8,207,208	(1,394,015)	4,187,740	17,388	-	-	1,451	38,911,797
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	440,059	-	-	-	-	1	440,060
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	(123,389)	-	-	-	-	(123,389)
	-	-	-	-	-	-	-	-	-	-	-
	-	424,682	-	-	-	-	-	-	-	-	424,682
	-	-	-	-	-	-	-	-	-	-	-
	-	(16,966)	-	7,448	-	-	-	-	-	-	(9,518)
	-	-	-	-	-	-	-	-	-	-	500,000
	-	-	-	-	-	-	-	-	-	-	500,000
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	(41,057)	-	-	-	-	-	-	-	-	(41,057)
	-	-	8,884,119	-	-	-	-	-	-	-	500,000
	6,783,805	(151,794)	-	(7,566,852)	-	-	-	-	-	213	8,884,332
	-	-	-	(503,751)	-	-	-	-	-	-	(503,751)
	6,783,805	(151,794)	-	(7,063,101)	-	-	-	-	-	-	(503,751)
	-	-	-	-	-	-	-	-	-	-	-
	24,836,410	1,560,507	8,884,119	647,804	(953,956)	4,064,351	17,388	-	-	1,665	48,483,156

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS		Note (Section Five VI)	Current Period 31/12/2017	Prior Period 31/12/2016
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		7,704,826	8,121,027
1.1.1	Interest Received		35,748,972	27,012,143
1.1.2	Interest Paid		(18,665,259)	(13,228,937)
1.1.3	Dividend Received		7,031	32,901
1.1.4	Fees and Commissions Received		2,406,518	1,870,333
1.1.5	Other Income		1,185,821	1,859,502
1.1.6	Collections from Previously Written-off Loans and Other Receivables		1,520,060	1,320,006
1.1.7	Payments to Personnel and Service Suppliers		(2,867,747)	(2,503,144)
1.1.8	Taxes Paid		(2,978,291)	(2,461,592)
1.1.9	Other		(8,652,279)	(5,780,185)
1.2	Changes in Operating Assets and Liabilities		(12,513,361)	1,773,837
1.2.1	Net (Increase)/Decrease in Trading Securities		(247,731)	(8,198)
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3	Net (Increase)/Decrease in Banks		(8,129,980)	3,585,434
1.2.4	Net (Increase)/Decrease in Loans		(70,981,593)	(50,566,370)
1.2.5	Net (Increase)/Decrease in Other Assets		(1,168,360)	(1,463,783)
1.2.6	Net Increase/(Decrease) in Bank Deposits		12,445,351	1,922,269
1.2.7	Net Increase/(Decrease) in Other Deposits		44,255,334	44,174,863
1.2.8	Net Increase/(Decrease) in Funds Borrowed		7,240,990	3,596,415
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		4,072,628	533,207
I.	Net Cash Provided from Banking Operations		(4,808,535)	9,894,864
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES			
II.	Net Cash Provided from Investing Activities		(5,098,534)	(5,106,003)
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		-	-
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3	Fixed Assets Purchases		(531,876)	(121,439)
2.4	Fixed Assets Sales		230,588	267,620
2.5	Cash for Purchase of Financial Assets Available for Sale		(18,982,629)	(15,709,293)
2.6	Cash Obtained from Sale of financial Assets Available for Sale		16,074,784	11,685,516
2.7	Cash Paid for Purchase of Investment Securities		(433,646)	(937,418)
2.8	Cash Obtained from Sale of Investment Securities		1,910,559	2,841,260
2.9	Other		(3,366,314)	(3,132,249)
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net Cash Provided from Financing Activities		6,442,188	809,398
3.1	Cash from Funds Borrowed and Securities Issued		9,272,510	4,030,931
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(3,076,164)	(2,990,333)
3.3	Marketable Securities Issued		500,000	-
3.4	Dividends Paid		(250,000)	(231,200)
3.5	Payments for Finance Leases		(8,698)	-
3.6	Other		4,540	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(1)	1,404,479	1,183,517
V.	Net Decrease/Increase in Cash and Cash Equivalents (I+II+III+IV)		(2,060,402)	6,781,776
VI.	Cash and Cash Equivalents at the Beginning of the Period	(1)	15,899,913	9,118,137
VII.	Cash and Cash Equivalents at the End of the Period	(1)	13,839,511	15,899,913

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
STATEMENT OF PROFIT APPROPRIATION
AS OF 31 DECEMBER 2017

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

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

^(*) Profit distribution is approved by the Parent Bank's Ordinary General Assembly. As of the date of preparation of the financial statements, the meeting for Ordinary General Assembly has not been held.

^(**) The profit distribution table for the prior period becomes definite with the decision of the Ordinary General Assembly after the publishing of 31 December 2016 audited financial statements and is rearranged in this direction.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

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

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

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

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

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

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

Additional paragraph for convenience translation into English

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

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

Main activity of the Parent Bank comprises banking services, such as; launching all kinds of cash and non-cash loans in terms of Turkish Lira and foreign currencies, performing transactions in local, international money and capital markets, supporting agricultural sector financially and collecting deposits in Turkish Lira and foreign currencies. The Parent Bank’s main funding source is Turkish Lira deposits, repurchase agreements, issued securities, shareholders’ equity and government funds transferred from the budget, ministerial offices and other public resources to the Parent Bank by means of legislative and administrative decisions. The Parent Bank directs these funds to assets with high return and low risk. These assets include predominantly domestic government bonds and loans. The Parent Bank’s liquidity structure covers the financing of all liabilities at due date. Although most of the sources in the Parent Bank’s balance sheet are with fixed interest

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rate, some of the securities in assets have floating interest rate. Since the remaining time to re-pricing date of sources is short, cost of sources is repriced in short periods based on the market conditions. Moreover, the Parent Bank adopts high return principle for its long-term placements.

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

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

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

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

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

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

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

1. Consolidation Principles Applied

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

1.1. Consolidation Principles for Subsidiaries

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

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

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

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

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

Title	Address (City/Country)	Main Activities	31 December 2017		31 December 2016	
			Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)	Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)
Ziraat Hayat ve Emeklilik A.Ş.	İstanbul/Turkey	Insurance	100.00	100.00	100.00	100.00
Ziraat Sigorta A.Ş.	İstanbul/Turkey	Insurance	100.00	100.00	100.00	100.00
Ziraat Finansal Kiralama A.Ş.	İstanbul/Turkey	Leasing	100.00	100.00	100.00	100.00
Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	Brokerage Houses	99.60	99.60	99.60	99.60
Ziraat Portföy Yönetimi A.Ş.	İstanbul/Turkey	Portfolio Management	99.70	99.80	99.70	99.80
Ziraat Katılım Bankası A.Ş.	İstanbul/Turkey	Banking	100.00	100.00	100.00	100.00
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	Real Estate	100.00	100.00	100.00	100.00
Ziraat Bank International AG	Frankfurt/Germany	Banking	100.00	100.00	100.00	100.00
Ziraat Bank BH d.d.	Sarajevo/Bosnia and Herzegovina	Banking	100.00	100.00	100.00	100.00
Ziraat Bank (Moscow) JSC	Moscow/Russia	Banking	100.00	100.00	100.00	100.00
Kazakhstan Ziraat Int. Bank	Almaty/Kazakhstan	Banking	99.58	99.58	99.58	99.58
Ziraat Bank Azerbaycan ASC	Baku/Azerbaijan	Banking	100.00	100.00	100.00	100.00
Ziraat Bank Montenegro AD	Podgorica/Montenegro	Banking	100.00	100.00	100.00	100.00
JSC Ziraat Bank Georgia	Tbilisi/Georgia	Banking	100.00	100.00	-	-
Ziraat Bank Uzbekistan JSC ^(*)	Tashkent/Uzbekistan	Banking	100.00	100.00	50.00	50.00

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

1.2. Consolidation Principles of Associates and Joint Ventures

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

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

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

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

Title	Address (City/Country)	Main Activities	31 December 2017		31 December 2016	
			Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)	Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)
Turkmen Turkish Joint Stock Commercial Bank	Ashkhabad/ Turkmenistan	Banking	50.00	50.00	50.00	50.00
Arap Türk Bankası A.Ş.	İstanbul/Turkey	Banking	15.43	15.43	15.43	15.43

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1.3. Principles Applied During Share Transfer, Merger and Acquisition

Acquisition of entities are accounted by the purchase method on the date of purchase when the control is being transferred to the Group. Control explains managing power of Group on entity’s financial and operational policies for the purpose of providing benefit from operations of entity. While evaluating control, executable potential voting rights are taken consideration by Group.

The Group has increased the share of partnership from 50% to 100% in Uzbekistan and its status become subsidiary from entity under common control and continues its operations as Ziraat Bank Uzbekistan JSC in the current period. After this transaction this company is started to be consolidated as subsidiary. This status change was made in accordance with the relevant accounting standard.

1.4. Transactions with Minority Shareholders

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

1.5. Presentation of Unconsolidated Subsidiaries and Associates in Consolidated Financial Statements

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

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

The Group’s derivative transactions include cross swap transactions related to currency, swap transactions related to interest rates, currency and precious metal swaps, long-term financing transactions, full indemnity options and forward foreign currency buy/sell transaction contracts. The Group has no embedded derivative instruments separated from the articles of association.

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

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

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

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

Interest income and expenses are recognized on an accrual basis using the internal rate of return method in conformity with TAS 39 “Financial Instruments: Recognition and Measurement”. In accordance with the Communiqué on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions” came into force after being published in the Official Gazette numbered 26333 dated 1 November 2006, no interest accrual is calculated for non-performing loans.

The Group cancels uncollected accruing interest and accrual income on non-performing loans and if such amounts are collected, these amounts are recorded as income.

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VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

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

Financial Assets at Fair Value Through Profit or Loss

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

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

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

Held-to-Maturity Financial Assets

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

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

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

Interests received from investments held to maturity are recognized as an interest income and are initially recognized at cost.

Loans and Receivables

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.

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

The Group sets specific and general provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 26333 and dated 1 November 2006 on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions”. However, there is no judgement in the related Regulation and the BRSA’s related disclosures that would prevent further provision of the minimum amounts required. The Group reserves specific provisions for non-performing loans over the minimum ratios specified in the Regulation without considering the collaterals. Allocated provisions are deducted from the income for the period. If the receivables for which provisions were set in the previous years are collected, provision for allowances are released and recognized as income under “Other Operating Income” account. Releases of current period provisions are made by the reversal of the amount from the “Provision for Impairment of Loans and Other Receivables” account.

Available-for-Sale Financial Assets

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

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

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

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

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

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

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event (“loss event”) subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group.

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

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

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

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

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IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

Securities subject to repurchase agreements are classified under after “held for trading”, “available for sale” and/or “held-to-maturity” Group’s 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, the Group has no securities lending transactions.

XI. INFORMATION ON ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS AND EXPLANATIONS ON LIABILITIES RELATED WITH THESE ASSETS

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

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

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

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

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

The Group recognizes its software costs incurred under the intangible assets-intangible rights account and the expenses that do qualify as development are added to software’s initial costs and amortized over 3 years considering the useful lives. The Parent Bank has determined estimated useful lives of the intangible assets between 3 and 15 years and it applies depreciation rates between 6.67% to 33.3%.

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XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

Tangible assets are measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. As of 31 January 2014 the Parent 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 Group’s inventory, appraisal study was carried by independent expertise companies, and from 31 December 2016 valuation results are reflected in the accounting records. As of 30 January 2014, the net book amount of the Group’s real estates of the tangible assets before valuation was TL 816,950. The difference from the fair valuation of the real estates of the Group amounting to TL 4,064,351 net is followed under shareholders’ equity as of 31 December 2017.

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

Applied depreciation rates are as follows;

Buildings:	2%
Vehicles and Fixtures:	2 - 20%

Gains or losses emerging from the disposal of tangible assets are recognized in the profit or loss account as difference between net revenue of a related intangible asset and its net book value.

Ordinary maintenance and repair expenses of tangible fixed assets items are recognized as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of tangible assets are capitalized. The investment expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

There are no mortgages, pledges or similar precautionary measures on tangible fixed assets or commitments given for the purchase or any restrictions designated for the use of those tangible fixed assets

XIV. EXPLANATIONS ON INVESTMENT PROPERTY

Investment properties consist of assets held for rent and/or gain on valuation. The related real estates, which the Group owns, are shown in the attached consolidated financial statements by fair value method within the framework of TAS 40 “Investment Property”. Gains and losses arising from changes in fair value of investment properties are recognized in profit or loss when incurred.

XV. EXPLANATIONS ON LEASING TRANSACTIONS

The Group performs financial operations as “Lessor” and “Lessee”.

1. Accounting of Leasing Transactions for the Lessee

Financial Lease

The Group, as the lessee, recognizes its leasing operations in accordance with the requirements of TAS 17 “Leases”. Fixed assets that are acquired under financial leasing are amortized with respect to the rates used for directly acquired assets that have similar nature. Assets held under financial leases are recognized under the tangible fixed assets account and are depreciated on annual and monthly basis with respect to their useful lives. Principal and installment paid for tangible fixed assets that are acquired under financial leasing are charged to liability account “Finance Lease Payable”, whereas interests are recognized in “Deferred Financial Leasing Expenses” account. At installment payments, principal and interest amount of installment amount are debited to “Financial Lease Payable” account, whereas interest is credited in “Deferred Financial Leasing Expenses” account and recorded to the “Other Interest Expenses”.

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.

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2. Accounting of Leasing Transactions for Lessor

Subject to financial leasing in the consolidated balance sheet of the entity is shown as a receivable equal to net leasing. The interest income is determined so as to form a fixed revenue return ratio using net investment method related to lease asset of the lessor, and the portion of interest income which does not take part in the related term is followed under the unearned interest income account

XVI. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES

Provisions other than the specific and general provisions set for loans and other receivables and provisory liabilities are accounted in accordance with TAS 37 “Turkish Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets Corresponding”.

The Group provides provision in case of an existing liability (legal or implicit) as a result of an incident that took place in the past, there is possibility of disposal of assets that bring economic benefit and the liability is measurable. When a reliable estimate of the amount of obligation from The Parent Bank cannot be made, it is considered that a “contingent” liability exists and it is disclosed in the related notes to the financial statements.

For transactions that can affect financial structure, provisions are provided by using the existing data if they are accurate, otherwise by using the estimates.

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise in the Group, the asset and the related income are recognized in the financial statements in which the change occurs.

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Employment Termination and Vacation Benefits

The Group recognizes its liabilities of employment terminations and vacation benefits in accordance with TAS 19 “Turkish Accounting Standard about Benefits for Employee” and estimates the net present value of future liabilities arising from employment terminations and vacation benefits and reflects this provision amount in the financial statements.

Under the Turkish legislation as supplemented by union agreements, Employment Termination Benefit payments are made in case of retirement or employment termination or resignation depending on the arise of the legal conditions. According to the related legislation, depending on the status and position of the employee in the Group and social security institution, retirement bonus pension/severance payments are calculated for the hours that the personnel has worked. The assumptions based on the calculation are below.

The Parent Bank uses independent actuaries in determining liability, and also makes assumptions about issues such as discount rate and inflation. These assumptions are reviewed on an sixth month basis. Retirement benefit obligation of the Parent Bank is TL 813,548 (31 December 2016: TL 690,189). Furthermore, Group’s total Retirement benefit obligation is TL 820,157 (31 December 2016: TL 695,237)

	Current Period 31.12.2017	Prior Period 31.12.2016
Discount Rate	12.10%	11.40%
Inflation	8.90%	8.00%

Communiqué on “Turkish Accounting Standard (TAS19) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TL 95,773 was classified as “Other Reserves” under shareholders’ equity in the financials by the Group.

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Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days.

The Parent Bank does not employ its personnel by means of limited-period contracts.

Liability of T.C. Ziraat Bankası and T. Halk Bankası Members Pension and Relief Fund (TZHEMSAN)

Some of the Parent Bank’s and Ziraat Katılım Bankası A.Ş.’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees’ Pension Fund (“Fund”) which was established by 20th provisional article of Social Security Law Act numbered 506. As of 31 December 2017 the number of personnel who benefit from the Fund, excluding dependents, is 22,531 (31 December 2016: 22,221). 18,723 of these members are active while 3,808 are passive members. (31 December 2016: 18,450 active members, 3,771 passive members).

In accordance with 23rd provisional clause of the Banking Law numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the Banking Law numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 1st paragraph of the 1st article of the 23rd provisional clause of Banking Law numbered 5411 allowing pension funds to be transferred to Social Security Institution (“SSI”) is annulled following the resolution of Constitutional Court declared in the Official Gazette dated 31 March 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33.

With the publication of the reasoning of the decision, the Grand National Assembly of Turkey (“GNAT”) started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the “Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations” No 5754 (“the New Law”) regulating the transfer of the funds were approved by the GNAT on 17 April 2008. The New Law was published in the Official Gazette dated 8 May 2008, numbered 26870 and came into force.

According to the new law bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution and would be subject to its legislation within three years beginning from the date of publication without any required transaction. Three years transfer period would be extended by two years at most with the decision of Council of Ministers. In accordance with the related legislation, as of the transfer date, the cash value of the liabilities will be calculated by considering the income and expenses of the transferred funds by the insurance branches and by using the actuarial interest rate of 9.80%. Moreover, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

In accordance with 58th article and 7th provisional article of the Banking Law, restricting banks from transferring any funds to the pension funds in order to compensate the actuarial deficits effective from 1 January 2008, has been delayed up to 5 years.

Based on the Council of Ministers’ decree numbered 2011/1559 and issued in the Official Gazette numbered 27900, dated 9 April 2011, and 20th provisional article of law numbered 506, the deadline for transferring banks, insurance and reinsurance companies, chambers of commerce, chambers of industry, exchange markets and the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for two years.

Besides, the phrase of “two years” in Clause (2), Article 1 of the temporary 20th provision of the law numbered 5510 is revised as “four years” with the law numbered 6283 amending on the Social Insurance and General Health Insurance Law, published in the Official Gazette numbered 28227, dated 8 March 2012.

Based on the Council of Ministers’ decree numbered 2014/6042 and issued in the Official Gazette numbered 28987 dated 30 April 2014, the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for one year.

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.

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The technical balance sheet report as of 31 December 2017 which is prepared in accordance with the new law and the rate determined as 9.80%, concluded no technical deficit arises in the above mentioned fund. Since the Parent Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Parent Bank's and Ziraat Katılım Bankası A.Ş.'s financial statements.

XVIII. EXPLANATIONS ON TAXATION

Current Tax

The corporate tax rate of 20% implementation on the Corporate Tax Law No. 5520 was taken into effect on 1 January 2006 after being published in the Official Gazette dated 21 June 2006 numbered 26205, will be applied as 22% for corporation earnings for three years from 1 January 2018 with the regulation dated 28 November 2017 numbered 7061. Furthermore, Cabinet is made authorized to decrease this ratio to 20% from 22%. The bank applies new regulations to its current and deferred tax responsibilities. The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income (like affiliate gains) and other allowances. If there is no dividend distribution, no further tax charges are made.

Dividends paid to non-resident corporations, which have a place of business or permanent attorney in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly at a rate of 22% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

According to 5.1.e. article of Corporation Tax Law which is important tax exemption that is applied by banks, corporations' 50% of revenues that occur from selling of their real estates, are in assets, that belong to the corporations at least two years (730 days), 75% of revenues that occur from selling their founding bonds that are belong to the corporations as long as time of participation stocks, redeemed shares and option to call are exempted from Corporation Tax. (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%.)

This exemption applies to the period the sale is made and the part of return on sales that benefits from the exemption is held in a special fund in the liabilities account until the end of the fifth year started from the following year sale is made. However, the sales payment must be collected until the end of the second calendar year following the year in which the sale is made. Taxes which are not realized in time due to the exemption that hits uncollected sales payment are considered tax loss.

Taxes which does not accrue on time because the applying exemption for the transfer of the exempted part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business (Except transfers and divisions that make according to this code).

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warranters' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax. (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%.)

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments with tax authorities. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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Tax rates used in tax calculation considering the related countries’ tax legislation as of 31 December 2017 are presented below:

Russia	20%
Kazakhstan	20%
Germany	15%
Bosnia Herzegovina	10%
Azerbaijan	20%
Montenegro	9%
Georgia	15%
Uzbekistan	15%

Deferred Tax

In accordance with TAS 12 “ Turkish Accounting Standards Relating to Income Tax”, the Parent Bank calculates and recognizes deferred tax for temporary differences between the bases calculated based on the accounting policies used and valuation principles and that calculated under the tax legislation.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized as deferred tax liability or asset if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. Carrying amount of a deferred tax asset can be reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized and reflected in the statement of income as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is associated directly with equity.

Deferred tax asset and deferred tax liability are presented as net in these financial statements through offsetting them on individual financial statements of consolidated subsidiaries.

The deferred tax benefit is not taken into account in profit distribution in accordance with the relevant circular of BRSA.

XIX. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES

1. Technical Reserves

Reserve for Unearned Premiums

Reserve for unearned premiums represents the proportions of the premiums written in a period that relate to the period of risk subsequent to the balance sheet date, without deductions of commission or any other expense.

Unexpired Risk Provision

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that, future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected ratios. Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. In accordance with “the circular about the Change of Unexpired Risks Reserve Calculation” numbered 2012/15 published by Treasury, if the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share.

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Reserve for Outstanding Claims

Insurance companies provide reserve for outstanding claims, incurred and reported but not yet settled in the current or previous years based on reported balances or estimates when actual balances are not exactly known and incurred but not yet reported claims. Within the calculation of reserve for outstanding claims, incurred and reported but not yet settled, entire shares of expense required for maturation of compensation reports including calculated or estimated expert, referee, consultant, court and communication expenses are taken into account and subrogation, salvage and similar revenue items are not discounted. Incurred subrogation, salvage and similar revenue items whose codes of practice will be determined by the undersecretariat are shown under the related credit account of the asset side of the balance sheet and interrelated with period income in condition that subrogation of rights has been gained.

Mathematical Provisions

Mathematical provisions indicate sum of bonus provisions and actuarial mathematical provisions calculated separately according to technical principles in tariff for each agreement in force. Life branch mathematical provision of the company consists of actuarial mathematical provisions calculated for long-term life insurances on credit. Actuarial mathematical provisions are the differences between risk premiums taken for risks undertaken by the Company and cash values of the liabilities to beneficiaries and insureds.

XX. EXPLANATIONS ON BORROWINGS

The Group accounts its debt instruments in accordance with TAS 39 “Financial Instruments: Recognition and Measurement”. In the following periods, all financial liabilities are carried at amortized cost by using the internal rate of return method. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings.

If required, the Group borrows from domestic and foreign real people and entities with debt instruments such as bill/bond issuance. These transactions are recognized at fair value including acquisition costs at the transaction date while accounted with effective interest rate method over their discounted costs in the following periods.

The Group has issued no convertible bonds and has no instruments representing its own borrowings.

XXI. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

The decision of increasing the capital of the Parent Bank by TL 500,000 to TL 5,600,000 is approved in General Assembly in 9 June 2017. Increase of capital and amendments according to the relevant materials of the Articles of Association was registered on 11 July 2017. It has been announced in the Trade Registry Gazette numbered 9367 dated 14 July 2017. The offsetting transactions of the mentioned capital increase was accounted on 3 August 2017 accordance with the permission from the Banking Regulation and Supervision Agency.

XXII. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

Commitments regarding bill guarantees and acceptances of the Group are presented in the “Off-Balance Sheet” commitments.

XXIII. EXPLANATIONS ON GOVERNMENT GRANTS

There are no government incentives utilized by the Group as of the balance sheet date.

XXIV. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturities of 3 months or less following the date of acquisition, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The book values of these assets represent their fair values. Cash equivalents and balances regarding banks are valued by the period end counter foreign currency buying rate of the Bank.

For the purposes of the cash flow statement, “Cash” includes cash, effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and “Cash equivalents” include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

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XXV. EXPLANATIONS ON SEGMENT REPORTING

Information about operating segments which are determined in line with TFRS 8 “Turkish Accounting Standard about Operating Segments” together with organizational and internal reporting structure of the Group, are disclosed in Note X. of Section Four.

XXVI. EXPLANATIONS ON OTHER MATTERS

Explanations on Profit Distribution

In accordance with the decision taken in the General Assembly of the year 2016, which was carried out on 9 June 2017, from TL 6,576,420 net profit, which is subject to distribution, TL 328,821 is transferred to first legal reserve and TL 26,912 is transferred to second legal reserve TL 230,000 was decided to be paid to employees and TL 255,000 for the first legal reserve, TL 39,118 for second legal reserve in total a payment of gross amounting to TL 294,118 is decided to be distributed to Treasury. In this framework, the portion of the profit amounting to TL 5,696,569 has been left in the Bank and dividend payment has been made to the Treasury on 14 June 2017. Additionally, reserves amounting to TL 45,317 has been allocated from retained earnings amounting to TL 906,345 and remaining amount, TL 861,028, has been left in the Parent Bank. In accordance with the decision taken at the General Assembly Meeting, the remaining amount, TL 20,367, of the total amount which was decided to be paid to employees has been transferred to “profit reserve” account.

The Parent Bank is planning to distribute its 2017 profit in accordance with its articles of association. However, as of the report date, there is no decision taken regarding the profit distribution.

Developments related to TFRS 9 Transition Process

The last version of TFRS 9 “Financial Instruments” Standard published in January 2017 by POA, has changed the existing guidance on TAS 39 “Financial Instruments: Recognition and Measurement” and moved the implementations about accounting, classification, measurement and off balance sheet of financial instruments to TFRS 9. The latest version of TFRS 9 includes guidance issued in previous versions of TFRS 9, including the new application of the expected credit loss model for the calculation of impairment in financial assets, as well as updated applications for new general hedge accounting requirements. TFRS 9 is put into force on 1 January 2018. In this context, banks have become obliged to apply TFRS 9 as of 1 January 2018 with the “Regulation on Procedures and Principles for Classification of Loans and Provisions to be Issued” of the BRSA published in the Official Gazette dated 22 June 2016 and numbered 29750.

The Parent Bank created a project team from Finance, Risk and Information Technology Departments includes advisors for the purpose of adaptation of TFRS 9 financial reporting process. As a result of statistical models, calculation methods and applying new methods that is developed by project team, expected transition effects about accounting policy was calculated. The mentioned Accounting policy change is expected to affect Bank’s balance sheet equity approximately between 8-12% positively. The controls and developments regarding the implementation of TFRS 9 are in progress.

SECTION FOUR

EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”.

As of 31 December 2017 Group’s total capital has been calculated as TL 51,743,724 (31 December 2016: TL 41,715,232), capital adequacy ratio is 14.60% (31 December 2016: 14.60%). The capital adequacy ratio of the Group is above the minimum ratio required by the legislation.

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1. Information Related to The Components of Shareholders' Equity

	Current Period 31 December 2017	Amount as per the regulation before 1/1/2014*
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5,600,000	-
Share issue premiums	-	-
Reserves	30,317,558	-
Gains recognized in equity as per TAS	4,911,781	-
Profit	9,531,923	-
Current period profit	8,884,119	-
Prior period profit	647,804	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17,388	-
Minorities' Share	178	-
Common Equity Tier 1 Capital Before Deductions	50,378,828	-
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1 st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1,897,159	-
Improvement costs for operating leasing	83,440	-
Goodwill netted with related deferred tax liabilities	-	-
Other intangible assets netted with related deferred tax liabilities except mortgage servicing rights	425,670	532,088
Deferred tax assets that rely on future profitability excluding those arising from temporary differences netted with related deferred tax liability	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	-
Shares obtained contrary to the 4 th clause of the 56 th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2 nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-

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	Current Period 31 December 2017	Amount as per the regulation before 1/1/2014*
Total Deductions from Common Equity Tier I Capital	2,406,269	-
Total Common Equity Tier I Capital	47,972,559	-
ADDITIONAL TIER I CAPITAL		-
Preferred stock not included in Common Equity Tier I Capital and the related share premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Covered by Temporary Article 4)	-	-
Third parties' share in the Additional Tier I capital	-	-
Third parties' share in the Additional Tier I capital (Covered by Temporary Article 3)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items to be defined by the BRSA	-	-
Items to be Deducted from Tier I Capital during the Transition Period		-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	106,418	-
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)	47,866,141	-
TIER II CAPITAL		-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Third parties' share in the Tier II Capital	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on the Equity of Banks)	3,879,292	-
Total Deductions from Tier II Capital	3,879,292	-
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	3,879,292	-
Total Equity (Total Tier I and Tier II Capital)	51,745,433	-
Total Tier I and Tier II Capital (Total Equity)	51,745,433	-
Loans Granted against the Articles 50 and 51 of the Banking Law	-	-

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	Current Period 31 December 2017	Amount as per the regulation before 1/1/2014*
Net book values of movables and immovables exceeding the limit defined in the Article 57, Clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years	-	-
Other items to be defined by the BRSA	1,709	-
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		-
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
CAPITAL		-
Total Capital (Total of Tier I Capital and Tier II Capital)	51,743,724	-
Total Risk Weighted Assets	354,454,906	-
CAPITAL ADEQUACY RATIOS		-
Core Capital Adequacy Ratio (%)	13.53	-
Tier 1 Capital Adequacy Ratio (%)	13.50	-
Capital Adequacy Ratio (%)	14.60	-
BUFFERS		-
Total additional core capital requirement ratio (a+b+c)	2.28	-
a) Capital conservation buffer requirement (%)	1.25	-
b) Bank specific countercyclical buffer requirement (%)	0.026	-
c) Higher bank buffer requirement ratio (%)	1.00	-
Additional CET 1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5.53	-
Amounts Lower than Excesses as per Deduction Rules		-
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	156,212	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	68,380	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	29,794	-
Limits for Provisions Used in Tier II Capital Calculation		-
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	5,635,198	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	3,879,292	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		-
Upper Limit for Additional Tier I Capital Items subjected to Temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

*) Amounts considered within transition provisions

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	Prior Period 31 December 2016	Amount as per the regulation before 1/1/2014*
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5,100,000	-
Share issue premiums	-	-
Reserves	22,871,718	-
Gains recognized in equity as per TAS	4,804,405	-
Profit	8,207,208	-
Current Period Profit	6,884,924	-
Prior Period Profit	1,322,284	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17,388	-
Minority Share	139	-
Common Equity Tier 1 Capital Before Deductions	41,000,858	-
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1 st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	2,090,373	-
Improvement costs for operating leasing	100,306	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	220,718	367,865
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4 th clause of the 56 th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2 nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions from Common Equity Tier I Capital	2,411,397	-
Total Common Equity Tier I Capital	38,589,461	-

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	Prior Period 31 December 2016	Amount as per the regulation before 1/1/2014*
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items to be defined by the BRSA (-)	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	147,146	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	38,442,315	-
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	3,313,441	-
Tier II Capital Before Deductions	3,313,441	-
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	3,313,441	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	41,755,756	-

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	Prior Period 31 December 2016	Amount as per the regulation before 1/1/2014*
Deductions from Total Capital	41,755,756	-
Deductions from Capital Loans granted contrary to the 50 th and 51 st Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	38,071	-
Other items to be defined by the BRSA (-)	2,453	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	41,715,232	-
Total Risk Weighted Assets	300,953,790	-
CAPITAL ADEQUACY RATIOS		
CET 1 Capital Ratio (%)	12.82	-
Tier I Capital Ratio (%)	12.77	-
Capital Adequacy Ratio (%)	13.86	-
BUFFERS		
Bank-specific total CET 1 Capital Ratio		
Capital Conservation Buffer Ratio (%)	0.63	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.01	-
Additional CET 1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	4.82	-
Amounts Lower than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	153,707	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	97,415	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	86,569	-
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand)	4,042,425	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,313,441	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(*) Amounts considered within transition provisions

2. Information Related to the Components which Subject to Temporary Implementation in the Calculation of Equity

None.

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3. Necessary Explanations in Order to Reach An Agreement Between the Statement Of Shareholders’ Equity and Balance-Sheet Amounts

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision. In the calculation of Total Capital, general provision up to 1.25% credit risk is taken into consideration as Tier II Capital. Besides, losses that are subject to deductions from Common Equity Tier I and reflected to Equity in line with the TAS, are determined by excluding the losses related to cash flow hedge transactions. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK

1. Information on Credit Risk

Credit risk is the possibility of loss that the Group 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 global 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 corporate and entrepreneurial loan portfolio, limits are determined and followed on the basis of group companies, private and public firms, and different debtor groups. The Parent 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/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 corporate/entrepreneurial 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 Parent 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 Parent 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 Parent Bank’s credit risk significantly declines.

On January 2011 the Parent Bank started applying internal ratings processes as a decision support system for analyzing credit worthiness and determining credit allocation for corporate/entrepreneurial consumer loans.

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The Parent Bank is not engaging in credit transactions that are not defined at the legislation and not put into the practice.

The Parent Bank makes provision in conformity with the “Communiqué on Methods and Principles on 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.

Foreign financial institution and country risks of the Parent 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 Parent 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 Parent 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 of the Group in the total cash loan portfolio is 23% and 28% respectively (31 December 2016: 26% and 31%).

The percentage of top 100 and top 200 non-cash loans of the Group in the total non-cash loan portfolio is 50% and 62% respectively (31 December 2016: 57% and 67%).

The percentage of top 100 and top 200 cash and non-cash loans of the Group in the total cash and non-cash loan portfolio is 21% and 26% respectively (31 December 2016: 27% and 34%).

General provision made by the Group for the credit risk is TL 5,635,198 (31 December 2016: TL 4,042,425).

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2. The Profile of Important Risks of Important Regions

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
Current Period							
Domestic	75,265,929	644,283	652,406	-	-	7,401,426	181,255,187
European Union Countries	27,917	-	-	-	-	24,055,991	1,952,422
OECD Countries ⁽¹⁾	-	-	-	-	-	679,480	51,003
Off-shore Banking Regions	-	-	-	-	-	221,401	283,110
USA, Canada	-	-	-	-	-	2,108,446	1,473,286
Other Countries	553,705	7,995	23	-	-	810,351	3,850,086
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	1,018,461	6,522
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-
Total	75,847,551	652,278	652,429	-	-	36,295,556	188,871,616

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

⁽¹⁾ OECD Countries other than EU countries, USA and Canada⁽²⁾ Assets and liabilities that could not be distributed on a consistent basis.

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
Prior Period							
Domestic	81,494,892	565,919	556,142	-	-	35,659,916	141,901,115
European Union Countries	90,707	-	-	-	-	20,866,347	250,162
OECD Countries ⁽¹⁾	-	-	-	-	-	580,628	-
Off-shore Banking Regions	-	-	-	-	-	18,223	-
USA, Canada	902,384	-	-	-	-	2,170,335	182,428
Other Countries	987,708	19,131	202	-	-	1,312,871	2,365,345
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	110,453	2,756,198
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-
Total	83,475,691	585,050	556,344	-	-	60,718,773	147,455,248

Prepared with the numbers after conversion rate to credit and before credit risk reduction.

⁽¹⁾ OECD Countries other than EU countries, USA and Canada⁽²⁾ Assets and liabilities that could not be distributed on a consistent basis.

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Investments in Equity Instruments	Other receivables	Total
	121,526,030	47,607,741	-	552,922	-	-	-	1,199,276	116,361	20,567,359	456,788,920
	119,532	-	-	-	-	-	-	-	1,582	67,943	26,225,387
	-	-	-	-	-	-	-	-	-	-	730,483
	-	-	-	-	-	-	-	-	-	-	504,511
	491	-	-	-	-	-	-	-	-	-	3,582,223
	149,524	14,155	-	900,844	-	-	-	-	26,266	87,964	6,400,913
	6,066	-	-	-	-	-	-	-	-	-	1,031,049
	-	-	-	-	-	-	-	-	-	-	-
	121,801,643	47,621,896	-	1,453,766	-	-	-	1,199,276	144,209	20,723,266	495,263,486

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Investments in Equity Instruments	Other Receivables	Total
	90,940,885	36,926,407	-	317,409	-	-	-	1,690,437	108,269	17,916,021	408,077,412
	51,486	-	-	2,352	-	-	-	-	5	1,621	21,262,680
	-	-	-	-	-	-	-	-	-	-	580,628
	-	-	-	-	-	-	-	-	-	-	18,223
	851	-	-	-	-	-	-	-	-	-	3,255,998
	214,851	4,987	-	8,932	-	-	-	-	16,177	106,908	5,037,112
	95,256	-	-	-	-	-	-	-	-	-	2,961,907
	-	-	-	-	-	-	-	-	-	-	-
	91,303,329	36,931,394	-	328,693	-	-	-	1,690,437	124,451	18,024,550	441,193,960

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3. Risk Profile by Sectors or Counterparties

Current Period Sectors/Counter Parties	Risk Classes								
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages
Agriculture	955	873	12,484	-	-	-	2,535,564	4,897,362	923,014
Farming and Stockbreeding	359	529	8,789	-	-	-	2,083,448	4,087,431	781,167
Forestry	596	9	17	-	-	-	292,976	161,127	16,607
Fishing	-	335	3,678	-	-	-	159,140	648,804	125,240
Manufacturing	59,644	4,306	24,574	-	-	-	72,711,951	7,624,224	1,282,114
Mining and Quarrying	-	28	20	-	-	-	5,281,465	136,470	10,155
Production	59,644	513	17,903	-	-	-	50,429,522	7,414,515	1,210,388
Electric, Gas and Water	-	3,765	6,651	-	-	-	17,000,964	73,239	61,571
Construction	-	19	32,953	-	-	-	32,414,489	4,164,129	823,346
Services	6,170,310	5,861	409,066	-	-	26,334,184	64,696,030	23,624,020	3,909,971
Wholesale and Retail Trade	113	1,315	4,005	-	-	-	19,728,420	16,449,171	2,189,105
Hotel Food and Beverage Services	671	95	3,878	-	-	-	3,818,691	1,414,294	422,841
Transportation and Telecommunication	1,213	636	262,693	-	-	-	8,145,651	2,558,014	431,149
Financial Institutions	5,983,839	760	23,238	-	-	25,053,482	13,710,545	399,463	2,005
Real Estate and Leasing Services	113,624	934	1,022	-	-	1,280,702	18,395,693	2,187,180	743,226
Self Employment Services	-	-	-	-	-	-	-	-	-
Education Services	68,494	14	98,139	-	-	-	336,916	214,021	29,998
Health and Social Services	2,356	2,107	16,091	-	-	-	560,114	401,877	91,647
Other	69,616,642	641,219	173,352	-	-	9,961,372	16,513,582	81,491,908	40,683,451
Total	75,847,551	652,278	652,429	-	-	36,295,556	188,871,616	121,801,643	47,621,896

Prepared with the numbers after conversion rate to credit and before credit risk reduction.

Risk Classes										
Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Investments in Equity Instruments ⁽³⁾	Other receivables	TL	FC	Total
-	15,941	-	-	-	-	-	354,858	8,233,364	507,687	8,741,051
-	15,298	-	-	-	-	-	350,881	7,135,750	192,152	7,327,902
-	202	-	-	-	-	-	1,040	235,186	237,388	472,574
-	441	-	-	-	-	-	2,937	862,428	78,147	940,575
-	40,886	-	-	-	-	-	180,431	34,217,961	47,710,169	81,928,130
-	706	-	-	-	-	-	33	1,129,681	4,299,196	5,428,877
-	40,151	-	-	-	-	-	180,238	28,498,568	30,854,306	59,352,874
-	29	-	-	-	-	-	160	4,589,712	12,556,667	17,146,379
-	26,716	-	-	-	52,385	-	36,474	14,526,065	23,024,446	37,550,511
-	303,154	-	-	-	1,146,891	144,209	287,228	63,148,306	63,882,618	127,030,924
-	182,064	-	-	-	-	-	58,802	31,423,049	7,189,946	38,612,995
-	115,343	-	-	-	-	-	5,933	2,243,004	3,538,742	5,781,746
-	1,521	-	-	-	-	-	19,566	4,223,912	7,196,531	11,420,443
-	-	-	-	-	268,569	143,781	197,735	13,075,382	32,708,035	45,783,417
-	3,686	-	-	-	878,322	-	4,576	10,638,060	12,970,905	23,608,965
-	-	-	-	-	-	-	-	-	-	-
-	166	-	-	-	-	-	169	587,950	159,967	747,917
-	374	-	-	-	-	428	447	956,949	118,492	1,075,441
-	1,067,069	-	-	-	-	-	19,864,275	171,174,231	68,838,639	240,012,870
-	1,453,766	-	-	-	1,199,276	144,209	20,723,266	291,299,927	203,963,559	495,263,486

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Prior Period Sectors/Counter Parties	Risk Classes									
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	
Agriculture	702	1,482	7,029	-	-	-	5,548,643	3,505,501	817,466	
Farming and Stockbreeding	207	401	6,838	-	-	-	5,134,000	3,052,231	701,481	
Forestry	495	19	15	-	-	-	289,016	95,127	24,753	
Fishing	-	1,062	176	-	-	-	125,627	358,143	91,232	
Manufacturing	61,780	1,878	34,153	-	-	-	58,742,461	5,001,098	1,273,596	
Mining and Quarrying	-	28	18	-	-	-	4,636,921	93,345	15,466	
Production	61,769	557	34,126	-	-	-	40,126,593	4,882,437	1,209,498	
Electric, Gas and Water	11	1,293	9	-	-	-	13,978,947	25,316	48,632	
Construction	2	17	35,024	-	-	-	24,751,829	2,484,734	1,197,335	
Services	4,706,730	3,191	359,674	-	-	37,671,538	45,771,291	14,339,452	4,523,846	
Wholesale and Retail Trade	194	974	5,266	-	-	-	16,161,645	9,956,769	1,979,728	
Hotel Food and Beverage Services	553	92	1,617	-	-	-	3,255,399	793,261	314,825	
Transportation and Telecommunication	1,135	230	240,829	-	-	-	7,833,000	1,717,855	308,005	
Financial Institutions	4,546,680	742	28,560	-	-	36,609,842	8,154,742	344,920	1,789	
Real Estate and Leasing Services	77,823	621	5,897	-	-	1,061,696	9,443,830	1,187,505	1,711,146	
Self Employment Services	-	-	-	-	-	-	5	-	-	
Education Services	71,623	13	57,499	-	-	-	206,370	117,682	40,692	
Health and Social Services	8,722	519	20,006	-	-	-	716,300	221,460	167,661	
Other	78,706,477	578,482	120,464	-	-	23,047,235	12,641,024	65,972,544	29,119,151	
Total	83,475,691	585,050	556,344	-	-	60,718,773	147,455,248	91,303,329	36,931,394	

Prepared with the numbers after conversion rate to credit and before credit risk reduction.

Risk Classes											
Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Investments in Equity Instruments ⁽³⁾	Other receivables	TL	FC	Total	
-	3,415	-	-	-	-	-	376,398	9,755,635	505,001	10,260,636	
-	2,068	-	-	-	-	-	372,845	9,147,991	122,080	9,270,071	
-	221	-	-	-	-	-	1,277	154,897	256,026	410,923	
-	1,126	-	-	-	-	-	2,276	452,747	126,895	579,642	
-	16,577	-	-	-	-	-	189,306	24,811,195	40,509,654	65,320,849	
-	111	-	-	-	-	-	228	871,956	3,874,161	4,746,117	
-	13,082	-	-	-	-	-	188,900	19,664,555	26,852,407	46,516,962	
-	3,384	-	-	-	-	-	178	4,274,684	9,783,086	14,057,770	
-	24,060	-	-	-	44,445	-	38,133	9,197,463	19,378,116	28,575,579	
-	23,109	-	-	-	1,629,184	124,451	85,707	73,781,636	35,456,537	109,238,173	
-	14,293	-	-	-	-	-	55,447	22,019,263	6,155,053	28,174,316	
-	1,861	-	-	-	-	-	5,327	1,568,326	2,804,609	4,372,935	
-	2,148	-	-	-	-	-	19,387	2,999,659	7,122,930	10,122,589	
-	2,419	-	-	-	1,409,018	124,052	728	40,819,172	10,404,320	51,223,492	
-	1,811	-	-	-	220,166	-	3,883	5,314,326	8,400,052	13,714,378	
-	-	-	-	-	-	-	-	-	5	5	
-	128	-	-	-	-	-	245	396,355	97,897	494,252	
-	449	-	-	-	-	399	690	664,535	471,671	1,136,206	
-	261,532	-	-	-	16,808	-	17,335,006	158,909,402	68,889,321	227,798,723	
-	328,693	-	-	-	1,690,437	124,451	18,024,550	276,455,331	164,738,629	441,193,960	

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4. Analysis of Maturity-Bearing Exposures According to Remaining Maturities

Exposure Classifications	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	1,387,023	317,877	361,058	3,649,803	70,131,790
Conditional and unconditional exposures to regional governments or local authorities	18,243	21	-	77,433	556,581
Conditional and unconditional receivables from administrative units and non-commercial enterprises	13,280	2,694	8,350	131,817	496,288
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	17,779,569	7,053,443	2,657,175	3,126,047	5,679,322
Conditional and unconditional exposures to corporates	1,836,284	4,482,760	3,499,798	46,853,190	132,199,584
Conditional and unconditional retail exposures	1,080,347	318,001	796,283	30,696,020	88,910,992
Conditional and unconditional exposures secured by real estate property	1,658	13,096	17,770	6,269,599	41,319,773
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	320,539	9,066	108,711	246,153	769,297
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	91,131	-	-	31,268	1,076,877
Investments in Equity Instruments	-	-	-	-	144,209
Grand Total	22,528,074	12,196,958	7,449,145	91,081,330	341,284,713

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

Grades of Fitch Ratings International Rating Agency and The Islamic International Rating Agency (IIRA) are used in determining risk weights for risk classes being used rating grade of risk classes indicated in article 6 of Communiqué on “Measurement and Assessment of Capital Adequacy of Banks”. Counter parties resident are accepted as “gradeless” and take risk weight suited for “gradeless” category in relevant risk class.

For determination of risk weight regarding items that export or issuer rating not included to purchase/sale accounts is firstly considered to export rating, and also issuer’s credit rating is considered in the absence of export rating.

5. Exposures by Risk Weights

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1 Exposures before Credit Risk Mitigation	69,031,962	-	16,210,820	-	40,924,004	167,535,150	200,107,784	1,453,766	-	-	-	617,237
2 Exposures after Credit Risk Mitigation	98,399,031	-	10,790,410	40,264,374	50,833,939	108,105,150	185,417,955	1,452,627	-	-	-	617,237

Prepared with the numbers after conversion rate to credit.

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6. Information in Terms of Major Sectors and Type of Counterparties

Impaired Credits

Impaired credits are the credits that were deemed to be impaired because of the credibility or delaying more than 90 days as of the end of the reporting period. For these credits “Specific Provision” calculation is made within the scope of Regulation on Provisions.

Past Due Credits

Past due credits are the credits whose maturity delayed up to 90 days as of the end of the reporting period but not incurred to impairment. For these credits “General Provision” calculation is made within the scope of Regulation for Provisions.

	Credits			
	Impaired Credits	Past Due Credits	Value Adjustments ^(*)	Provisions
Agriculture	685,172	1,192,641	44,518	466,542
Farming and Stockbreeding	678,882	1,186,381	44,284	460,252
Forestry	3,140	4,301	161	3,140
Fishery	3,150	1,959	73	3,150
Manufacturing	961,019	806,177	29,740	961,019
Mining and Quarrying	15,292	8,511	295	15,292
Production	930,922	604,988	22,253	930,922
Electricity, Gas and Water	14,805	192,678	7,192	14,805
Construction	997,569	461,872	17,061	990,908
Services	1,195,192	2,046,428	70,890	1,195,192
Wholesale and Retail Trade	977,823	1,222,626	42,310	977,823
Accommodation and Dining	50,878	325,123	10,247	50,878
Transportation and Telecom.	58,676	86,017	3,211	58,676
Financial Institutions	5,348	8,468	105	5,348
Real Estate and Rental Services	70,307	203,605	7,560	70,307
Professional Services	235	809	-	235
Educational Services	14,938	24,339	908	14,938
Health and Social Services	16,987	175,441	6,549	16,987
Other	1,190,015	994,037	74,108	1,189,820
Total	5,028,967	5,501,155	236,317	4,803,481

^(*) Valuation adjustments represent general provisions reserved for overdue loans.

7. Information about Value Adjustment and Change in Provisions

		Opening Balance	Provisions Set in Current Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	4,129,041	1,226,192	(551,752)	-	4,803,481
2	General Provisions	4,042,425	1,605,626	(12,853)	-	5,635,198

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The table below shows the maximum credit sensitivity of financial statement items.

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	1,467,863	1,719,571
Banks	5,632,140	4,320,066
Interbank Money Market Placements	132,385	252,944
Available-for-sale Financial Assets	63,638,231	59,128,214
Held-to-maturity Investments	7,625,763	8,794,915
Loans	317,020,488	244,074,345
Other Assets	2,186,895	2,272,834
Total credit risk exposure of balance sheet items	397,703,765	320,562,889
Financial Guarantees	102,326,622	82,721,115
Commitments	35,009,539	24,849,932
Total credit risk exposure of off-balance sheet items	137,336,161	107,571,047
Total credit risk exposure	535,039,926	428,133,936

8 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	5,632,140	-	5,632,140	4,320,066	-	4,320,066
Financial Assets at Fair Value Through Profit or Loss	1,467,863	-	1,467,863	1,719,571	-	1,719,571
Loans	311,293,848	5,501,154	316,795,002	239,371,301	4,451,595	243,822,896
Corporate/Entrepreneurial Loans	172,508,184	3,451,287	175,959,471	130,127,678	2,405,053	132,532,731
Consumer Loans	85,552,624	858,408	86,411,032	64,001,050	1,071,525	65,072,575
Specialized Loans	53,233,040	1,191,459	54,424,499	45,242,573	975,017	46,217,590
Available-for-sale Financial Assets	63,638,231	-	63,638,231	59,128,214	-	59,128,214
Held-to-maturity Investments	7,625,763	-	7,625,763	8,794,915	-	8,794,915

Carrying amount of financial assets which maturity or agreement terms have been renegotiated by managements of the Parent Bank and other subsidiaries are below.

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Loans ^(*)	11,442,115	8,113,296
Corporate/Entrepreneurial Loans	4,385,615	3,081,574
Consumer Loans	1,560,437	1,397,886
Specialized Loans	5,496,063	3,633,836
Other	-	-
Available-for-sale Financial Assets	-	-
Held-to-maturity Investments	-	-

^(*) Accruals amounting to TL 509,525 are not included.

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III. RISKS INCLUDING THE CAPITAL CAPACITY BUFFER CALCULATIONS

Country	Banking Accounts	Trading Accounts	TOTAL
	RWA	RWA	
Bosnia and Herzegovina	3,590,608	-	3,590,608
Germany	2,301,506	3,502	2,305,008
USA	2,221,782	2,949	2,224,731
United Kingdom	948,706	872,493	1,821,199
Kazakhstan	591,988	-	591,988
Iraq	586,744	-	586,744
France	367,879	205,576	573,455
Uzbekistan	470,348	-	470,348
Holland	392,178	54,228	446,406
Turkish Republic of Northern Cyprus	417,619	1,327	418,946
Other	3,146,990	66,587	3,213,577

IV. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

1. Whether the Parent Bank is Exposed to Foreign Currency Risk, Whether the Effects of This Matter Are Estimated, Whether Limits for The Daily Followed Positions are Determined by the Board of Directors

The Parent Bank's policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Parent Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, VaR (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 under the authorization of the Board of Directors.

2. Hedge Against Foreign Exchange Debt Instruments and Net Foreign Exchange Investments by Hedging Derivative Instruments, If Material

None.

3. Management Policy for Foreign Currency Risk

“Liquidity Gap Analysis”, “Reprising Gap Analysis” and “Structural Liquidity Gap Analysis” which takes into account historical reprising rates of foreign currency accounts, are prepared periodically in order to define liquidity and interest rate risks at US Dollar and Euro, which are mainly used by the Parent Bank in its operations. Also, daily VaR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders' Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

4. Current Foreign Exchange Bid Rates of The Parent Bank for the Last 5 Business Days Prior to the Financial Statement Date

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
25.12.2017	3.7897	4.4965	2.9291	0.6047	0.4544	3.8346	2.9786	0.4551	5.0676	1.0106	3.3466
26.12.2017	3.7898	4.4993	2.9265	0.6044	0.4544	3.8327	2.9834	0.4541	5.0628	1.0106	3.3464
27.12.2017	3.8030	4.5267	2.9534	0.6081	0.4593	3.8488	3.0108	0.4577	5.1013	1.0141	3.3566
28.12.2017	3.7559	4.4876	2.9274	0.6029	0.4561	3.8385	2.9818	0.4539	5.0510	1.0016	3.3291
29.12.2017	3.7748	4.5268	2.9449	0.6072	0.4595	3.8657	3.0019	0.4587	5.0991	1.0051	3.3504
31.12.2017	3.7748	4.5268	2.9449	0.6072	0.4595	3.8657	3.0019	0.4587	5.0991	1.0051	3.3504

5. Simple Arithmetic Average of the Parent Bank's Current Foreign Exchange Bid Rates for the Last 30 Days Prior to the Balance Sheet Date

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
3,8240	4.5266	2.9256	0.6082	0.4560	3.8713	2.9973	0.4592	5.1258	1.0196	3.3865

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6. Information on the Foreign Currency Risk of the Group

	EUR	USD	Other FC	Total
Current Period				
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	9,695,055	21,830,193	9,417,554	40,942,802
Banks	992,355	1,554,604	711,952	3,258,911
Financial Assets at Fair Value Through Profit and Loss ⁽⁴⁾	-	14,221	32,336	46,557
Money Market Placements	-	4,827	87,436	92,263
Financial Assets Available-for-Sale	4,147,890	13,453,249	75,512	17,676,651
Loans ⁽¹⁾	37,869,334	49,521,771	2,404,215	89,795,320
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) ⁽³⁾	-	52,036	1,168	53,204
Investments Held-to-Maturity	668,717	4,092,857	585	4,762,159
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	12,067	249	131,793	144,109
Intangible Assets	18,234	493	18,429	37,156
Other Assets ⁽⁵⁾	2,230,275	1,007,003	107,705	3,344,983
Total Assets ⁽⁴⁾	55,633,927	91,531,503	12,988,685	160,154,115
Liabilities				
Interbank Deposits	5,900,445	4,486,387	245,529	10,632,361
Foreign Currency Deposits	60,769,152	36,812,564	7,341,124	104,922,840
Money Market Borrowings	374,971	12,725,398	19,335	13,119,704
Funds Provided from Other Financial Institutions	8,145,101	21,206,531	3,565	29,355,197
Issued Marketable Securities	45,724	9,094,163	36,346	9,176,233
Sundry Creditors	1,586,036	52,403	30,280	1,668,719
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	359,525	359,919	105,706	825,150
Total Liabilities	77,180,954	84,737,365	7,781,885	169,700,204
Net Balance Sheet Position	(21,547,027)	6,794,138	5,206,800	(9,546,089)
Net Off-Balance Sheet Position ⁽²⁾	22,012,420	(9,288,810)	(3,168,835)	9,554,775
Financial Derivative Assets	26,541,737	17,055,288	2,548,157	46,145,182
Financial Derivative Liabilities	4,529,317	26,344,098	5,716,992	36,590,407
Non-Cash Loans	26,178,914	35,515,822	4,564,048	66,258,784
Prior Period				
Total Assets	43,032,975	79,657,615	9,112,394	131,802,984
Total Liabilities	58,372,001	59,133,108	4,881,157	122,386,266
Net Balance Sheet Position	(15,339,026)	20,524,507	4,231,237	9,416,718
Net Off-Balance Sheet Position ⁽²⁾	14,918,785	(22,310,574)	(2,618,075)	(10,009,864)
Financial Derivative Assets	17,015,895	7,710,930	2,593,074	27,319,899
Financial Derivative Liabilities	2,097,110	30,021,504	5,211,149	37,329,763
Non-Cash Loans	19,785,282	32,994,991	3,863,978	56,644,251

⁽¹⁾ TL 2,021,754 equivalent of USD, TL 2,165,005 equivalent of EUR and TL 2,040 equivalent of GBP loans are originated as foreign currency indexed loans (31 December 2016: TL 1,290,033 equivalent of USD and TL 1,335,293 equivalent of EUR).

⁽²⁾ Indicates the net balance of receivables and payables on derivative financial instruments.

⁽³⁾ The foreign currency capital investments to Subsidiaries, Associates and Joint Ventures are evaluated with historical rates on the date of the fair value determination and capital investments made in the subsequent periods are evaluated with the rates on the date of the capital investment and followed with TL currency equivalents. No exchange rate difference arises from such investments.

⁽⁴⁾ Derivative financial assets held for trading and liabilities are not included in the table.

⁽⁵⁾ Prepaid expenses amounting TL 26,530 among other expenses are not included in the table.

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V. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK

1. Information Related to Interest Rate Sensitivity Of Assets, Liabilities and Off-Balance Sheet Items

(Based on days to repricing dates)

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	34,986,464	-	-	-	-	11,233,873	46,220,337
Banks	2,587,026	1,110,786	53,308	-	-	1,881,020	5,632,140
Financial Assets at Fair Value Through Profit and Loss	650,931	466,520	282,567	62,631	5,010	204	1,467,863
Money Market Placements	132,385	-	-	-	-	-	132,385
Financial Assets Available-for-Sale	4,475,074	6,406,801	14,676,889	16,496,888	20,572,603	1,009,976	63,638,231
Loans Given ⁽⁴⁾	80,254,771	22,495,445	77,822,618	109,794,406	26,427,762	225,486	317,020,488
Investments Held-to-Maturity	2,841,118	38,661	1,314,541	1,628,610	1,802,833	-	7,625,763
Other Assets ⁽³⁾	202,210	222,845	637,881	1,478,947	313,647	12,333,392	15,188,922
Total Assets ⁽¹⁾	126,129,979	30,741,058	94,787,804	129,461,482	49,121,855	26,683,951	456,926,129
Liabilities							
Interbank Deposits	8,208,140	2,058,662	2,903,605	75,510	-	2,104,256	15,350,173
Other Deposits	137,118,504	26,369,070	31,962,941	2,134,968	128,701	69,505,256	267,219,440
Money Market Borrowings	52,098,847	1,842,847	1,524,704	843,125	-	-	56,309,523
Sundry Creditors	20,832	-	11,339	-	-	4,111,219	4,143,390
Issued Marketable Securities	1,037,916	2,031,130	1,369,741	7,147,958	1,887,400	135	13,474,280
Funds Provided from Other Financial Institutions	4,371,514	7,108,659	15,502,599	3,126,560	1,008,921	-	31,118,253
Other Liabilities ^{(2) (5)}	1,377,415	297,811	430,455	6,571,837	19,889	60,613,663	69,311,070
Total Liabilities ⁽¹⁾	204,233,168	39,708,179	53,705,384	19,899,958	3,044,911	136,334,529	456,926,129
Balance Sheet Long Position	-	-	41,082,420	109,561,524	46,076,944	-	196,720,888
Balance Sheet Short Position	(78,103,189)	(8,967,121)	-	-	-	(109,650,578)	(196,720,888)
Off-Balance Sheet Long Position	793,471	1,712,937	-	-	-	-	2,506,408
Off-Balance Sheet Short Position	319,906	314,728	(9,626)	(1,113,533)	-	-	(488,525)
Total Position	(76,989,812)	(6,939,456)	41,072,794	108,447,991	46,076,944	(109,650,578)	2,017,883

⁽¹⁾ Balances without fixed maturity are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.⁽²⁾ TL 5,972,568 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the "1 - 5 Years" column TL 58,007 of fund balance is not granted as loan and is shown under the "Non-Interest Bearing" column.⁽³⁾ Deferred tax asset is shown under the "Non-Interest Bearing" column.⁽⁴⁾ Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in loans given.⁽⁵⁾ Total shareholders' equity is shown under the "Non-Interest Bearing" column. (Based on days to repricing dates)

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	26,781,761	-	-	-	-	13,863,744	40,645,505
Banks	1,477,014	428,485	52,425	-	-	2,362,142	4,320,066
Financial Assets at Fair Value Through Profit and Loss	557,806	715,937	377,618	63,530	4,433	247	1,719,571
Money Market Placements	252,944	-	-	-	-	-	252,944
Financial Assets Available-for-Sale	6,262,067	6,231,045	10,886,839	16,553,494	18,466,636	728,133	59,128,214
Loans Given	71,989,277	19,739,060	54,872,411	77,739,693	19,482,455	251,449	244,074,345
Investments Held-to-Maturity	3,616,855	830,145	71,144	2,594,090	1,682,681	-	8,794,915
Other Assets	185,447	167,603	603,548	1,421,095	183,447	10,385,225	12,946,365
Total Assets	111,123,171	28,112,275	66,863,985	98,371,902	39,819,652	27,590,940	371,881,925
Liabilities							
Interbank Deposits	6,867,493	1,597,664	2,014,652	-	-	1,496,123	11,975,932
Other Deposits	116,331,186	25,869,031	22,188,911	1,412,078	119,357	55,015,498	220,936,061
Money Market Borrowings	41,796,418	3,747,109	1,085,940	716,162	-	-	47,345,629
Sundry Creditors	32,684	22,243	26,398	1,089	-	2,484,487	2,566,901
Issued Marketable Securities	836,455	1,468,491	391,680	4,374,125	-	-	7,070,751
Funds Provided from Other Financial Institutions	4,098,207	4,683,460	11,771,437	2,443,385	1,430,040	-	24,426,529
Other Liabilities	1,082,103	511,427	565,202	6,511,950	33,307	48,856,133	57,560,122
Total Liabilities	171,044,546	37,899,425	38,044,220	15,458,789	1,582,704	107,852,241	371,881,925
Balance Sheet Long Position	-	-	28,819,765	82,913,113	38,236,948	-	149,969,826
Balance Sheet Short Position	(59,921,375)	(9,787,150)	-	-	-	(80,261,301)	(149,969,826)
Off Balance Sheet Long Position	808,683	2,200,356	-	-	-	-	3,009,039
Off Balance Sheet Short Position	-	-	(373,698)	(1,428,568)	-	-	(1,802,266)
Total Position	(59,112,692)	(7,586,794)	28,446,067	81,484,545	38,236,948	(80,261,301)	1,206,773

⁽¹⁾ Balances without fixed maturity are shown in the “Up to 1 Month” and “Non-Interest Bearing” columns.⁽²⁾ TL 5,950,057 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the “1 - 5 Years” column. TL 70,782 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.⁽³⁾ Deferred tax asset is shown under the “Non-Interest Bearing” column.⁽⁴⁾ Net balance of loans under follow-up is shown under the “Non-Interest Bearing” column in loans given.⁽⁵⁾ Total shareholders' equity is shown under the “Non-Interest Bearing” column.

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2. Average Interest Rate Applied to the Monetary Financial Instruments (Represents the Values Belonging to the Parent Bank) (%)

	EUR	USD	JPY	TL
Current Period				
Assets				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾	-	0.81	-	3.99
Banks	0.42	2.28	-	12.28
Financial Assets at Fair Value Through Profit and Loss	-	5.36	-	10.72
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.74	5.61	-	9.90
Loans Given ⁽²⁾	4.51	6.02	-	13.44
Investments Held-to-Maturity	6.63	7.20	-	11.05
Liabilities				
Interbank Deposits ⁽³⁾	0.48	1.57	-	12.47
Other Deposits ⁽⁴⁾	1.05	1.73	-	7.67
Money Market Borrowings	0.92	2.44	-	12.74
Sundry Creditors	-	-	-	-
Issued Marketable Securities	1.00	4.74	1.50	13.72
Funds Provided from Other Financial Institutions	1.21	3.02	-	10.51

⁽¹⁾ The ratio on TL column denotes the interest rates applied for required reserve at CBRT.⁽²⁾ Credit card loan balances are not included.⁽³⁾ Rates shown in the table are calculated by using the annual domestic simple interest rates, except for foreign currency interbank deposits.⁽⁴⁾ Rates include also demand deposit data.

	EUR	USD	JPY	TL
Prior Period				
Assets				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾	0.03	0.49	-	3.36
Banks	1.56	2.82	-	8.44
Financial Assets at Fair Value Through Profit and Loss	-	5.36	-	7.98
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.73	5.64	-	9.20
Loans Given ⁽²⁾	4.30	5.52	-	12.82
Investments Held-to-Maturity	6.48	7.20	-	9.75
Liabilities				
Interbank Deposits ⁽³⁾	0.45	1.09	-	8.24
Other Deposits ⁽⁴⁾	0.94	1.14	-	6.52
Money Market Borrowings	0.95	1.82	-	8.55
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	4.37	-	9.77
Funds Provided from Other Financial Institutions	0.92	2.23	-	8.38

⁽¹⁾ The ratio on TL column denotes the interest rates applied for required reserve at CBRT.⁽²⁾ Credit card loan balances are not included.⁽³⁾ Rates shown in the table are calculated by using the annual domestic simple interest rates, except for foreign currency interbank deposits.⁽⁴⁾ Rates include also demand deposit data.

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VI. EXPLANATIONS ON THE POSITION RISK OF CONSOLIDATED EQUITY SECURITIES

1. Equity Securities Position Risk Derived from Banking Books

Comparison with the Market Value if the Market Value Is Significantly Different from the Fair Value for Balance Sheet, Fair And Market Values of Equity Shares

Current Period	Comparison		
	Balance Sheet Value	Fair Value	Market Value
Investments in Equity Instruments			
1. Investment in Equity Instruments Group A	-	-	-
Traded on Stock Exchange	-	-	-
2. Investment in Equity Instruments Group B	-	-	-
Traded on Stock Exchange	-	-	-
3. Investment in Equity Instruments Group C	-	-	-
Traded on Stock Exchange	-	-	-
4. Investment in Equity Instruments Group Other	-	-	-
Other ^(*)	144,209	144,209	-

^(*) The market values are taken into account as fair values because the equity investments are not traded in the stock exchange.

Prior Period	Comparison		
	Balance Sheet Value	Fair Value	Market Value
Investments in Equity Instruments			
1. Investment in Equity Instruments Group A	-	-	-
Traded on Stock Exchange	-	-	-
2. Investment in Equity Instruments Group B	-	-	-
Traded on Stock Exchange	-	-	-
3. Investment in Equity Instruments Group C	-	-	-
Traded on Stock Exchange	-	-	-
4. Investment in Equity Instruments Group Other	-	-	-
Other ^(*)	124,451	124,451	-

^(*) The market values are taken into account as fair values because the equity investments are not traded in the stock exchange.

The Breakdown of Capital Requirements on The Basis of Related Investments in Equity Instruments Depending on the Method of the Calculation of Capital Requirement Which Is Chosen By Bank Among Approaches That Are Allowed to be Used Within the Communiqué Regarding Credit Risk Standard Method or the Calculation Of Counterparty Credit Risk Based Upon Interior Rating Approaches

The investments in equity instruments, partaking in banking accounts according to the credit risk standard method, are amounted TL 144,209 and 100% of them are risk weighted. (31 December 2016: are amounted TL 124,451 and 100% of them are risk weighted).

VII. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND CONSOLIDATED LIQUIDITY COVERAGE RATIO

General principles of liquidity and financial emergency situation management and the related application procedures are considered in the scope of “Regulation for Liquidity Risk and Liquidity and Financial Emergency Situation Management”.

The Parent Bank performs “Remaining Maturity Analysis” for the observation of the maturity structure of the balance sheet, “Liquidity Gap” and “Structural Liquidity Gap Analysis” for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Parent Bank’s liquidity and in the worst case scenario and the loss associated with it. The renewal of deposits which constitutes the Parent Bank’s most crucial funding resource is monitored on a daily basis. Besides, in order to compare the Bank’s level of liquidity risk with the sector, average remaining maturity structure of Bank-Sector and legal liquidity rates are monitored.

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1. Liquidity Risk

Explanations Related to the Liquidity Risk Management Including the Parent Bank’s Risk Capacity, Responsibilities and Structure of Liquidity Risk Management, Reporting of Liquidity Risk in Internal Banking, The Strategy of Liquidity Risk and How to Provide the Communication of Policies and Implementations with Board of Directors and Business Lines

The Parent Bank’s risk capacity, risk appetite, responsibilities and tasks of liquidity risk management and share issues of points related liquidity risk management with bank network are explained in “Regulations of Risk Management, Stress Test Program and Isedes Regulations” of the Parent Bank. In this context, liquidity risk strategies, policies and their implementations are published in periodically on weeks, months and years with all of the units with board directors in bank. Moreover, analyses done and reports are handled in the Assets-Liability Commission Conferences, Board of Director is informed by Audit Commission.

Liquidity Management and the Degree of Centralization of Fund Strategies, the Information about the Procedure Between Bank and the Partners of Bank

Continuously the information exchange is actualized about the liquidity need and surpluses between the Parent Bank and its partners, the compulsory directions and treats are moderated by Treasury Management and International Banking Assistant General Management to direct liquidity risk and surpluses in effective way.

Explanation Related to Policies Regarding Fund Resources Times Variations of Funding Strategy of Bank

The Parent Bank’s fundamental funding resources are deposits, the strategy of preserving the common base structure of deposits are sustained. Moreover, within the diversification strategy of resources structure, long-term and appropriate costed resources rate that are out of deposits are aimed to be raised. In the resources out of deposits; repurchase agreements, post finance, syndication credits, credits assured by international finance associations, exported securities, capital market transactions and credits taken by bilateral agreements are placed.

Explanation Related to Liquidity Management as Currencies Forming at Least 5 Percentage of Aggregate Liabilities of the Parent Bank

The Parent Bank’s total liabilities are consisted of mostly TL, USD and EUR currencies. Besides these currencies, valid for other currencies, daily and long-term cash flows are pursued and liquidity management is formed in effective way by some projections are being performed regarding future.

Information Related to the Techniques about the Reduction of Current Liquidity Risk

The Parent Bank’s source of funds is mainly formed of deposits. The Parent Bank’s deposits do not fluctuate considerably in line with the broadly dispersed customer network. Besides, in order to increase the fund range and decrease the maturity gap between assets and liabilities, giving weight to liabilities other than deposits such as bond/bill issuance, repo and funds borrowed.

As for the asset side of the Parent Bank, within the scope of reformatting short-term cash cycle, dissonance reducing the maturity of asset and liability, the policy for shortening the average maturity on loans being pursued.

Explanation Regarding the Usage of the Stress Test

In the presence of unexpected negative circumstances, stress tests being done in order to test the endurance of the Parent Bank. These actions have been shared with key management and all related units for the purpose of taking necessary precautions. Additionally, stress tests also taken into consideration on subjects like the Parent Bank’s estimated financial position for the next period, the progress of legal ratios and the liquidity need in short and long term as part of budget practices.

General Information on Liquidity Urgent and Unexpected Situation Plan

The internal and external sources which can be used in an emergency case to satisfy the liquidity need are periodically followed and the borrowing limits of the Parent Bank from organized market and other banks are on the level where they meet the structural liquidity deficits on different maturity segments. The Parent Bank lines off its exposition to liquidity risk by limits that are approved from Board of Directors and within the frame of “Regulation on Risk Management, Stress Test Program and the Parent Bank’s Internal Capital Adequacy Assessment Process (ICAAP)”.

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2. Liquidity Coverage Ratio

Within the framework of “Regulation on Calculation of Liquidity Covered Rate of Banks” published in the Official Gazette dated 21 March 2014 and numbered 28948 by the BRSA, the Parent Bank calculates the Liquidity Cover Rate and transmits it to the BRSA on a monthly basis. In the last three months (October, November, December) the consolidation ratios were respectively for FC 181.79% and for the total 96.49% at October; for FC 199.41% and for the total 92.73% at November; for FC 207.67% and for the total 86.31% at December (31 December 2016: In the last three months, the consolidation ratios were respectively for FC 86.61% and for the total 81.65% at October; for FC 92.29% and for the total 76.33% at November; for FC 102.33% and for the total 77.90% at December).

Current Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			51,969,108	42,724,037
Cash Outflows				
Retail and Small Business Customers, of which;	183,599,877	73,938,183	15,184,556	7,393,818
Stable deposits	63,508,627	-	3,175,431	-
Less stable deposits	120,091,250	73,938,183	12,009,125	7,393,818
Unsecured wholesale funding, of which;	87,300,313	35,897,745	47,013,225	21,610,215
Operational deposit	5,207,052	651,604	1,301,763	162,901
Non-operational deposits	66,176,640	26,149,586	30,641,992	13,170,168
Other unsecured funding	15,916,621	9,096,555	15,069,470	8,277,146
Secured funding			-	-
Other cash outflows, of which;	40,073,487	10,183,005	10,396,630	6,002,182
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2,470,900	2,833,447	2,470,900	2,833,447
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	37,602,587	7,349,558	7,925,730	3,168,735
Other revocable off-balance sheet commitments and contractual obligations	244,960	217,867	12,248	10,893
Other irrevocable or conditionally revocable off-balance sheet obligations	39,616,655	27,946,305	2,465,677	1,815,226
Total Cash Outflows			75,072,336	36,832,334
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	25,040,855	7,349,811	17,444,144	5,913,101
Other cash inflows	1,059,177	9,126,013	1,056,421	9,123,257
Total Cash Inflows	26,100,032	16,475,824	18,500,565	15,036,358
			Total Adjusted Value	
Total HQLA Stock			51,969,108	42,724,037
Total Net Cash Outflows			56,571,771	21,795,976
Liquidity Coverage Ratio (%)			91.86	196.02

⁽¹⁾ Simple arithmetic average for the last three months calculated by the monthly simple arithmetic average values.

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Prior Period	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			47,060,923	26,647,052
Cash Outflows				
Retail and Small Business Customers, of which;	143,898,400	51,675,017	11,622,939	5,167,502
Stable deposits	55,338,033	-	2,766,902	-
Less stable deposits	88,560,367	51,675,017	8,856,037	5,167,502
Unsecured wholesale funding, of which;	80,482,580	24,151,123	46,653,885	16,242,578
Operational deposit	1,687,101	291,581	421,775	72,895
Non-operational deposits	67,505,167	17,490,912	34,986,034	9,818,460
Other unsecured funding	11,290,312	6,368,630	11,246,076	6,351,223
Secured funding			-	-
Other cash outflows, of which;	20,783,315	13,237,304	5,963,394	11,556,687
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2,133,363	10,295,383	2,133,363	10,295,383
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	18,649,952	2,941,921	3,830,031	1,261,304
Other revocable off-balance sheet commitments and contractual obligations	39,627	21,913	1,981	1,096
Other irrevocable or conditionally revocable off-balance sheet obligations	40,843,572	24,557,903	9,739,071	3,337,772
Total Cash Outflows			73,981,270	36,305,635
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	17,850,713	7,875,744	12,618,858	6,975,435
Other cash inflows	1,480,005	780,641	1,465,414	766,050
Total Cash Inflows	19,330,718	8,656,385	14,084,272	7,741,485
			Total Adjusted Value	
Total HQLA Stock			47,060,923	26,647,052
Total Net Cash Outflows			59,896,998	28,564,150
Liquidity Coverage Ratio (%)			78.57	93.29

(*) Simple arithmetic average for the last three months calculated by the monthly simple arithmetic average values.

3. Minimum Statements Concerning Liquidity Coverage Ratio by Banks

Important Points Affecting the Results of Liquidity Coverage Ratio and the Changes of the Considered Items in the Course of Time to Calculate This Ratio

Bank deposit, which has not a fluctuant structure, together with constituting an important part of its sources and liquidity coverage ratio, in proportion to other deposits, public deposits can cause periodic changes within total deposits. When comparing with the prior period, the percentage of the total deposit in financial statement does not change and has an increasing sail.

As well as its low turn into cash ratio, since the non-cash loans has a remarkable extent in proportion to financial statement, they have an influence on the calculation of liquidity coverage ratio. Comparing to previous periods, non-cash loans are tend to increase.

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As a warrant of increasing repo transactions in time, bond and bill has been used which issuance by the Republic of Turkey Prime Ministry Undersecretariat of Treasury. Making repo transactions with these securities that consisting a huge part of the security portfolio, affect free securities which are accepted in high quality liquid asset classification in calculation of liquidity coverage ratio. Since the securities used in repo transactions lose the characteristic of being free, even if all other conditions fulfilled, they are not considered as high quality liquid asset.

High Quality Liquid Assets are Comprised to Which Items

All of the high-quality liquid assets of the calculation of Liquidity Coverage Ratio are First Quality Liquid Assets. These; cash, the accounts in Central Bank, reserve requirements and securities from the portfolio (The important part of bonds and T-bills issued by Republic of Turkey Prime Ministry Undersecretariat of Treasury, other bonds).

Funds are Comprised of Which Items and Their Volume in All Funds

The major part of the resources of funds in Bank is comprised of deposits, the remaining is divided according to their share in the balance sheet as repo, borrowings, and issued securities.

Information about Cash Out-Flows Arising from Derivative Operations and Margin Operations Likely to Processing

Derivative operations in Bank are carried out on the purpose of protection from the risks that may exist or occur in the balance sheet, liquidity management, or meet customer demand. Customer operations are carried out under the “Framework Agreement on Purchase and Sale of Derivative Instruments” or ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) with additional, as well as operations performed by the banks is performed again ISDA and CSA contracts signed. Operations performed under the said contracts in the determined periods are subject to daily market valuation and additional collateralization as cash. Operations could create additional collateral input or output depending on market valuation.

The Concentration Limits Regarding Collateral and Counterparty and Product Based Fund Resources

For the counterparty and product based concentration limits are determined under “Regulation on Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (ICAAP)” with the approval of The Bank’s Top Management. These limits are followed in particular frequency. Besides, It has reported to the relevant units and The Bank’s Top Management. There is no excess regarding the limits during operating period.

Liquidity Risk And Needed Funding on The Basis of the Bank Itself, the Branches in Foreign Countries and the Partnerships Consolidated by Considering Operational and Legal Factors Preventing Liquidity Transfer

The needed and surplus of liquidity of the branches in foreign countries of the Parent Bank and partnerships consolidated are followed and managed regularly. There is no constraint of operational and legal factors preventing liquidity transfer. In the analysis made, it is observed that the impact of the foreign branches and subsidiaries on the Parent Bank’s liquidity structure remain limited comparing to the size of the balance sheet. The need and surplus of the liquidity is encountered properly between partnerships, as well as the branches abroad.

Explanations of Cash in-Flow And Cash Out-Flow Items That are Considered to be Related to Liquidity Profile of the Bank and to be Placed on the Calculation of Liquidity Coverage Ratio But Not on the Second Paragraph of the Disclosure Template

All items on the calculation of liquidity coverage ratio are included in calculation in aggregated form on the table. In this context, there is no point included in the calculation of liquidity coverage ratio and not included in the disclosure template.

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4. Presentation of Assets and Liabilities According to Their Remaining Maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed ^{(1) (2)}	Total
Current Period								
Assets								
Cash (Cash in vault, effectives, Money in transit, cheques purchased) and Balances with the Central Bank of Turkey	44,899,868	1,320,469	-	-	-	-	-	46,220,337
Banks	1,881,020	2,574,567	1,123,245	53,308	-	-	-	5,632,140
Financial Assets at Fair Value Through Profit and Loss	204	650,930	609,322	132,851	57,074	5,011	12,471	1,467,863
Money Market Placements	-	132,385	-	-	-	-	-	132,385
Financial Assets Available-for-Sale	62,401	304,508	1,535,034	6,247,687	23,378,405	31,146,284	963,912	63,638,231
Loans Given	-	12,619,158	20,021,874	108,426,306	136,421,696	37,779,465	1,751,989	317,020,488
Investments Held-to-Maturity	-	1,134,478	38,661	1,314,541	3,335,250	1,802,833	-	7,625,763
Other Assets	4,075,589	193,219	300,553	587,907	1,570,962	363,352	8,097,340	15,188,922
Total Assets	50,919,082	18,929,714	23,628,689	116,762,600	164,763,387	71,096,945	10,825,712	456,926,129
Liabilities								
Interbank Deposits	2,104,256	8,208,140	2,058,662	2,903,605	75,510	-	-	15,350,173
Other Deposits	69,505,256	137,110,843	26,399,245	31,844,494	2,199,022	160,580	-	267,219,440
Funds Provided from Other Financial Institutions	-	1,436,655	4,286,456	16,673,023	6,071,384	2,650,735	-	31,118,253
Money Market Borrowings	-	52,098,847	1,842,847	1,524,704	843,125	-	-	56,309,523
Issued Marketable Securities	-	1,037,916	2,024,684	1,351,793	7,172,352	1,887,400	135	13,474,280
Sundry Creditors	2,545,305	1,550,908	-	11,339	-	-	35,838	4,143,390
Other Liabilities ⁽³⁾	5,899,394	899,574	728,373	402,335	6,571,837	1,335,437	53,474,120	69,311,070
Total Liabilities	80,054,211	202,342,883	37,340,267	54,711,293	22,933,230	6,034,152	53,510,093	456,926,129
Liquidity Gap	(29,135,129)	(183,413,169)	(13,711,578)	62,051,307	141,830,157	65,062,793	(42,684,381)	-
Net Off-Balance Sheet Position	-	289,511	(50,634)	(18,587)	520,911	-	-	741,201
Financial Derivative Assets	-	31,372,193	5,138,945	4,045,596	2,487,182	-	-	43,043,916
Financial Derivative Liabilities	-	31,082,682	5,189,579	4,064,183	1,966,271	-	-	42,302,715
Non-cash Loans	44,309,179	4,153,866	4,677,686	25,135,933	20,450,899	3,599,059	-	102,326,622
Prior Period								
Total Assets	46,662,136	14,372,061	20,611,306	99,482,203	128,430,398	54,624,698	7,699,123	371,881,925
Total Liabilities	64,339,267	167,591,756	36,429,622	39,802,556	17,974,768	3,641,949	42,102,007	371,881,925
Liquidity Gap	(17,677,131)	(153,219,695)	(15,818,316)	59,679,647	110,455,630	50,982,749	(34,402,884)	-
Net Off-Balance Sheet Position	-	101,816	(4,584)	511,465	598,076	-	-	1,206,773
Financial Derivative Assets	-	23,887,140	7,574,728	2,638,403	2,677,243	-	-	36,777,514
Financial Derivative Liabilities	-	23,785,324	7,579,312	2,126,938	2,079,167	-	-	35,570,741
Non-cash Loans	39,328,862	1,045,731	5,027,611	18,874,379	14,761,801	3,682,731	-	82,721,115

⁽¹⁾ Assets which are required for banking operations and could not be converted into cash in short-term, such as; tangible assets, associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net non-performing loans as well as securities representing a share in capital; and other liabilities such as provisions which are not considered as payables and equity are classified as undistributed.

⁽²⁾ Deferred tax asset is included under the "Undistributed" column.

⁽³⁾ TL 5,972,568 of the funds balance, whose risk is not born by the Parent Bank, is included in other liabilities and shown under the "1-5 years" column, fund balance amounted to TL 58,007 is not granted as loan and is included under "Up to One Month" column.

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5. Presentation of Liabilities According to Their Remaining Maturities

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Current Period ^(*)						
Bank deposits	10,323,344	2,062,576	2,914,582	78,044	-	15,378,546
Other deposits	206,995,434	26,630,764	32,466,021	2,229,065	199,114	268,520,398
Funds borrowed from other financial institutions	1,443,218	4,345,334	17,052,210	6,862,001	3,928,073	33,630,836
Funds borrowed from Interbank money market	52,168,911	1,849,922	1,542,807	846,503	-	56,408,143
Total	270,930,907	34,888,596	53,975,620	10,015,613	4,127,187	373,937,923
Prior Period ^(*)						
Bank deposits	8,607,501	1,603,770	2,025,178	-	-	12,236,449
Other deposits	168,765,620	26,250,886	23,335,495	1,628,281	53,240	220,033,522
Funds borrowed from other financial institutions	1,500,321	2,564,338	13,190,000	4,825,200	1,528,815	23,608,674
Funds borrowed from Interbank money market	41,818,169	3,757,618	1,101,437	734,017	-	47,411,241
Total	220,691,611	34,176,612	39,652,110	7,187,498	1,582,055	303,289,886

^(*) Amounts related with the fund balances are not included in the table since decomposition on the basis of their remaining maturities could not be performed.

VIII. EXPLANATIONS ON CONSOLIDATED LEVERAGE

1. Explanations on the Difference Between the Prior and Current Period of Leverage Ratio

The Parent Bank’s leverage calculated by force of the regulation “Regulation on Measurement and Assessment of Leverage Ratios of Banks” is 7.98% (31 December 2016: 8.00%). The decrease on leverage results occur from the increase on total risk amount. The regulation sentenced the minimum leverage as 3%.

	Current Period ^(*)	Prior Period ^(*)
Balance sheet assets		
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	452,721,717	359,875,628
(Assets deducted in determining Tier 1 capital)	(2,586,076)	(2,072,001)
Total on-balance sheet risks (sum of lines 1 and 2)	450,135,641	357,803,627
Derivative financial instruments and credit derivatives		
Replacement cost associated with all derivative financial instruments and credit Derivatives	1,590,316	1,516,660
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	500,985	394,485
Total risks of derivative financial instruments and credit derivatives	2,091,301	1,911,145
Securities or commodity financing transactions (SCFT)		
Risks from SCFT assets	5,102,788	4,889,181
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	5,102,788	4,889,181
Other off-balance sheet transactions		
Gross notional amounts of off-balance sheet transactions	136,027,916	105,343,560
(Adjustments for conversion to credit equivalent amounts)	(1,937,432)	(1,415,380)
Total risks of off-balance sheet items	134,090,484	103,928,180
Capital and total risks		
Tier 1 capital	47,185,249	37,505,342
Total risks	591,420,214	468,532,133
Leverage ratio		
Leverage ratio (%)	7.98	8.00

^(*) Three month average of the amounts in the table are taken.

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2. An Extract Comparison Table of Total Risks Placed in Consolidated Financial Statements Coordinated in Accordance With TAS

	Current Period ^(*)	Prior Period ^(*)
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ^(**)	456,979,890	371,924,474
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	53,761	42,549
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	97,270,270	76,404,601
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	14,574,814	39,216,454
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	1,937,432	1,415,380
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	(18,087,286)	(42,588,977)
Total Risk Amount	591,420,214	468,532,133

^(*) The amounts shown in the table are 3 month averages.

^(**) The current year balance of the Consolidated Financial Statements prepared in accordance with paragraph 6 of Article 5 of the Communiqué on Preparation of Consolidated Financial Statements of Banks has been prepared by using the temporary financial statements dated 31 December 2017 of the nonfinancial subsidiaries.

IX. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT

This section contains notes and explanations regarding the “Communiqué on Disclosures about Risk Management to be Announced to Public by Banks” released by the Banking Regulation and Supervision Agency (BRSA), published in the Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016.

As part of its controlling activities, the Risk Management Group Presidency conducts controls on Risk Management Explanations. Two different control processes, e.g. Calculation of Capital Adequacy process and other Risk Management processes, are conducted by the relevant unit periodically in line with capital adequacy control points and guidelines as well as control points for other Risk management field of activity and guideline.

Furthermore, as part of legislation compliance controls, compliance of all activities, new transactions and products planned by the Bank with relevant laws, legislation, internal Bank policies and banking practices is controlled. Accordingly, compliance of legislative regulations regarding Risk Management Explanations with internal Bank practices is also controlled.

Controlling activities conducted by the Head Office Units are performed in line with the control periods determined by considering functions of Units and risks they bear, job definitions of the Units and their impact on the Bank’s balance sheet. Control processes by the Head Office Units are performed based on control points determined according to processes, duties and powers of unit’s field of activity and control techniques are elaborated in the head office control guideline.

1. Explanations on Risk Management and Risk Weighted Amount

1.1 Bank’s Risk Management Approach

It Has to Do With How The Business Model Determines the Bank’s Risk Profile; How It Interacts With It (E.G. Key Risks Related To The Business Model and How Each of These Risks Is Reflected on Explanations); and How The Bank’s Risk Profile Interacts With The Risk Appetite Approved by The Board of Directors

While risk appetite determines the Bank’s risk level, risk capacity determines its risk appetite and, therefore, risk profile. Local and international conjuncture is also considered to determine the risk level. Establishment of forward-looking strategies and policies is also considered in this regard. The Bank’s risk level is restricted to the limits consistent with its risk appetite.

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Risk limits are determined in accordance with the level of risks that may be assumed by the Bank, its activities, size and complexity of its products and services. The limits are revised and, if needed, updated regularly in line with the developments in market conditions, the Bank’s strategy and risk appetite.

Critical thresholds (signal and limit values) indicating that limits are approached due to internal or external developments have been identified. In the event that these values are approached or exceeded, relevant units take required actions.

Parameters regarding signal and limit structure as well as limit values of parameters are determined in coordination with the relevant units and implemented upon approval of the Audit Commission and Board of Directors.

Signal and limit values based on risk weighted assets are monitored by the Bank’s Risk Management Group Presidency regularly and actual values are reported periodically to the Bank’s Top Management.

Risk Management Structure: Responsibilities Distributed at The Bank (E.G. Supervision And Delegation Of Authority); Segregation of Duties by Risk Type, Business Unit, Etc.; Relations Between Structures Included In Risk Management Processes (E.G. Board of Directors, Top Management, Separate Risk Committee, Risk Management Unit, Compliance and Internal Audit Function)

The Bank’s Top Management and relevant units perform their risk management duties, authorities and responsibilities in line with the relevant legal legislation and internal Bank regulations.

Structure of the Bank’s risk management is consistent with the Regulation on Internal Systems and Internal Capital Adequacy Assessment Processes of Banks. Accordingly, internal system units consisting of the Inspection Board Presidency, Internal Control and Compliance Group Presidency and Risk Management Group Presidency report to the Audit Committee and Board of Directors through the Vice President who is responsible for internal systems and operates separate from executive units.

Risk measurement and monitoring activities are conducted as part of risk management and the results are considered in strategic decision-making process by relevant units and bodies. Risk management operations are conducted in accordance with the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks, issued by the BRSA, within the scope of Regulation on Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”) approved by the Bank’s Board of Directors.

Organizational structure of the Bank’s Risk Management Group Presidency consists of credit risk management, market risk management, operational risk management and statement risks management units. Duties of risk management:

- Ensuring identification, measurement, reporting, monitoring and control of risks exposed through policies, practices and limits established to monitor, control and revise, when necessary, the risk-return structure of the Bank’s cash flows in the future, quality and level of its associated activities
- Conducting stress tests and scenario analyses
- Establishing and maintaining a system that will ensure determination of capital required to cover significant risks exposed or possible risks and assessment of capital adequacy/requirement level in line with the strategic goals
- Preparing ICAAP reports periodically.

ICAAP analyses and activities are validated by a team that reports to the Audit Committee independently from the team that develops and implements the methodology of such activities. The same team issues a Validation Report as well. Analyses and activities conducted within the process, including validation activities are reviewed by the Inspection Board Presidency and a Review Report is issued for the results.

Channels Used for Disseminating and Implementing Risk Culture Within The Bank (E.G. Codes Of Conduct, Manuals Including Operational Limits or Procedures To Be Performed When Risk Thresholds Are Exceeded, Procedures for Identifying and Sharing Risk Issues Between Business Units And Risk Units)

The Bank exercises maximum efforts to perceive both risks and returns accurately during its activities and maintain its perspective for disseminating risk culture across the Bank. Accordingly, goals, vision and strategic approaches are shared in large group meetings held by the Bank’s Top Management with employees.

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Signal and limit structure established based on risk weighted assets is one of the channels used to disseminate risk culture within the Bank. Parameters for signal and limit structure and limit values of parameters are determined by risk management by consulting the relevant units and approved by the Board of Directors.

It is ensured that risk signal and limit structure is forwarded to relevant units in the Bank and the structure is understood by the staff. Usage levels for signal and risk parameters are subject to reports submitted to the Top Management.

If limits are exceeded, the Bank’s Top Management is notified. In such a case, matters such as risk mitigation, risk transfer or risk-averse, increasing collaterals and so on can be considered as part of required actions. If limits are exceeded, forward-looking strategies and policies of the Bank—including budget figures—can be reviewed or, where necessary, revised.

Another channel used to disseminate the risk culture is in the scope of ICAAP activities. It is essential to include assessment results for capital adequacy in the ICAAP Report covering all significant risks of the Bank. The report is prepared in coordination with risk management and with participation from other relevant units. Similarly, the Bank’s budget goals for the upcoming years are also established with the participation of relevant units. The Bank’s Top Management and relevant units conduct their ICAAP duties, authorities and responsibilities in line with the Bank regulations and relevant legal legislation.

Principal Elements and Scope of Risk Measurement Systems

The Bank’s risk measurement system functions in line with the best practices, legal regulations, fields of activity and product ranges in a consistent, reliable and integrated way. Regarding the inclusion of risk measurement results in decision-making processes, reports are elaborated with extensive explanations and assumptions to avoid any misinterpretation that may arise from errors and deficiencies.

Required activities are performed to engage in design, selection, implementation and pre-approval processes for risk measurement models; review accuracy, reliability and performance of models regularly through various methodologies and make required revisions accordingly; and report results of analyses conducted with such models.

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.

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Control of interest rate risk on banking accounts entails monitoring rate and maturity mismatch between sources and uses of fixed and variable interest rates, contractual maturities as well as behavioral maturities assets and liabilities and the effects of the usual and unusual changes in interest rates which is possibly uptrend and downtrend.

Explanations Provided to The Board of Directors and Top Management on Risk Reporting Processes, Particularly Scope and Main Contents of Reporting

It is essential to inform the Top Management about developments and results of the analysis and activities conducted in order to achieve efficiency in risk management. Accordingly, a reporting system for informing Top Management is established and required measures are taken for healthy functioning of the system.

Informing process as part of reporting should be based on the most current data available on a periodical basis. Reports issued contain, at minimum, information on risk amount and development, legal capital requirement, legal ratios for liquidity and interest rate risks, stress test analysis results, effect of such results on capital adequacy level and ratios, realization level of risk limits and limitations, and assumptions of risk measurement method used.

As part of the reporting system, an information systems infrastructure is established for external reporting and required actions are taken to fulfill legal obligations fully in a timely manner in this regard.

Explanations On Stress Test (E.G. Assets Subject To Stress Test, Scenarios Applied, Methodologies Used And The Use Of Stress Test In Risk Management)

Stress test is intended to pre-assess the effect of negative developments in specified risk factors on amounts subject to risk and capital adequacy/requirement level.

Conducting the stress test periodically is essential, and test result must be included in internal reporting and considered in strategic decision-making process or capital management. Results of stress test analysis are considered while establishing risk management policies.

In stress test activities, shock is applied to risk factors determined (factors specific to debtor or transaction or macroeconomic variables such as exchange rate, price, interest and so on), and the effects of results on risk-weighted asset amount and capital adequacy ratio are identified. Accordingly, risk factors are identified first and then assumptions to be implemented are determined and possible losses in the future are estimated. Stress test activities include creating scenarios, which are unlikely, if not impossible, and which may affect the Bank's risk level significantly.

The results of stress test are subject to internal Bank reporting and ICAAP Report. The results of stress test may be used in processes to determine the Bank's risk appetite or risk limits and identify new and current business strategies as a planning instrument and their effect on capital utilization.

Analyses of credit risk based on internal and external risk factors, counter party credit risk, liquidity risk, interest rate risk, operational risk and market risk are conducted in the case of stress tests which are subject to internal reporting.

The Board of Directors is responsible for assessing the results of the Stress Test Program and taking actions based on the results. Accordingly, actions such as revision of risk appetite, strategy and risk limits or restriction of activities to specific sectors or portfolios can be taken.

The Bank's Risk Management, Aversion and Mitigation Strategies And Processes Based On Business Model And Monitoring Processes For Continuous Efficiency Of Safeguards And Mitigants

Amounts subject to credit risk can be mitigated by using one or more risk mitigation techniques in line with the legal regulations.

Funded or unfunded credit safeguard instruments are considered while using the risk mitigation technique. Whether credit safeguard instruments meet minimum compulsory conditions specified in legal regulations is checked via the system.

The Bank performs risk mitigation with a simple financial method. Credibilities of guarantors are monitored and assessed in the scope of credit revision maturity.

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All Bank employees are responsible for control and mitigation of operational risks based on their job definitions and business processes. All Bank units are obliged to take risk mitigation measures for mitigation of operational risks that may occur in their respective fields of activity through insurance and other risk transfer mechanisms.

The Bank's market risk is mitigated through derivatives or other financial products by considering current conjuncture and risk appetite, risk capacity and risk level. Long term liabilities are obtained and the interest rate risk arising from liquidity and banking accounts is limited through the transactions performed.

Diversification of resources is deemed important for managing the liquidity risk that may occur. While the Bank's fundamental funding resources are deposits, the strategy of preserving the common base structure of deposits is sustained. Besides, liabilities other than deposits such as bond/bill issuance, repo and credits are deemed important for increasing the fund range and decreasing the maturity gap between assets and liabilities. As for the asset side of the Bank, policies intended to reduce average credit maturity are pursued as part of measures to improve short term cash cycle and minimize maturity mismatch between assets and liabilities. As part of management of interest rate risk, measures are taken to reduce repricing maturity mismatch of interest sensitive assets and liabilities.

Overview of Risk Weighted Amounts

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	305,800,542	260,065,282	24,464,043
2	Standardised approach	305,800,542	260,065,282	24,464,043
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3,434,653	3,323,247	274,772
5	Standardised approach for counterparty credit risk	3,434,653	3,323,247	274,772
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	1,108,145	1,686,718	88,652
10	Investments made in collective investment companies-1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB Supervisory Formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	18,965,749	15,358,775	1,517,260
17	Standardised approach	18,965,749	15,358,775	1,517,260
18	Internal model approaches	-	-	-
19	Operational risk	25,145,817	20,519,768	2,011,665
20	Basic Indicator approach	25,145,817	20,519,768	2,011,665
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	354,454,906	300,953,790	28,356,392

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2. Connections between Consolidated Financial Statements and Risk Amounts

Differences Between Accounting Consolidation and Legal Consolidation and Matching of the Subject

	Amount assessed in accordance with TAS as reported in financial statements ^(*)	Valued amount according to TAS within legal consolidation	Value of items according to TAS				Not subject to capital obligation or is deducted from capital
			Subject to Credit Risk	Subject to Counterparty Credit Risk	Securitization positions	Subject to Market Risk	
Assets							
Cash Balances with the Central Bank of Turkey	46,220,337	46,220,337	46,220,337	-	-	-	-
Financial Assets Held for Trading	1,467,863	1,467,863	-	1,396,767	-	71,096	-
Financial Assets at Fair Value Through Profit or Loss (Net)	-	-	-	-	-	-	-
Banks	5,632,140	5,632,140	5,632,140	-	-	-	-
Receivables from Money Market	132,385	132,385	62,214	70,171	-	-	-
Financial Assets Available for Sale (Net)	63,638,231	63,638,231	18,613,864	2,179,191	-	42,845,176	-
Loan and Receivables	317,020,488	317,020,488	317,018,779	-	-	-	1,709
Factoring Receivables	1,614	1,614	1,614	-	-	-	-
Investments Held To Maturity (Net)	7,625,763	7,625,763	5,315,124	2,310,639	-	-	-
Associates (Net)	146,075	128,419	128,419	-	-	-	-
Subsidiaries (Net)	1,346	7,583	7,583	-	-	-	-
Entities Under Common Control (Net)	52,036	52,036	52,036	-	-	-	-
Receivables from Leasing Transactions	2,881,519	2,881,519	2,881,519	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-	-	-
Tangible Assets (Net)	6,682,102	6,679,632	6,596,192	-	-	-	83,440
Intangible Assets (Net)	548,753	532,088	-	-	-	-	532,088
Real Estates for Investment Purposes (Net)	-	-	-	-	-	-	-
Tax Asset	41,055	41,055	41,055	-	-	-	-
Assets Held for Sale and Assets Held from Discontinued Operations (Net)	674,819	674,819	674,819	-	-	-	-
Other Assets	4,213,364	4,190,157	4,190,157	-	-	-	-
Total Assets	456,979,890	456,926,129	407,435,852	5,956,768	-	42,916,272	617,237
Liabilities	282,549,116	282,569,613	-	-	-	-	-
Deposits	548,910	548,910	-	-	-	-	-
Derivative Financial Liabilities Held for Trading	31,118,253	31,118,253	-	2,726,897	-	-	-
Funds Borrowed	56,309,523	56,309,523	-	14,440,188	-	-	-
Money Market Debts	13,474,280	13,474,280	-	-	-	-	-
Marketable Securities Issued	6,030,575	6,030,575	-	-	-	-	-
Funds	4,179,377	4,143,390	-	-	-	-	-
Miscellaneous Payables	2,575,954	2,575,954	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-
Factoring payables	-	-	-	-	-	-	-
Payables from Leasing Transactions (Net)	-	-	-	-	-	-	-
Provisions	10,375,563	10,362,037	-	-	-	-	-
Tax Liabilities	1,310,438	1,310,438	-	-	-	-	-
Liabilities for Assets Held for Sale and Held from Discontinued Operations (Net)	-	-	-	-	-	-	-
Subordinated Loans	-	-	-	-	-	-	-
Shareholders' Equity	48,507,901	48,483,156	-	-	-	-	-
Total Liabilities	456,979,890	456,926,129	-	17,167,085	-	-	-

^(*) The current account balance of the Consolidated Financial Statements prepared in accordance with paragraph 5 of Article 6 of the Communiqué on Preparation of Consolidated Financial Statements of Banks has been prepared by using the temporary financial statements of the non-financial associates as of 31 December 2017

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The Main Sources of The Differences Between The Risk Amounts and The Amounts Assessed in Accordance with TAS in The Consolidated Financial Statements

	Total	Subject to Credit Risk	Securitization Positions	Subject to Counterparty Credit Risk	Subject to Market Risk
Assets valued under legal consolidation in accordance with TAS	456,926,129	407,435,852	-	5,956,768	42,916,272
Estimated amounts of liabilities under legal consolidation in accordance with TAS	-	-	-	17,167,085	-
Total net amount under legal consolidation	456,926,129	407,435,852	-	(11,210,317)	42,916,272
Off-balance sheet items	180,798,732	58,591,260	-	48,292,227	-
Valuation Differences	-	-	-	-	-
Differences arising from different netting rules (except for placed in line 2)	-	-	-	-	-
Differences arising from consideration of provisions	-	-	-	-	-
Differences arising from the applications of the Institution	-	-	-	-	-
Risk Amounts	637,724,861	466,027,112	-	37,081,910	42,916,272

Explanations on the differences between the amounts assessed in accordance with TAS and the risk amounts

There is no significant difference between the financial statement values of the assets and liabilities with the values included in the capital adequacy calculation.

3. Credit Risk Explanations

3.1 Transformation of Bank's Business Model into Components in Credit Risk Profile

The banks must allocate risk limits approved by board of directors of the banks and monitor limit utilization pursuant to Article 38 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks issued by the BRSA and published in the Official Gazette no. 29057 dated 11 July 2014. Furthermore, pursuant to paragraph 5 of the same article, it is expected to establish a signal structure that will serve as an early warning mechanism in addition to the limit 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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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.

3.2. Criteria and Approach Adopted for Determining Credit Risk Policy and Credit Risk Limits

As part of credit risk management, the Bank’s risk management team conducts the functions of identification, measurement, monitoring and controlling of credit risk in line with the structure, size, complexity and growth rate of products and activities and reports the analysis, including stress test, and its results to the Bank’s Top Management.

In an attempt to prevent significant effects of unfavorable developments in the portfolio subject to credit risk, credit risk level was restricted to the limits in line with the Bank’s risk appetite. The limits are revised and, if needed, updated regularly in line with the developments in market conditions, the Bank’s strategy and risk appetite.

There is a signal and limit structure in place, indicating that credit risk limits are almost reached as a result of internal and external developments. Parameters for signal and limit structure and limit values of parameters are determined by risk management by consulting the relevant units. The approval of Audit Committee and Board of Directors is sought in order to implement parameters and signal/limit threshold values within the Bank. It is ensured that risk signal and limit structure is forwarded to relevant units in the Bank and the structure is understood by the relevant staff. Actual values are monitored closely by the risk management. Actual values regarding signal and limit parameters are reported to the Bank’s Top Management.

3.3. Structure and Organization of Credit Risk Management and Control Function

The Bank’s internal system units consist of the Inspection Board Presidency, Internal Control and Compliance Presidency and Risk Management Group Presidency. Credit risk management is one of the four services under the Risk Management Group Presidency.

Activities conducted at the credit risk management unit, which is subject to inspection and controlling activities periodically, aim to establish and maintain a credit risk management infrastructure that is structured enough to meet legal obligations and flexible enough to accommodate the best practices. Accordingly, capital amount that should be reserved for credit risk is calculated; risk mitigation techniques are implemented; stress tests are conducted; credit risk signal and limit structures are monitored; activities are conducted to calculate credit risk with advanced methods and developments that may affect the Bank’s credit risk are monitored. Analyses conducted are reported to the Top Management and relevant units periodically.

3.4 Relationship between Credit Risk Management, Risk Control, Legal Compliance And Internal Audit Functions

Risk Management Group Presidency goes through inspection and control activities periodically. In case of any findings, they are reported and required activities are performed.

Furthermore, inspection and control units involve in the process also for the ICAAP activities that constitute a significant part of risk management activities. Accordingly, ICAAP analyses and activities are validated by Internal Control and Compliance Group Presidency that reports to the Audit Commission independent from the team that develops and implements the methodology of the ICAAP analyses. The same team issues a Validation Report as well. The entire ICAAP process is subject to an inspection by the Inspection Board Presidency and reported through Examination Report issued.

3.5. Scope and Main Content for Reporting to Top Management and Board Members on Credit Risk Management Function and Credit Risk Exposed

It is essential to inform the Bank’s Top Management about developments in credit risk management and results of the analysis and activities conducted in order to achieve efficiency in risk management. Accordingly, a reporting system for informing the Bank’s Top Management on credit risk management is established and required measures are taken for healthy functioning of the system.

Informing process as part of reporting should be based on the most current data available on a periodical basis.

Reports issued contain, at a minimum, information on risk amount and development, legal capital requirement, stress test analysis results, effect of such results on capital adequacy level, realization level of risk limits and limitations and assumptions of risk measurement method used.

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3.6. Credit Quality of Assets

	Defaulted	Non-defaulted	Allowances/amortisation and impairments	Net values
Loans	5,028,967	316,795,002	4,803,481	317,020,488
Debt Securities	-	74,462,980	1,731,123	72,731,857
Off-balance Sheet Exposure	-	135,132,373	138,057	134,994,316
Total	5,028,967	526,390,355	6,672,661	524,746,661

3.7. Changes in the Defaulted Receivables and Debt Instruments

1	Defaulted loans and debt securities at end of the previous reporting period	4,380,490
2	Loans and debt securities that have defaulted since the last reporting period	2,168,537
3	Receivables back to non-defaulted status	37,244
4	Amounts written off	-
5	Other changes	(1,482,816)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions	5,028,967

3.8. Additional Explanations on Credit Quality of Assets

Differences between Definitions and Explanations of “Deferred” Receivables and Receivables for Which “Provision Was Allocated”, and Definitions of “Deferred” and “Provision of Allocation”, If Any

The Bank classifies its credits and other receivables and allocates specific and general provisions pursuant to the “Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions” published in the Official Gazette no. 26333 dated 1 November 2006. The term “deferred receivables” is used for credits named “Loans under Close Monitoring” whose maturity is deferred for up to 90 days as of the end of period without any impairments as well as for credits named “Non-performing Loans” whose maturity is deferred for more than 90 days or subject to impairment. In practice, the Bank sets general provisions for credits classified as “Standard Credits” and “Under Close Monitoring” and specific provisions for credits classified as “Non-performing Loans”.

The Portion That Is Not Considered Within The Scope of “Allocation of Provision” Among Deferred Receivables (Over 90 Days) and Reasons for This Practice

The Bank transfers credits whose maturity is deferred for more than 90 days automatically to monitoring accounts pursuant to the classification provisions of Regulation on Provisions, and allocates provision of respective class; whereas it does not allocate specific or general provisions for fund-based credits classified as “Non-performing Loans” pursuant to Article 13 “Exceptions” of the Regulation on Provisions as the relevant risk is not assumed by the Bank.

Definitions of Methods Used for Determining Provision Amount

The Bank sets specific and general provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 26333 and dated 1 November 2006 on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions”. However, there is no judgement in the related Regulation and the BRSA’s related disclosures that would prevent further provision of the minimum amounts required.

Definitions of Restructured Receivables

Real/legal persons using credit may, from time to time, face usual risks of business life such as failure to include the excessive cost increases in sales prices, loss of market share and turnover, unexpected expenses, problems in collection of receivables due to some factors that are beyond reasonable control of its own businesses or other businesses worked with. They may therefore have temporary liquidity difficulties. It involves setting new loan repayment maturities in line with cash flows for businesses which have no significant problem in credit worthiness and sustain their income-generating activities but fail, or priorly imply failure, to make their loan repayment in a timely manner due to temporary liquidity problems.

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Breakdown of The Group's 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	303,192,432	4,954,178	4,728,692	303,417,918
EU Countries	1,097,186	21,156	21,156	1,097,186
USA, Canada	27,527	-	-	27,527
OECD Countries	5,346,543	801	801	5,346,543
Off-shore banking region	11,035	-	-	11,035
Other Foreign Countries	7,120,279	52,832	52,832	7,120,279
Total	316,795,002	5,028,967	4,803,481	317,020,488

	Loans and Receivables	Loans under Follow-up	Specific Provisions	Total
Agriculture	58,900,428	689,624	470,994	59,119,058
Farming and Stockbreeding	58,133,194	683,304	464,674	58,351,824
Forestry	431,331	3,170	3,170	431,331
Fishing	335,903	3,150	3,150	335,903
Manufacturing	64,234,900	1,027,320	1,027,320	64,234,900
Mining and Quarrying	5,345,493	15,292	15,292	5,345,493
Production	44,205,446	997,223	997,223	44,205,446
Electric, Gas and Water	14,683,961	14,805	14,805	14,683,961
Construction	25,040,723	1,010,049	1,003,388	25,047,384
Services	73,347,405	1,232,512	1,232,512	73,347,405
Wholesale and Retail Trade	29,936,775	1,004,240	1,004,240	29,936,775
Hotel Food and Beverage Services	5,470,621	53,331	53,331	5,470,621
Transportation and Telecommunication	9,186,186	65,891	65,891	9,186,186
Financial Institutions	5,896,835	5,348	5,348	5,896,835
Real Estate and Leasing Services	21,396,933	71,542	71,542	21,396,933
Self Employment Services	864	235	235	864
Education Services	607,472	14,938	14,938	607,472
Health and Social Services	851,719	16,987	16,987	851,719
Other	95,271,546	1,069,462	1,069,267	95,271,741
Total	316,795,002	5,028,967	4,803,481	317,020,488

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-distributable	Total
Current Period								
Loans Granted	-	12,619,158	20,021,874	108,426,306	136,421,696	37,779,465	1,751,989	317,020,488

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Aging Analysis for Deferred Receivables

The Aging Analysis regarding the loans which are overdue but yet have not lost its value has been presented below;

Current Period	Up to 1 Month	1-2 Months	2-3 Months	Total
Loans and Receivables ⁽¹⁾				
Corporate/Entrepreneur Loans	183,818	40,551	94,113	318,482
Retail Loans	46,378	9,079	3,665	59,122
Specialized Loans	650,860	113,326	46,076	810,262
Total	881,056	162,956	143,854	1,187,866

⁽¹⁾ The amounts in the table are the installment amounts due for installment loans and the overdue principal amounts for other loans and the sum of remaining principal amounts of installment loans is TL 4,313,289.

Breakdown of Restructured Receivables by Allocation of Provision

Out of the Group’s total restructured loans amounting to TL 12,141,548, a portion of TL 11,951,640 consists of performing loans and remaining portion of TL 189,908 consists of non-performing loans. While the specific provision allocated for non-performing loans amounts to TL 189,215, no specific provision was allocated for non-performing loans of TL 693, whose risk is not assumed by the Parent Bank.

3.9. Credit Risk Mitigation

3.9.1 Qualitative Requirements To Be Disclosed To Public Regarding Credit Risk Mitigation Techniques

Basic Characteristics of Policies and Processes on The Extent of Utilization of on-Balance Sheet and Off-Balance Sheet Netting

The practice of on-balance sheet and off-balance sheet netting is not used while mitigating credit risk within the Bank.

3.10 Credit Risk Mitigation Techniques - Overview

	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	279,574,611	9,363,583	1,229,502	28,082,294	22,633,132	-	-
Debt instruments	72,731,857	-	-	-	-	-	-
Total	352,306,468	9,363,583	1,229,502	28,082,294	22,633,132	-	-
Default	5,028,967	-	-	-	-	-	-

3.11 Credit Risk If Standard Approach Is Used

3.11.1. Qualitative Explanations on Ratings Used by The Banks While Calculating Credit Risk with Standard Approach

Names of Credit Rating Agencies (CRA) and Export Rating Agencies (ERA) Used by The Bank and The Reasons In Case of Any Change During The Reporting Period

The Bank uses ratings of Fitch Ratings International Rating Agency and The Islamic International Rating Agency (IIRA) while calculating the amount subject to credit risk through standard approach.

Risk Classes Using CRA and ERA Ratings

Grades of Fitch Ratings International Rating Agency are used for Receivables from Banks and Brokerage Houses. Resident counter parties are accepted as “gradeless” and take risk weight appropriate for “gradeless” category in relevant risk class.

Rating grades are used in risk classes of Receivables from Central Governments or Central Banks and Receivables from Banks and Brokerage Houses.

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Explanation on How Credit Rating of Debtor Is Used For Other Assets Of Debtor In Banking Accounts

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.

Matching Rating Grades on The Basis of Risk

Rating grade assigned by a credit rating agency that is not listed in the BRSA's matching table is not used in calculations.

3.12. Standardised Approach – Credit Risk Exposure and Credit Risk Mitigation (CRM) Effects

	The credit conversion rate and the credit amount before the credit risk mitigation		The credit conversion rate and the credit amount after the credit risk mitigation		Risk weighted amount and risk weighted amount density	
	Balance sheet amount	Off-balance sheet amount	Balance sheet amount	Off-balance sheet amount	Risk Weighted Average amount	Risk Weighted Average amount density
Risk classes						
Exposures to sovereigns and their central banks	75,394,429	1,038,524	98,885,484	1,349,004	13,455,561	13.4%
Exposures to regional and local governments	587,481	250,973	552,719	87,005	302,111	47.2%
Exposures to administrative bodies and non-commercial entities	265,860	839,262	672,079	394,194	595,666	55.9%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	30,986,562	11,528,627	31,329,544	5,724,699	8,999,727	24.3%
Exposures to corporates	140,836,527	92,127,308	129,254,159	47,236,484	173,970,630	98.6%
Retail exposures	117,848,737	25,803,736	105,559,266	3,418,145	81,131,739	74.4%
Exposures secured by residential property	40,322,262	71,565	40,254,872	34,154	14,107,921	35.0%
Exposures secured by commercial property	7,047,490	416,229	6,781,281	209,935	3,568,296	51.0%
Past-due items	-	-	-	-	-	-
Exposures in high-risk categories	1,338,433	246,328	1,338,377	115,333	2,179,008	149.9%
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	1,176,969	45,897	1,176,969	22,307	1,108,145	92.4%
Other exposures	20,723,266	-	20,723,267	-	10,780,327	52.0%
Equity share investments	144,209	-	144,209	-	144,209	100.0%
Total	436,672,225	132,368,449	436,672,226	58,591,260	310,343,340	62.7%

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3.13. 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% ⁽¹⁾	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	73,768,405	-	1,050	-	-	26,019,364	-	445,669	-	-	-	100,234,488
Exposures to regional and local government	43,442	-	34	-	-	588,288	-	7,960	-	-	-	639,724
Exposures to administrative bodies and non-commercial entities	90,553	-	64	-	-	760,006	-	215,650	-	-	-	1,066,273
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	13,546,044	-	10,177,499	-	-	12,732,946	-	597,754	-	-	-	37,054,243
Exposures to corporates	295,791	-	343,733	-	-	3,898,470	-	171,952,649	-	-	-	176,490,643
Retail exposures	607,878	-	264,383	-	-	-	108,105,150	-	-	-	-	108,977,411
Exposures secured by residential property	7,861	-	1,751	40,264,374	-	-	-	15,040	-	-	-	40,289,026
Exposures secured by commercial property	4,238	-	1,562	-	6,834,865	-	-	150,551	-	-	-	6,991,216
Past-due items	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	752	-	329	-	-	-	-	2	1,452,627	-	-	1,453,710
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	91,131	-	-	-	-	-	-	1,108,145	-	-	-	1,199,276
Equity share investments	-	-	-	-	-	-	-	144,209	-	-	-	144,209
Other exposures	9,942,936	-	5	-	-	-	-	10,780,326	-	-	-	20,723,267
Total	98,399,031	-	10,790,410	40,264,374	6,834,865	43,999,074	108,105,150	185,417,955	1,452,627	-	-	495,263,486

⁽¹⁾ “Demonstrates all receivables that are consisting of 50% risk weighted and out of the line “Exposures secured by commercial property.”

3.14. Credit Risk Under Internal Ratings-Based (IRB) Approach

Standard approach is used in the Bank’s credit risk calculations.

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3.15. Counter Party Credit Risk Explanations

Risk Management Goals and Policies for CCR

As part of the Bank’s counter party credit risk management, the functions of identification, measurement, monitoring and controlling of counter party credit risk are conducted in line with the structure, size, complexity and growth rate of products and activities, and the analysis, including stress test, and its results are reported to the Top Management.

As part of capital adequacy ratio calculations, activities for counter party credit risk are an integral part of planning, monitoring and controlling of total risk profile, and counter party credit risk management is integrated to periodic risk management process.

In the scope of counter party risk management, it is aimed to meet legal obligations and to establish and maintain counter party credit risk management infrastructure that is flexible and structured enough to accommodate the best practices. Accordingly, it is planned to conduct stress test activities, improve counter party credit risk signal and limit structure and conduct relevant monitoring function.

Operational Limit Allocation Method Specified in The Scope Of Internal Capital Calculated for CCR and CCP Risks

Critical thresholds (signal and limit values) indicating that limits are approached due to internal or external developments have been identified. In the event that these values are approached or exceeded, relevant units take required actions.

Parameters for signal and limit structure and limit values of parameters are determined by consulting the relevant units and implemented at the Bank upon approval of the Audit Committee and Board of Directors.

Internal limits are determined by considering the Bank’s budget, strategy and expectations for upcoming years, developments in Turkey and abroad, and historical realization of risks.

Policies for Establishing Guarantee and Other Risk Mitigation and CCR, Including CCP Risk

In an attempt to identify the counter party credit risk that the Bank may face, risk measurement and monitoring activities are performed and their results are considered in strategic decision-making process.

Our risk management structure involves activities to ensure that counter party credit risk measurement system functions and is maintained in line with the best practices, legal regulations, fields of activity and product ranges in a consistent, reliable and integrated way.

As part of counter party credit risk management, stress test scenarios were created by anticipating any unfavorable developments in macroeconomic conditions and the Bank’s balance sheet. Results of stress test analysis are considered while establishing risk management policies.

Amount subject to counter party credit risk is calculated with appraisal method based on its fair value in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and provisions in Appendix-2, and reported on a monthly basis. Accordingly, replacement cost and potential counter party credit risk amounts are calculated. Furthermore, capital obligation is also calculated for credit appraisal adjustment for all derivatives.

Additionally, compliance of transactions posing counter party credit risk with thresholds within signal and limit structure is monitored and research is conducted for counter party credit risk calculations with advanced methods.

Rules for Countertrend Risk

Boasting a strong lending and collateralization structure, the Bank avoids collateralization in positive correlation with the debtor’s credibility and activities in connection with risk mitigation techniques are performed by considering qualitative criteria specified in legal legislation for calculation of amount subject to credit risk.

Amount of Additional Collateral That The Bank Must Submit In Case of A Decline In Credit Rating

As the Bank has no transactions in connection with credit rating, there is not any additional collateral amount it must pay.

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3.16. Evaluation of Counterparty Credit Risk In Accordance With The Measurement Methods

	Replacement cost	Potential future exposure	EEPE Amount ^(*)	Alpha used for computing regulatory exposure at default	Exposure at default post Credit Risk Mitigation	Risk weighted amounts
Valuation Method according to fair value - CCR (for derivatives)	1,222,532	472,091			1,694,623	689,801
1 Standardised approach - CCR (for derivatives)	-	-		1.4		
2 Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3 Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					9,347,972	1,661,979
4 Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					3,292,474	1,049,737
5 Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6 Total						3,401,517

(*) Effective Expected Positive Exposure

3.17. Consolidated Capital Requirement for Credit Valuation Adjustment

	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	1,694,623	33,136
4 Total subject to the CVA capital charge	1,694,623	33,136

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3.18. Standard Approach - Counterparty Credit Risk by Risk Classes and Risk Weights

Risk Weight										Total credit risk exposure ^(*)
Regulatory portfolio	0%	10%	20%	50%	75%	100%	150%	Other		
Exposures to sovereigns and their central banks	1,202,647	-	-	-	-	68,092	-	-	-	1,270,739
Exposures to regional and local governments	18,243	-	-	-	-	-	-	-	-	18,243
Exposures to administrative bodies and non-commercial entities	10,861	-	-	-	-	-	-	-	-	10,861
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	13,520,606	-	5,417,224	4,288,280	-	1,412	-	-	-	23,227,522
Exposures to corporates	8,396	-	-	-	-	135,429	-	-	-	143,825
Retail exposures	7,618	-	-	-	2,846	-	-	-	-	10,464
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	91,131	-	-	-	-	-	-	-	-	91,131
Equity share investments	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-
Other assets ^(**)	-	-	-	-	-	-	-	-	-	-
Total	14,859,502	-	5,417,224	4,288,280	2,846	204,933	-	-	-	24,772,785

^(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

^(**) Other assets: the amount excludes exposures to “Central counterparty” which are reported in Counterparty credit risk

3.19. Risk Classes and Counterparty Credit Risk Explanations (Internal Rating-Based)

None.

Collaterals for Consolidated CCR

	Collateral for Derivative Transactions				Collateral for Other Transactions	
	Collateral Received		Collateral Given		Collateral Received	Collateral Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	2,213,213	-
Cash-foreign currency	-	-	-	-	14,791,915	-
Domestic sovereign debts	-	-	-	-	1,961	-
Other sovereign debts	-	-	-	-	68,040	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	17,075,129	-

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Credit Derivatives

None.

Risk Weight Changes Under CCR on The Internal Modeling Management Methods.

None.

Exposures To Central Counterparties (CCP)

None.

Explanations on Securitization Disclosures

None.

4. Market Risk Explanations

4.1. The Bank’s Process And Strategies: A Disclosure on The Bank’s Strategic Goals for Trading Activities Is Made in A Manner That Includes Processes For Identification, Measurement, Monitoring And Controlling Of The Bank’s Market Risks, Hedging Processes And Strategies/Processes for Monitoring Continuity of Hedging Efficiency

For the purposes of market risk aversion in line with financial risk management, the Bank has identified market risk management activities in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks and has taken required precautions.

The Bank’s market risk management policies and implementation procedures have been specified in the scope of the Regulation on Risk Management, Stress Test Program and ICAAP approved by the Board of Directors.

The Bank ensures that measurement, monitoring, limiting, stress test and scenario analysis activities are conducted in line with the structure and complexity of its positions for market risk management and their results are reported periodically. Activities sustained are conducted over a trading portfolio specified by the Bank’s Treasury Management and other activities subject to market risk.

The amount subject to market risk is calculated and monitored with standard method and advanced measurement method at the Bank. Furthermore, scenario analysis and stress tests are also conducted periodically.

4.2. Organization and Structure of Market Risk Management Function: Definition of Market Risk Management Structure Established for Implementation of The Bank’s Strategies and Processes As Mentioned in Line “4.1.” and Definition of Communication Mechanism And Relationship Between Different Parties Involved in Market Risk Management

Market risk management is a subunit of Risk Management Group Presidency, one of internal systems units established independently from executive units of the Bank.

Market risk management activities are conducted in line with the Regulation on Risk Management, Stress Test Program and ICAAP approved with the Board Decision no. 15/18 dated 28 April 2015 and performed by aiming the best practices in this structure.

The Bank’s trading activities and transactions subject to market risk are monitored and measured regularly, and required practices are performed for risk management. Required reports on market risk are submitted to relevant units and the Bank’s Top Management regularly.

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4.3. Structure and Scope of Risk Reporting and/or Measurement Systems

The amount subject to the Bank’s market risk is calculated on a monthly basis with the standard method and included in the Bank’s capital adequacy ratio.

Apart from the standard method, Value at Risk (VaR) estimations are made for trading accounts on a daily basis and reported to relevant units. VaR calculated with Historical Simulation Method is used in daily reporting and limit measurement with a confidence level of 99%. VaR can be calculated with Parametric and Monte Carlo Methods in addition to Historical Simulation Method. Backward testing is performed so as to measure performance of used model and monitor market realization. Also, the Bank performs stress tests and scenario analyses on a daily and monthly basis so as to observe the effect of excessive market fluctuations that are not covered in the models on the Bank’s financial position. Scenario analysis and stress test activities are audited 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.

Standardised Approach

	Risk Weighted Amount
Outright products	
1 Interest rate risk (general and specific)	16,149,450
2 Equity risk (general and specific)	1,639,080
3 Foreign exchange risk	1,177,219
4 Commodity Risk	-
Options	
5 Simplified Approach	-
6 Delta-plus method	-
7 Scenario approach	-
8 Securitisation	-
9 Total	18,965,749

Standard method is being used in calculation of the market risk of the Group.

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5. Explanations on the Operational Risk

In the Parent Bank, Amount subject to Operational Risk is calculated with Basic Indicator Approach based on yearly. The parameter which determines the amount subject to operational risk in Basic Indicator Approach is gross revenue. Yearly gross revenue is calculated by adding net interest incomes to net fees and commission income, dividend income obtained from shares excluding shares of subsidiaries and associates, trading profit/loss (net) and other operating incomes and also by deducting profit/loss gained from sale of assets monitored out of purchase-sale account, extraordinary incomes, operating expense made against support service and amounts compensated from insurance.

Within the scope of the performances for modeling with the Advanced Measurement Approach of operational risk, based on the data in Operational Risk Loss database, Operational Value at Risk (OpVAR) measurements are calculated using Monte Carlo Simulation within the scope of Loss Distribution Method.

	31.12.2014	31.12.2015	31.12.2016	Total/ Positive GI year number	Ratio (%)	Total
Gross income	10,389,823	12,794,636	17,048,849	13,411,103	15	2,011,665
Amount subject to Operational Risk						25,145,817

6. Explanations on the Interest Rate Risk for Banking Accounts

Banking accounts interest rate risk management strategy policy and implementation procedures are determined within the context of “Regulation on Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”)”.

The Parent Bank performs scenario analysis with measurements that are suitable for structure and complexity 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.

Currency	Applied Shock (+/-x basis points)	Gains/Losses	Gains/Shareholders' Equity- Losses/Shareholders' Equity
1. TL	500	(8,225,752)	(16.42%)
2. TL	(400)	8,041,194	16.05%
3. EURO	200	79,838	0.16%
4. EURO	(200)	214,983	0.43%
5. USD	200	(661,922)	(1.32%)
6. USD	(200)	926,963	1.85%
Total (for negative shocks)		9,183,140	18.33%
Total (for positive shocks)		(8,807,836)	(17.58%)

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X. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

Organizational and internal reporting structure of the Group is determined in line with TFRS 8 “Turkish Accounting Standard about Operating Segments”.

The Group has operations in retail banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

Known as having the most extensive branch network in retail banking sector, the Parent Bank renders services, such as; deposits, consumer loans, loans originated from funds whose risk does not belong to the Bank, credit cards, automatic payment, cheques and notes, money transfer order, foreign exchange transactions, internet banking, mobile banking, safe-deposit box and insurance brokerage services. Moreover, existing instruments are improved and new banking instruments are created in order to benefit from services undertaken as being a state bank in increasing the profitability of the Parent Bank. By “Finart” system, which is working in a centralized manner, the Parent Bank has the technical infrastructure required by modern banking sector to meet its clients’ needs.

In the context of corporate and entrepreneurial banking, the Group gives loans for operations, mid-term and long-term investment loans, foreign trade financing loans, letters of credit and guarantees in Turkish Lira and foreign currencies; renders project financing, other corporate finance related services, foreign exchange transactions and banking services to large-scale corporate clients and middle-small scale enterprises.

As the Parent Bank is the main financial institution that meets the financing needs of agricultural sector in Turkey, it 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 like spot and forward TC, FC, precious Metals, securities, foreign currency swaps and forward transactions on national and international organized and over the counter money and capital markets are carried out by the Treasury Management and International Banking Assistant General Management. The Parent Bank’s liquidity, securities portfolio, deposit and non-deposit management activities are performed. In addition, the submission and marketing of treasury products to customers through branches and distribution channels and the financing of companies’ foreign trade transactions are carried on. The Business Unit provides services in: trading in securities, public offering as an agency by the name of Ziraat Yatırım Menkul Değerler A.Ş., intermediary for purchases and sales of investment funds founded by Ziraat Portföy Yönetimi A.Ş and other portfolio management companies, record keeping of financial instruments and individual portfolios. Beside these, between the functions of the Business Unit there are; providing long-term financing from banks and international financial institutions, issuing bonds and bills to foreign and domestic markets in order to diversify funding sources, carrying out relations with correspondent banks and relations between the Parent Bank and international investors.

Besides, the Parent Bank has commission revenue from insurance and other finance institutions by rendering agency services through its Branches.

As of 31 December 2017, explanations on segment reporting as shown on the following page are in line with Communiqué on “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures”.

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1. Table for Segment Reporting

	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Corrections	Other/ Undistributed	Total
Current Period 31 December 2017							
OPERATING INCOME/EXPENSE							
Interest Income	9,239,085	13,996,880	5,666,738	7,761,386	-	440,532	37,104,621
Interest Income from Loans	9,239,085	13,996,880	5,666,738	617,901	-	38,858	29,559,462
Interest Income from Banks	-	-	-	161,413	-	109,939	271,352
Interest Income from Securities	-	-	-	6,246,957	-	3,285	6,250,242
Other Interest Income	-	-	-	735,115	-	288,450	1,023,565
Interest Expense	7,867,279	3,910,137	-	7,081,634	-	131,234	18,990,284
Interest Expense on Deposits	7,867,279	3,910,137	-	822,819	-	5,750	12,605,985
Interest Expense on Funds Borrowed	-	-	-	706,871	-	15,066	721,937
Interest Expense on Money Market Transactions	-	-	-	4,848,800	-	-	4,848,800
Interest Expense on Securities Issued	-	-	-	703,144	-	21,780	724,924
Other Interest Expense	-	-	-	-	-	88,638	88,638
Net Interest Income/Expense	1,371,806	10,086,743	5,666,738	679,752	-	309,298	18,114,337
Net Fees and Commission Income/Expense	1,423,588	588,016	108,385	(345,522)	-	169,037	1,943,504
Fees and Commissions Received	1,423,588	598,132	108,441	6,835	-	269,522	2,406,518
Fees and Commissions Paid	-	10,116	56	352,357	-	100,485	463,014
Dividend Income	-	-	-	284,531	(282,201)	5,419	7,749
Trading Income/Loss (Net)	-	-	-	(774,694)	(52,863)	(18,096)	(845,653)
Other Operating Income	39,539	347,455	22,212	1,807	(158,008)	3,484,917	3,737,922
Provision for Loans or Other Receivables Losses	769,220	1,479,692	491,575	254	2,466	750,137	3,493,344
Other Operating Expense	117,315	808,918	51,861	-	(101)	6,991,010	7,969,003
Income Before Tax	1,948,398	8,733,604	5,253,899	(154,380)	(495,437)	(3,790,572)	11,495,512
Profit/Loss on Equity Method Applied Subsidiaries	-	-	-	-	20,359	-	20,359
Tax Provision	-	-	-	-	-	(2,631,539)	(2,631,539)
Net Profit/Loss	1,948,398	8,733,604	5,253,899	(154,380)	(475,078)	(6,422,111)	8,884,332
SEGMENT ASSETS							
Financial Assets at FV Through P/L	-	-	-	1,439,036	-	28,827	1,467,863
Banks and Other Financial Institutions	-	-	-	4,074,040	-	1,690,485	5,764,525
Financial Assets Available for Sale (Net)	-	-	-	63,625,878	1,727	10,626	63,638,231
Loans	86,409,546	164,623,963	54,642,948	11,336,455	-	7,576	317,020,488
Held to Maturity Investments (Net)	-	-	-	7,595,887	-	29,876	7,625,763
Associates, Subsidiaries and Joint Ventures	-	-	-	5,313,062	(5,161,312)	36,288	188,038
Other Assets	-	-	-	-	(104,524)	61,325,745	61,221,221
Total Segment Assets	86,409,546	164,623,963	54,642,948	93,384,358	(5,264,109)	63,129,423	456,926,129
SEGMENT LIABILITIES							
Deposits	199,692,047	61,906,376	-	16,842,602	-	4,128,588	282,569,613
Derivative Financial Liabilities Held for Trading	-	-	-	547,769	-	1,141	548,910
Funds Borrowed	-	-	-	30,458,041	-	660,212	31,118,253
Money Market Funds	-	-	-	56,309,523	-	-	56,309,523
Securities Issued (Net)	-	-	-	13,296,528	-	177,752	13,474,280
Provisions	-	-	-	-	25,094	10,336,943	10,362,037
Other Liabilities	-	-	-	-	(104,524)	14,164,881	14,060,357
Shareholders' Equity	-	-	-	-	(5,184,680)	53,667,836	48,483,156
Total Segment Liabilities	199,692,047	61,906,376	-	117,454,463	(5,264,110)	83,137,353	456,926,129
OTHER SEGMENT ITEMS							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	341,282	341,282
Restructuring Costs	-	-	-	-	-	-	-

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	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Corrections	Other/ Undistributed	Total
Prior Period 31 December 2016							
OPERATING INCOME/EXPENSE							
Interest Income	6,926,242	10,029,557	4,629,522	6,303,425	-	357,121	28,245,867
Interest Income from Loans	6,926,242	9,979,925	4,629,507	525,514	-	26,091	22,087,279
Interest Income from Banks	-	48,786	-	67,023	-	104,849	220,658
Interest Income from Securities	-	846	-	5,515,852	-	11,047	5,527,745
Other Interest Income	-	-	15	195,036	-	215,134	410,185
Interest Expense	6,594,586	3,039,158	-	3,827,398	-	110,159	13,571,301
Interest Expense on Deposits	6,594,586	3,031,889	-	429,875	-	2,226	10,058,576
Interest Expense on Funds Borrowed	-	7,127	-	482,575	-	38,010	527,712
Interest Expense on Money Market Transactions	-	-	-	2,532,649	-	4	2,532,653
Interest Expense on Securities Issued	-	-	-	382,299	-	15,222	397,521
Other Interest Expense	-	142	-	-	-	54,697	54,839
Net Interest Income/Expense	331,656	6,990,399	4,629,522	2,476,027	-	246,962	14,674,566
Net Fees and Commission Income/Expense	1,063,047	404,876	105,147	(243,219)	-	186,716	1,516,567
Fees and Commissions Received	1,063,047	411,353	105,147	4,128	-	290,732	1,874,407
Fees and Commissions Paid	-	6,477	-	247,347	-	104,016	357,840
Dividend Income	-	-	-	259,184	(231,293)	5,010	32,901
Trading Income/Loss (Net)	-	12,698	-	(180,806)	-	(1,885)	(169,993)
Other Operating Income	35,620	304,484	34,836	-	-	2,852,647	3,227,587
Provision for Loans or Other Receivables Losses	958,623	1,829,617	693,715	119	(924)	95,102	3,576,252
Other Operating Expense	76,486	297,851	49,083	-	(1,351)	6,265,758	6,687,827
Income Before Tax	395,214	5,584,989	4,026,707	2,311,067	(229,018)	(3,071,410)	9,017,549
Profit/Loss on Equity Method	-	-	-	-	21,914	-	21,914
Tax Provision	-	-	-	-	-	(2,154,328)	(2,154,328)
Net Profit/Loss	395,214	5,584,989	4,026,707	2,311,067	(207,104)	(5,225,738)	6,885,135
SEGMENT ASSETS							
Financial Assets at FV Through P/L	-	9,042	-	1,684,798	-	25,731	1,719,571
Banks and Other Financial Institutions	-	767,830	-	2,904,692	-	900,488	4,573,010
Financial Assets Available for Sale (Net)	-	-	-	59,119,312	147	8,755	59,128,214
Loans	63,876,189	122,691,522	46,461,974	10,701,124	-	343,536	244,074,345
Held to Maturity Investments (Net)	-	15,975	-	8,749,464	-	29,476	8,794,915
Associates, Subsidiaries and Joint Ventures	-	951	-	4,311,740	(4,125,232)	26,989	214,448
Other Assets	-	247,399	-	-	(6,135)	53,136,158	53,377,422
Total Segment Assets	63,876,189	123,732,719	46,461,974	87,471,130	(4,131,220)	54,471,133	371,881,925
SEGMENT LIABILITIES							
Deposits	157,246,729	60,890,317	10,183	13,325,891	-	1,438,873	232,911,993
Derivative Financial Liabilities Held for Trading	-	-	-	642,476	-	10,889	653,365
Funds Borrowed	-	16,458	-	23,459,531	-	950,540	24,426,529
Money Market Funds	-	-	-	47,345,629	-	-	47,345,629
Securities Issued (Net)	-	4,469	-	6,934,460	-	131,822	7,070,751
Provisions	824	22,114	-	-	22,628	7,493,095	7,538,661
Other Liabilities	-	38,425	-	-	(6,135)	12,990,910	13,023,200
Shareholders' Equity	-	252,276	-	-	(4,147,715)	42,807,236	38,911,797
Total Segment Liabilities	157,247,553	61,224,059	10,183	91,707,987	(4,131,222)	65,823,365	371,881,925
OTHER SEGMENT ITEMS							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	376,382	376,382
Restructuring Costs	-	-	-	-	-	-	-

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XI. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES

1. Information Regarding The Fair Value of Financial Assets and Liabilities

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	394,049,007	316,570,484	394,457,489	316,981,873
Due from Interbank Money Market	132,385	252,944	132,385	252,944
Banks	5,632,140	4,320,066	5,632,140	4,320,066
Available-for-Sale Financial Assets	63,638,231	59,128,214	63,638,231	59,128,214
Held-to-Maturity Investments	7,625,763	8,794,915	8,034,245	9,206,304
Loans	317,020,488	244,074,345	317,020,488	244,074,345
Financial Liabilities	331,305,536	266,976,174	331,305,536	266,976,174
Bank Deposits	15,350,173	11,975,932	15,350,173	11,975,932
Other Deposits	267,219,440	220,936,061	267,219,440	220,936,061
Funds Borrowed from Other Financial Institutions	31,118,253	24,426,529	31,118,253	24,426,529
Issued Marketable Securities	13,474,280	7,070,751	13,474,280	7,070,751
Miscellaneous Payables	4,143,390	2,566,901	4,143,390	2,566,901

Receivables from money markets, receivables from banks and bank deposits are of short term nature, therefore carrying values are considered as fair value.

In determination of book and fair value of available-for-sale securities, market prices are taken into consideration. If these securities are not traded in an active market, the indicator prices calculated by CBRT are taken into account.

The fair value of held to maturity financial assets is calculated by considering market prices. In cases where these prices cannot be determined, the fair value is assessed on the basis of market prices quoted for securities that have the same attributes in terms of interest, maturity and other terms.

The fair value of loans and other deposits represent the sum of the cost and the accrued interest.

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2. Information on Fair Value Measurements Recognized in The Financial Statements

According to TFRS 7 “Financial Instruments: Explanations” Standard, the accounts recognized with the fair value in the balance sheet should be presented and classified sequentially in the related footnotes. Respectively, such financial instruments are classified in three levels representing the importance of the data used during for the measurement of fair values. At level one, the financial instruments whose fair values are determined with the recorded prices in the active markets for the assets and liabilities with identical fair values; at level two, the financial instruments whose fair value is based on the directly or indirectly observable market indicators and at level three; the financial instruments whose fair value is not based on the directly or indirectly observable market indicators are considered. The financial instruments which are recognized with their fair values at the Parent Bank’s balance sheet, are presented with respect to such basis of classification in the table below:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or (Loss) (Net)	71,096	1,396,767	-	1,467,863
Government Debt Securities	61,837	-	-	61,837
Share Certificates	5	-	-	5
Trading Derivative Financial Assets	-	1,396,767	-	1,396,767
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	9,254	-	-	9,254
Available-for-Sale Financial Assets (Net)	62,890,403	724,642	-	63,615,045
Equity Securities ⁽¹⁾	820,208	120,518	-	940,726
Government Debt Securities	62,022,375	-	-	62,022,375
Other Marketable Securities	47,820	604,124	-	651,944
Total Assets	62,961,499	2,121,409	-	65,082,908
Trading Derivative Financial Liabilities	-	548,910	-	548,910
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	-	548,910	-	548,910

⁽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) (Net)	52,184	1,667,387	-	1,719,571
Government Debt Securities	40,825	-	-	40,825
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	11,359	1,667,387	-	1,678,746
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
Available-for-Sale Financial Assets (Net)	58,518,529	586,499	-	59,105,028
Equity Securities ⁽¹⁾	526,528	99,684	-	626,212
Government Debt Securities	57,900,259	-	-	57,900,259
Other Marketable Securities	91,742	486,815	-	578,557
Total Assets	58,570,713	2,253,886	-	60,824,599
Trading Derivative Financial Liabilities	9,737	643,628	-	653,365
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	9,737	643,628	-	653,365

⁽¹⁾ Since equity securities under the heading of financial assets available for sale amounting to TL 23,186 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above

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XII. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ON ACCOUNT OF OTHER PARTIES

1. Transaction, Custody, Management and Consultancy Services of the Parent Bank on behalf of Third Parties

The Parent 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 Parent 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 Parent Bank or The Group

The Parent Bank has no fiduciary transactions.

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

1. Information on Cash and Balances with Central Bank of the Republic of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	2,312,736	1,475,343	1,738,822	1,053,954
Central Bank of the Republic of Turkey	2,964,799	39,313,476	6,432,150	31,248,539
Other	-	153,983	3,775	168,265
Total	5,277,535	40,942,802	8,174,747	32,470,758

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. 2017/2 for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturities 12%; for FC deposit accounts with 1-year and longer maturity 8%, for FC liabilities other than deposits up to 1-year maturity 24%; for FC liabilities other than deposits up to 2-years maturity 19%; for FC liabilities other than deposits up to 3-years maturity 14%; for FC liabilities other than deposits up to 5-years maturity 6%; and for FC liabilities other than deposits more than 5-years maturity 4%.

According to the press release of CBRT held on 21 October 2014, interest payment for Turkish Lira reserve requirement has been commenced since 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.

As of 31 December 2017, total reserve requirement of the Group is TL 42,815,417 including Central Banks abroad (31 December 2016: TL 37,360,029).

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Information on the account of the Central Bank of the Republic of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	2,779,169	4,497,785	6,332,401	2,254,151
Unrestricted Time Deposit	-	-	-	2,312,376
Restricted Time Deposit	-	6,316	-	-
Other ⁽¹⁾	185,630	34,809,375	99,749	26,682,012
Total	2,964,799	39,313,476	6,432,150	31,248,539

⁽¹⁾ Includes required reserves and CBRT Restricted Electronic Money Funds amounting to TL 8,541 (31 December 2016: None). Required reserve of branches abroad amounting to TL 108,320 is presented in this line (31 December 2016: TL 88,706). TL 18,737,782 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2016: TL 12,506,189).

2. Information on Financial Assets at Fair Value Through Profit and Loss Given or Blocked as Collateral or Subject To Repurchase Agreements

None.

3. Positive Differences Related To The Derivative Financial Assets Held-for-Trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Assets Held-for-Trading				
Forward Transactions	75,527	27,444	34,505	62,310
Swap Transactions	803,137	485,432	1,161,871	420,018
Futures Transactions	-	-	-	-
Options	1,385	3,842	42	-
Other	-	-	-	-
Total	880,049	516,718	1,196,418	482,328

4. Information on Banks and Other Financial Institutions

4.1. Information on Bank Balances

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	2,246,529	1,333,807	1,515,980	376,346
Foreign Banks	126,700	1,925,104	70,103	2,357,637
Foreign Head Office and Branches	-	-	-	-
Total	2,373,229	3,258,911	1,586,083	2,733,983

4.2. Information on Foreign Banks Accounts

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	1,261,645	932,505	-	7,867
USA, Canada	109,259	1,032,444	-	-
OECD Countries ⁽¹⁾	71,977	21,643	-	-
Off-Shore Banking Regions	-	-	-	-
Other	608,923	431,433	-	1,848
Total	2,051,804	2,418,025	-	9,715

⁽¹⁾ OECD countries except EU countries, USA and Canada.

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5. Explanation Regarding To The Comparison of Net Values of Financial Assets Available-for-Sale Given Or Blocked As Collateral and Subject To Repurchase Agreements

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	15,399,490	41,422,834
Assets Blocked/Given as Collateral	45,702,660	5,879,016
Total	61,102,150	47,301,850

6. Information on Financial Assets Available for Sale

	Current Period	Prior Period
Debt Securities	64,386,278	60,472,357
Quoted in Stock Exchange	64,275,184	60,387,940
Not Quoted in Stock Exchange	111,094	84,417
Share Certificates	982,967	686,242
Quoted in Stock Exchange	824,280	528,908
Not Quoted in Stock Exchange	158,687	157,334
Provision for Impairment (-)	1,731,014	2,030,385
Total	63,638,231	59,128,214

7 Information Related To Loans

7.1. Information on All Types of Loans and Advances Given To Shareholders and Employees of The Group

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	188	-	12,654
Loans Granted to Employees ^{(1) (2)}	343,693	213	290,654	155
Total	343,693	401	290,654	12,809

⁽¹⁾ Interest rediscount and interest accrual amounting TL 2,911 are not included in the table above.

⁽²⁾ Since the balance of overdraft accounts related to employees amounting TL 16,543 is showed under Table 7.4 as overdraft accounts (real person), it is not included to the table above.

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7.2. Information on The First and Second Group Loans and Other Receivables Including Restructured or Rescheduled Loans

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled	Other	Loans and Other Receivables	Restructured or Rescheduled	Other
		Loans and other receivables with revised contract terms ⁽¹⁾			Loans and other receivables with revised contract terms ⁽¹⁾	
Non-Specialized Loans	250,756,625	3,640,314	-	1,722,726	2,305,738	-
Commercial loans	147,284,029	2,306,103	-	1,068,800	2,074,379	-
Export Loans	4,536,246	-	-	24,032	-	-
Import Loans	433,206	607	-	135	2,832	-
Loans Given to Financial Sector	8,018,950	-	-	5,659	-	-
Consumer Loans	80,214,729	1,332,499	-	575,102	225,455	-
Credit Cards	4,124,899	74	-	43,314	2,409	-
Other	6,144,566	1,031	-	5,684	663	-
Specialized Lending ^{(1) (2)}	45,829,370	4,943,655	-	564,931	552,408	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals ⁽²⁾	5,854,409	269,474	-	115,301	240,051	-
Total	302,440,404	8,853,443	-	2,402,958	3,098,197	-

⁽¹⁾ Fund sourced agricultural loans are shown under specialized lending⁽²⁾ Agriculturally qualified farmer standby loans have been displayed under specialized lending.

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended	8,300,250	2,881,483
3 - 4 or 5 Times Extended	550,318	213,720
Over 5 Times Extended	2,875	2,994

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	7,554,937	1,954,951
6 Months - 12 Months	271,974	294,062
1 - 2 Years	265,174	348,512
2 - 5 Years	716,167	436,757
5 Years and Over	45,191	63,915
Total	8,853,443	3,098,197

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7.3. Loans According To Maturity Structure

	Standard Loans and Other Receivables ⁽¹⁾		Loans and Other Receivables under Close Monitoring ⁽¹⁾	
	Loan and Other Receivables	Restructured or Rescheduled	Loan and Other Receivables	Restructured or Rescheduled
Short-Term Loans and Other Receivables	55,143,463	2,246,316	464,131	341,183
Non-Specialized Loans	47,356,647	112,780	366,276	108,861
Specialized Loans	7,786,816	2,133,536	97,855	232,322
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	241,442,532	6,337,653	1,823,526	2,516,963
Non-Specialized Loans ⁽²⁾	203,399,978	3,527,534	1,356,450	2,196,877
Specialized Loans	38,042,554	2,810,119	467,076	320,086
Other Receivables	-	-	-	-

⁽¹⁾ Rediscounts are not included.⁽²⁾ Agricultural loans originated from funds are shown under Specialized Lending.

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7.4. Information on Consumer Loans, Individual Credit Cards and Personnel Loans and Personnel Credit Cards

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	571,124	80,018,469	80,589,593
Real Estate Loans ⁽²⁾	11,764	48,557,484	48,569,248
Vehicle Loans	4,453	239,864	244,317
Consumer Loans ⁽²⁾	550,269	30,657,460	31,207,729
Abroad	3,936	376,587	380,523
Other	702	187,074	187,776
Consumer Loans- Indexed to FC	296	210,364	210,660
Real Estate Loans	-	23,594	23,594
Vehicle Loans	-	132	132
Consumer Loans	-	-	-
Other	296	186,638	186,934
Consumer Loans-FC	2,272	114,682	116,954
Real Estate Loans	147	28,298	28,445
Vehicle Loans	-	-	-
Consumer Loans	770	55,041	55,811
Abroad	869	30,082	30,951
Other	486	1,261	1,747
Individual Credit Cards-TL	3,336,692	65,152	3,401,844
With Installment	1,153,521	62,085	1,215,606
Without Installment	2,183,171	3,067	2,186,238
Individual Credit Cards-FC	430	-	430
With Installment	-	-	-
Without Installment	430	-	430
Personnel Loans-TL	9,482	219,295	228,777
Real Estate Loans	-	2,573	2,573
Vehicle Loans	-	19	19
Consumer Loans	9,359	208,805	218,164
Abroad	105	2,038	2,143
Other	18	5,860	5,878
Personnel Loans-Indexed to FC	30	12,652	12,682
Real Estate Loans	-	3,235	3,235
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	30	9,417	9,447
Personnel Loans-FC	144	2,516	2,660
Real Estate Loans	-	1,134	1,134
Vehicle Loans	-	-	-
Consumer Loans	130	1,092	1,222
Other	14	290	304
Personnel Credit Cards-TL	98,438	1,118	99,556
With Installment	39,313	1,038	40,351
Without Installment	59,125	80	59,205
Personnel Credit Cards-FC	18	-	18
With Installment	-	-	-
Without Installment	18	-	18
Overdraft Accounts-TL (Real Person)	1,186,402	-	1,186,402
Overdraft Accounts-FC (Real Person)	57	-	57
Total ⁽¹⁾	5,205,385	80,644,248	85,849,633

⁽¹⁾ TL 520,675 of interest income accrual is not included in the table above.⁽²⁾ Consumer loans originated from funds amounting to TL 3,730,985 are included in the table above.

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7.5. Information on Commercial Installment Loans and Corporate Credit Cards

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	1,615,341	30,542,566	32,157,907
Business Loans	434	487,934	488,368
Vehicle Loans	76,929	991,295	1,068,224
Consumer Loans	1,363,581	28,719,604	30,083,185
Other	174,397	343,733	518,130
Commercial Installment Loans- Indexed to FC	158,703	580,624	739,327
Business Loans	-	-	-
Vehicle Loans	7,847	43,694	51,541
Consumer Loans	-	-	-
Other	150,856	536,930	687,786
Commercial Installment Loans - FC	223,400	19,014,867	19,238,267
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	109,167	18,561,648	18,670,815
Other	114,233	453,219	567,452
Corporate Credit Cards-TL	658,188	10,522	668,710
With Installment	235,346	10,474	245,820
Without Installment	422,842	48	422,890
Corporate Credit Cards-FC	138	-	138
With Installment	-	-	-
Without Installment	138	-	138
Overdraft Account-TL (Legal Entity)	182,646	-	182,646
Overdraft Account-FC (Legal Entity)	-	-	-
Total ⁽¹⁾	2,838,416	50,148,579	52,986,995

⁽¹⁾ Accruals and rediscount amounts are not included in the table above.

7.6. Loans According To Types of Borrowers

	Current Period	Prior Period
Public	4,084,344	4,056,741
Private	306,231,423	235,011,027
Interest Income Accruals of Loans	6,479,235	4,755,128
Total	316,795,002	243,822,896

7.7. Breakdown of Domestic and International Loans

	Current Period	Prior Period
Domestic Loans	299,929,540	227,406,151
Foreign Loans	10,386,227	11,661,617
Interest Income Accruals of Loans	6,479,235	4,755,128
Total	316,795,002	243,822,896

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7.8. Loans Granted To Subsidiaries and Associates

None (31 December 2016: None).

7.9. Specific Provisions Provided Against Loans

	Current Period	Prior Period
Loans and other receivables with limited collectability	394,823	377,489
Loans and other receivables with doubtful collectability	556,534	984,449
Uncollectible loans and other receivables	3,852,124	2,767,103
Total	4,803,481	4,129,041

7.10. Information On Non-Performing Receivables (Net)

7.10.1. Information On Loans And Other Receivables Included In Non-Performing Receivables Which Are Restructured Or Rescheduled by The Parent Bank

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Receivables
Current Period	8,215	29,876	151,817
(Gross amounts before the specific provisions)	-	-	-
Loans and other receivables which are restructured	8,215	29,876	151,817
Rescheduled loans and other receivables	-	-	-
Prior Period	14,498	58,203	127,037
(Gross amounts before the specific provisions)	-	-	-
Loans and other receivables which are restructured	14,498	58,203	127,037
Rescheduled loans and other receivables	-	-	-

7.10.2. Information on The Movement of Non-Performing Receivables

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Receivables
Prior Period Ending Balance	379,416	993,140	3,007,934
Additions (+)	1,697,196	170,168	301,173
Transfers from Other Categories of Loans under Follow-up (+)	-	1,505,768	1,915,754
Transfers to Other Categories of Loans under Follow-up (-)	1,505,768	1,915,754	-
Collections (-) ⁽¹⁾	175,691	194,171	1,150,198
Write-offs (-)	-	-	-
Corporate and Entrepreneurial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance ⁽²⁾	395,153	559,151	4,074,663
Specific Provision (-)	394,823	556,534	3,852,124
Net Balance on Balance Sheet ⁽²⁾	330	2,617	222,539

⁽¹⁾ The restructured and rescheduled loans, are included on the stated sum.

⁽²⁾ Includes the loans originated from funds amounting to TL 225,486 whose risk does not belong to the Parent Bank.

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7.10.3. Information on Foreign Currency Non-Performing Loans

	Group III Loans and Other Receivables with Limited Collectability	Group IV Loans and Other Receivables with Doubtful Collectability	Group V Uncollectible Loans and Other Receivables
Current Period			
Period Ending Balance	32,700	60,049	146,151
Specific Provision (-)	32,700	60,049	146,151
Net Balance on Balance Sheet	-	-	-
Prior Period			
Period Ending Balance	36,561	41,095	92,092
Specific Provision (-)	36,561	41,095	92,092
Net Balance on Balance Sheet	-	-	-

7.10.4. Gross and Net Amounts of Non-Performing Receivables According To User Groups

	Group III Loans and Other Receivables with Limited Collectability	Group IV Loans and Other Receivables with Doubtful Collectability	Group V Uncollectible Loans and Other Receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	395,153	473,910	4,074,663
Specific Provisions (-)	394,823	471,293	3,852,124
Loans to Real Persons and Legal Entities (Net)	330	2,617	222,539
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	85,241	-
Specific Provisions (-)	-	85,241	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	379,416	917,477	3,007,934
Specific Provisions (-)	377,489	908,786	2,767,103
Loans to Real Persons and Legal Entities (Net)	1,927	8,691	240,831
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	75,663	-
Specific Provisions (-)	-	75,663	-
Other Loans and Receivables (Net)	-	-	-

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7.10.5 Information On Liquidating Policy Of Uncollectible Loans And Other Receivables

Execution proceedings are carried out for the collection of receivables from loan services of the Parent Bank’s. During this process, tangible guarantees constituting guarantees of receivables of the Parent Bank and assets of the debtor(s) are realized while receivables of the Parent 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 Management. When the debtor offers exceed authorizations transferred to the Branch Management or includes matters outside the scope of current legislation agreements and the Branch Management submit favorable opinion to the Head Office regarding this issue, receivables should be restructured on a company/debtor basis in accordance with the decisions made by the related authorities.

7.10.6 Explanations on Write-Off Policy

The Parent Bank writes off the receivables from its records with the actualized circumstances of deaths of the debtor and/or the related people, refusals of the heritage by the heritors within the legal time limits, becoming legally and effectively impossible of the collection of the receivable, and the given financial accountability decision on the related personnel of the considered receivable.

7.10.7 Other Explanations and Disclosures

Current Period	Corporate and Entrepreneurial	Consumer	Agricultural	Total
Neither Past Due nor Impaired Loans ⁽¹⁾	172,508,183	85,552,624	53,233,040	311,293,847
Past Due but not Impaired Loans	3,451,288	858,408	1,191,459	5,501,155
Impaired Loans	3,429,404	917,804	681,759	5,028,967
Total	179,388,875	87,328,836	55,106,258	321,823,969
Specific Provisions of Impaired Loans (-)	3,426,124	914,046	463,311	4,803,481
Net Loan Amount	175,962,751	86,414,790	54,642,947	317,020,488

⁽¹⁾ TL 3,730,985 consumer, TL 2,016,203 agricultural, and TL 18 corporate and entrepreneurial loans originated from funds whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

Prior Period	Corporate and Entrepreneurial	Consumer	Agricultural	Total
Neither Past Due nor Impaired Loans ⁽¹⁾	130,127,678	64,001,050	45,242,573	239,371,301
Past Due but not Impaired Loans	2,405,053	1,071,525	975,017	4,451,595
Impaired Loans	2,797,462	934,653	648,375	4,380,490
Total	135,330,193	66,007,228	46,865,965	248,203,386
Specific Provisions of Impaired Loans (-)	2,796,878	928,172	403,991	4,129,041
Net Loan Amount	132,533,315	65,079,056	46,461,974	244,074,345

⁽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 Parent Bank, are shown under Neither Past Due nor Impaired Loans.

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8. Information on Held-To-Maturity Investments

8.1. Information on Comparative Net Values of Held-To-Maturity Investments Subject To Repo Transactions and Given As A Collateral/ Blocked

Held-To-Maturity Investments Subject To Repo Transactions

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	174,799	2,103,464	2,301,823	2,384,104
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	174,799	2,103,464	2,301,823	2,384,104

Held-To-Maturity Investments Given As Collateral Or Blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	2,369,824	2,651,289	1,089,898	2,252,339
Other	-	-	-	-
Total	2,369,824	2,651,289	1,089,898	2,252,339

8.2 Information on Held-To-Maturity Government Bonds and Treasury Bills

	Current Period	Prior Period
Government Bonds	7,518,530	8,647,891
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Total	7,518,530	8,647,891

8.3. Information on Held-To-Maturity Investments

	Current Period	Prior Period
Debt securities	7,625,763	8,794,915
Quoted in a Stock Exchange	7,518,530	8,647,891
Not Quoted in a Stock Exchange	107,233	147,024
Provision for Impairment (-)	-	-
Total	7,625,763	8,794,915

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8.4. Movements of Held-To-Maturity Investments

	Current Period	Prior Period
Beginning Balance	8,794,915	10,223,475
Foreign Currency Differences on Monetary Assets	326,988	475,282
Purchases During the Year ⁽¹⁾	434,046	937,418
Disposals through Sales and Redemptions	(1,930,186)	(2,841,260)
Provision for Impairment (-)	-	-
Period End Balance	7,625,763	8,794,915

⁽¹⁾ Accruals are shown in “Purchases During the Year”.

Within the year 2008, the Parent Bank has reclassified securities previously classified in available for sale portfolio with nominal values of TL 23,630,115, EUR 717,616 thousand and USD 1,483,317 thousand to held-to-maturity portfolio with fair values of TL 22,971,669, EUR 702,950 thousand and USD 1,562,742 thousand respectively which have been taken into consideration as book values after reclassification. The Bank has also reclassified securities previously classified in financial assets at fair value through profit and loss portfolio with nominal values of EUR 37,951 thousand and USD 45,501 thousand to held-to-maturity portfolio with fair values of EUR 37,178 thousand and USD 62,311 thousand respectively which have been taken into consideration as book values after reclassification in accordance with TAS 39 “Turkish Accounting Standard for Financial Instruments: Recognition and Measurement” published in the Official Gazette No. 27040 dated 31 October 2008 by Public Oversight Accounting and Auditing Standards Authority (“POA”).

Revaluation differences of reclassified available for sale securities before deferred tax are TL 68,984, EUR (23,067) thousand and USD (15,207) thousand respectively and are recorded under shareholders’ equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. At the end of balance sheet date, negative revaluation differences accounted under shareholders’ equity are amounted as USD 8,873 thousand and EUR 502 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 20,020 thousand and USD 65,536 thousand respectively.

If the reclassification from the held for trading securities portfolio to the held-to-maturity portfolio had not been performed, income accrual amounting to TL 32,798 would have been recorded. As of 31 December 2017, the reclassification from held for trading securities to held-to-maturity investments has an expense impact of TL 22,165.

9. Information About Associates Accounts (Net)

9.1. Information About Unconsolidated Associates

	Description	Address (City/Country)	The Parent Bank’s Share Percentage, if Different, Voting Percentage (%)	The Bank’s Risk Group Share Percentage (%)
1	Bankalararası Kart Merkezi A.Ş.	İstanbul/Turkey	12.50	17.98
2	Kredi Kayıt Bürosu A.Ş.	İstanbul/Turkey	10.00	9.09

	Total Assets ⁽²⁾	Shareholders’ Equity ⁽²⁾	Total Non-Current Assets ^{(2) (3)}	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit/Loss ⁽²⁾	Prior Period Profit/Loss ⁽²⁾	Fair Value ⁽¹⁾
1	93,761	51,077	53,466	1,547	-	11,181	10,403	-
2	263,183	158,185	150,459	1,720	-	36,272	34,759	-

⁽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 2017. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 December 2016.⁽³⁾ Total non-current assets include property and equipment.

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9.2. Explanation Regarding Consolidated Associates

	Description	Address (City/Country)	The Parent Bank's Share Percentage, if Different, Voting Percentage (%)	The Parent Bank's Risk Group Share Percentage (%)
1	Arap Türk Bankası A.Ş.	İstanbul/Turkey	22.22	15.43

	Total Assets ⁽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	5,063,759	785,384	115,205	164,771	58,528	80,268	61,597	-

⁽¹⁾ Since shares of Arap Türk 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 2017. Prior period profit/loss information of Arap Türk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2016.

	Current Period	Prior Period
Beginning Balance	98,869	92,861
Movement During the Period	22,316	6,008
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	12,385	9,504
Transfer	-	-
Sales	-	-
Revaluation Increase	13,326	-
Impairment Provision (-)	3,395	3,496
Ending Balance	121,185	98,869
Capital Commitments	-	-
Period Ending Share of Capital Participation (%)	15.43	15.43

9.3. Sectoral Information and Related Amounts Of Associates

	Current Period	Prior Period
Banks	121,185	98,869
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

9.4. Consolidated Associates Quoted To A Stock Exchange

None (31 December 2016: None).

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10. Information on Subsidiaries (Net)

10.1. Information about Unconsolidated Subsidiaries

	Description	Address (City/Country)	The Parent Bank's Share Percentage-if different Voting Percentage (%)	The Parent Bank's Group Share Percentage (%)
1	Ziraat Teknoloji A.Ş.	Istanbul/Turkey	100.00	100.00

	Total Assets ⁽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	62,950	13,444	19,131	961	150	2,823	2,467	-

⁽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 2017. Prior period profit/loss information has been provided from audited financial statements as of 31 December 2016.

10.2. Information about Consolidated Subsidiaries

In consolidated financial statements of Parent Bank's, investments related to subsidiaries and joint ventures operating abroad in foreign currency are followed by their fair values. For these subsidiaries, fair value is determined by valuation reports, TL equivalents of investments related to subsidiaries are fixed as of revaluation date and revaluation differences added to subsidiaries' values are recognized in "Marketable Securities Value Increase Fund" under shareholder's equity.

	Description	Address (City/Country)	The Parent Bank's Share Percentage-if different Voting Percentage (%)	The Parent Bank's Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	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
14	JSC Ziraat Bank Georgia ^(*)	Tbilisi/Georgia	100.00	100.00
15	Ziraat Bank Uzbekistan JSC ^(**)	Tashkent/Uzbekistan	100.00	100.00

^(*) Tbilisi, Batum and Marneuli branches of the Parent Bank which were operating in Georgia have been gathered under the Bank's roof as of 2 May 2017 and continues to operate as a subsidiary with JSC Ziraat Bank Georgia title and all of the capital belonging to the Bank.

^(**) The share of partnership in Uzbekistan has increased to 100% and its status become subsidiary from entity under common control and continues its operations as Ziraat Bank Uzbekistan JSC.

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	Total Assets ⁽³⁾	Shareholders' Equity ⁽³⁾	Total Non-Current Assets ⁽³⁾	Interest Income ⁽³⁾⁽⁴⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit/Loss ⁽³⁾	Prior Period Profit/Loss ⁽³⁾	Fair Value ⁽¹⁾	Shareholders' Equity Needed
1	5,785,955	663,224	2,457	200,552	-	449,105	231,541	-	-
2	1,152,752	439,579	1,450	94,377	-	226,794	128,912	-	-
3	2,637,889	331,959	1,498	1,720	-	65,203	30,003	-	-
4	185,304	127,203	494	78,960	856,821	51,053	24,935	-	-
5	44,966	39,205	618	3,800	28,198	15,820	8,582	-	-
6	14,350,143	1,403,681	110,515	932,758	48,634	158,902	30,673	-	-
7	1,551,822	1,550,783	1,253,180	168	-	236,712	13,585	-	-
8	7,894,189	979,381	18,750	221,983	2,440	74,888	40,843	971,937	-
9	2,409,237	371,514	81,996	89,695	253	10,973	(36,478)	337,820	-
10	412,101	164,371	11,889	35,441	252	11,162	6,596	150,954	-
11	648,822	289,377	15,193	38,218	8,078	23,486	23,030	286,462	-
12	410,543	140,611	26,999	24,712	433	8,676	11,278	162,098	-
13	238,128	32,067	4,074	7,525	258	(3,759)	(4,851)	30,508	-
14	136,031	44,890	5,477	2,466	910	1,204	-	53,605	-
15	198,326	98,046	1,544	10,981	-	53,719	11,186	115,629	-

⁽¹⁾ The subsidiaries other than the ones presented with fair value are not traded in stock exchange and accordingly fair values cannot be determined and they are carried at cost less impairment, if any. For the subsidiaries having fair value, fair value shows the portion belonging to Ziraat Bank.

⁽²⁾ The income from marketable securities portfolio of Ziraat Yatırım Menkul Değerler A.Ş. and Ziraat Portföy Yönetimi A.Ş. are representing the net sales.

⁽³⁾ Current period information of subsidiaries has been provided from unaudited financial statements as of 31 December 2017. Prior period profit/loss information has been provided from audited financial statements as of 31 December 2016.

⁽⁴⁾ The amount of Ziraat Katılım Bankası A.Ş. shown in interest income column includes incomes from the participation funds.

Information on Consolidated Subsidiaries (Represents Values Belonging To The Parent Bank)

	Current Period	Prior Period
Balance at the Beginning of the Period	4,101,352	2,442,943
Movements During the Period	1,036,898	1,658,409
Additions to Scope of Consolidation	-	-
Purchases ⁽¹⁾⁽²⁾	668,492	1,446,624
Bonus Shares Obtained	3,000	2,996
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales	-	-
Revaluation Increase	376,366	281,824
Impairment Provision (-)	10,960	73,035
Balance at the End of the Period	5,138,250	4,101,352
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

⁽¹⁾ Paid Capital Increases made during the period are classified under “Purchases” account.

⁽²⁾ The share of partnership in Uzbekistan has increased to 100% and its status become subsidiary from entity under common control and continues its operations as Ziraat Bank Uzbekistan JSC.

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Sectoral Information on Subsidiaries and The Related Carrying Amounts (Represents Values Belonging To The Parent Bank)

	Current Period	Prior Period
Banks	3,359,014	2,322,116
Insurance Companies	129,972	129,972
Factoring Companies	-	-
Leasing Companies	282,839	282,839
Financing Companies	-	-
Other Financial Subsidiaries	1,366,425	1,366,425

10.3. Subsidiaries Which Are Quoted on A Stock Exchange

None (31 December 2016: None).

11. Information on Entities Under Common Control (Joint Ventures)

Entities under Common Control (Joint Ventures) ⁽¹⁾	Parent Bank's Share ⁽²⁾	Group's Share	Current Assets	Non-Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	51,730	51,730	2,303,598	12,166	12,266	46,932	31,595
Total	51,730	51,730	2,303,598	12,166	12,266	46,932	31,595

⁽¹⁾ Information on entity under joint control is provided from the unaudited financial statements as of 31 December 2017.⁽²⁾ Represents the Parent Bank's share in the shareholders' equity of the entity under common control based on the shareholding rate of the Bank.

Entities under common control domiciled and operating abroad are followed by their fair values. For these entities under common control, fair value is determined by independent valuation firm's report and revaluation differences are accounted as the value of entities under common control and in "Marketable Securities Value Increase Fund" under shareholders' equity.

12. Information on Finance Lease Receivables (Net)

Information on finance lease receivables are as below:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	1,131,066	997,962	1,017,502	892,067
1-5 Years	1,710,323	1,479,545	1,553,514	1,356,447
More than 5 Years	509,823	404,012	285,154	235,153
Total	3,351,212	2,881,519	2,856,170	2,483,667

13. Information On Derivative Financial Assets For Hedging Purposes

The Group has no derivative financial assets for hedging purposes (31 December 2016: None).

14. Information On Investment Property

None (31 December 2016: TL 643,290).

15. Information on Assets Held for Sale and Tangibles Corresponding Discontinuing Operations

The group does not have any discontinuing operations. The assets held for sale are composed of immovables acquired due to consumer, commercial and agricultural loans and immovables for which has no necessity of usage exists by the Parent Bank. Those immovables considered for sales are announced at the web site of the Parent Bank.

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The Group’s immovables amounting to TL 672,899 due to TL 14,819 of consumer loans, TL 596,417 of commercial loans and TL 61,663 of agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1,920.

16. Explanations on Property and Equipment

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End:						
Cost	6,244,530	12,459	45,850	252,001	961,440	7,516,280
Accumulated Depreciation (-)	937,584	3,419	26,331	151,695	522,468	1,641,497
Impairment (-)	2,312	-	-	-	462	2,774
Net Book Value	5,304,634	9,040	19,519	100,306	438,510	5,872,009
Current Period End:						
Net Book Value at the Beginning of the Period	5,304,634	9,040	19,519	100,306	438,510	5,872,009
Change During the Period (Net)	743,106	332	(4,008)	(17,020)	63,910	786,320
- Cost	768,469	1,739	1,213	27,063	198,153	996,637
- Depreciation Net (-)	24,907	1,407	5,221	44,083	134,243	209,861
- Impairment (-)	456	-	-	-	-	456
Net Currency Translation from Foreign Subsidiaries (-)	17,214	(14)	234	154	3,715	21,303
Cost at Period End	7,030,213	14,184	47,297	279,218	1,163,308	8,534,220
Accumulated Depreciation at Period End (-)	962,491	4,826	31,552	195,778	656,711	1,851,358
Impairment (-)	2,768	-	-	-	462	3,230
Closing Net Book Value	6,064,954	9,358	15,745	83,440	506,135	6,679,632

The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this

None (31 December 2016: None).

Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets

None (31 December 2016: None).

17. Explanations on Intangible Assets

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Establishment Costs	8,447	7,723	724	7,686	6,815	871
Goodwill	-	-	-	-	-	-
Intangible Rights	769,346	237,982	531,364	531,831	164,838	366,993
Total	777,793	245,705	532,088	539,517	171,653	367,864

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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 consolidated financial statements

Information on Goodwill

None.

18. Information on Deferred Tax Asset

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit in accordance with the Turkish Accounting Standards (TAS 12) “Income Taxes”. In the computation of deferred tax, effective tax rates as of the balance sheet date are used in accordance with the current tax legislation.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Calculated deferred tax assets and deferred tax liabilities are net off in the financial statements.

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Information on calculated deferred tax including deductible temporary differences, financial losses, tax deductibles and tax exemptions is shown below:

	Current Period	Prior Period
Deferred Tax Assets	29,794	86,569
Deferred Tax Liabilities	307,100	3,463
Net Deferred Tax (Assets)/Liabilities	(277,306)	83,106
Net Deferred Tax Income/Expense	(30,525)	(92,825)
	Current Period	Prior Period
Reserve for Employment Termination Benefits	163,176	139,047
Short Term Employee Benefits	50,538	38,447
Financial Assets Valuation	(182,639)	(93,267)
Other	(308,381)	(1,121)
Net Deferred Tax (Assets)/Liabilities	(277,306)	83,106
	Current Period	Prior Period
As of 1 January	83,896	264,470
Addition to Scope of Consolidation	-	-
Effect of Change in the Effective Tax Rate	(35,635)	-
Deferred Tax (Expense)/Income	5,110	(92,825)
Deferred Tax Expenses (Net)	(30,525)	(92,825)
Deferred Tax Recognized Under Shareholders' Equity ⁽¹⁾	(330,677)	(88,539)
Deferred Tax (Assets)/Liabilities	(277,306)	83,106

⁽¹⁾ As a result of the amendment to the Tax Law; the tax exemption on immovable sales has been reduced from 75% to 50% and the deferred tax effect due to the change has been shown.

19. Information on Other Assets

As of 31 December 2017 and 31 December 2016, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

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II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

1. Information on Deposits/Funds collected

1.1. Information on Maturity Structure of Deposits Collected

Current Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	26,091,092	-	3,414,824	67,470,823	5,082,603	1,158,237	1,034,048	96,557	104,348,184
Foreign Currency Deposits	24,196,973	-	6,995,900	32,461,783	6,838,514	7,907,224	20,646,249	463	99,047,106
Residents in Turkey	19,470,588	-	6,127,263	25,418,213	3,898,520	3,032,340	5,592,478	290	63,539,692
Residents Abroad	4,726,385	-	868,637	7,043,570	2,939,994	4,874,884	15,053,771	173	35,507,414
Public Sector Deposits	6,128,722	-	7,166,830	7,427,947	992,332	5,516,199	56,872	-	27,288,902
Commercial Inst. Deposits	7,337,456	-	4,281,408	8,284,147	574,282	1,501,131	97,707	-	22,076,131
Other Inst. Deposits	2,170,712	-	2,098,970	3,580,174	385,560	829,811	1,159,978	-	10,225,205
Precious Metals	3,580,301	-	45,192	503,299	46,355	25,265	33,500	-	4,233,912
Interbank Deposits	2,104,256	-	6,801,769	2,168,481	1,098,715	2,338,050	838,902	-	15,350,173
CBRT	3,291	-	-	-	-	-	-	-	3,291
Domestic Banks	89,586	-	6,738,902	136,783	193,193	2,047	2,046	-	7,162,557
Foreign Banks	924,653	-	62,867	2,031,698	905,522	2,336,003	836,856	-	7,097,599
Participation Banks	1,086,726	-	-	-	-	-	-	-	1,086,726
Other	-	-	-	-	-	-	-	-	-
Total	71,609,512	-	30,804,893	121,896,654	15,018,361	19,275,917	23,867,256	97,020	282,569,613

Prior Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	22,548,091	-	3,211,532	60,686,575	4,404,259	1,024,789	857,926	44,170	92,777,342
Foreign Currency Deposits	16,043,174	-	6,158,621	19,113,290	5,174,283	4,969,554	16,427,978	619	67,887,519
Residents in Turkey	13,814,369	-	5,883,031	15,986,117	4,411,314	3,059,414	10,853,638	619	54,008,502
Residents Abroad	2,228,805	-	275,590	3,127,173	762,969	1,910,140	5,574,340	-	13,879,017
Public Sector Deposits	6,223,181	-	2,935,849	7,310,177	2,090,069	4,742,350	13,571	-	23,315,197
Commercial Inst. Deposits	6,319,002	-	6,593,154	9,922,821	497,592	67,658	52,483	-	23,452,710
Other Inst. Deposits	1,815,386	-	2,709,644	4,398,157	412,382	827,365	946,954	-	11,109,888
Precious Metals	2,066,664	-	32,607	240,919	23,444	16,479	13,292	-	2,393,405
Interbank Deposits	1,496,123	-	5,033,318	1,687,431	636,144	1,973,477	1,149,439	-	11,975,932
CBRT	5,252	-	-	-	698	-	-	-	5,950
Domestic Banks	420,083	-	4,405,931	87,962	191,176	-	6,364	-	5,111,516
Foreign Banks	164,921	-	627,387	1,599,469	444,270	1,973,477	1,143,075	-	5,952,599
Participation Banks	905,867	-	-	-	-	-	-	-	905,867
Other	-	-	-	-	-	-	-	-	-
Total	56,511,621	-	26,674,725	103,359,370	13,238,173	13,621,672	19,461,643	44,789	232,911,993

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1.2. Saving Deposits Under The Guarantee of Deposit Insurance and Exceeding The Deposit Insurance Limit (Represents Values Belonging To The Parent Bank)

	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits				
Saving Deposits ⁽¹⁾	68,870,575	60,568,084	34,813,148	29,701,060
Foreign Currency Saving Deposits ⁽¹⁾	28,077,369	21,431,931	41,270,577	28,972,511
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance ⁽²⁾	858,357	636,306	101,979	42,853
Deposits at Off-Shore Banking Regions' and under Foreign Authorities' Insurance	-	-	-	-

⁽¹⁾ Related deposit balances do not include foreign branches.⁽²⁾ In Bulgaria and Greece, since both real person and legal entity's saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 92,323 and TL 20,507 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2016: Bulgaria and Greece, TL 47,282 and TL 13,226, respectively).

Based on the Council of Minister's decree dated 29 December 2003 and numbered 2003/6668, TL 917 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş.

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of banks. As total of capital amount and interest expense accruals of saving deposits up to TL 100 attributable to a real person is covered by the insurance, TL 718,659 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 15 February 2013 and numbered 28560.

1.3. Information on Saving Deposits/Real Persons' Private Current And Accession Accounts Not Related to Commercial Transactions in a Turkish Branch of The Bank Whose Head Office is Abroad, And Reasons if it is Covered in Where The Head Office is Located

The Parent Bank's head office is located in Turkey.

1.4. Saving Deposits of Real Persons Not Covered by the Deposit Insurance Fund

	Current Period	Prior Period
Deposits and Other Accounts in Branches Abroad	65,522	81,373
Deposits of Ultimate Shareholders and Their Close Families	-	-
Deposits of Chairman and Members of the Board of Directors, General Manager, Assistant General Managers and Their Close Family Members	7,476	6,448
Deposits Obtained through Illegal Acts Defined in the 282 nd Article of the 5237 Numbered Turkish Criminal Code Dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

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2. Negative Differences Related To The Derivative Financial Liabilities Held for Trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	71,896	25,208	33,498	50,329
Swap Transactions	161,436	286,392	206,170	363,333
Futures Transactions	-	-	-	-
Options	2,174	1,804	35	-
Other	-	-	-	-
Total	235,506	313,404	239,703	413,662

3. Information on Banks and Other Financial Institutions

3.1. General Information on Banks and Other Financial Institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	410,436	-	-	-
Domestic Banks and Institutions	426,996	1,843,701	403,098	1,653,704
Foreign Banks, Institutions and Funds	925,624	27,511,496	935,448	21,434,279
Total	1,763,056	29,355,197	1,338,546	23,087,983

3.2. Maturity Structure of Funds Borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	826,393	8,772,026	394,462	7,048,505
Medium and Long-Term	936,663	20,583,171	944,084	16,039,478
Total	1,763,056	29,355,197	1,338,546	23,087,983

3.3. Further information is disclosed for the areas of the Group’s liability concentrations. Main liability concentration areas are fund suppliers, sector groups or other risk concentration criteria

61.84% of the Group’s total liabilities and equity consist of deposits. Deposits have a diversified base and have steady structures. The Group’s liabilities are not subject to a significant concentration risk (31 December 2016: None).

4. Information on Funds Supplied from Repurchase Agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	1,339,819	-	30,385,206	-
Financial Institutions and Organizations	1,243,480	-	30,211,399	-
Other Institutions and Organizations	90,588	-	166,520	-
Real Person	5,751	-	7,287	-
From Overseas Operations	-	13,100,369	-	12,270,423
Financial Institutions and Organizations	-	13,100,369	-	12,270,423
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
Total	1,339,819	13,100,369	30,385,206	12,270,423

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5. Information on Securities Issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	3,562,491	-	2,156,778	-
Asset-Backed Securities	557,804	-	101,459	-
Treasury Bonds	177,752	9,176,233	131,822	4,680,692
Total	4,298,047	9,176,233	2,390,059	4,680,692

6. If Other Liabilities Exceed 10% of The Balance Sheet Total, Name and Amount of Sub-Accounts Constituting at Least 20% of These Liabilities

Other liabilities do not exceed 10% of the balance sheet total.

7. Information on Finance Lease Payables (Net)

In the finance lease agreements, lease payments are determined according to the price of leasehold, the Group's interest rate of commercial loan and maturity of the agreement. The amounts in the lease agreements are paid in equal installments. There are not any restrictions in these agreements that create significant obligations to the Group.

The Group has no liabilities from finance leases (31 December 2016: None).

8. Information on Derivative Financial Liabilities for Hedging Purposes

Group has no derivative financial liabilities for hedging purposes (31 December 2016: None).

9. Explanations on Provisions

9.1. Information on General Provisions

	Current Period	Prior Period
General Provisions	5,635,198	4,042,425
Allocated for Group-I Loans and Receivables	4,680,739	3,271,408
Additional Provision for Loans and Receivables with Extended Maturities	311,350	233,456
Allocated for Group-II Loans and Receivables	236,317	181,621
Additional Provision for Loans and Receivables with Extended Maturities	79,190	61,127
Allocated for Non-Cash Loans	596,880	466,954
Other	121,262	122,442

9.2. Foreign Exchange Loss Provisions on The Foreign Currency Indexed Loans and Finance Lease Receivables

Group's foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables amount to TL 12,990 (31 December 2016: TL 327).

9.3. Specific Provisions for Unindemnified Non-Cash Loans

Group's Specific provisions of Parent Bank for unindemnified non-cash loans amount to TL 138,235 (31 December 2016: TL 150,916).

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9.4. Information on Other Provisions

9.4.1. Information on Free Reserve Provisions for Possible Risks

These financial statements include a free reserve provision which is not in accordance with BRSA Principles amounting to TL 1,475,000 which has a part of TL 530,000 from the current period, provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions. Moreover, the provision of TL 25,150 and other provision of TL 234 exist for cash transfers made by Bank officials.

	Current Period	Prior Period
Free Reserve Provisions for Possible Risks	1,500,384	964,944

9.4.2. The Names and Amounts of Sub-Accounts of Other Provisions Exceeding 10% of The Total Provision Amount

Based on the information provided by the legal department, lawsuits against the Parent Bank over TL 100 amounts to TL 94,838. Full provision has been provided in these financial statements for law suits ended against the Bank but not finalized yet, amounting to TL 63,600. Together with the provision of consolidated with other associates amounting to TL 340, total provision for lawsuits of the Group amounts to TL 63,940.

Based on the decision of the Bank management, provision amounting to TL 38,850 is provided for the consumer loans followed under standard loan portfolio that also have amounts in the non-performing loan portfolio in compliance with the Act on Preservation of Consumers numbered 4077. The provision is made in accordance with the conservatism principle without taking into consideration the guarantees of these loans (31 December 2016: TL 60,400).

The Group also provided provisions amounting to TL 138,235 (31 December 2016: TL 150,916) for unindemnified non-cash loans, TL 142,464 (31 December 2016: TL 102,026) for other provisions. As a result of the provisions mentioned above, the other provision balance on the Group’s balance sheet amounts to TL 1,883,873 (31 December 2016: TL 1,313,995).

9.5. Liabilities on Reserve for Employee Termination Benefits

9.5.1. Employment Termination Benefits and Unused Vacation Rights

The Group accounts for its vacation and retirement pay obligations in accordance with the TAS 19 “Employee Benefits”. The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation. As of 31 December 2017, unpaid vacation liability amounted to TL 258,763 (31 December 2016: TL 192,237), and employment termination amounted to TL 820,157 (31 December 2016: TL 695,237) are presented under the “Employee Benefits Provision” in the financial statements.

Group’s movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
As of 1 January	695,237	685,072
Current Service Cost	66,422	59,497
Interest Cost	180,436	74,174
Severance Pay	(72,223)	(116,587)
Payment/Abating Benefits/Gain (Loss) in consequence of Layoff	1,606	(212)
Actuarial Gain (Loss)	(51,321)	(6,707)
Balance at period end	820,157	695,237

The Parent Bank provided provisions amounting to TL 250,000 of additional bonus provision with the decision of General Assembly.

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9.5.2. Additional Bonus Provision Paid to Personnel

The technical balance sheet reports which are prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9.80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2017 and 2016.

9.5.3. Pension Rights

The liability related to Parent Bank’s benefits to be transferred to SSI as of the balance sheet date is expected payment to be made to SSI during the transfer. Actuarial parameters and results used in calculation of this amount reflects the Act’s, numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, principles related to pension and health benefits to be transferred to SSI (9.80% real discount rate, etc.).

According to related Actuary Report, the Fund’s surplus is TL 3,442,106 as of 31 December 2016 (31 December 2016: TL 2,835,975)

	Current Period	Prior Period
Non Medical Assets	3,074,811	2,654,080
Non Medical Liabilities	(2,610,396)	(2,292,445)
Cash Value of Medical Premium	1,407,143	1,214,948
Cash Value of Medical Liabilities	(467,476)	(379,490)
Fund Assets	2,038,024	1,638,883
Actual and Technique Deficit/Surplus Amount	3,442,106	2,835,975

The principal actuarial assumptions used are as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9.80%	9.80%
- Post employment medical benefits transferable to SSI	9.80%	9.80%

To represent mortality rates both before and after retirement, CSO 1980 Female/Male mortality table is used.

Plan assets are comprised as follows:

	Current Period	Prior Period
Bank Placements	1,612,918	1,284,298
Property and Equipment	127,096	66,844
Marketable Securities	125,000	-
Other	173,010	287,741
Total	2,038,024	1,638,883

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10. Information on Tax Liability

10.1. Information on Current Tax Liability

Information on Tax Provisions

As of 31 December 2017, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 474,434 (31 December 2016: TL 444,505).

Information on Current Taxes Payable

	Current Period	Prior Period
Corporate Tax Payable	474,434	444,505
Taxation on Income From Securities	193,987	215,147
Property Tax	2,570	2,491
Banking Insurance Transactions Tax (BITT)	164,067	144,072
Foreign Exchange Transactions Tax	106	59
Value Added Tax Payable	7,289	7,091
Other	132,581	67,194
Total	975,034	880,559

10.2. Information on Premiums

	Current Period	Prior Period
Social Security Premiums - Employee	37	39
Social Security Premiums - Employer	52	56
Bank Social Aid Pension Fund Premium - Employee	9,779	8,840
Bank Social Aid Pension Fund Premium - Employer	13,629	12,400
Pension Fund Membership Fees and Provisions - Employee	2	13
Pension Fund Membership Fees and Provisions - Employer	6	59
Unemployment Insurance - Employee	1,599	1,382
Unemployment Insurance - Employer	3,200	2,763
Other	-	-
Total	28,304	25,552

10.3. Information on Deferred Tax Liabilities, If Any

The Group's deferred tax liability, for the current term, amounts to TL 307,100 (31 December 2016: TL 3,463).

11. Information on Payables for Assets Held for Sale And Discontinued Operations

The Group does not have any payables for assets held for sale and discontinued operations.

12. Explanations on Subordinated Debts

The Group does not have any subordinated debts.

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13. Information on Shareholders' Equity

13.1. Presentation on Paid-In Capital

	Current Period	Prior Period
Common Stock	5,600,000	5,100,000
Preferred Stock	-	-

13.2. Paid-In Capital Amount, Explanation Whether The Registered Capital System Is Applicable By The Bank, If So The Registered Capital Ceiling Amount

The Parent Bank does not have a registered capital system.

13.3. Information On Share Capital Increases And Their Sources; Other Information On Increased Capital Shares In The Current Period

The decision of increasing the capital of the Parent Bank by TL 500,000 to TL 5,600,000 is approved in General Assembly in 9 June 2017. Increase of capital and amendments according to the relevant materials of the Articles of Association was registered on 11 July 2017. It has been announced in the Trade Registry Gazette numbered 9367 dated 14 July 2017. The offsetting transactions of the mentioned capital increase was accounted on 3 August 2017 accordance with the permission from the Banking Regulation and Supervision Agency.

13.4. Information on Additions From Capital Reserves To Capital In The Current Period

There is no share capital amount included in capital.

13.5. Capital Commitments in The Last Fiscal Year and Continue Until The End of The Following İnterim Period, General Purpose of These Commitments and Estimated Resources Required for These Commitments

The Parent Bank has no capital commitments.

13.6. Indicators of The Parent Bank's Income, Profitability and Liquidity for The Previous Periods and Possible Effects of Future Assumptions Based on The Uncertainty of These İndicators on The Bank's Equity

In the current period, the Parent Bank follows its operations in line with the previous periods. The Parent Bank's balance sheet has been managed with precaution by being affected by the interest, rate of exchange and credit risks at the minimum level. This helps to reduce the effects of fluctuations in the market to the Parent Bank's performance and contributes to the profitability structure to be sustainable.

13.7. Information on Preferred Shares Representing The Capital

There are no preferred shares.

13.8. Information on Marketable Securities Value Increase Fund

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	3,375	-	615,642	1,025
Revaluation Difference	-	-	-	1,025
Foreign Exchange Difference	3,375	-	615,642	-
From Available for Sale Marketable Securities	(1,801,386)	844,055	(1,460,361)	(550,321)
Revaluation Difference	(2,091,729)	844,213	(1,657,745)	(550,250)
Deferred Tax Effect	290,343	(158)	396,407	(71)
Foreign Exchange Difference	-	-	(199,023)	-
Total	(1,798,011)	844,055	(844,719)	(549,296)

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III. EXPLANATIONS AND NOTES TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS

1. Information on Off-Balance Sheet Liabilities

1.1. Nature and Amount of Irrevocable Loan Commitments

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	8,665,648	7,275,913
Other Irrevocable Commitments	10,318,492	7,204,521
Loan Granting Commitments	5,063,861	3,742,487
Payment Commitments for Cheques	3,761,934	3,173,767
Asset Purchase Commitments	4,829,656	2,136,524
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	26,137	22,138
Tax and Fund Obligations Resulting from Export Commitments	1,966	458
Subsidiaries and Associates Capital Contribution Commitments	-	-
Total	32,667,694	23,555,808

1.2. Nature and Amount of Possible Losses and Commitments Arising from The Off-Balance Sheet Items Including The Below Mentioned

Information related to possible losses of the Bank arising from off-balance sheet items is explained in 9th note explanations on provisions of Section Five Explanations and Notes Related to Liabilities.

1.2.1 Non-Cash Loans Including Guarantees, Acceptances, Financial Guarantees and Other Letters of Credit

	Current Period	Prior Period
Guarantee Letters	81,154,998	68,592,339
Letters of Credit	14,525,459	9,327,602
Bank Acceptances	6,307,098	4,261,898
Factoring Guarantees	1,635	-
Other Guarantees	333,412	532,131
Other Warrantees	4,020	7,145
Total	102,326,622	82,721,115

1.2.2. Certain Guarantees, Temporary Guarantees, Surety Ships and Similar Transactions

	Current Period	Prior Period
Letters of Certain Guarantees	52,790,337	42,394,237
Letters of Advance Guarantees	18,527,924	18,614,529
Letters of Temporary Guarantees	3,653,864	3,767,887
Letters of Guarantees Given to Customs Offices	1,332,481	786,137
Other Letters of Guarantees	4,850,392	3,029,549
Total	81,154,998	68,592,339

1.3. Explanations on Non-Cash Loans

1.3.1 Total Non-Cash Loans

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	2,422,713	1,675,735
With Original Maturity of One Year or Less	806,113	25,218
With Original Maturity of More than One Year	1,616,600	1,650,517
Other Non-Cash Loans	99,903,909	81,045,380
Total	102,326,622	82,721,115

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1.3.2. Information on Sectoral Risk Concentrations of Non-Cash Loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	91,690	0.25	25,014	0.04	69,794	0.27	14,374	0.03
Farming and Raising Livestock	28,383	0.08	-	-	28,426	0.11	92	-
Forestry	63,242	0.18	25,014	0.04	41,368	0.16	14,282	0.03
Fishing	65	0.00	-	-	-	-	-	-
Manufacturing	9,409,111	26.09	35,555,808	53.66	6,524,288	25.02	28,576,126	50.45
Mining and Quarrying	282,631	0.78	344,901	0.52	245,428	0.94	268,696	0.47
Production	5,453,249	15.12	32,920,814	49.69	4,092,001	15.69	26,241,468	46.33
Electric, Gas and Water	3,673,231	10.18	2,290,093	3.46	2,186,859	8.39	2,065,962	3.65
Construction	11,108,609	30.80	17,002,602	25.66	7,027,294	26.95	15,424,719	27.23
Services	14,371,943	39.85	12,612,077	19.03	11,904,745	45.65	11,824,555	20.88
Wholesale and Retail Trade	6,973,636	19.33	5,049,343	7.62	5,892,322	22.60	3,705,689	6.54
Hotel, Food and Beverage Services	200,820	0.56	403,658	0.61	141,846	0.54	327,446	0.58
Transportation and Telecommunication	1,492,421	4.14	2,425,130	3.66	1,144,919	4.39	3,593,041	6.34
Financial Institutions	4,122,232	11.43	3,542,223	5.35	3,465,541	13.29	2,715,909	4.79
Real Estate and Leasing Services	1,408,682	3.91	1,072,110	1.62	1,143,848	4.39	1,413,797	2.50
Self-Employment Services	-	-	6,163	0.01	-	-	1,572	-
Education Services	99,825	0.28	39,886	0.06	68,225	0.26	7,067	0.01
Health and Social Services	74,327	0.21	73,564	0.11	48,044	0.18	60,034	0.11
Other	1,086,485	3.01	1,063,283	1.60	550,743	2.11	804,477	1.42
Total	36,067,838	100.00	66,258,784	100.00	26,076,864	100.00	56,644,251	100.00

1.3.3. Information on The Non-Cash Loans Classified Under Group I and Group II

	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	35,813,607	65,849,943	254,231	408,841
Letters of Guarantee	35,546,408	44,951,554	254,231	402,805
Bank Acceptances	30,004	6,277,094	-	-
Letters of Credit	233,745	14,285,679	-	6,036
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	1,635	-	-
Other Commitments and Contingencies	3,450	333,981	-	-

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2. Explanations on Derivative Transactions

	Current Period	Prior Period
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions (I)	85,346,631	72,348,255
Forward Transactions	9,280,272	5,073,231
Swap Transactions	75,342,881	67,252,706
Futures Transactions	-	-
Option Transactions	723,478	22,318
Interest Related Derivative Transactions (II)	10,496,622	9,322,634
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	10,496,622	9,322,634
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivative Transactions (III)	-	-
A. Total Trading Derivative Transactions (I+II+III)	95,843,253	81,670,889
Types of Hedging Derivative Transactions		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
B. Total Hedging Derivative Transactions	-	-
Total Derivative Transactions (A+B)	95,843,253	81,670,889

The Group has no derivative instruments for hedging purposes. There are no unrealized transactions (those are estimated in the prior period and recognized based on this assumption however; it is clear that those transactions would not be realized) or expense and income from agreements in the income statement in the current period.

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Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Derivatives held for trading						
Foreign exchange derivatives	520,911	-	741,201	520,911	-	741,201
- Inflow	2,487,182	-	43,043,916	2,487,182	-	43,043,916
- Outflow	(1,966,271)	-	(42,302,715)	(1,966,271)	-	(42,302,715)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	201,322	5,046,989	5,248,311	201,322	5,046,989	5,248,311
- Outflow	(201,322)	(5,046,989)	(5,248,311)	(201,322)	(5,046,989)	(5,248,311)
Derivatives held for hedging						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total inflow	2,688,504	5,046,989	48,292,227	2,688,504	5,046,989	48,292,227
Total outflow	(2,167,593)	(5,046,989)	(47,551,026)	(2,167,593)	(5,046,989)	(47,551,026)

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	113,541	(2,490)	507,204	588,518	-	1,206,773
- Inflow	23,745,723	7,461,879	2,929,318	2,640,594	-	36,777,514
- Outflow	(23,632,182)	(7,464,369)	(2,422,114)	(2,052,076)	-	(35,570,741)
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	23,745,723	7,461,879	2,929,318	2,640,594	4,661,317	41,438,831
Total outflow	(23,632,182)	(7,464,369)	(2,422,114)	(2,052,076)	(4,661,317)	(40,232,058)

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.

Group's liability resulting from the cheques given to its customers amounts to TL 3,761,934 (31 December 2016: TL 3,173,767).

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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4. Explanations on Services In The Name Of Others

The Parent 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 Parent Bank does not provide consultancy and management services.

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

1. Within The Scope of Interest Income

1.1. Information on Interest Income From Loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans ⁽¹⁾⁽²⁾	25,380,131	4,179,331	18,992,637	3,094,642
Short Term Loans	6,475,997	279,080	4,760,476	159,502
Medium and Long Term Loans	18,780,028	3,900,109	14,109,708	2,933,732
Interest on Non-Performing Loans	124,106	142	122,453	1,408
Premiums from Resource Utilization Support Fund	-	-	-	-

⁽¹⁾ Includes fees and commissions income on cash loans.

⁽²⁾ Profit share income of Ziraat Katılım Bankası A.Ş. is shown in the line of interest income received from loans.

1.2. Information on Interest Received from The Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	22,831	-	4,508	-
Domestic Banks	226,587	5,180	186,166	5,365
Foreign Banks	5,493	11,261	2,182	22,437
Foreign Head Office and Branches	-	-	-	-
Total	254,911	16,441	192,856	27,802

1.3. Information on Interest Income on Marketable Securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	1,037	5,101	938	2,362
Financial Assets at Fair Value through Profit or Loss	-	-	6,757	-
Financial Assets Available-for-Sale	4,734,678	844,327	4,057,061	678,948
Investments Held-to-Maturity	347,565	317,534	419,755	361,924
Total	5,083,280	1,166,962	4,484,511	1,043,234

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1.4. Information on Interest Income from Subsidiaries And Associates

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	-	171

2. Within the Scope of Interest Expense

2.1. Information on Interest Expense on Borrowings

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks ⁽¹⁾	114,876	586,961	122,297	394,045
Central Bank of the Republic of Turkey	2,345	-	-	-
Domestic Banks	20,321	23,771	35,496	24,041
Foreign Banks	92,210	563,190	86,801	370,004
Foreign Head Office and Branches	-	-	-	-
Other Institutions	-	20,100	6,395	4,975
Total	114,876	607,061	128,692	399,020

⁽¹⁾ Includes fees and commissions expenses on cash loans.

2.2. Information on Interest Expenses Given To Subsidiaries and Associates

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	1,109	3,807

2.3. Information on Interest Given On Securities Issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	405,944	318,980	234,988	162,533

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2.4. Maturity Structure of The Interest Expense on Deposits

Account Name	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 year		
TL								
Bank Deposit	-	757,030	382	-	-	-	-	757,412
Saving Deposit	1	261,053	6,080,075	425,043	85,313	76,798	2,542	6,930,825
Public Sector Deposit	904	392,861	606,224	182,421	524,564	4,667	-	1,711,641
Commercial Deposit	235	341,644	908,552	134,950	152,702	2,428	-	1,540,511
Other Deposit	56	108,442	296,653	33,194	46,523	98,444	-	583,312
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Total	1,196	1,861,030	7,891,886	775,608	809,102	182,337	2,542	11,523,701
FC								
Foreign Currency Deposit	1,118	123,974	428,491	67,960	68,637	270,058	4	960,242
Bank Deposit	12	67,827	45,209	3,674	813	1,121	-	118,656
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	183	2,680	223	147	153	-	3,386
Total	1,130	191,984	476,380	71,857	69,597	271,332	4	1,082,284
Grand Total	2,326	2,053,014	8,368,266	847,465	878,699	453,669	2,546	12,605,985

3. Explanations on Dividend Income

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-Sale Financial Assets	4,760	31,318
Other	2,989	1,583
Total	7,749	32,901

4. Information on Trading Profit/Loss (Net)

	Current Period	Prior Period
Profit	40,052,320	34,427,463
Foreign Exchange Gains	38,704,602	30,919,244
Profit on Derivative Financial Instruments	1,302,240	3,472,812
Profit from the Capital Market Transactions	45,478	35,407
Loss (-)	40,897,973	34,597,456
Foreign Exchange Loss	38,729,296	29,303,467
Loss on Derivative Financial Instruments	2,167,363	5,290,339
Loss from the Capital Market Transactions	1,314	3,650

5. Information on Other Operating Income

There are no significant matters covering the recent developments which have significant effect on the Group's income. Main component of the Bank's other operating income consists of reversals from prior period provisions amounting to TL 697,240 (31 December 2016: TL 839,296) and income from sales of assets amounting to TL 211,106 (31 December 2016: TL 212,041).

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6. Provision Expenses for Impairment on Loans and Other Receivables

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables ⁽¹⁾	1,236,318	2,322,549
Group III Loans and Receivables	446,771	405,978
Group IV Loans and Receivables	416,732	960,422
Group V Loans and Receivables	372,815	956,149
General Provision Expenses	1,582,806	1,122,469
Provision Expenses for the Possible Losses	549,065	3,960
Marketable Securities Impairment Expense	419	618
Financial Assets at Fair Value through Profit and Loss	-	142
Financial Assets Available for Sale	419	476
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	124,736	126,656
Total	3,493,344	3,576,252

⁽¹⁾ The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL 569,527 are presented in other operating income (31 December 2016: TL 440,027).

7. Information on Other Operating Expenses

	Current Period	Prior Period
Personnel Expenses	2,744,161	2,503,144
Reserve for Employee Termination Benefits	93,119	23,070
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	266,586	320,419
Intangible Assets Impairment Expense	1,068	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	74,696	53,160
Impairment Expense for Equity Shares Subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	-	2,803
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	931	-
Other Operating Expenses	2,082,380	1,414,660
Operational Leasing Expenses	290,352	237,969
Maintenance Expenses	71,888	81,235
Advertisement Expenses	140,886	98,614
Other Expenses	1,579,254	996,842
Loss on Sales of Assets	719	1,290
Other ⁽¹⁾	2,705,343	2,369,281
Total	7,969,003	6,687,827

⁽¹⁾ TL 549,373 of other items consists of Saving Deposit Insurance Fund accrual expense (31 December 2016: TL 475,532) while TL 529,343 consists of taxes, duties and charges expense (31 December 2016: TL 499,342).

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8. Information on Profit/(Loss) Before Tax from Continuing and Discontinuing Operations

The Group does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following

	Current Period	Prior Period
Net Interest Income	18,114,337	14,674,566
Net Fees and Commissions Income	1,943,504	1,516,567
Other Operating Income	3,737,922	3,227,587
Dividend Income	7,749	32,901
Trading Income/Expense (Net)	(845,653)	(169,993)
Provision for Loan or Other Receivables Losses (-)	3,493,344	3,576,252
Other Operating Expenses (-)	7,969,003	6,687,827
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	20,359	21,914
Profit/(Loss) from Continuing Operations	11,515,871	9,039,463

9. Information on Tax Provision for Continuing and Discontinuing Operations

As of 31 December 2017, TL 2,631,539 (31 December 2016: TL 2,154,328) of the Group's total tax provision expense amounting to TL 2,601,014 (31 December 2016: TL 2,061,503), consists of current tax expense while the remaining balances amounting to TL 30,525 (31 December 2016: TL 92,825 deferred tax expense) consists of deferred tax expense.

10. Explanation on Net Income/Loss for The Period for Continued and Discontinued Operations

The Group's net operating income after tax amounts to TL 8,884,332 (31 December 2016: TL 6,885,135).

11. Information on Net Profit/Loss

11.1. Nature, Amount and Frequency of Income and Expenses Arising From Ordinary Banking Activities, If Required for The Understanding The Performance of The Parent Bank In The Current Period

The Parent Bank, mainly utilizes its resources from domestic deposits on loans, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations and insurance agencies.

11.2. The Effect of The Change In Accounting Estimates To The Net Profit/Loss; Including The Effects To The Future Period, If Any

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period (31 December 2016: None).

12. If Other Items In The Income Statement Exceed 10% of The Income Statement Total, Sub-Accounts Constituting At Least 20% Of These Items Are Shown Below

The “Other” statement under the “Fees and Commission Income” in the Income Statement mainly consists of commissions received from credit card and fees and commissions received from banking transactions.

V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

1. In Accordance With The Turkish Accounting Standards, The Disclosures on Shareholders' Equity Are Made Accordingly In The Order Of Financial Statement Items In This Section

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.

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2. Explanations on Profit Distribution

In accordance with the decision taken in the General Assembly of the year 2016, which was carried out on 9 June 2017, from TL 6,576,420 net profit, which is subject to distribution, TL 328,821 is transferred to first legal reserve and TL 26,912 is transferred to second legal reserve TL 230,000 was decided to be paid to employees and TL 255,000 for the first legal reserve, TL 39,118 for second legal reserve in total a payment of gross amounting to TL 294,118 is decided to be distributed to Treasury. In this framework, the portion of the profit amounting to TL 5,696,569 has been left in the Bank and dividend payment has been made to the Treasury on 14 June 2017. Additionally, reserves amounting to TL 45,317 has been allocated from retained earnings amounting to TL 906,345 and remaining amount, TL 861,028, has been left in the Bank. In accordance with the decision taken at the General Assembly Meeting, the remaining amount, TL 20,367, of the total amount which was decided to be paid to employees has been transferred to “profit reserve” account.

The Parent Bank is planning to distribute its 2017 profit in accordance with its articles of association. However, as of the report date, there is no decision taken regarding the profit distribution.

3. Explanations on Available for Sale Financial Assets

Available for sale financial assets are not included in the current income statement, until their collections, disposals, sales or losses are realized and those assets are recognized under the “Marketable Securities Revaluation Fund” under equity. In accordance with TAS 39 and due to the change in the Parent Bank’s intention to hold the previously classified as available for sale securities to maturity the Parent Bank has reclassified the securities under available for sale portfolio to held to maturity portfolio. The valuation differences of these securities is presented under shareholders’ equity as a “Marketable Securities Valuation Differences” and transferred to profit/loss with subject to redemption with proportional to the maturity of security.

Subsidiaries and jointly controlled entities domiciled and operating abroad are followed by their fair values. For such subsidiaries and entities under common control, the fair value is determined with revaluation report prepared by independent valuation firm and revaluation differences are recognized under “Marketable Securities Revaluation Fund” under equity.

4. Profit Reserves

As of the balance sheet date, profit reserves amount to TL 30,317,558, legal reserves amount to TL 3,824,868, extraordinary reserves amount to TL 24,836,410 and other profit reserves amount to TL 1,656,280.

VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

1. Explanations About Other Cash Flows Items and The Effect Of Changes In Foreign Exchange Rates on Cash and Cash Equivalents

“Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 7,704,826 is composed mainly from interest received from loans and securities amounting to TL 35,748,972 and interest paid to deposit and money market operations which is amounting to TL 18,665,259. 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 1,404,479 as of 31 December 2017 (31 December 2016: TL 1,183,517).

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	2,792,776	2,577,170
Central Bank of the Republic of Turkey and Other Banks	12,854,193	6,424,794
Money Market Operations	252,944	116,173
Total Cash and Cash Equivalents	15,899,913	9,118,137

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Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	3,942,062	2,792,776
Central Bank of the Republic of Turkey and Other Banks	9,765,064	12,854,193
Money Market Operations	132,385	252,944
Total Cash and Cash Equivalents	13,839,511	15,899,913

VII. EXPLANATIONS AND NOTES TO THE RISK GROUP OF THE PARENT BANK

1. Volume of Related Party Transactions, Income and Expense Amounts Involved and Outstanding Loan and Deposit Balances

Current Period

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	22,397	25,951	-	-	-	-
Closing Balance	-	37,252	-	-	-	-
Interest and Commissions Income	-	-	-	-	-	-

Prior Period

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	25,125	-	-	-	-	-
Closing Balance	22,397	25,951	-	-	-	-
Interest and Commissions Income	171	-	-	-	-	-

2. Deposits Held by The Parent Bank's Risk Group

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Opening Balance	52,520	38,385	-	-	-	-
Closing Balance	44,106	52,520	-	-	-	-
Interest Expense on Deposits	1,109	3,807	-	-	-	-

3. Information on Forward Transactions, Option Agreements and Similar Transactions Between The Parent Bank's Risk Group

None (31 December 2016: None).

4. Information about Fees Paid To The Group's Key Management

Fees paid to the Group's key management amount to TL 27,357 (31 December 2016: TL 23,620).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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VIII. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

IX. EXPLANATIONS AND NOTES RELATED TO DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR AFFILIATES AND FOREIGN REPRESENTATIVES OF THE BANK

1. Information on the Bank's Domestic and Foreign Branches and Foreign Representatives of The Bank

	Number	Number of Employees			
Domestic Branch ⁽¹⁾	1,759	24,472			
			Country of Incorporation		
Foreign Representative Office ⁽²⁾	1	-	1- Iran		
				Total Assets	Statutory Share Capital
Foreign Branch ⁽²⁾	1	3	1- England	3,872,257	199,338
	4	3	2- Bulgaria	340,173	64,063
	2	4	3- Iraq	551,450	189,100
	4	4	4- Greece	386,688	149,556
	1	2	5- Saudi Arabia	146,512	56,730
	1	-	6- Kosovo	116,098	45,320
	8	40	7- T.R. of Northern Cyprus	1,680,287	145,101
Off-Shore Banking Region Branches	1	3	1- Bahrain	8,672,530	18,910

⁽¹⁾ Includes the employees of the domestic branches, including the employees of head office and regional management.⁽²⁾ Excluding the local employees of the foreign branches.

2. Information on The Bank About Opening, Closing, Changing its Organization Considerably for Domestic and Foreign Branches and Foreign Representatives of The Bank

In 2017, 6 new branches were opened, 33 branches were closed in Turkey. New York branch in U.S.A. and Karakum and the Near East University branches in T.R. in Northern Cyprus are closed abroad.

Tbilisi, Batum and Marneuli branches of the Bank which were operating in Georgia have been gathered under the Bank's roof as of 2 May 2017 and continues to operate as a subsidiary with JSC Ziraat Bank Georgia title and all of the capital belonging to the Bank.

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SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. INFORMATION ON THE PARENT BANK’S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL RATING AGENCIES

Information on the assessment done by the international rating agencies Moody’s Investors Service, Fitch Ratings and JCR Eurasia are as follows:

Moody’s Investors Service: March 2017

Outlook	Negative
Long term Foreign Currency Deposit	Ba2
Short term Foreign Currency Deposit	Not-Prime
Long term Turkish Liras Deposit	Ba1
Short term Turkish Liras Deposit	Not-Prime
Long term Foreign Currency Bond	Ba1
Long term Turkish Lira Bond	Ba1
Basic Credit Note	ba2
Adjusted Basic Credit Note	ba2

Fitch Ratings: October 2017

Outlook	Stable
FC Long Term	BB+
FC Short Term	B
TL Long Term	BBB-
TL Short Term	F3
National Long Term	AAA (tur)
Support	3
Support Rating Base	BB+
Financial Capability Grade	bb+

JCR Eurasia: September 2017

Long Term International FC	BBB -
Outlook	Stable
Long Term International TL Grade	BBB -
Outlook	Stable
Long Term National Grade	AAA (Trk)
Outlook	Stable
Short Term International FC	A - 3
Outlook	Stable
Short Term International TL Grade	A - 3
Outlook	Stable
Short Term National Grade	A-1+ (Trk)
Supporting Grade	1
Independence from Affiliates Grade	A

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II. OTHER EXPLANATIONS ON THE GROUP’S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITORS’ REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS’ REPORT

As of 31 December 2017, consolidated financial statements and explanatory notes of the Bank disclosed herein were audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors’ Report dated 23 February 2018 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

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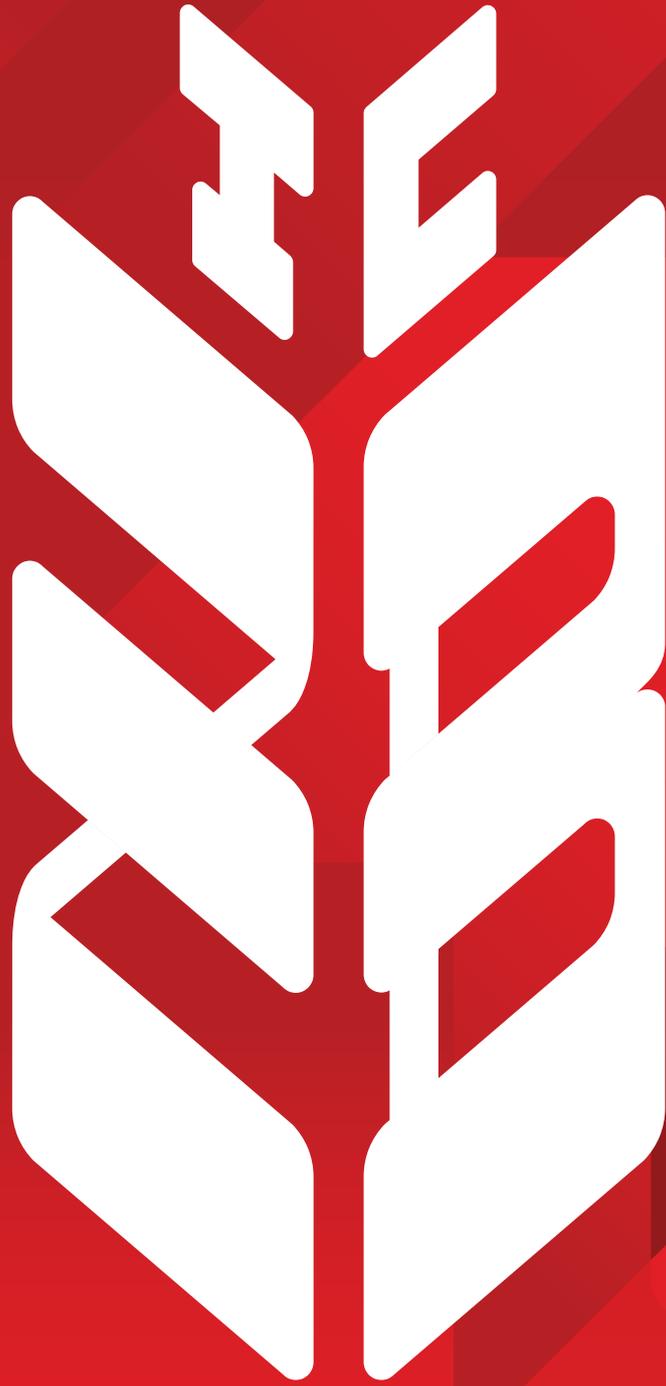
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