

The most valuable bank brand of Turkey



Ziraat Bank

More than a bank

2018 ANNUAL REPORT

CONTENTS

INTRODUCTION

- 4 OUR VISION-OUR MISSION-OUR STRATEGIES
- 5 CORPORATE PROFILE
- 6 FINANCIAL INDICATORS
- 8 AT AGE 155, WE KEEP ON WORKING PASSIONATELY, CREATING VALUE FOR OUR COUNTRY UNDER ALL CIRCUMSTANCES AND
STANDING BY OUR CUSTOMERS...
- 14 MILESTONES IN THE HISTORY OF ZIRAAT BANK
- 18 MESSAGE FROM THE CHAIRMAN OF THE BOARD
- 20 CEO'S MESSAGE
- 22 MAKROECONOMIC OUTLOOK
- 26 AN ASSESSMENT OF 2018: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE
- 46 SOCIAL RESPONSIBILITY AND PUBLIC RELATIONS
- 48 ZIRAAT BANK'S SUBSIDIARIES IN 2018
- 54 CHANGES IN THE ARTICLES OF ASSOCIATION IN 2018
- 55 CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL
REPORT ORIGINALLY ISSUED IN TURKISH

MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

- 58 ZIRAAT BANK BOARD OF DIRECTORS
- 62 ZIRAAT BANK SENIOR MANAGEMENT
- 66 SUMMARY REPORT - BOARD OF DIRECTORS
- 67 HUMAN RESOURCES PRACTICES
- 70 INFORMATION ON THE ACTIVITIES OF THE COMMITTEES
- 71 ATTENDANCE BY THE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE AUDIT COMMITTEE IN THE MEETINGS HELD DURING
THE REPORTING PERIOD
- 71 RELATED PARTY TRANSACTIONS
- 71 COMPANIES FROM WHICH SUPPORT SERVICES ARE OBTAINED

FINANCIAL INFORMATION AND RISK MANAGEMENT

- 73 AUDIT COMMITTEE'S ASSESSMENT OF THE OPERATION OF THE INTERNAL AUDIT, INTERNAL CONTROL, AND RISK MANAGEMENT
SYSTEMS
- 77 ZIRAAT BANK'S FINANCIAL STANDING, PROFITABILITY AND SOLVENCY
- 77 RATIOS
- 78 INFORMATION ABOUT RISK MANAGEMENT POLICIES AND ACTIVITIES ACCORDING TO TYPE OF RISK
- 80 31 DECEMBER 2014-31 DECEMBER 2018 SUMMARY BALANCE SHEET AND INCOME STATEMENT
- 81 CREDIT RATINGS ASSIGNED BY RATING AGENCIES
- 83 UNCONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2018 WITH INDEPENDENT
AUDITORS' REPORT THEREON
- 267 CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2018 WITH INDEPENDENT AUDITORS'
REPORT THEREON
- 457 DIRECTORY



What makes us
valuable is
OUR DEEP-ROOTED
EXPERIENCE
AS WELL AS
OUR ENDURING
REPUTATION.



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

Providing a widespread, reliable and high quality service in Turkey and abroad, Ziraat Bank continues its uninterrupted journey towards its corporate targets defined in its strategic road map and contributes to our country's economy and the banking industry.

Ziraat Bank continues to provide its products and services with an increasing quality and variety to all segments of the society.

Ziraat Bank, Turkey's strongest and the most long-established bank, commenced operations in 1863. As one of the key stones of the industry with its strong financial structure and profound experience, the Bank has provided funding to all segments of the economy has created value and has become one of the greatest supporters of our country's development since its inception.

Today, Ziraat Bank has the most extensive domestic and international service network with its prestigious and effective position providing service as the one and only bank in almost 400 districts and sub-districts. The Bank operates with the sense of ethical values and social responsibility through its domestic and international affiliates in areas such as banking, insurance, individual pension, investment services, portfolio management, financial leasing, venture capital, real estate investment trust and financial technologies.

Ziraat Bank continues to shape the Turkish banking sector with its high service delivery scale, sustainable 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 retail banking with its

- 1,773 branches in Turkey and abroad,
- 24,647 employees,
- 7,155 ATMs,
- Internet Banking (Retail and Corporate Internet Banking),
- Mobile Banking (Ziraat Mobile, Ziraat Tablet),
- Telephone Banking,
- SMS Banking.

With its strategy of being a global player, Ziraat Bank took a prestigious place in international banking arena which it has been following and studying extensively for years. Operating at 100 locations in 18 countries around the world, the Bank has a large international network of services, consisting of 9 international and 9 domestic subsidiaries, 23 foreign branches and one representative office.

Following its vision of modern international banking, the Bank focuses on providing effective and quick services to our country's entrepreneurs abroad and meeting the financial needs of its customers at places where it operates with its comprehensive services.

Ziraat Bank recorded a strong performance both financially and operationally as a result of its operations which are in line with its efficiency and sustainable growth targets.

Ziraat Bank's total assets increased by 23.7% YoY in 2018 to reach TL 537 billion. The Bank successfully achieved its missions varying from sustaining the macroeconomic balance to providing funds for the real sector by following its policies with a sense of responsibility.

The Bank will continue to generate more for its customers, employees and Turkey as a whole and to record strong and significant results with the support of its integrated financial service capabilities in the coming period.

FINANCIAL INDICATORS

Ziraat Bank achieved results that are in line with its financial and operational goals in 2018. Total assets increased by 23.7% and reached TL 537 billion and credits increased by 24.8% to reach TL 372 billion.

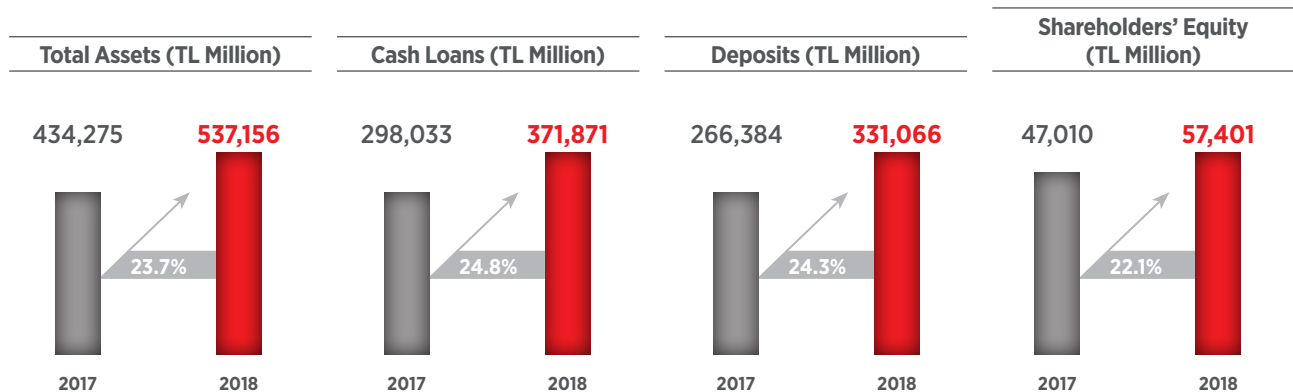
(TL Million)	2017	2018	(%) Change
Liquid Assets and Banks	48,571	46,238	-4.8
Securities Portfolio*	70,628	88,681	25.6
Cash Loans**	298,033	371,871	24.8
Deposits	266,384	331,066	24.3
Non-deposit Sources	98,080	117,953	20.3
Shareholders' Equity	47,010	57,401	22.1
Interest Income	35,463	53,054	49.6
Interest Expense	18,561	31,138	67.8
Net Profit/Loss	7,940	7,961	0.3
Total Assets	434,275	537,156	23.7

* Excluding borrowed securities.

** Excluding non-performing receivables and allowances for expected credit losses.

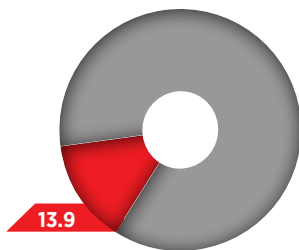
Ziraat Bank's Market Shares

Market Share (%)	2017	2018
Total Assets	13.3	13.9
Securities Portfolio	16.8	18.0
Cash Loans	13.8	14.9
Deposits	14.8	15.3
Non-Deposit Sources	11.2	11.8
Shareholders' Equity	13.1	13.6

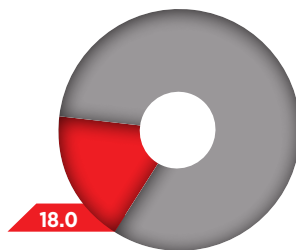


Ziraat Bank's Market Shares

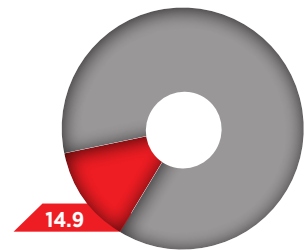
Total Assets (%)



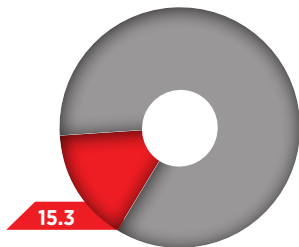
Securities Portfolio (%)



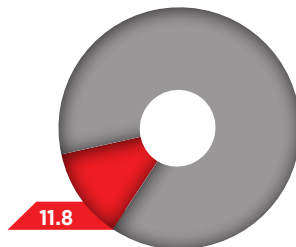
Cash Loans (%)



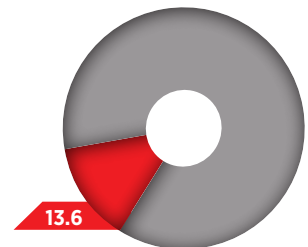
Deposits (%)



Non-deposit Sources (%)



Shareholders' Equity (%)



Ownership Structure of Ziraat Bank

The sole shareholder of the Bank is Turkey Wealth Fund.

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

AT AGE 155, WE KEEP ON WORKING PASSIONATELY, CREATING VALUE FOR OUR COUNTRY UNDER ALL CIRCUMSTANCES AND STANDING BY OUR CUSTOMERS...

Ziraat Bank continued its corporate governance journey going beyond ordinary, introducing many innovations to make its customers' lives easier.

Focused on creating a corporate culture based on transformation and development with a corporate architecture perspective and expanding it throughout Ziraat Finance Group, the Bank continued to create value with many innovations in 2018, a challenging year for our country.

Ziraat Bank stood by its customers responding to the needs of real sector and households at the right time with accurate solutions throughout the year by accelerating the efforts to construct and expand the banks of Ziraat Finance Group to create more value.

Ziraat Bank carried out various investments which include new projects and ideas that will improve efficiency in its processes and create value for our country's economy in order to achieve its targets within the frame of 6 key strategic views.

1. Customer-oriented Strong Balance Sheet: While balance sheet of the Bank became more focused on customer and real sector, expense items are being optimized with high technology use and leaner processes in accordance with efficiency principles.

In 2018, Ziraat Bank doubled the amount of its syndication loan to TL 1.4 billion which was extended in 2013 as TL 700 million to achieve its targets of diversifying the funding sources to meet real sector's needs and increasing its market share in foreign trade financing. The loan was provided with the participation of 44 banks from 22 countries and it has been the highest amounted syndication loan provided by a Turkish bank at a single time.

Ziraat Bank realized a bond issuance of TL 10.7 billion and foreign securities of EUR 92.5 million, USD 10 million and GBP 7 million in 2018.

The Bank aims to diversify investment instruments by securitization of high quality assets in its balance sheet and contribute to savings trend. In this context, the Bank issued covered bonds at the amount of TL 1 billion on 7 December 2018.

In Turkey, the amount of gold which is considered "under the mattress" is anticipated to be 2,200 tons (USD 100 billion) at a minimum. In order to bring these values in to the economy and transform the individual savings into individual gains, Republic of Turkey Ministry of Treasury and Finance issued "Gold Bonds" and "Gold-Based Lease Certificates" through Ziraat Bank.

2. 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 2018, Ziraat Bank designed tailored products and services, renewed its digital channels and improved its service delivery processes to meet its customers' financial needs with appropriate value propositions.

Accurate solutions

ZIRAAT BANK STOOD BY ITS CUSTOMERS RESPONDING TO THE NEEDS OF REAL SECTOR AND HOUSEHOLDS AT THE RIGHT TIME WITH ACCURATE SOLUTIONS THROUGHOUT THE YEAR.

Ziraat credit card has been reshaped to ease lives and “Bankkart” that combines the features of bank and credit cards was introduced. “Bankkart” with budget-friendly and saving features aims to be everybody’s card and it combines a bank card and a credit card to provide a whole new customer experience.

The world of Bankkart is also focused on easing lives with its digital identity. All its features can be used at digital channels such as “Bankkart Mobile” application, “Member Merchant Platform”, “www.bankkart.com.tr” and “www.bankkartpos.com.tr”

Ziraat Bank renewed its mobile banking and internet banking processes to facilitate customers’ digital channel experiences and provide faster and innovative solutions at various transaction sets.

Efforts which aim to diversify digital channels offered to customers continued in 2018. Activities have started for “Immediate Retail Credit Module” which will provide time savings for customers and increase the speed of credit application processes and improvements to enable control and approval of individual credit applications to be realized through internet/mobile channels.

With the objective of offering a bank card experience, which combines the features of a bank card and a credit card, to its corporate/ entrepreneurial customers the Bank also works on Corporate Card with an infrastructure to allow providing customized solutions to companies and sector-specific financial solutions.

Young Farmer Academy program was designed in cooperation with Ankara University Faculty of Agriculture to increase young population’s interest on agriculture, teach them agricultural production and investment in specific areas, raise young farmers with education and awareness and promote entrepreneurial awareness in agriculture. The objective of the program is to meet our country’s need for high quality investment, production and intermediate level staff.

The program started operating in Ankara, Adana, Şanlıurfa and Bursa in 2018 and will improve with new production topics and in more cities in 2019.

Integration of enterprise control process with TARSİM which is carried out by Ziraat branches for agricultural enterprises planned to be visited has been completed. In this context, control processes for agricultural enterprises are being performed by TARSİM experts.

Ziraat Bank collaborated with Halkbank, Vakıfbank, Ziraat Participation and Vakıf Participation Bank for the “Free of Charge Joint ATM Usage Project” to increase accessibility to financial services and contribute to foreign trade balance of our country by decreasing the import of ATM machines in the medium and long term. In this context, basic banking transactions such as cash withdrawal and deposit, balance inquiry, credit card balance and limit inquiry and credit card payments can be done free of charge in similar locations at 15 thousand joint ATMs based on efficiency principle.

In cooperation with real estate/construction industry which is the leading sector of our economy, the Bank started to provide low interest financial support to respond to the needs of real estate credit customers and retail customers in 2018.

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.

In 2018, with improved finance technologies Ziraat Bank continued to develop efficiency and quality-oriented business processes and realized investments in this area.

Bankkart

ZIRAAT CREDIT CARD HAS BEEN RESHAPED TO EASE LIVES AND “BANKKART” THAT COMBINES THE FEATURES OF BANK AND CREDIT CARDS WAS INTRODUCED.

AT AGE 155, WE KEEP ON WORKING PASSIONATELY, CREATING VALUE FOR OUR COUNTRY UNDER ALL CIRCUMSTANCES AND STANDING BY OUR CUSTOMERS...

Ziraat Bank business model is being continuously improved by technology intensive processes. Significant investments were realized in 2018.

Robotic Process Automation (RPA) was launched in 2018 to direct employees to higher value added business processes and carry on simple routine processes with low costs. As a result of the automation adopted with 4 processes at the Bank and 2 processes at the insurance company, significant efficiencies were realized. In 2019, 20 more processes are planned to be included in the automation process.

Within the activities carried out to centralize Ziraat Finance Group's operations, the robotic process will be expanded to foreign branches and subsidiaries and an integrated structure will be built in operational transactions. Efforts continue at Ziraat Bank branches for centralization of operational transactions to make more time for customers.

The following actions were taken in this context:

- Mortgage establishment and registration processes which have been carried out by the branches were centralized for corporate customers in 2017 with e-mortgage application which was a first in the industry. The same application was adopted for retail customers' mortgage establishment and registration processes and started as a pilot in 2018.
- Activities to centralize the evaluation of requests regarding foreclosures from execution/collection authorities rather than processing them in branches were completed.
- To better manage the busy KYK (Credit and Dormitories Institution) transactions in branches, card/product applications are received through e-state platform that is integrated with KYK system and cards or products applied are being delivered to the students' addresses. In addition to that, cards can be given to students quickly at the branch for those who applied for scholarship or education credits with approvals received in electronic format.

A new business model was developed which allows branches to work with the Operation Center to conduct central operation processes at optimum costs. "Operation Center Everywhere Project" enables the less busy branches to pull out transactions from the central operation pool based on the financial calendar.

Activities for the Virtual Assistant application which is supported by artificial intelligence and which will be used for the solution of in-house problems have started. Virtual Assistant, "Bilge" (Wise person) will start to provide solutions for problems forwarded by the employees in 2019.

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

Ziraat Bank business model is being continuously improved by technology intensive processes. Significant investments were realized in 2018.

Within the scope of banking software transformation project which started in 2016, technology transformation was realized by the completion of mid-tier and REST transformation phases. In 2019, front end transformation will be done and transformation of the banking software will be completed.

Renewal of ATM software and hardware infrastructure which started in 2018 is planned to be completed in 2019. CRM supported ATM software will enable faster and customized service delivery to customers. With the new established platform the aim is to reduce vendor dependency.

After the completion of the Enterprise Architecture Governance Project in 2017, architectural review processes were adopted in 2018.

In terms of information security and system security, investments were completed for end-to-end control and prevention of advanced new generation malware, establishment of network threat monitoring systems and central infrastructure for cyber security. Activities to detect all threats and take actions within pre-determined processes and process improvements through continuous analyses were the focal areas of 2018.

Central platform activities started for automatic feed of system authorizations based on employees' duties and authorities in order to keep security of data and applications at maximum level. In this context, digital identities will be set up for all applications to establish effective authorization management in 2019.

After the completion of the Enterprise Architecture Governance Project in 2017, architectural review processes were adopted in 2018. Scoring application has started which includes strategy and business architecture criteria to prioritize IT requests in accordance with business strategy and business capabilities. Enterprise architecture approach was integrated into establishing strategic road maps, organizational changes, request and project execution processes.

Studies for integration of enterprise architecture processes into business manners of Ziraat Finance Group banks and financial institutions will continue in 2019.

Brand value

ZIRAAT BANK HAS BEEN SELECTED AS THE BANK WHICH INCREASED ITS BRAND VALUE MOST, AS IN THE PRIOR YEAR, AS A RESULT OF "WORLD'S MOST VALUABLE 500 BANK BRANDS-2018" SURVEY WHICH WAS CONDUCTED BY BRAND FINANCE.

5. A Developing Organization: We continue to evolve and develop all together.

Ziraat Bank keeps developing cultural transformation practices to integrate change into corporate ways of doing business and to create more agile teams. One of the most significant examples of this is Headquarters Performance System. The pilot system was launched in 2018 and aims to encourage units to come up with innovative ideas and deliver high quality and facilitating services to internal customers. The target is to develop and expand the system throughout all units at the Headquarters in 2019.

Focusing on internal customer, Ziraat Bank conducts Internal Customer Satisfaction Survey to improve business processes and reinforce in-house communication. The feedback from the survey is used as an input for individual performance evaluations of Headquarters staff.

AT AGE 155, WE KEEP ON WORKING PASSIONATELY, CREATING VALUE FOR OUR COUNTRY UNDER ALL CIRCUMSTANCES AND STANDING BY OUR CUSTOMERS...

Ziraat Bank is aware of the fact that “Being More” is achieved through taking place at hearts. Through activities conducted with this awareness, the Bank has been selected as Turkey’s most loved bank at “Turkey’s Lovemarks” survey in 2018, just like in 2016 and 2017.

With out-of-the-box projects which ease lives Ziraat Bank continued to contribute to development of the industry in 2018. In this context, the Bank registered its success with national and international awards as in the prior years and increased its brand value.

Ziraat Bank has been selected as the bank which increased its brand value most, as in the prior year, as a result of “World’s Most Valuable 500 Bank Brands-2018” survey which was conducted by Brand Finance, an independent brand valuation and strategy consulting firm. Ziraat Bank increased the brand value by USD 120 million, from USD 1,312 million to USD 1,432 million and with this increase the Bank moved up 5 levels in ranking and brand score was raised from AA- to AA+.

Ziraat Bank ranked as the most effective bank in social media in 2018, as in the prior year, in Data Analytics awards for banks category at Social Media Awards Turkey 2018, which is an organization that rewards brands, agencies, projects and people who are successful in social media.

As a financial institution with the highest number of followers, Ziraat Bank feeds its social media with the content from its employees without receiving any service from outside. In addition to that, the Bank organized a photography exhibition at Ankara Kuğulu Art Gallery with the title “#TurkeyFromtheEyesofOurEmployees” to display the photographs taken by its employees’ all around Turkey.

Social media

ZIRAAT BANK RANKED AS THE MOST EFFECTIVE BANK IN SOCIAL MEDIA IN 2018, AS IN THE PRIOR YEAR, IN DATA ANALYTICS AWARDS FOR BANKS CATEGORY AT SOCIAL MEDIA AWARDS TURKEY 2018.

Ziraat Bank is aware of the fact that “Being More” is achieved through taking place at hearts. Through activities conducted with this awareness, the Bank has been selected as Turkey’s most loved bank at “Turkey’s Lovemarks” survey in 2018, just like in 2016 and 2017.

Ziraat Volleyball Team which represented our country in Balkan Cup organized in Pazardzhik, Bulgaria won against SCV Hebar team of Bulgaria and became Balkan Cup Champion.

Ziraat Bank, with more than 2,500 artworks in its collection, displayed hundreds of these artworks which have a significant place in our country’s cultural heritage through “Light and Colors Digital Exhibition” in 2018. One of the exhibition areas, Ziraat Kubbe was visited by the President Recep Tayyip Erdoğan and the artworks were displayed with a multi-projection technology with 5K resolution which was being used for the first time in Turkey.

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 activities on integrated product designs continued in 2018.

In order to attract companies with potential to contribute to decreasing current deficit to Ziraat customer portfolio and to create value for our country’s economy, Ziraat Girişim Sermayesi Yatırım Ortaklığı A.Ş. (Ziraat Venture Capital Investment Trust) was founded in 2018 which aims to make venture capital investments in companies which design technological products, have a potential to create value and at the same time with a potential of increased value through capital contribution and management support.

Carrying on technology investments in all subsidiaries and foreign branches Ziraat Finance Group uses local solutions provided by a technology consulting firm to update banking software of its banks and foreign branches.

In 2018, Ziraat Bank started projects to share its domestic experience with the Group, set up joint systems to contribute to the development of banking industry in the countries they operate and expand payment systems and processes throughout Ziraat Finance Group.

Studies to conduct information systems and process audits on a web-based integrated system in Ziraat Finance Group were carried on in 2018. Web-based audit modules of ZiraatBank BH d.d. and Ziraat Participation Bank is planned to be completed in 2019.

Ziraat Bank’s equity share in its affiliate bank in Uzbekistan was increased to 100% and the bank started its operations as Ziraat Bank Uzbekistan as of 1 January 2018.

In accordance with the New Economic Program, processes were initiated to merge public banks with portfolio management companies. The process of acquisition of Halk Portfolio Management and Vakıf Portfolio Management and merging them under the umbrella of Ziraat Portföy will be completed by the end of January 2019.

Although there are many international and national rating agencies in the global economy, a few dominant agencies create an oligopoly in the market. The decision was taken to be a partner in the National Rating Agency which will be established to reduce the dependency on international rating companies, develop capital markets, use credit ratings for corporate portfolios and provide for effective risk weighting.

Ziraat GSYO

ZIRAAT GSYO (ZIRAAT VENTURE CAPITAL INVESTMENT TRUST) WAS FOUNDED IN 2018.

MILESTONES IN THE HISTORY OF ZIRAAT BANK

Ziraat Bank conducts its operations with the knowhow and experience dating back 155 years, creating high added value for the society and became a key stone in the development of banking industry by countless contributions 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, Gazi Mağusa 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.

MILESTONES IN THE HISTORY OF ZIRAAT BANK

The Bank will continue to generate more for its customers, employees and Turkey as a whole and to record strong and significant results with the support of its integrated financial service capabilities in the coming period.

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 reached an asset size of TL 434 billion in 2017.
- 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.

2018

- The Bank's own brand Bankkart was launched in the first quarter of 2018.
- Ziraat Bank was selected the "Most Loved Bank of 2018" at Turkey's Lovemark Survey, receiving the same award for three consecutive years.
- Ziraat Bank has been the bank which increased its brand value most among Turkish banks for the second time.
- Young Farmers Academy project, which was developed by the Bank to bring a new perspective to agricultural production and agricultural banking, was launched with the objectives of increasing young population's interest in farming, teaching specific topics in agricultural production and investment, raising conscious young farmers and creating an awareness of agricultural entrepreneurship.
- Ziraat Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi (Ziraat Venture Capital Investment Trust) has been established as a subsidiary of the Bank and transactions related to establishment were completed with its registration notice published in the Turkish Trade Registry Gazette on 14 November 2018.
- The asset size of Ziraat Bank reached TL 537 billion in 2018 exceeding the half trillion mark.



MESSAGE FROM THE CHAIRMAN OF THE BOARD

Turkish economy experienced a challenging year as a result of volatility in foreign exchange and interest markets in 2018. However, thanks to decisions put into practice with strong policy reaction, remarkable developments were achieved in terms of maintaining financial stability.



2018

IT HAS BEEN OBSERVED THAT FOREIGN DEMAND HAS CONTRIBUTED MORE THAN DOMESTIC DEMAND TO GROWTH. WE CAN SAY THAT THIS SITUATION SUPPORTS THE DECREASING TREND IN INFLATION IN THE SHORT AND MEDIUM TERM.

In terms of global growth we have left behind a year with a relative declining outlook, particularly for the developing countries. Global protective trend in foreign trade, continuance of normalization process of US Central Bank's (Fed) monetary policy and political concerns over Italy and UK had influences on the global economy in 2018.

Our bank, with an identity which carries the norm of “being the leader and morale bank of our country” in its strategy, took significant and pioneering steps in supporting the real economy and consumers.

Despite the slowdown of developing economies, US economy pursued a consistent progress and Fed continued to reduce its balance sheet and increase interest rates. European Central Bank (ECB) did not change its monetary policy standing despite strengthening downward risks on Euro Zone economy and decreasing inflation; and it is not expected to start interest hike process until next year. Economic activities of European Union which is a significant trade partner of Turkey will continue to be of great importance for our country.

In 2018, a remarkable decrease in expectations for oil prices and inflation was observed. Concerns around trade wars and slowdown of Chinese economy raised concerns for global growth. In this process, due to increasing volatility in financial markets from time to time, partial devaluation was recorded in currencies of developing countries.

Turkish economy experienced a challenging year as a result of volatility in foreign exchange and interest markets in 2018. However, thanks to decisions put into practice with strong policy reaction, remarkable developments were achieved in terms of maintaining financial stability. Economic balancing process became clearer with tightened financial conditions. It has been observed that foreign demand has contributed more than domestic demand to growth. We can say that this situation supports the decreasing trend in inflation in the short and medium term.

With the proactive decisions taken and adopted by decision and policy makers, the magnitude of the economic volatility was significantly reduced.

Ziraat Bank continued its pioneering position in supporting the economy as one of the major players in our country’s economy. Our bank, with an identity which carries the norm of “being the leader and morale bank of our country” in its strategy, took significant and pioneering steps in supporting the real economy and consumers.

Operating as the leader bank in banking industry during recent years, Ziraat Bank continues to grow in a sustainable manner with a focus on real sector through its business model and will pursue its main management strategy based on efficiency.



DR. AHMET GENÇ

Chairman of the Board of Directors

CEO'S MESSAGE

Our Bank reached a total credit size of approximately half a trillion TL including non-cash credits. We continued to provide effective financial support in a wide range of financial needs of all industries, particularly agriculture, SMEs who have difficulties accessing financial sources and individuals.



Support

ZIRAAT BANK, AS THE LEADER AND MORALE BANK OF TURKEY, TOOK PIONEERING STEPS TO SUPPORT OUR ECONOMY WITH ITS STRATEGY THAT GIVES PARTICULAR IMPORTANCE TO TURKISH ECONOMY.

In 2018, we have gone through many processes which impacted fluctuations in the markets such as; positive growth performance of USA, UK's exit process from European Union, public debt and budget discussions in Italy, trade wars and protective statements, geopolitical and political risks, balance sheet reduction and interest hikes by Fed and capital outflow from the developing countries.

In our country, we experienced a fluctuation in August although its impacts decreased in the following months. This process might be considered as a live stress test and significant progress was made in terms of financial balance and stability with the decisions taken and regulations adopted by the economy management and regulatory-supervisory authorities. During this process, Ziraat Bank, as the leader and morale bank of Turkey, took pioneering steps to support our economy with its strategy that gives particular importance to Turkish economy.

Ziraat Bank's credit growth has been faster than the industry in 2018, as in recent years. The Bank continued to be the leader bank of the industry in many areas with a balance sheet structure consisting of cash credits of 70% of the total balance sheet size of over half a trillion TL.

Our Bank reached a total credit size of approximately half a trillion TL including non-cash credits. We continued to provide effective financial support in a wide range of financial needs of all industries, particularly agriculture, SMEs who have difficulties accessing financial sources and individuals.

With this objective, we adopted many applications like Mortgage Loan with Company Contribution, SME Value Loan that we introduced in previous years, pensioner credit for those who cannot retire due to their Bağkur premium debts and Uniting Consumer Loan for those retail customers having difficulty paying their credit card debts or in need of additional support. We introduced Bankkart that combines the features of a bank card and a credit card which was a first in the industry. With an appropriate and effective structuring strategy we continued our contribution to economic activities.

Going beyond providing financial support in agricultural sector, we initiated Young Farmers Academy contributing significantly to agriculture.

Within the frame of effective management of our credit size, credit quality is also deemed to be significant. Non-performing loan ratio of our Bank is manageable and it is almost half the value of the industry levels.

We continue to accommodate sources maintaining our broad based deposit structure without creating a pressure on interest rates in the deposit market. In addition to deposits, we work on meeting our country's investment, operational and individual financial needs by non-deposit foreign funding. We renewed our syndication loan of USD 1 billion which was due in 2018 as USD 1.4 billion. We borrowed a loan of USD 600 million from an important bank of China with favorable terms.

As a bank with the widest service network of 1,773 branches and 7,155 ATMs we effectively meet the financial needs of our customers everywhere. Collaborating with five public banks, we initiated free of charge use of joint ATMs and we took a giant step towards more efficient use of the ATM network. We keep on making investments on developing digital banking as well as increasing efficiency.

70%

ZIRAAT BANK'S CREDIT GROWTH HAS BEEN FASTER THAN THE INDUSTRY IN 2018, AS IN RECENT YEARS. THE BANK CONTINUED TO BE THE LEADER BANK OF THE INDUSTRY IN MANY AREAS WITH A BALANCE SHEET STRUCTURE CONSISTING OF CASH CREDITS OF 70% OF THE TOTAL BALANCE SHEET SIZE OF OVER HALF A TRILLION TL.

As Ziraat Finance Group, we strive to diversify our financial services in addition to our objective of reaching our customers anytime from anywhere. We founded Ziraat Venture Capital Investment Trust with an aim to create value for our economy by investing in companies with new technology products, high potential but who are in need of capital contribution and management support. We also expanded our international network. We opened branches in Atyrau-Kazakhstan, Ganja- Azerbaijan, Budva and Bar-Montenegro, Tsereteli- Georgia, Bjeljina-Bosnia, Prizren and Peja- Kosovo. We have a wide service network internationally as we do in Turkey and operate at 100 points in 18 countries. We continue to take remarkable steps in developing our business model and operational infrastructure to ensure our foreign subsidiaries and foreign branches increase their contribution to our balance sheet as well as our efficiency and profitability.



HÜSEYİN AYDIN

Member of the Board of Directors and CEO

MAKROECONOMIC OUTLOOK

Turkish economy reshaped its growth composition despite the slowdown of economic activity in 2018.

In 2018, global economy has been shaped by protectionism in world trade, slowdown of economy becoming more evident in Euro Zone countries, uncertainties in UK's exit from EU and volatility in developing countries.

US economy exhibited a strong growth performance supported by its monetary policy in 2018. With the lowest rate of unemployment of the last 50 years, US Central Bank (Fed) realized 4 interest hikes. By doing so, Fed increased interests by 225 base points since 2015 when interest hiking cycle has begun. In an environment where Fed's independency is being questioned, although it reduced the expectancy of number of hikes in 2019 from 3 to 2 in its December meeting, it has not assumed a dove attitude as expected by the markets. In addition to that, Fed is expected to reduce its balance sheet every month. As we enter into the first days of 2019, Fed seems to follow a more moderate policy compared to December and this caused markets to catch a breath. Fed President Jerome Powell's message stating that they will be more flexible and patient in their monetary policy steps reinforced the expectations of Fed's taking a break from interest hikes in 2019.

In Euro Zone, 2018 has been a year when slowdown of economic growth became more evident. Concerns around budget deficit and public debt stock in Italy, temporary activity loss in automotive sector in Germany and developments in UK's exit from EU has been determinant factors to decrease global risk appetite for that region. Current indicators throughout the Euro Zone points out downward risks will continue in 2019. This indicates that the moderate slowdown in this region will continue for a longer time than expected. Both slowdown of growth and decline in oil prices resulting in actual inflation being distant

Growth

TURKISH ECONOMY GREW BY 4.5% IN THE FIRST 9 MONTHS OF THE YEAR AND THE ANNUAL GROWTH IS EXPECTED TO BE AROUND 3-3.5% FOR 2018.

from the target shows that ECB will continue its support to the economy. In brief, it is more likely that ECB will keep interests at the same level until 2020 as it has been doing since 2011.

With fluctuations in risk appetite due to above mentioned risks, capital inflow to developing countries has clearly decreased compared to 2017. Capital outflow from these countries suppressed local currencies against USD and this has set the base for following tight policies by the central banks of some of the developing countries. Fluctuations in some countries which have higher levels of macroeconomic vulnerability, such as Argentina, increased the sensitivity of other developing countries.

In addition to these developments, impacts of normalization trends in monetary policies by Central Banks of developed countries, such as Fed, on long term interests have been clearly perceived in 2018. With the tightening of the financial environment US 10-year bond interest has increased from 2.45% at the beginning of the year to

With the guidance of the New Economic Program, there is strong consensus on 2019 creating a base for a high quality growth in accordance with the soft landing scenario.

3.23% in mid-November. However, with increased concerns around global growth, interest for the same maturity bond decreased below 3% at the end of the year. The partial relief in interest of US 10-year bond, which is considered as risk-free interest rate, somewhat reduced the pressure on Central Banks of developing countries towards the end of the year. In a conjuncture where trade tensions generate risk for investment and a secure environment, Central Banks of developed countries are expected to take steps toward supporting the global economy. It is anticipated that this situation may have positive reflections on developing countries' economies including Turkey and may partially decrease vulnerabilities.

Turkish economy reshaped its growth composition despite the slowdown of economic activity in 2018. With the increased tightening in financial conditions, contribution of domestic demand on growth decreased. Despite this outlook, net exports replaced domestic demand thanks to positive trend in foreign demand and flexibility of our exporters in terms of market diversification. Turkish economy grew by 4.5% in the first 9 months of the year and the annual growth is expected to be around 3-3.5% for 2018.

With tightening financial conditions, portfolio exit in developing countries became clearer and the magnitude of fluctuations in Turkish Lira assets have gone up one more level by the impact of currency shock. Experiencing a high level of volatility in exchange rates, Turkish economy has left behind all these fluctuations thanks to a series of cautions taken by the authorities. Central Bank also reduced the volatilities in financial markets with its strong monetary tightening policies and by the end of September, recovery trend in TL has become more apparent.

Inflation

INFLATION ENDED THE YEAR WITH A RATE OF 20.3% IN LINE WITH THE INFLATION FORECAST IN THE NEW ECONOMIC PROGRAM.

With the guidance of the New Economic Program, there is strong consensus on 2019 creating a base for a high quality growth in accordance with the soft landing scenario. It is expected that economic stabilization will continue in the first half and with the base effect and contributions of the tourism industry, recovery will be more evident in the remaining part of the year. As a result of competitive exchange rate levels and slowdown of domestic demand, current account balance in 2018 is anticipated to improve by approximately USD 15 billion compared with 2017. The outlook for 2019 is that improvement of current account balance will continue and this improvement trend will have a positive effect on country risk premium.

Inflation peaked in September and reached the highest level since 2003. However, with the increase in value of TL, impacts of Total Fight against Inflation, SCT (Special Consumption Tax) and VAT reductions, inflation tended to decrease and ended the year with a rate of 20.3% in line with the inflation forecast in the New Economic Program. It is expected that financial and monetary policies will be in harmony in 2019 and the inflation rate at the end of the year will be close to the forecast in the New Economic Program.

A large industrial steel mill interior. In the foreground, a massive, dark, cylindrical component, possibly a mold or part of a ladle, is being moved or positioned by a crane system. The background is filled with complex steel structures, including large rectangular frames and a grid-like lattice. Molten metal is visible, glowing orange and yellow, particularly in the upper right and lower right areas. The overall atmosphere is one of intense industrial activity.

**What makes us
valuable is
THE ROLE WE
UNDERTAKE
IN ECONOMIC
DEVELOPMENT.**



AN ASSESSMENT OF 2018: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

Operating with a sense of responsibility of the assets managed, Ziraat Bank continued to contribute to our country's economy and support all economic elements uninterruptedly in 2018.

The Bank always focuses on meeting its customers' financial needs with appropriate value propositions. Accordingly, it designed customized products and services, made improvements in digital channels and developed service delivery processes.

Robotic Process Automation was introduced in 2018 in order to direct employees to high value added business processes and perform simple processes at low cost.

"Operation Center Everywhere Project" was launched to conduct central operation processes at optimum costs with the contribution of branches and the Operation Center.

In terms of information security and system security, investments were completed to prevent advanced new generation malware by end-to-end controls, establish network threat monitoring systems and central infrastructure for cyber security.

Efforts continued in 2018 to conduct information security and process audits with a web-based integrated system within Ziraat Finance Group. Web-based audit modules in ZiraatBank BH d.d. and Ziraat Participation Bank are anticipated to be completed in 2019.

In accordance with the New Economic Program, the process started to merge public banks with portfolio management companies. The process of acquisition of Halk Portfolio Management and Vakıf Portfolio Management and merging them under the umbrella of Ziraat Portföy will be completed by the end of January 2019.

TL 537 billion

IN 2018, WITH AN ASSET GROWTH OF 23.7% ZIRAAT BANK EXPANDED ITS ASSETS TO TL 537 BILLION.

The successful financial performance of Ziraat Bank for many years is the result of its rigorous application of business strategies.

In 2018, with an asset growth of 23.7% the Bank expanded its assets to TL 537 billion. Share of credits in total assets was 69%. As of the year-end, the Bank provided a Return on Assets of 1.6% and a Return on Equity of 15.2%.

Operating in an industry which has an intense competition, Ziraat Bank's main objective in the following periods is to carry further its position as the most powerful national bank and record significant progress in banking products and services it provides to its customers in all of its business lines.

Corporate / Entrepreneurial Banking

Ziraat Bank continued to provide products and services that offer credit opportunities for companies to increase their financial strength acting as an economic actor with a sense of responsibility and registered results confirming its size in the financial system.

In 2018, within the framework of the vision of being “the Leading Bank”, Ziraat Bank offered high quality banking services to its customer portfolio consisting of leading companies in their sectors creating value for the country’s economy. With its strategy of being the sector’s “Morale Bank”, the Bank continued to provide financial solutions in corporate segment including structuring/ rescheduling to harmonize operations with their cash flows and increased the number of its corporate customers to 6,200.

Cash loans provided to customers in corporate segment reached TL 145 billion in 2018, while non-cash loans reached TL 102 billion in 2018, with a total credit amount of TL 247 billion representing a 34% increase YoY.

Foreign trade volume improvement continued in 2018 to reach USD 56 billion.

In 2018, within the frame of market developments, Ziraat Bank continued and increased its efforts to provide financial sources that companies need to sustain their operations in a healthy manner with favorable market conditions through all of its credit channels. The Bank strengthened its pioneering role in its contribution to project financing for investments with high added value and which accelerate the country’s economy.

With the Bank’s Bankkart brand, significant improvements in member merchant area have been realized. In addition to that, solutions for collection, payment and direct debiting system (DBS) and activities to increase deposit volume continued at an increasing pace in 2018.

34%

IN 2018, LOANS PROVIDED TO CUSTOMERS IN CORPORATE SEGMENT REACHED TL 247 BILLION REPRESENTING A 34% INCREASE YoY.

Guarantee support for SMEs at affordable terms

A new protocol has been signed by Ziraat Bank with the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and the Credit Guarantee Fund (KGF). The protocol aims to provide working capital financing and guarantee support for SMEs who have a significant role in our country’s trade and production, particularly for those who do not have sufficient guarantees. Chamber deposits are accepted and SME Support Credits are extended within the frame of this protocol.

New portfolio limits are being defined for credits to be extended in care of the Bank with KGF guarantee supported by the Treasury and extension of the credits continue.

KOSGEB- Machinery and Equipment Credit with Interest Support

A protocol was signed between Ziraat Bank and KOSGEB to provide financial support for businesses that are registered under KOSGEB database, operating in manufacturing industry and who are not prohibited from KOSGEB supports to be used in domestic and new machinery and equipment acquisitions at affordable terms. With “KOSGEB- Machinery and Equipment Credit with Interest Support” product launched within the frame of this protocol to provide financial support with affordable terms, “KOSGEB İğdir Central District Emergency Support Credit” and “KOSGEB Şanlıurfa Emergency Support Credit” were extended.

AN ASSESSMENT OF 2018: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

Continuing its financial support to agricultural sector, Ziraat Bank also develops projects to facilitate solutions for the sector's structural problems and direct access to finance.

Construction Amnesty Credit

"Law on Restructuring of Taxes and Certain Receivables" numbered 7143 Article 16 aims to provide a solution to construction problems of the citizens by issuing Building Registration Permits for buildings which were illegitimately constructed against zoning legislation and licensing. Construction Amnesty Credit product was launched for individuals, entrepreneurs and corporate customers who wanted to benefit from the Construction Amnesty.

Financing of the Agricultural Sector

Facilitating farmers' direct access to finance

Continuing its financial support to agricultural sector, Ziraat Bank also develops projects to facilitate solutions for the sector's structural problems and direct access to finance. In this context, studies are underway with related institutions, establishments and organizations, particularly with the Republic of Turkey Ministry of Agriculture and Forestry.

Facilitating small business owner farmers' direct access to finance, which is the most significant link in the agricultural value chain, is the leading activity conducted by the Bank. With this objective, projects are being generated to diversify credit products and to develop alternative guarantee elements other than farmers' agricultural products. Among Ziraat Bank's target production areas for the following period are investment projects which will create added value in agricultural production and respond to our country's needs along with investments and activities to increase storage, processing, packaging and marketing capacities of agricultural businesses, particularly licensed storage and cold storage depot investments.

746 thousand customers

AS OF 2018 YEAR END, THE TOTAL AMOUNT OF THE LOANS EXTENDED TO AGRICULTURAL SECTOR REACHED TL 60.7 BILLION, WHILE THE NUMBER OF CUSTOMERS RECEIVING THESE LOANS REACHED 746,000.

Credits of TL 60.7 billion provided for financing of agricultural sector

In 2018, a total of TL 35.9 billion was extended from Ziraat Bank's sources to approximately 443,000 customers to finance the agricultural sector, and around 67,000 new customers were added to the portfolio. The balance of agricultural loans provided from Bank's sources reached TL 58.8 billion by the end of 2018, and the number of customers with loans reached 672,000.

In terms of the breakdown, 35% of the agricultural loan portfolio consists of investment credits (TL 20.5 billion) while 65% of the loans consist of business loans (TL 38.3 billion).

Additionally, the Bank mediated in the payment of TL 54.2 million in loans from the funds provided by various institutions to a total of 9,000 people determined by related institutions. In this context, the amount of fund-based credit payments stood at TL 1.9 billion and the number of customers exceeded 74,000 by the end of the year.

In 2018, over 345,000 producers and companies received TL 27.5 billion of subsidized loans (at discounted interest rates) with annual interest rates ranging from 0% to 8.25%.

As a result, the total of loans extended by Ziraat Bank from its own sources to finance the agricultural sector and the fund-based credits that it mediated in had reached TL 60.7 billion by the end of 2018, with the number of customers receiving loans reaching 746,000.

Low interest rates on agricultural loans

In line with the decree and communiqué on low interest rate loans, Ziraat customers operating in agricultural sector continue to obtain credits at subsidized rates which are defined on the basis of production areas.

In 2018, over 345,000 producers and companies received TL 27.5 billion of subsidized loans (at discounted interest rates) with annual interest rates ranging from 0% to 8.25%.

Financial model contribution for agricultural sector-producer cooperation

Within the framework of contracts entered into with 21 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 5,534 contract producers stood at TL 74.2 million by the end of 2018.

Crop production credits

In 2018, Ziraat Bank extended a total of TL 12.5 billion in loans to over 210,000 customers for vegetable production. As a result of these extensions under various topics, the balance of loans dispersed for crop production as of year-end had reached TL 17.4 billion and the number of customers with such credit had reached 280,000.

Under crop production topic, Ziraat Bank extended greenhouse credits to approximately 9,000 customers at a total amount of TL 1 billion in 2018. For the last 14 years, total credits extended to more than 105,000 customers for financing of greenhouse construction, modernization and production activities reached TL 6 billion.

Livestock loans

In 2018, Ziraat Bank extended a total of TL 14.9 billion in loans to more than 175,000 customers under various titles of animal production. As of the end of 2018, the balance of loans dispersed for animal husbandry had reached TL 22.6 billion and the number of customers with such credit had reached 254,000.

Aquaculture credits

During the same period, Ziraat Bank extended a total of TL 360.6 million in loans to more than 2,000 customers under various titles of aquaculture. As of the end of 2018, the balance of loans dispersed in this area had reached TL 480.8 million and the number of customers with such credits had reached approximately 3,000.

Agricultural mechanization loans

In order to increase the level of mechanization of agricultural enterprises, efficiency of production and profitability, Ziraat Bank offers loans for tractors and agricultural mechanization. In 2018, TL 2.46 billion in loans to finance the purchase of tractors was provided to 37,000 customers and TL 519.2 million in agricultural mechanization financing loans was extended to 20,000 customers. As of the year-end, a total of TL 8.47 billion of tractor loans had been extended to 210,000 customers and TL 1 billion had been extended to approximately 50,000 customers for mechanization loans.

AN ASSESSMENT OF 2018: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

Under retail banking, Ziraat Bank offered numerous products to its customers in 2018, realize cooperation with various organizations and introduced banking applications that ease its customers' lives.

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 (including 10 years). The amount of Renewed Tractor Loans which had maturities of up to 96 months reached TL 11.3 million in 2018.

In 2018, more than 11,000 customers benefited from Small Equipment Credit which is provided for the purchase of small farming tools and equipment needed by agricultural enterprises belonging to real persons or legal entities, to enable them to sustain their operations efficiently and profitably. The total amount of loans, which has a maximum limit of TL 25,000, reached TL 196.6 million.

Young Farmers Academy

Ziraat Bank Young Farmers Academy education program was launched to increase young population's interest in farming, to teach specific topics in agricultural production and investment to those who carry the application qualifications, to raise conscious young farmers and create an awareness of agricultural entrepreneurship.

The program started with dairy farming training in Ankara on 22 October 2018 and 5 classes were opened in 2018 in Ankara, Bursa, Şanlıurfa and Adana. As of 2018 year end, there are 81 participants in the program and it is planned to be expanded throughout the country with different production topics in 2019.

Retail Banking

Focusing on customer satisfaction as a significant component of its recent restructuring activities, Ziraat Bank is the bank of a large population of individuals from students to retirees and from housewives to farmers.

Ziraat Bank delivers services for individuals through wide distribution channels covering branches all over the country, ATMs, internet and mobile banking applications, and call centers.

Credit products that touch individual customers' lives

Continuing to increase the number of customers and credit volume in 2018, Ziraat Bank added innovative products to its product range which ease its customers' lives, developed its existing products and expanded its credit portfolio.

TL 47.8 billion

THE BANK'S TOTAL HOUSING LOAN PORTFOLIO REMAINED AT TL 47.8 BILLION WITH THE DISBURSEMENT OF TL 12.9 BILLION.

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.

Main activities in retail credits and results taken in 2018 are summarized below:

- The Bank's total housing loan portfolio remained at TL 47.8 billion with the disbursement of TL 12.9 billion.
- Consumer loan balance amounted to TL 32.1 billion, by disbursing TL 20.9 billion and vehicle loan balance reached TL 184 million with the disbursement of TL 129.3 million.
- Within the context of the protocol signed with Social Security Institution (SGK), between 1 March 2018 and 31 August 2018, loans were extended to 43,000 individuals with a total amount of TL 1.2 billion within the scope of Bağ-Kur Premium Debt Loan product, which was put into practice for those who had accumulated premium debt and which enables them to qualify for the old-age pension by paying their premium debts.
- Construction Amnesty Credit product was introduced as of 3 August 2018 for Retail, Entrepreneurial and Corporate segment customers who want to benefit from Construction Amnesty. Within the scope of this product, credits were extended to over 20,000 retail customers with the disbursement of TL 315.3 million.
- Campaigns were launched for those who purchased houses from projects realized until 2016/2017 year-end by the Housing Development Administration of Turkey (TOKİ) via Ziraat Bank and have outstanding payments but would like to close their accounts by making advance payments. Within the scope of 20% Discounted Closing Campaign conducted between 24 April 2018 and 18 May 2018 and 24 % Discounted Closing Campaign conducted between 21 September 2018 and 19 October 2018, credits were extended to 2,500 customers who made lump sum payments at a total amount of TL 180 million.

TL 32.1 billion

CONSUMER LOAN BALANCE AMOUNTED TO TL 32.1 BILLION, BY DISBURSING TL 20.9 BILLION

- Paid Military Service Credit product was introduced for real person customers who would like to benefit from the Paid Military application and credits were extended to more than 5,000 individuals at a total amount of TL 68.8 million between 23 October 2018 - 2 November 2018.
- 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 retail segment. As of 2018 year end, TL 60 million credits were extended to 22,300 individuals within the scope of Dowry Account while Housing Account reached 22,500 individuals at an amount of TL 70 million.
- Within the framework of the protocol signed with the Social Security Institution (SGK), 4.6 million pension customers had been paid a total of TL 1.74 billion in promotions as of the end of 2018.

AN ASSESSMENT OF 2018: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

Activities for Digital Credit which was being conducted within the scope of the Bank's Digital Transformation were completed.

Other customer-focused activities conducted in Retail Banking segment

"Firm Subsidized 2019" application has been launched as of 17 December 2018, which offers housing credits with a firm subsidized pricing model for customers who would like to purchase new houses that are sold as complete or under construction by companies which have and active credit account with Ziraat Bank.

The objective of this application is to allow customers to make use of a monthly interest of 0.98% for housing credit and to facilitate the housing firms' repayment of their loans to the Bank by increasing their sales and continuity of their cash flows.

Within the scope of efficient energy usage which is vital not only for the world but for Turkey as well, 3 new products were introduced under the Energy Efficiency and Renewable Energy Development, Support and Application Action Plan:

- Energy Efficiency Management Credit
- Individual Energy Efficiency Credit
- Green House Housing Credit

Activities for Digital Credit which was being conducted within the scope of the Bank's Digital Transformation were completed. These activities aimed to allow extending this credit through internet banking and mobile banking application.

For customers who have Overdraft Deposit Accounts (KMH), limit increase offers were presented through digital channels after central evaluations by KKB and the Bank. KMH limits of approximately 305,000 customers were increased after receiving their approvals.

Breakdown of retail segments of the Bank was revised on the basis of the Bank's targets such as the significance of fund sourcing, sustainability of being the most preferred

bank of the customers in asset management, prioritizing customers with high asset value in portfolio management and providing privileged services.

Within the activities of Lifetime Banking, in addition to existing segment calculations, Generation Segment calculations have started to offer products, services, proposals and opportunities to the correct customer group with a proper marketing/sales strategy through the appropriate channel and to increase customer satisfaction to the highest level by reinforcing the strong connection between the Bank and the customer.

Comprehensive insurance activities

Within the scope of the "Law Amending the Private Pension Savings and Investment System Law" numbered 6740 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 (SGK), in line with the calendar announced by the Undersecretariat of Treasury, are being included in the Individual Pension Auto Enrollment System.

912 thousand participants

WITHIN THE FRAMEWORK OF THE AUTO ENROLLMENT SYSTEM THE NUMBER OF ACTIVE PARTICIPANTS HAS REACHED 912,000 WITH TOTAL FUNDS OF TL 1.1 BILLION.

Risks insured under “My Workplace Under Ziraat Guarantee” product has been offered to Ziraat Bank member merchant customers with a 30% Premium discount with the title “Member Workplace Under Ziraat Guarantee”.

As the Auto Enrollment System is a long-term saving tool, the employers and hence, their employees that Ziraat Bank will bring in to 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, contracts were signed between Ziraat Bank and a total of 23,744 local administrations, SEEs and private companies in the last three months of 2018 and the number of active participants has reached 912,000. The Bank has reached a total of TL 1.1 billion in the system and has become the industry leader with a market share of 18%.

In line with Ziraat Finance Group’s joint operation strategy and within the scope of centralization of operational transactions; control and approval of Individual Pension Plan applications (Yakut (Ruby), Güldüren Yarınlar (Amusing Future), Çiftçime BES (Individual Pension Plan for my Farmer), etc) which were being sold through branches’ Finart screens started to be performed by the Operation Center.

System infrastructure activities were completed which enable the payment of expense share by Ziraat Sigorta ve Emeklilik and commission by the Bank in case of the withdrawal of a customer with a long-term credit life insurance policy.

“EDS- Pensioner Support Insurance” product for customers between 55-75 years of age, who receive their pension payments via Ziraat Bank, was launched in February 2018 through the branches.

A new product “Alternative Automobile Insurance (Extended- Exempt)” was introduced as an alternative to existing Advanced Automobile Insurance product in Ziraat Bank’s insurance product portfolio. This product offers a lower cost option to customers and in case of circumstances requiring a spare part change it encourages the use of a generic part to promote domestic auto part production. Within the scope of these activities, the name of “Private Automobile Extended Insurance” product has been changed as “My Auto is Under Ziraat Guarantee” to reflect the power of guarantee and satisfaction level at the time of damage with Ziraat brand.

Risks insured under “My Workplace Under Ziraat Guarantee” product has been offered to Ziraat Bank member merchant customers with a 30% Premium discount with the title “Member Workplace Under Ziraat Guarantee”.

“Electronic Appliance Guarantee” has been added to “Property Insurance” product which is one of the strategic insurance products of the Bank that stands out in non-interest income, based on number of production and has a high sales capability with its unique pricing and coverage. Additionally, “Traffic Insurance-Extra Protection Package” which can be sold with Traffic Insurance has been added to the policies.

55-75 years

“EDS- PENSIONER SUPPORT INSURANCE” PRODUCT FOR CUSTOMERS BETWEEN 55-75 YEARS OF AGE, WHO RECEIVE THEIR PENSION PAYMENTS VIA ZIRAAT BANK, WAS LAUNCHED IN FEBRUARY 2018 THROUGH THE BRANCHES.

AN ASSESSMENT OF 2018: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

With the launch of Bankkart, number of credit cards, income from credit cards and its prevalence has improved rapidly.

Budget-friendly and saving Bankkart

Taking sectoral trends and Bank's dynamics into consideration, Ziraat Bank started a comprehensive payment systems development project at the end of 2016.

The objectives of the project were defined as delivering card products with advanced technological infrastructure to a wide population, offering new product features and services which provide advantages to customers and conducting activities to make customer oriented process and infrastructure revisions at digital channels. Within the scope of this project, the bank's new card brand, Bankkart was launched in the first quarter of 2018.

With the launch of Bankkart, number of credit cards, income from credit cards and its prevalence has improved rapidly. As of the end of 2018, the number of Ziraat Bank credit cards was 5.9 million, with the Bank commanding a 9% market share in terms of the number of credit cards and a 4.7% market share in terms of turnover. Number of bank cards was 32.3 million and the Bank has kept its industry leader position with a trade turnover market share of 21%. It is being anticipated that this improvement will continue in the medium and long term.

Bankkart which combines a bank card and a credit card in one plastic is a first in Turkey and it is equipped with saving and budget-friendly features. Bankkart is anticipated to meet customer expectations and to contribute to our country's cashless society strategy.

At the fourth quarter of 2018, Ziraat Bank had 308,000 member merchants and 341,000 terminals. At the last quarter of the year, member merchant turnover has been TL 16.4 billion and turnover market share of the merchant members of the Bank has been 7.8% in December.

5.9 million

AS OF THE END OF 2018, THE NUMBER OF ZIRAAT BANK CREDIT CARDS WAS 5.9 MILLION, WITH THE BANK COMMANDING A 9% MARKET SHARE IN TERMS OF THE NUMBER OF CREDIT CARDS

Operations Center

In 2018, 185 million transactions of Ziraat Bank have been handled by the Operations Center and the centralization rate has been realized as 99%.

The activities carried out in 2018 under the scope of ensuring operational efficiency and standardization, and reducing the workload of branches and the units of Ziraat Finance Group are presented below in chronological order:

- "Operations Center Everywhere Project" was completed in the first quarter of 2018 which ensures more efficiency of branch employees, establishment of full time employment (FTE) infrastructure and more efficient closed location branches by opening up Operations Center pools to specific branches. At each performance period, branches meeting specific criteria are included in the scope of the project and 150 branches were included for the first quarter of 2019.
- In order to process deed collections in a short period of time, Operations Center started to process transactions instantly with "Deed Quick Collection".

- 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. A new transaction type "Credit Card Collection-Our Bank" has been added to Work Order Entry screen to transfer these transactions to the Center through Finart business flow.
- An application development requisition was processed to establish ZFG In-group Money Transfer Infrastructure (ODAK HUB Closed Circuit Transfer System) and studies on the system have started.
- Protesting of notes with collection branches in provinces of Metropolitan Municipality has been enabled to be done electronically through the Center (without the need to take them to notary) and all Ankara branches were included in the scope of this application.
- Ziraat Yatırım account openings which were realized intensely during the public offering of Aselsan were performed through the Operations Center.
- Control and approval transactions of application forms for Individual Pension Plans which are sold by branches through Finart screen have started to be performed by the Operations Center.
- Ziraat Bank started to intermediate in the collections within the scope of e-collection project, such as Construction Amnesty collections, which are conducted by General Directorate of Accounting and the Bank. Since 90% of collections are realized in cash, this project generates an opportunity to gain customers and products and it allows for a significant amount of cash flow to the Bank.
- Collections for the General Directorate of Accounting were started to be performed through the new Mobile Banking application.
- Within the efforts of carrying free amounted lien transfer transactions to Operations Center, transfer transactions were enabled to be performed for notifications submitted to the Headquarters in lien transfer work type.
- "Registered Gold Transfer System" project which has been carried out by Takasbank was launched to allow customers to transfer current gold deposits at other banks to the Bank and from the Bank to other banks via a system similar to EFT.

99%

IN 2018, 185,000 TRANSACTIONS OF ZIRAAT BANK HAVE BEEN HANDLED BY THE OPERATIONS CENTER AND THE CENTRALIZATION RATE HAS BEEN REALIZED AS 99%.

- Applications under the Operations Center are being awarded for the last two years in a row by institutions which reward successful projects and practices at an international scale. This year, Ziraat Bank received the Gold Award at "Best Product or Service of the Year-Business Information Solution" category with "Operation Center Everywhere" project.
- Within the activities of performing transactions with robotic integration which are conducted at the Center in standard format, improvements have been completed for robotic processes and robotic integration of tax and SGK transactions was enabled as of November 2018.
- Acquisition process was completed for the application which will allow customers to send direct transaction orders to the Operation Center through internet and mobile banking and integration activities started.
- Simplification activities for screens which are defined in user groups of the Bank but have not been used for the last year have been conducted. Additionally, screens with screen names have been identified and shared with the related business units for appropriate action.
- e-notification system activities have been completed for notifications from government agencies.

AN ASSESSMENT OF 2018: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

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

Credit and Foreign Trade Operations

Ziraat Bank aims to ensure that the operational process of credit 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.

Systematic studies have been completed for establishing mortgage in electronic format in Bank's favor to guarantee specific products in corporate credits such as land purchase, business acquisition and etc. where the owner of the property changes and the new owner is required to establish a mortgage in Bank's favor or to guarantee the individual housing loans. Activities continue for the pilot implementation and expansion to all branches.

- Systematic development studies aimed at centralizing corporate loan disbursements had been completed and the operations related to authorized cash credit disbursements approved on the basis of authorization levels and foreign currency cash loans are carried out within the Credit Operations department.

Cash management

ZIRAAT BANK CONTINUED ITS CUSTOMER-ORIENTED, EFFECTIVE AND EFFICIENT CASH MANAGEMENT PRACTICES AT FULL SPEED.

- According to the protocol signed between Ziraat Bank and the Housing Development Administration of Turkey (TOKİ) on 17 May 2002, the Bank continues to conduct intermediation services for application, sales and after sales transactions for real estate under the ownership of TOKİ.
- In accordance with Law No. 7269 and 1051 for Measures to be Taken for Disasters Affecting Communal Life and Reliefs and other laws with articles related to natural disasters, victims of those disasters are identified by the Republic of Turkey Ministry of Internal Affairs Disaster and Emergency Management Authority (AFAD) and loans to disaster victims and collection of these loans are being performed based on the protocol signed between the Bank and AFAD on 17 December 2012. The Bank started to intermediate in AFAD Immediate Housing Credit product of the related authority.

Effective and efficient cash management products

Ziraat Bank aims to provide banking products and services which can compete in its sector and meet customer needs and offers opportunities for no-cost funding and cross sales. In 2018, the Bank continued its customer-oriented, effective and efficient cash management practices at full speed.

Number of parent companies with which Ziraat Bank entered into agreement in the Direct Debiting System (DBS) reached 474. In addition, the number of distributors included in the system increased by 161% and the volume of collection increased by 89% YoY.

Number of parent companies with which Ziraat Bank entered into agreement in the Direct Debiting System (DBS) reached 474. In addition, the number of distributors included in the system increased by 161% and the volume of collection increased by 89% YoY.

Number of contracted organizations which Ziraat Bank intermediate in invoice and other payments reached 635 and payments are facilitated through ATMs, Internet Banking, Mobile Banking and Automatic Payment channels in addition to branches.

With the Corporate Collection System which includes contracted institutions the Bank realized 180 million collections at a total amount of TL 233 billion in 2018. The Bank has 10 million automatic payment orders as of 2018.

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.

In 2018, within the scope of collection of Paid Military payments, 60% of all payments were realized through Ziraat Bank. In addition to that, 63% of the Construction Amnesty payments, which were extended to 2019, have been realized through Ziraat Bank in 2018.

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 were continued to be sold through Ziraat branches. In 2018, 75,000 packages were sold at an amount of TL 8.5 million.

Digital Banking

Ziraat Bank continues to invest in modern infrastructural systems to use technology intensely in its business processes.

Ziraat Bank conducts activities to integrate alternative distribution channels into product and service delivery processes at an increasing pace. As of 2018 year end, number of digital customers reached 10.5 million.

In 2018, within the scope of Brand Card Project, Bankkart Mobile and member merchant platform applications and www.bankkart.com.tr and www.bankkartpos.com.tr web sites were launched.

Within the frame of Digital Channels New Front End Project, corporate web site www.ziraatbank.com.tr, the mobile application and internet branch were launched providing easy, straight forward and user-friendly front ends and transaction flows.

As the bank with the highest number of ATMs in the industry, Ziraat Bank's number of ATMs reached 7,155 as of 2018 year end. Additionally, 11 pilot ATMs were launched by the end of the year within the scope of the "New ATM Software" project which still continues.

"Free of Charge Joint ATM Usage" system was launched based on the protocol signed by Ziraat Bank, Halkbank, Vakıfbank, Ziraat Participation and Vakıf Participation banks on 4 April 2018. Accordingly, in addition to Cash Withdrawal, Balance Inquiry and Password transactions, Cash Deposit, Credit Card Payment, Credit Card Balance and Limit Inquiry can be performed at 15,000 ATMs of these banks within the transaction limits at no charge.

A wide-angle photograph of a large-scale infrastructure project. In the foreground, a dark asphalt road curves along the base of a hill. To the left of the road, a concrete drainage ditch runs parallel to the slope. The hillside itself is a mix of green grass and exposed brown soil, showing signs of recent construction or erosion control work. A chain-link fence runs along the top of the hill in the background. The sky is a clear, pale blue with a few wispy white clouds. In the bottom right corner, a small green utility shed and some orange traffic cones are visible near the road.

**What makes us
valuable is
OUR SUPPORT TO
TRAILBLAZING
PROJECTS.**



AN ASSESSMENT OF 2018: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

Maintaining an extensive branch network and strong deposit base, Ziraat Bank kept its goal of increasing deposits in retail segment and strengthening its core deposit and funding structure.

39% increase

IN 2018 THE GOLD DEPOSIT SIZE OF THE BANK INCREASED BY 39% YoY.

Treasury Management and International Banking

Ziraat Bank continues to be a significant and effective player of international and national money, currency and capital markets.

Financial solutions for the new market conditions

2018 has been a hectic and volatile year for national and international markets when the agenda was busy with economic and political issues. In Treasury Management and International Banking areas, Ziraat Bank proactively and rapidly revised its asset and liability management strategy parallel with the changing market conditions and managed its balance sheet to minimize liquidity, interest and currency risks. Providing financial solutions to its customers in line with the new conditions, the Bank increased its foreign currency transaction volume by 9% thanks to its business model carried out by its widespread branch network and effective customer relationship management. The Bank also provided financial solutions to its customers through derivative instruments to hedge currency and interest risks.

With the support of its wide correspondence network Ziraat Bank made use of non-deposit funding in all areas in addition to deposits. In terms of international loan and finance transactions, funding through issuance of bonds and bills continued to contribute to diversification of the Bank's funding sources. Ziraat Bank keeps its position as a significant and effective actor at international and national money, currency and capital markets.

Stronger funding structure in deposits

Maintaining an extensive branch network and strong deposit base, Ziraat Bank kept its goal of increasing deposits in retail segment and strengthening its core deposit and funding structure. In addition to that, with the support of withholding tax regulations enacted between August and November to encourage the lengthening of deposit terms, average maturities have been extended and funding structure has been reinforced.

The only bank to intermediate in the issuance of Gold Bonds and Gold-Based Lease Certificates of the Ministry of Treasury and Finance

In addition to Turkish Lira and foreign currency deposits, gold deposits continued to increase and gold deposit size of the Bank increased by 39% YoY. As part of its customers' gold trading activities, Ziraat Bank managed a volume of approximately 137 tons of gold in 2018 and provided a continuous service to its customers through all channels. Additionally, approximately 1.5 tons of scrap gold was collected from customers through the "golden time" campaigns and brought into the economy. Accordingly, the Bank's share in the gold deposit sector increased from 17% to 19.5%.

Ziraat Bank continued to be the only bank to intermediate in the issuance of “Gold Bonds” and “Gold-Based Lease Certificates” which were issued for the first time in 2017 by the Ministry of Treasury and Finance to bring gold kept “under the mattresses” into the economy. At each book building period, applications were collected in branches throughout 81 provinces and the Bank intermediated in collecting scrap gold from 27,000 customers to be brought into the system. With the issuance of this investment tool, which allows customers who hold 22 and 24 karat gold to earn returns on their gold savings, physical gold which were outside the banking system has been brought into the economy.

As a pioneer in putting “Gold Bonds” and “Gold-Based Lease Certificates” into practice, Ziraat Bank will continue intermediation operations in 2019 along with other intermediary banks who participated in this process.

Foreign currency bond issuance to real persons and legal entities

In 2018, Ministry of Treasury and Finance started to issue bonds in foreign currency to real persons and legal entities, primarily focusing on individual investors. Applications were collected only through Ziraat Bank for bond and lease certificate issuances in EUR which targeted primarily investors residing abroad during 5 weeks in September and November. In December, with the intermediation of 10 banks, including Ziraat Bank, EUR and USD government bonds were issued. The Bank continues to collect applications from customers in the ongoing issuance processes.

Active role as a market maker in Government Debt Securities

In 2018, Ziraat Bank successfully maintained its position as a market maker in the government debt securities market defined by the Ministry of Treasury and Finance and played an active role in secondary markets.

The Bank continued to follow its main asset management strategy in its balance sheet and accordingly, achieved to increase the share of loans in the balance sheet and maintain the share of securities. In this context, share of securities in total assets has been 17% at the end of 2018 compared to 16% share in 2017.

Covered Bond (İTMK) issuance

Another main strategy of Ziraat Bank is strengthening and diversifying the funding structure through various capital market tools. Accordingly, in 2018, the first Covered Bond issuance was realized in domestic markets using the cash flows from the mortgage loans in the Bank’s portfolio as collateral.

Asset Financing Fund, which was established by Development and Investment Bank of Turkey with the objective of issuing Asset Backed Securities, purchased the securities issued by the Bank with a 5-year maturity at an amount of TL 1 billion. Development and Investment Bank of Turkey Asset Financing Fund purchased the covered bonds of the Bank along with the bonds of other banks who issued at the same time. The Fund used them as the underlying asset to issue Asset Backed Securities at an amount of TL 3.15 billion and completed the sale of these securities to domestic corporate investors. With the issuance of the covered bonds, Ziraat Bank obtained 5-year maturity, fixed interest Turkish Lira funding.

Covered Bond

IN 2018, THE FIRST COVERED BOND ISSUANCE WAS REALIZED IN DOMESTIC MARKETS USING THE CASH FLOWS FROM THE MORTGAGE LOANS IN THE BANK’S PORTFOLIO AS GUARANTEE.

AN ASSESSMENT OF 2018: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

As in previous years, Ziraat Bank continued to issue bonds and bills in 2018 to qualified investors in the domestic market in order to create funding source diversity and expand its customer base.

Security issuances for development of the capital markets

Ziraat Bank completed the implementation of Covered Bond Program which allows for providing funding from foreign markets through issuance of securities using the cash flows from the mortgage loans as a collateral. In the coming periods, development of capital markets through issuance of similar securities in domestic and foreign markets will continue to be the Bank's strategy.

As in previous years, Ziraat Bank continued to issue bonds and bills in 2018 to qualified investors in the domestic market in order to create funding source diversity and expand its customer base. The Bank issued TL 10.2 billion of bonds in the domestic market against TL 12.6 billion of redemptions under the issuance ceiling of TL 19 billion.

Ziraat Bank's Global Medium Term Notes (GMTN) program at an amount of USD 4 billion, which has been implemented under the scope of diversifying bank resources and providing cost-effective and long-term funding through issuances in international capital markets, was renewed in March. Within the scope of the GMTN program, external funding through private placements has continued in 2018.

Close relations with investors

In 2018, Ziraat Bank attended a total of 6 conferences that were held in Europe and Asia 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. Throughout the year, 150 meetings have been held with international counterparties at the Bank and conferences abroad.

USD 130 million

WITHIN THE CONTEXT OF AGREEMENTS WITH THE WORLD BANK AND THE EUROPEAN INVESTMENT BANK, MORE THAN USD 130 MILLION WAS MADE AVAILABLE TO SMES AND LARGER-SCALE CUSTOMERS DURING 2018.

Effective and efficient management of foreign finance

Ziraat Bank obtains a significant amount of external financing from international financial institutions within the framework of its wide customer base and extensive branch network and manages the funding provided by international financial institutions in its balance sheet in an effective and efficient manner. Within the context of agreements with the World Bank and the European Investment Bank, more than USD 130 million was made available to SMEs and larger-scale customers during 2018. These sources were used to help promote the growth of customers, by increasing their production, productivity and employment, helping reduce regional development differences..

Borrowing through syndication for the sixth time

Ziraat Bank's syndication loan, which was provided in US dollar and Euro denominations in April 2017, was redeemed and the loan was renewed on 4 April 2018 with a renewal rate of 130%. The loan was provided with the participation of 44 banks from 22 countries and the total amount is USD 1.4 billion that are composed of USD and EUR tranches with the maturities of 367 days and 731 days.

This transaction, which was aimed at diversifying Ziraat Bank's strong funding structure, has been the sixth 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 numerous financial products and services.

Bilateral loan agreement with China Development Bank

In accordance with its non-deposit source diversification strategy, Ziraat Bank continued to provide funding from international organizations through bilateral loans in 2018. In this context, a three-year term loan package at an amount of USD 600 million was provided as a result of negotiations with China Development Bank. The second tranche of this loan at an amount of USD 400 million was used in February 2018.

With the objective of diversifying funding sources and creating long term alternative sources, Ziraat Bank conducts implementation activities for DPR (Diversified Payment Rights) which is a securitization program. The aim of the program is to obtain medium and long term funding based on future flow foreign currency receivables of the Bank as collateral.

Developing and consolidating correspondent bank network

Ziraat Bank's extensive network of correspondent banks, established with in excess of 1,800 banks in more than 140 countries, is constantly diversifying and expanding in line with customer demands, the conjuncture and trends in the world economy. Thanks to its evolving and strengthening correspondent network, Ziraat Bank provides its customers with foreign trade opportunities in many parts of the world and cares about developing its relationships with domestic correspondent banks as well as foreign banks and increasing the volume of transactions.

Ziraat Bank stood as one of the leading banks in this area at the end of 2018. The basis of the Bank's customers' preference of Ziraat Bank for foreign trade and constantly raising its share in this area is its strong and sustainable cooperation with correspondent banks, quality of service and high product range.

As the number of customers who perform foreign trade transactions increases constantly, Ziraat Bank offers wide range of products such as discounted letter of credit and avalised/discounted bill of exchange/ promissory notes to meet the foreign trade financing needs of its customers and works closely with export credit agencies such as Hermes, Coface, Serv and Sace to provide medium and long term country loans to its customers.

Syndication

ZIRAAT BANK'S SYNDICATION LOAN WAS RENEWED WITH A RATE OF 130%. THE LOAN WAS PROVIDED WITH THE PARTICIPATION OF 44 BANKS FROM 22 COUNTRIES AND THE TOTAL AMOUNT IS USD 1.4 BILLION.

AN ASSESSMENT OF 2018: STRATEGIES, DEVELOPMENTS AND TARGETS FOR THE FUTURE

Thanks to its strong correspondent network, Ziraat Bank provides easy access to alternative sources of funding and it continued to demonstrate the ability to obtain funds from correspondent banks at affordable costs and conditions in 2018.

Far East

ZIRAAT BANK K PROVIDED MEDIUM AND LONG TERM AND LOW-COST FINANCING OPPORTUNITIES FOR WORKING CAPITAL AND INVESTMENT FINANCING NEEDS OF CUSTOMERS THAT ARE CONNECTED WITH CHINA, TAIWAN AND SOUTH KOREA.

Thanks to its strong correspondent network, Ziraat Bank provides easy access to alternative sources of funding and it continued to demonstrate the ability to obtain funds from correspondent banks at affordable costs and conditions. Within the scope of renewed agreements with the Export Import Bank of Korea (KEXIM) and The Export-Import Bank of the Republic of China (Taiwan Exim), the Bank provided medium and long term and low-cost financing opportunities for working capital and investment financing needs of customers that are connected with China, Taiwan and South Korea. The Bank seeks to sustain and build on this success in the coming years with new ways of financing that it will diversify.

International Branch Banking

Ziraat Bank conducts its International Branch Banking operations in the countries in which it operates with the following main objectives, in line with its international banking strategy and vision:

- 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 play a strong role and secure a high share in the financing of foreign trade between Turkey and other countries where it operates,
- To ensure sustainable profitability of branches with healthy and efficient balance sheet structure,
- 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 motto 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 2018 in this context are summarized below:

In line with the motto 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.

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 contact point for access to international financial markets.

In **Greece**, services are provided through three branches in Athens, Komotini (Gümülcine) and Xhanti (İskeçe). Ziraat Bank focuses on services such as corporate banking and foreign trade financing in Greece and plays an active role in developing the trade between two countries.

In **Bulgaria**, four branches are operating in corporate and retail segments 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.

In **Kosovo**, the Pristina Branch was opened on 8 June 2015. Serving the corporate and retail customer base in the country with its extensive product range, the Bank further expanded its service network with new branches opened in Prizren and Peja in 2018.

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.

Bahrain

ZIRAAT BANK'S SECOND ADDRESS IN THE GULF REGION, THE BAHRAIN BRANCH PLAYS AN ACTIVE ROLE IN ACCESSING INTERNATIONAL FINANCIAL MARKETS.

In **Iraq**, the Bank supports the development of economic and trading activities between two countries with two branches in Baghdad and Erbil.

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 retail customers operating in the country, primarily the collateral letter needs of Turkish contractors, and intermediating in and developing Turkish-Saudi foreign trade.

Ziraat Bank's second address in the Gulf region, the **Bahrain Branch** plays an active role in accessing international financial markets.

SOCIAL RESPONSIBILITY AND PUBLIC RELATIONS

In today's globalizing world, in addition to creating economic value, Ziraat Bank contributes to our society with social responsibility projects which aims to develop individuals and the society.

Ziraat Bank plans and implements its corporate social responsibility activities with the objective of creating permanent value and with a long term perspective. Accordingly, the Bank designs people oriented projects with a target of raising social and individual welfare.

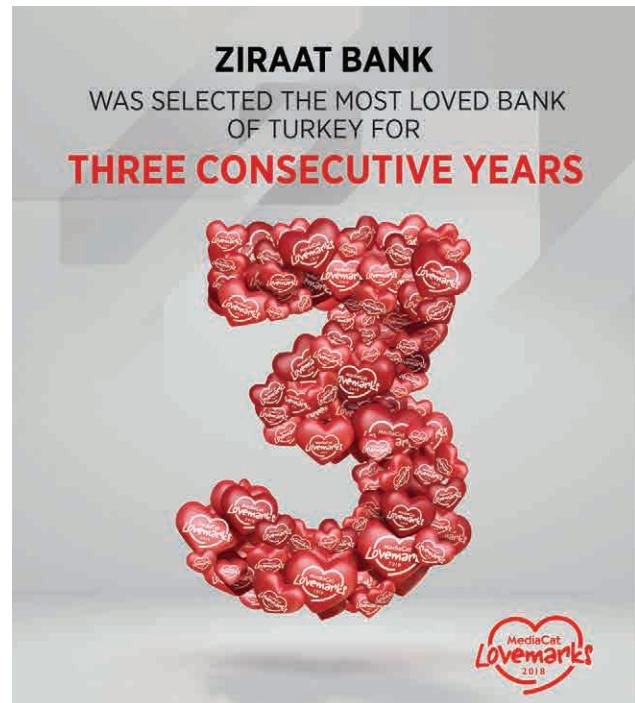
Many different areas, primarily culture, arts, education and sports are at the center of the Bank's social responsibility activities which are conducted with a systematic and organized approach. In particular, the Bank carries out projects that will contribute to cultural background of the society and is determined to carry its mission in this area even further every year.

A tradition of supporting art at Ziraat Bank

Ziraat Bank has attached importance to art and artists since its establishment, under the motto 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 Kuşulu and Tunnel Art Galleries for art lovers. A total of 29 exhibitions were opened in the Kuşulu Art Gallery in Ankara and the Istanbul Tunnel Art Gallery in 2018, which attracted more than 15,000 visitors.

The "State Theaters at Ziraat Stage" which was executed under the cooperation of the General Directorate of State Theaters and Ziraat Bank with the mission of supporting culture and arts, continues to serve theatre lovers.

In an effort to share the Bank's art collections with a wider population, "Light and Color" digital exhibition was organized at a customized setting in İstanbul Euroasia Exhibition Center between 2-13 May 2018 and numerous artworks in the collection were shared with art-lovers. Being the largest digital art exhibition of our country, "Light and Color" hosted more than 20,000 visitors.



AS A RESULT OF ALL OF ITS ACTIVITIES CARRIED OUT THROUGHOUT 2018, ZIRAAT BANK WAS SELECTED THE "MOST LOVED BANK OF 2018" AT TURKEY'S LOVEMARK SURVEY, RECEIVING THE SAME AWARD FOR THREE CONSECUTIVE YEARS.

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

Promotion activities

As in the past 9 seasons, Ziraat Bank sponsored the Turkish Cup in 2018/2019 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 2018/2019 season.

Ziraat Bank continued its support for education in 2018 and contributed to Ziraat Library project which will be built by İstanbul Medeniyet University. Additionally, the Bank sponsored the Diyarbakır Ziraat Youth Festival which was organized in Diyarbakır.

During the year, Bankkart brand launch was realized and Ziraat Bank's own brand Bankkart has been created. Within the scope of launch activities "Bankkart Launch" and "It Thinks About You" ads were broadcasted. As part of these activities various ads were shot such as 100 Bankkart Lira, Bankkart 360, Sector of the Month-Clothing, Sector of the Month-Market, Ramadan Campaign, Breathing Months Films and Bankkart Mobile.

"Turkish Cinema (Yeşilçam)" ad which was prepared for Ziraat Bank's 155. anniversary, brought together unforgettable players of the Turkish cinema. The film set bridges between our past and today and passed the message "If we are together, we have the power for everything".

In addition to Yeşilçam commercial, the ads prepared under the scope of promotion activities for Ziraat Turkish Cup received widespread attention at social and printed

media and viewed with admiration. These ads were about "Gold Bond" and "Gold-Based Lease Certificate" products which were issued for three times during the year and "Government Bond with Euro Interest Return and Lease Certificate with Lease Return" products issued for the first time by the Ministry of Treasury and Finance.

As a result of all of its activities carried out throughout 2018, Ziraat Bank was selected the "Most Loved Bank of 2018" at Turkey's Lovemark Survey, receiving the same award for three consecutive years.

Digital platforms and field surveys

Using the corporate identity in accordance with Ziraat Bank's standards, all Ziraat Bank branches received visits in 2018 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 2018, 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.

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 became the most effective Bank in the sector in social media channels in which it operates in order to respond to its customers' requests and expectations at each platform and keep customer satisfaction at the highest level. As of 2018, attracting more than 2,000,000 likes and followers at its Facebook page, the Bank increases its effectiveness in social media every day with its posts on Twitter with 338,000 followers, Instagram with 141,000 followers, more than 64 million viewings at YouTube and other platforms.

Other activities

In 2018, 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.

ZIRAAT BANK'S SUBSIDIARIES IN 2018

With operations in 18 countries at 100 locations, Ziraat Bank continues to contribute to geographical regions that it operates.

Subsidiary structure based on efficiency and profitability

Ziraat Bank's corporate subsidiary strategy is designed on strengthening equity with sustainable profitability. Within the frame of its subsidiary policy built on foundations of efficiency and profitability, the Bank provides products and solutions in all areas of financial services and serves its customers with a wide domestic and foreign subsidiary portfolio.

The Bank's main goal is to increase its subsidiary's share of assets and profits in Ziraat Finance Group in the medium term and provide all services under Ziraat Finance Group umbrella.

In this context the Bank operates with the following objectives:

- to maximize the synergies between domestic subsidiaries operating in different sectors and foreign subsidiaries spread over a wide geographical area,
- to contribute financially to its customers' transaction flows all around the world and establish a global customer management principle,
- to introduce new/pioneering financial technologies to geographical areas that the Bank operates in.

Ziraat Bank regularly evaluates organic and inorganic growth alternatives in the countries and sectors where it identifies potential based on profitability and efficiency, in line with its strategy and goals. In this context, Ziraat GSYO (Ziraat Venture Capital) was established on 8 November 2018 to manage the portfolio and issue the shares of a portfolio consisting of venture capital investments, capital market instruments and other assets and rights identified by CMB.

Additionally, Ziraat Bank's foreign service network reached 100 branches in 2018 with the opening of 8 new branches in Bjeljina-Bosnia, Tsereteli- Georgia, Prizren and Peja- Kosovo, Atyrau-Kazakhstan, Ganja- Azerbaijan, Budva and Bar-Montenegro.

International Subsidiaries

Germany

With equity of more than EUR 234 million and 122 employees, Ziraat Bank International AG is the most significant Turkish capital bank in Federal Republic of Germany and European Union.

Ziraat Bank International AG has been serving its corporate and customers from a wide range of retail segments with its branches in Germany for 55 years and from the Istanbul Representative Office, which entered operation in April 2014.

Ziraat Bank International AG currently has branches in Berlin, Duisburg, Frankfurt, Hamburg, Hannover, Köln and Munich.

As of the end of 2018, Ziraat Bank International AG had a paid capital of EUR 130 million, equity of EUR 235 million, total assets of EUR 1,514 million, loans of EUR 1,337 million and total deposits of EUR 1,260 million.

Bosnia

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 32 service units and 55 ATMs throughout the country, had total assets of USD 594 million, loans of USD 426 million, deposits of USD 391 million and equity of USD 101 million at the end of 2018.

Montenegro

Ziraat Bank Montenegro AD started its operations in July 2015 in its Head Office and the Podgoritsa Branch in the capital Podgoritsa and opened two new branches in 2018 in Budva and Bar. Ziraat Bank owns all the shares of the bank that has a capital of EUR 18 million. As of the end of 2018, the bank's total assets amounted to USD 66.3 million, loans amounted to USD 54.5 million and deposits amounted to USD 23.1 million.

Azerbaijan

Ziraat Bank Azerbaijan ASC acquired its banking license as of 30 December 2014 and continues its operations with Headquarters in Baku and branches in Ganja and Old City. All of the shares of the bank, which has USD 29.4 million of paid-in capital, belong to the Ziraat Finance Group. As of the end of 2018, the bank's total assets stood at USD 132.8 million, with loans of USD 59.3 million and deposits of USD 92.5 million.

Russia

Established in 1993 as a joint venture of Turkey and Russia, Ziraat Bank (Moscow) JSC has been operating as a Turkish capital bank since 2002.

With recent restructuring activities and its reinforced capital, the Bank operates mainly in corporate banking and it increased its deposits by 10% and profit by 24% YoY in USD basis in 2018. As of 2018 year end the Bank's assets were USD 101 million, credits were USD 62.2 million and deposits were USD 54.5 million.

Kazakhstan

Kazakhstan Ziraat International 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, Aktau and Atirau. As of the end of 2018, the bank's assets amounted to USD 185.6 million, with equity of USD 43.5 million, a loan portfolio of USD 108.6 million and customer deposits of USD 109.7 million.

Uzbekistan

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 2018, the bank's loan portfolio stood at USD 35.8 million, total assets at USD 61.3 million and deposits at USD 15.6 million.

Georgia

JSC Ziraat Bank Georgia, previously operating as a foreign branch, was transformed into the status of a subsidiary on 2 May 2017 with the principle of strengthening the economic relations with this country.

Opening its 4th branch in Tsereteli in June 2018, JSC Ziraat Bank Georgia' assets were USD 43 million, credit portfolio was USD 13 million and deposits were USD 23 million as of 2018 year end.

Turkmenistan

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 one Headquarter Service Building and six offices in Toptancı Pazarı, Türkmenabad, Mary, Daşoğuz, Atamurat and Balşeker Trade Center, the Bank reached an asset size of USD 727.4 million, credit portfolio was USD 56.7 million and deposits were USD 689 million in 2018.

ZIRAAT BANK'S SUBSIDIARIES IN 2018

Domestic Subsidiaries

Ziraat Katılım Bankası A.Ş. (Ziraat Participation)

Starting its operations on 29 May 2015, Ziraat Participation provides services through 80 branches in 41 provinces.

As of 2018 year end, total assets of Ziraat Participation were TL 22.1 billion and credits were TL 17.7 billion.

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 2018 and achieved a 27% YoY increase in premium generation to approximately TL 2.2 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 2018, the company commanded an asset size of TL 1.6 billion and a shareholders' equity of TL 644 million.

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 1.3 billion of premium generation during 2018, achieving a market share of 17.1%.

In its Individual Pension System, Ziraat Hayat ve Emeklilik A.Ş. recorded a fund volume of TL 5.6 billion, marking an increase of 43.7% and the number of participants stood at 634 thousand, an increase of 9.3%. The Company, which is one of the key players of the Private Pension sector, has signed contracts with 23,700 companies in the Automatic Enrolment and became the sector leader in Automatic Enrolment with a total of 912,000 participants and a fund volume of TL 1.2 billion. As of the end of December 2018, the company's total assets stood at as TL 7.9 billion and its shareholders' equity at TL 1 billion.

Ziraat Portföy Yönetimi A.Ş.

Ziraat Portföy Yönetimi was founded in 2002. 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 22 pension investment funds, together with interest-free funds. (13 Ziraat Emeklilik, 5 Vakıf Emeklilik, 1 Halk Emeklilik and 3 Bereket Emeklilik funds).

The company's assets under management rose from TL 13.6 billion in 2017 to TL 17.6 billion in 2018, an increase of 30% compared to the previous year.

The company increased its size in the Private Asset Management (Individual & Legal) from TL 4.7 billion to TL 7.1 billion, achieving 53% growth.

Within the framework of financial system restructuring under the New Economic Program, Vakıf and Halk Portfolio Management Companies are being merged under Ziraat Portföy umbrella.

Ziraat Yatırım Menkul Değerler A.Ş.

Established in 1997, Ziraat Yatırım keeps on strengthening its operations to create value in corporate finance area.

In 2018, the company realized transaction volume of TL 71.6 billion in the Borsa İstanbul Stock Market, TL 20.7 billion in the Derivatives Market (VIOP) and TL 102.3 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 13.8 billion aimed at qualified investors in 2018.

As of the end of the year, the company's equity amounted to TL 182 million.

Ziraat Finansal Kiralama A.Ş.

As of 2018 year end, Ziraat Finansal Kiralama A.Ş.'s asset size was TL 3.3 billion and financial leasing receivables were TL 3 million. Closing the period with equity of TL 376 million, the Company's financial leasing receivables share in total assets was 92%.

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.

The Company's 2018 operations were realized within the frame of identifying, acquisition and designing real estate investments which will have a maximum return with an optimum risk level.

The Company keeps projects/land and building portfolio to carry on numerous real estate projects and continues its studies and feasibility works.

Ziraat Girişim Sermayesi Yatırım Ortaklığı A.Ş. (Ziraat Joint Venture)

The Company was established on 14 November 2018 with a paid-in capital of TL 750 million and a registered capital ceiling of TL 3 billion.

Ziraat Venture Capital continues its operations with a business model which evaluates venture capital investments, investment management and sales strategies along with the portfolio which is outside venture capital investments.


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.

Being a company which provides competitive advantages by offering services within international standards and modern norms to meet its customers' technology needs and constantly developing itself and its products with R&D activities are the main goals of the Company.

Ziraat Teknoloji continues to work on the new banking software development project within the scope of ZGF project.

Note: Annual reports of subsidiaries based on years can be reached at their own web sites.



**What makes us
valuable is
OUR 155 YEARS OF
DEVOTED WORK
FOR OUR COUNTRY.**



CHANGES IN THE ARTICLES OF ASSOCIATION IN 2018

The decision to increase the share capital to TL 6,100,000 has been approved at the General Assembly on 13 August 2018, the increase and change in the related article of Bylaw has been registered on 22 October 2018 and published in the Trade Registry Gazette numbered 9688 on 24 October 2018. Accounting of the capital increase has been recorded on 9 November 2018 following the permission of BRSA. 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
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.	Article 6- The capital of the Bank is 6,100,000,000 Turkish Lira. All of the capital is owned by the Turkey Wealth Fund. The capital was divided into 6,100,000,000 registered nominative shares with a nominal value of 1 Turkish Lira each. The Bank's former capital of 5,600,000,000 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR’S REPORT ON THE BOARD OF DIRECTORS’ ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

Qualified Opinion

We have audited the annual report of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“the Bank”) for the period between 1 January 2018 and 31 December 2018, since we have audited the complete set consolidated and unconsolidated financial statements for this period.

In our opinion, except for the effects of the matter described in the Basis For Qualified Opinion section of Independent Auditor’s Reports dated 12 February 2019 and 27 February 2019, the consolidated and unconsolidated financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited consolidated and unconsolidated financial statements regarding the position of the Bank are consistent, in all material respects, with the audited complete set of consolidated and unconsolidated financial statements and information obtained during the audit and provides a fair presentation.

Basis for Qualified Opinion

As described in the Basis For Qualified Opinion section of Independent Auditor’s Report on the complete set of audited unconsolidated financial statements of the Bank for the period between 1 January 2018 and 31 December 2018 dated 12 February 2019; the complete set of unconsolidated financial statements of the Bank as at 31 December 2018 include a general provision of total of TL 952.000 thousands, of which TL 523.000 thousands was reversed in the current period and TL 1.475.000 thousands had been recognised 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.

As described in the Basis For Qualified Opinion section of Independent Auditor’s Report on the complete set of audited consolidated financial statements of the Bank for the period between 1 January 2018 and 31 December 2018 dated 27 February 2019; the complete set of consolidated financial statements of the Group as at 31 December 2018 include a general provision of total of TL 982.000 thousands, of which TL 1.475.000 thousand was recognised in prior years, TL 30.000 thousand have been recognised in current year and 523.000 thousands have been reversed in the current period and, which is provided by the Group 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 “Regulation on Independent Audit of the Banks” published in the Official Gazette No.29314 dated 2 April 2015 by Banking Regulation and Supervision Agency (“BRSA Auditing Regulation”) and Standards on Auditing which is a component of the Turkish Auditing Standards published 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 qualified opinion.

Auditor’s Opinion on Complete Set of Consolidated and Unconsolidated Financial Statements

We have expressed a qualified opinion on the complete set of consolidated and unconsolidated financial statements of the Bank for the period between 1 January 2018 and 31 December 2018 on 27 February 2019 and 12 February 2019.

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT
ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

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 date of statement of financial position and submits it to the general assembly.
- b) The Bank's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated and unconsolidated financial position of the Bank accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Bank's consolidated and unconsolidated financial statements. The annual report shall also clearly indicates 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 the matters below:
 - Significant events occurred in the Company after the reporting period,
 - The Bank's research and development activities.
 - Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.


When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

Auditor's Responsibility for the Audit of the Annual Report

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

We conducted our audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA. Those standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the consolidated and unconsolidated financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited consolidated and unconsolidated financial statements regarding the position of the Bank are consistent with the consolidated and unconsolidated 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 Tıkmaz, SMMM
Partner D E N E T İ C İ

27 February 2019
İstanbul Turkey

MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

ZIRAAT BANK BOARD OF DIRECTORS



CEMALETTİN BAŞLI
Member of the Board

FEYZİ ÇUTUR
Member of the Board

MAHMUT KAÇAR
Member of the Board

METİN ÖZDEMİR
Member of the Board

HÜSEYİN AYDIN
Member of the Board and
CEO



AHMET GENÇ
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

DR. AHMET GENÇ

Chairman of the Board of Directors, Member of the Corporate Governance Committee

Dr. Ahmet Genç was born in Ankara in 1960. He graduated from Ankara University Faculty of Political Science Department of Public Administration in 1984. Between 1985 and 1990 he worked as assistant specialist and specialist at Undersecretariat of Treasury General Directorate of Banking and Foreign Exchange Banking Department. In 1990, he attended an insurance and reinsurance training in England for a year. He received his graduate degree in Northeastern University Department of Economics in Boston, USA between 1993 and 1995. In 1997, he transferred from Undersecretariat of Treasury General Directorate of Banking and Foreign Exchange to General Directorate of Insurance and promoted to Head of Department in 1998. He received his PhD from Ankara University Social Sciences Institute Department of Business Administration in 2002 with his thesis on "Financial Adequacy in Insurance". Mr. Genç served as Assistant General Manager between 2002 and 2004, Deputy General Manager between 2004 and 2007 and General Manager between 2007 and 2015 at the General Directorate of Insurance and he was appointed as Deputy Undersecretary of Treasury as of 22 February 2015. He served as founding member of the boards/committees or president at various insurance related institutions and organizations such as Insurance Information Center, Insurance Training Center (SEGEM) and Agricultural Insurance Pool (TARSİM). He also delivers classes in various universities as an academician. Dr. Ahmet Genç has been appointed as the Chairman of the Board of Directors of our Bank in August 2018 and he is a member of the Corporate Governance Committee.

Mr. Genç also serves as the Chairman of the Board of Directors of Ziraat Hayat ve Emeklilik A.Ş. and Ziraat Sigorta A.Ş.

YUSUF DAĞCAN

Vice Chairman of the Board and Member of the Credit Committee

Yusuf Dağcan graduated from Eskişehir Academy of Economic and Commercial Sciences. At Vakıfbank he worked as an assistant inspector between 1977 and 1981 and as an inspector and then as a branch manager at Kırşehir, Kayseri Merkez, Konya Merkez, Meşrutiyet, and Kızılay Başkent branches between 1981-2003. He held a seat on the Board of Directors of TAİB 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 Bank A.D. Skopje operating in Macedonia, and Vice Chairman of the Arab Turkish Bank. Serving as the Vice Chairman on our Bank's Board of Directors since April 2012, Mr. Dağcan is also a member of the Bank's Credit Committee. Mr. Dağcan is Vice Chairman at the boards of Ziraat Participation and 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 as well as Chairman of the boards of Directors of Ziraat Participation, JSC Ziraat Bank Georgia and Ziraat Girişim Sermayesi Yatırım Ortaklığı A.Ş. Since 11 September 2018 he is a member of the Board of Directors of Turkey Wealth Fund.

FEYZİ ÇUTUR

Member of the Board, Member of the Audit Committee, Member of the Remuneration Committee, Alternate Member of the Credit Committee

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 Ziraat Participation and the Vice Chairman of Board of Directors of Ziraat Bank (Moscow). Mr. Çutur served as a member of the Board of Directors of ZiraatBank BH d.d. until August 2017.

SALİM ALKAN

Member of the Board and Member of the Credit Committee

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 the Bank's Credit Committee. He is a member of the Board of Directors, the Corporate Governance Committee, Remuneration Committee and Credit Committee at Ziraat Participation, which was established

in 2015, and the Chairman of the Board of Directors of Ziraat Bank (Moscow) JSC.

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 and 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, the Corporate Governance Committee and the Remuneration Committee at Ziraat Participation. Mr. Özdemir has been the CEO of Ziraat Participation since June 2017 and the Chairman of the Credit Committee since July 2017. Mr. Özdemir is also the Chairman of the Participation Banks Association of Turkey and ADFIMI.

CEMALETTİN BAŞLI

Member of the Board, Member of the Remuneration Committee

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 Directors of our Bank since June 2014 and a member of the Remuneration Committee. He served as a member of the Board of Directors of ZiraatBank BH d.d. until August 2017. Mr. Başlı is also a member of the Board of Directors, the Credit Committee and the Audit Committee of Ziraat Participation and a member of the Board of Directors of Ziraat Bank (Moscow) JSC.

YUSUF BİLMEZ

Member of the Board, Alternate of the Credit Committee, Member of the Audit Committee

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, and he is also an alternate of the Credit Committee and a member of the Audit Committee. 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. and 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 Hayat ve Emeklilik A.Ş. and Ziraat Sigorta A.Ş.

MAHMUT KAÇAR

Member of the Board, Member of the Corporate Governance Committee

Mahmut Kaçar graduated from Harran University Faculty of Engineering Department of Environmental Engineering in 1999.

He served as the Deputy President of Sağlık-Sen which is an association of Memur-Sen Confederation (union of public officers) between 2002 and 2008, as the President of Sağlık-Sen and the General Secretary of Memur-Sen between 2008 and 2011. He was elected as a member of the parliament from Şanlıurfa and served at 24th and 26th terms of the parliament between 2008 and 2011. Mr. Kaçar serves as a Member of the Board of Directors and a Member of the Corporate Governance Committee of our Bank since August 2018.

He also serves as the Member of the Board of Directors at Ziraat Hayat ve Emeklilik A.Ş. and Ziraat Sigorta A.Ş. since August 2018.

DENİZ YILMAZ

Audit Board Member

Deniz Yılmaz graduated from Ankara University Faculty of Political Science Public Administration Department in 2001. He worked at the Prime Ministry Undersecretariat of Treasury as a Treasury Controller between 2002 and 2007 and as Internal Auditor between 2008 and 2014. He served as the Department Head at the Directorate General of State Owned Enterprises of the Undersecretariat of Treasury between 2015 and 2018 and as a member of the Board of Directors of Vakıf Real Estate Investment Trust between 2015 and 2016. Mr. Yılmaz currently serves as the Deputy General Manager of Ministry of Treasury and Finance, General Directorate of Financial Sector Relations and Foreign Exchange. He attended a master's program in economics at 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.

DR. SADIK ARSLAN

Audit Board Member

Dr. Sadık Arslan graduated from Ankara University Faculty of Political Science, Department of International Relations in 1988 and received a graduate degree from Anadolu University in Economics in 1990. In 1995, he received his second graduate degree at Marquette University in Wisconsin, USA in Political Science. Mr. Arslan attended Diplomatic Studies at Oxford University in 2006 and received his PhD from Anadolu University Social Sciences Institute, Department of Economics in 2007.

Mr. Arslan started his career as a research assistant in Anadolu University Faculty of Economics and Administrative Sciences. He worked as an officer in Ministry of Foreign Affairs General Directorate of Security and Intelligence between March 1996 and April 1998, as an officer in Ministry of Foreign Affairs Assistant General Directorate of Research between April 1998 and August 1998. He served as an Attache and Assistant Consulate at our Jeddah Consulate between August 1998 and October 2000, as the Third and Second Secretary at our Tel Aviv Embassy between October 2000 and September 2003, as the Second and First Secretary at Ministry of Foreign Affairs Special Council between September 2003 and September 2005, as the First Secretary and Undersecretary at our London Embassy between September 2005 and August 2009, as the Undersecretary at our Riyadh Embassy between August 2009 and August 2010, as Deputy General Director of Agreements, Ambassador, Foreign Affairs Advisor of the President and Principal Advisor of the President between August 2010 and December 2013. Mr. Arslan served as the Ambassador of the Republic of Turkey in the Kingdom of the Netherlands between December 2013 and 2016. Currently, he is a Member of the Board of Advisors for Foreign Policy at the Ministry of Foreign Affairs and serves as the Principal Foreign Affairs Advisor of the President and as Ambassador. Mr. Arslan is a Member of the Board of Auditors of our Bank since September 2018.

ZIRAAT BANK SENIOR MANAGEMENT



ALİ KIRBAŞ
Executive Vice President
for Banking Operations
and Communication



ALPASLAN AKAR
Executive Vice President
for Retail Branch Banking-2



BİLGEHAN KURU
Executive Vice President for
Treasury and International
Banking



M. CENGİZ GEBAKAN
Executive Vice President
for Loan Policies



MUSA ARDA
Executive Vice President
for Credit Allocation and
Management



PEYAMI ÖMER ÖZDİLEK
Executive Vice President
for Internal Operations



SÜLEYMAN TÜRETKEN
Executive Vice President
for Retail Branch Banking-1



YÜKSEL CESUR
Executive Vice President
for Internal Systems

ZIRAAT BANK SENIOR MANAGEMENT

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.

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.

ALPASLAN ÇAKAR

Executive Vice President for Retail Branch Banking-2

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 and July 2017 and as Executive Vice President for Payment Systems between July 2017 and June 2018. He has been serving as Executive Vice President for Retail Branch Banking-2 since June 2018.

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.

ALİ 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 and 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 and May 2012 and Head of Corporate Communications Department between May 2012 and July 2017. Since August 2017, he has been serving as Executive Vice President for Banking Operations and Communication.

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.

PEYAMI ÖMER ÖZDİLEK

Executive Vice President for Internal Operations

Mr. Özдіlek 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, as Executive Vice President for Financial Coordination and as Executive Vice President for Human Resources. Mr. Özдіlek has been serving as Executive Vice President for Internal Operations since October 2018.

SÜLEYMAN TÜRETKEN

Executive Vice President for Retail Branch Banking-1

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 and July 2017, and as Executive Vice President for Branch Banking between August 2017 and June 2018. He has been serving as Executive Vice President for Retail Branch Banking-1 since June 2018.

SUMMARY REPORT - BOARD OF DIRECTORS

Ziraat Bank continued to support the real sector in 2018 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.

Expanding its balance sheet by 24% YoY to TL 537 billion, as Turkey's largest financial institution, Ziraat Bank continues to offer a long-term contribution to both its customers and the national economy with its activities focusing on effectiveness and efficiency. Acting on the principle of sustainable growth, the Bank expanded its cash loan volume by 25% YoY to TL 372 billion and continued to strengthen its shareholders' equity, which had increased to over TL 57 billion by the end of 2018.

With its vision of supporting every economic activity which adds value to our country, Ziraat Bank has been offering effective financial solutions to housing/construction industry, which has been the leading industry of our economy for years. The Bank keeps adding pioneering solution proposals for the housing industry and adopted a new practice to respond to the needs of both individual customers and housing companies that work with the Bank on credit. Housing producers who have been currently working with the Bank on credit were included in the scope of this practice and customers who buy houses from these companies were offered housing credits at amounts up to TL 500,000 and maturities up to 120 days with low interest.

Maintaining its support for agricultural financing, Ziraat Bank continued its financial support to agricultural sector while developing projects to provide solutions for structural problems of the sector and facilitating access to finance by activities with related institutions and agricultural organizations, primarily with Republic of Turkey Ministry of Agriculture and Forestry. As of 2018 year end, the total amount of credits funded by the Bank's own sources and credits of funds originated in which the Bank was an intermediary in the agricultural sector exceeded TL 60 billion.

Young Farmers Academy was designed with the cooperation of Ziraat Bank and Ankara University with the objectives of increasing young population's interest in farming, teaching specific topics in agricultural production

and investment, raising financially literate conscious young farmers and creating an awareness of agricultural entrepreneurship. With a belief in the necessity of education to provide sustainable growth and development, agricultural banking has been carried to a whole new level with this project.

Ziraat Bank continued to provide funds through bilateral agreements from leading international financial institutions with the objective of diversification of funding sources and deepening of existing sources. The Bank renewed its syndication loan of USD 1 billion which was due in April with an increasing amount of contribution as USD 1.44 billion. Syndication loan which started as USD 700 million in 2013 with the objective of diversification of non-deposit sources and increasing the market share of foreign trade financing has been doubled. This syndication loan has been the indicator of the capability of Turkish banking industry in obtaining foreign sources without any problems, continuance of foreign investors' trust in our country's economy and their investments in our banking sector and our country.

Offering more than what customers ask for in terms of their financial needs, Ziraat Bank launched its new card brand "Bankkart" that combines the features of a bank card and a credit card in one card. The new card brand has been introduced to customers after a long period of intensive studies and it stands out with its unique features.

Ziraat Venture Capital (Ziraat Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi) was founded in 2018 with the objective of making venture capital investments in companies which design technological products, have potential to create value and at the same time with potential of increased value through capital contribution and management support. Based on the result of "The Most Valuable 500 Bank Brands-2018" survey conducted by Brand Finance, an independent brand valuation and strategy consulting firm, Ziraat Bank has been selected as the bank which increased its brand value most in Turkey in 2018, as in the prior year. The Bank has been selected as Turkey's most loved bank at "Turkey's Lovemarks" survey in 2018, just like in 2016 and 2017.

With an asset size of more than half a trillion, Ziraat Bank is the largest financial institution of Turkey and it will continue to provide long-term contributions to its customers and our country's economy with its efforts focusing on effectiveness and efficiency.

HUMAN RESOURCES PRACTICES

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. 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.

With the objective of providing modern and reliable banking services by adopting the requirements of banking and international competition Ziraat Bank serves its customers with a total of 24,647 employees as of 2018 year end. In 2018, 948 new people were employed and the average age of employees was 35.7 with each employee having completed an average of 11.5 years of service. As of the end of the year, 86% 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 2018 was 28,455, including domestic and foreign subsidiaries.

As in previous years, Ziraat Bank opened its doors to young people wishing to pursue a career in banking in 2018. A recruitment exam was conducted on 11 August 2018 and interviews were held between 5 and 18 November 2018 in order to meet the personnel needs of companies within Ziraat Finance Group and the Bank's need for assistant specialists. As a result, the following were recruited;

- 80 Assistant Specialists at Ziraat Participation Bank,
- 14 Assistant Specialists at Ziraat Yatırım-Ziraat Portföy,
- 109 Assistant Specialists at Ziraat Bank
- 40 Assistant Specialists at Ziraat Teknoloji

a total of 243 personnel joining the Ziraat Finance Group family.

With the objective of meeting the personnel needs of Ziraat Bank for 2019, the transfer of some personnel within the scope of Support Assistant to permanent positions was planned. In this context, 143 drivers who had served for the Bank for at least 3 years were formally recruited in the 1st quarter, 263 private security guards who had served for at least 5 years on 31 December 2018 and 387 outsourced

personnel who had served in IT Operations Department and Customer Interaction Center for at least 3 years at various dates during the year.

In keeping with the transparent career management approach to which it adheres, Ziraat Bank aims to train its own managers among its staff. Accordingly 3,132 existing employees who were successful in the written promotion exams which were conducted in 2018 were promoted to a higher job category. The average pass rate on these exams was 48.5%. In addition to that, more than 100 employees who successfully completed the Management Candidate Program were appointed at Manager positions in branches and units.

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 1,652 transfer requests were submitted in the first round and 1,666 were submitted in the second. Of these, 38% and 41% transfers were approved respectively.

In accordance with the Law on Protection of Personal Data (KVKK) numbered 6698, the Bank conducts activities to evaluate the current status of the use and storage of personnel data, fulfill the requirements of KVKK and detection/prevention of potential risks. In accordance with the Law, a "Clarification Note" was prepared which explains the reasons of processing personal data, its legal justification and employees' rights, posted in the Bank's portal and employees' written consents were taken.

The 2nd term collective bargaining agreement was signed between Ziraat Bank and the Öz Finans-İş Trade Union with effect from 1 January 2019 to 31 December 2020.

Adjustments of wages for 2019 have been made in accordance with the Collective Labor Agreement.

Salary matrices for 2018 were prepared and adopted for the Bank's domestic and foreign subsidiaries, foreign branches and representation offices.

Within the scope of Ziraat Finance Group career practices, promotion exams of employees working in domestic subsidiaries have been performed and employees who were successful have been promoted to higher levels.

HUMAN RESOURCES PRACTICES

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 determined by 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, based on:

- Branch segment and scale group
- Rankings that have been determined according to individual numerical performance measurement and capability results at three-month intervals
- 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 individual performance points in each section. The bonuses of counter personnel are calculated based on the performance of the counter to which they were assigned and their individual performances. Additionally, individual performance premiums are paid to operational staff in branches and employees at Headquarters based on identified criteria.

Ziraat Bank's performance premium system, similar to other banks in the industry, is designed with an objective of rewarding high performance and essentially increasing the efficiency of sales staff.

Individual Performance and Competence Evaluation System was launched with an objective of evaluating employees' competences, as well as goal based performances and integrating them into their numeric performance scores. Within the scope of this system, competences were defined based on positions for units in branches, regions and Headquarters. The system has been adopted by the Bank since the beginning of 2016. The process of calculation of performance premiums by including competence scores in the numeric performance scores and designing training plans accordingly has started in June 2018. In the following periods, the goal is to have the Individual Performance and Competence Evaluation System directly affect career management.

Efforts continue to expand Individual Performance and Competence Evaluation System in all subsidiaries of Ziraat Finance Group.

2019 Outlook

Ziraat Finance Group will continue to offer career opportunities and modern working conditions in 2019.

Since the staff in Support Assistant position adapted rapidly to the Bank's culture and practices and the overall impression about these staff was positive, a significant proportion of these personnel are planned to be transferred into Banking Title Group in order to meet the Bank's personnel requirement in 2019. Furthermore, the outsourced staff are planned to be gradually rolled into the Bank's permanent staff. 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.

With the objective of preparing employees who have been working with supervisor title to Branch Manager or Manager positions, 250 employees will be invited to "Management Candidate Program" training, and those who are successful in the exams and interviews will be included in the Management Pool to be evaluated for positions as needed.

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

Training

Ziraat Bank considers competent and qualified human resources as one of the most significant elements that support its distinctive and distinguished position in its industry.

Having the most extensive service network in Turkey, Ziraat Bank not only offers young professionals advantageous employment conditions but also provides significant added value to Turkish economy by supporting domestic employment.

Professional and personal development opportunities offered to employees

With a philosophy of continuous change, Ziraat Bank is focused on adopting the most contemporary applications available in human resources area, generating new employment and providing funds for training and development of human resources. The Bank aims to keep its competitive edge by offering its employees, who are the representatives of its values, continuous professional and personal development opportunities.

Main topics of the trainings organized by Ziraat Bank in 2018 are presented below:

- “First Step Trainings” for new recruited employees to help them get to know the Bank, adapt to corporate culture and gain major knowledge and skills required,
- “Development Trainings” to meet training needs in accordance with the Bank’s goals and strategies or to present information about new products, services and regulations,
- “Career Trainings” to help employees gain knowledge and skills that are required by their position and prepare them for higher level positions,
- “Training of Legal Obligations” in connection with the legislation.

In 2018, a total of 24,646 personnel were given an average of 34 hours of training per person.

In addition to classroom trainings, employees were presented with digital trainings such as e-learning, gamification and virtual classes in 2018.

E-learning offer 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. Some of the existing e-learning which also support classroom trainings were updated and some new ones were added in 2018. During the year, an average of 28 e-learning programs was assigned per user with a total of 24 hours spent on e-learning per user.

As of 2018 year end, there were more than 100 e-learning in the system on various subjects (interactive e-learning, videos, book summaries, articles and e-books).

In 2018, e-learning which have the highest number of entry are Information Security, Law on Protection of Personal Data, Business Continuity and Emergency Management System and Our New Card Brand, respectively.

With the virtual classroom method, trainings were made available to employees where they can watch the trainers live and ask questions, at their computers without leaving their branches. Thanks to this method, 2,593 employees received trainings on their computer at their branches.

In addition to these methods, “serious game” application was offered to employees to be used on smart phones, which allows for solution of questions, thus making learning permanent. Employees showed great interest in this application which was opened for use with a question pool on subjects including current economy, banking, general knowledge, financial terms, information security and risk management. 821 questions in the application were solved approximately 2.9 million times with a total of 3,780 people entering the application and total time spent in the application was 11,060 hours.

Approximately 344 trees were saved in 2018 through the use of e-learning applications.

As of the end of 2018, approximately 23,845 employees held Occupational Health and Safety Certificates and approximately 1,892 employees held Basic First Aid Certificates.

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 25 times during 2018 and passed 689 decisions.

Information on the Activities of the Audit Committee

Members

Feyzi ÇUTUR
Member of the Board

Yusuf BİLMEZ
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 13 times during 2018 and passed 32 resolutions.

Information on the Activities of the Corporate Governance Committee

Members

Dr. Ahmet GENÇ
Chairman of the Board

Mahmut KAÇAR
Member of the Board

Bilgehan KURU
Executive Vice President for Treasury and International Banking

Fatma Nur ÇETİNEL
Investor Relations Department Head

Hüseyin Alper DUMAN
Investor Relations Manager

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

Cemalettin BAŞLI
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 44 times during 2018 and passed 619 resolutions.

Audit Committee

The Audit Committee meets regularly at least once a month with the attendance of all members. The committee met 13 times during 2018 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 2018 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 Ziraat Bank within the scope of Regulation on Banks' Procurement of Support Services and 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- Başkent Güvenlik Hizmetleri Ltd. Şti.; security services
- 4- Ekol Grup Güvenlik Koruma ve Eğt. Hizm. Ltd. Şti.; security services
- 5- ISS Proser Koruma ve Güvenlik Hizmetleri A.Ş.; security services
- 6- KRL Özel Güvenlik Koruma ve Eğitim Hizmetleri Ltd. Şti.; 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,
- 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 projects services
- 12- Bileşim Alternatif Dağıtım Kanalları A.Ş.; account statement, letter and card printing and sending service
- 13- Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.; software infrastructure for card-based payment and ATM systems
- 14- Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizmetleri Tic. A.Ş.; Corporate internet banking software
- 15- Smart Soft Kartek Kart ve Bilişim Teknolojileri Tic. Ltd. Şti.; TSK (Turkish Armed Forces) E-Wallet software, application, development
- 16- Plastikkart Akıllı Kart İletişim Sistemleri Sanayi ve Ticaret Anonim Şirketi; card plastics and personalization services
- 17- Wincor Nixdorf Bilgisayar Sistemleri A.Ş.; software for new ATMs
- 18- AVİ Gayrimenkul Yatırım Değerleme ve Danışmanlık A.Ş.; support services for the creation and registration of mortgages,
- 19- FU Gayrimenkul Yatırım Danışmanlık A.Ş.; support services for the creation and registration of mortgages,
- 20- TULU Yapı Müşavirlik San. Tic. A.Ş. support services for the creation and registration of mortgages,
- 21- BBS Danışmanlık Gayrimenkul ve Eğitim A.Ş.; support services for the creation and registration of mortgages,
- 22- Pusula Girişim Yatırım ve Danışmanlık Hizmetleri A.Ş. support services for the creation and registration of mortgages,
- 23- Gram Altın Pazarlama Sanayi ve Ticaret A.Ş.; appraisal and refining services for Altın Vakti (gold deposit) operations.

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 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 2018 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 2018:

- 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 determination of the significance level 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.
- As a result of efforts for the Global Auditing Module that is aimed to be implemented at all Ziraat Finance Group members, the processing system to be used in this module and its application to various banking systems, the module was implemented at Ziraat Bank BH d.d. in 2018. Studies continue for the use of the module in other subsidiaries of the Bank.
- 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 2018. System improvements were made to increase efficiency in sharing the scenario results with business units and following up on the actions taken.
- During 2018, 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 202 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 2018 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 2018.

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

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 designed so as to embrace the operations of all headquarters units, all domestic and international branches and subsidiaries subject to consolidation as required by Article 9 Paragraph 3 of "Regulation on bank internal system and intrinsic capital adequacy assessment processes" which states "Internal control system is structured to include the bank's domestic and foreign branches, headquarters units, subsidiaries subject to consolidation and all of their operations." 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.

With the Instant Control system operational transactions and their accounting in real time are checked. 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 2018, 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.

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 2018.

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.

Within the scope of the Compliance Program set up in by the Bank to comply with the legislation published under the Prevention of Laundering of Proceeds from Crime and Financing of Terrorism, activities to prevent such activities are carried out in accordance with national and international regulations. The policy established by the Bank regarding the prevention of laundering of proceeds from crime and financing of terrorism which the Bank's foreign branches, subsidiaries and other related parties are also obliged to comply with has been shared with public at the Bank's web site.

With Ziraat Finance Group approach, meetings were held to discuss and exchange ideas to establish common standards, common processes and action plans based on common policies for "Prevention of Laundering of Proceeds from Crime and Financing of Terrorism" issues with the Bank's foreign branches and compliance units of all subsidiaries in Turkey and abroad. Such meetings will continue to be held in the following periods. Additionally, all employees were provided to get trainings on prevention of laundering of proceeds from crime and financing of terrorism.

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.

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.

The 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.

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 signal and limit values approved by the Board of Directors are also monitored at regular intervals.

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. Operational risk incidents as a result of the lost data base in the banking software are being followed. Information technology risks and associated actions are followed up in coordination with the related units. Activities for business continuity plans and portfolio custodian services along with risk assessments for companies providing outsourced support services are being carried out.

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

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.

Liquidity risk as approved by the Board of Directors and signals and limits of the interest rate risk resulting from banking accounts 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.

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.



Yusuf BİLMEZ
Member of the Board of Directors
Audit Committee Member



Feyzi ÇUTUR
Member of the Board of Directors
Audit Committee Member

ZIRAAT BANK'S FINANCIAL STANDING, PROFITABILITY AND SOLVENCY

Ziraat Bank defines its targets as sustainable growth, profitability, and productivity. In 2018 the Bank continued to sustain the strength of its equity-compatible balance sheet structure through the asset & liability management strategies that it adhered to.

As of year-end 2018 the Bank's total assets amounted to TL 537 billion and its total equity to TL 57 billion. Importance was again given to supporting equity through sustainable profitability: total equity accounted for about a 10.7% 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 15.2% and 1.6% respectively while its capital adequacy ratio was 14.82% at 2018 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 25% to TL 372 billion and corresponded to 69% of total assets while the share of marketable securities, which was 16% in 2017, increased to 17% in 2018. Ziraat Bank's NPL ratio in 2018 was 2%. The Bank's consistent ability to maintain an NPL ratio that is half of the sectoral average 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 sources, total deposits reached TL 331 billion, a performance that maintained the Bank's standing as the sector's leading deposit-taker in 2018. Deposits and non-deposit sources account for 62% and 22% shares respectively of total liabilities. In keeping with the Bank's ongoing efforts to diversify and deepen its sources of funding, in 2018 Ziraat Bank continued to seek out and tap alternatives such as repos, syndicated facilities, international agency and financial institution lines of credit, post-financing, Eurobond and bank bond & bill issues.

The bank's most important income item in 2018 was interest income, which amounted to TL 53 billion. The share of interest received from loans in total interest income was 77% as a result of the credit activities carried out during the year. The Bank continued its efforts to improve the net interest margin and as a result net interest margin rose by 30% in 2018. As a result of the Bank's efforts to increase non-interest income, net fees and commission income increased by 19% in 2018.

RATIOS

(%)

CAPITAL	2017	2018
Capital Adequacy Ratio	15.2	14.8
Shareholders' Equity/Total Assets	10.8	10.7
Shareholders' Equity/(Total Assets+Non-cash Loans)	8.9	8.7
Shareholders' Equity/(Deposits+Non-Deposit Sources)	12.9	12.8
ASSET QUALITY	2017	2018
Cash Loans/Total Assets	68.6	69.2
NPL (Gross)/Cash Loans	1.6	2.0
NPL (Gross)/(Non-Cash Loans+Cash Loans)	1.2	1.5
Loans/Deposits	111.9	112.3
FC Assets/FC Liabilities	92.3	92.0
LIQUIDITY	2017	2018
Liquid Assets/Total Assets	11.2	8.6
Liquid Assets/(Deposits+Non-Deposit Sources)	13.3	10.3
PROFITABILITY	2017	2018
Net Profit/Average Total Assets	2.0	1.6
Net Profit/Average Shareholders' Equity	18.3	15.2
Interest Income/Interest Expenses	191.1	170.4

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

Risk management activities 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.

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.

Within the scope of credit management activities, validation studies are carried out for measurement of accuracy and performance with statistical methods based on credit rating models developed by the related units. 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. Scenario analyses and stress tests are performed with the application of internal and external shocks to credit risk factors. 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 the 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 regularly 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 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.

Analyses are 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 the 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 underpriced, 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 2014-31 DECEMBER 2018 SUMMARY BALANCE SHEET AND INCOME STATEMENT

(Million TL)

ASSETS	2014	2015	2016	2017	2018
Liquid Assets	32,340	40,983	43,069	48,571	46,238
Securities Portfolio*	64,266	63,943	67,399	70,628	88,681
Loans**	141,130	185,943	232,392	298,033	371,871
Associates and Subsidiaries	1,631	2,655	4,312	5,312	7,603
Fixed Assets	4,684	4,842	5,315	5,241	5,045
Other Assets	3,549	4,482	5,274	6,490	17,718
Total	247,600	302,848	357,761	434,275	537,156
LIABILITIES	2014	2015	2016	2017	2018
Deposits	153,255	186,469	223,019	266,384	331,066
Money Markets	31,781	43,086	47,212	56,258	68,351
Loans Borrowed	14,608	19,543	22,817	29,065	34,172
Marketable Securities Issued	4,219	5,288	6,833	12,757	15,430
Funds	5,426	5,931	6,021	6,031	6,074
Provisions	4,758	5,161	6,053	8,519	2,832
Other Liabilities	5,013	5,825	7,424	8,251	21,830
Shareholders' Equity	28,540	31,546	38,382	47,010	57,401
Total	247,600	302,848	357,761	434,275	537,156
STATEMENT OF INCOME	2014	2015	2016	2017	2018
Interest Income	18,165	22,050	27,291	35,463	53,054
Interest Expense	9,558	11,542	13,342	18,561	31,138
Net Interest Income	8,607	10,509	13,948	16,902	21,916
Fees and Commissions Income (net)	1,077	1,300	1,643	2,217	2,638
Dividend Income	192	213	259	285	291
Trading Profit/Loss (Net)	-70	-166	-188	-814	-3,834
Other Operating Income	911	1,340	1,555	1,378	1,434
Total Operating Income	10,717	13,196	17,217	19,968	19,604
Provisions for Loans and Other Receivables	1,443	1,421	3,345	3,191	4,719
Other Operating Expenses	4,095	5,208	5,303	6,490	7,692
Pretax Profit	5,179	6,568	8,569	10,287	10,034
Tax Provision	1,128	1,405	1,993	2,347	2,073
Net Profit/Loss for the Period	4,051	5,162	6,576	7,940	7,961

* Excluding borrowed securities.

** Excluding non-performing receivables and allowances for expected credit losses.

CREDIT RATINGS ASSIGNED BY RATING AGENCIES

After downgrading the rating of Turkey from “Ba1” to “Ba 2” on 7 March 2018, Moody’s lowered the credit rating of Ziraat Bank from “Ba1” to “Ba 2”, as well and assigned a stable outlook in all categories on 9 March 2018. Following the agency’s announcement that it took Turkey’s credit rating under review for a potential decrease on 1 June 2018, it also lowered the Bank’s Long-term Bank Deposit Domestic Currency, Long-term Bonds Domestic Currency, Long-term Bonds Foreign Currency, Baseline Credit Assessment and Adjusted Baseline Credit Assessment by one level, took the Bank’s outlook under review for a potential decrease and confirmed other rating scores on 7 June 2018. On 17 August 2018, Moody’s further announced that it lowered Turkey’s credit rating from “Ba2” to “Ba3” and later on, along with other banks in the industry, Ziraat Bank’s credit ratings were downgraded on 28 August 2018. The agency lowered the Long-term Bank Deposit Domestic Currency, Long-term Bank Deposit Foreign Currency, Long-term Bonds Local Currency, Long-term Bonds Foreign Currency, Baseline Credit Assessment and Adjusted Baseline Credit Assessment by one level and downgraded the outlook from under review to negative. Furthermore, following the decision to lower country ceiling for Long-term Bank Deposit Foreign Currency from “B1” to “B2” on 24 September 2018, the Bank’s Long-term Bank Deposits Foreign Currency rating was also lowered from “B1” to “B2” on 26 September 2018.

On 1 June 2018, Fitch Ratings announced that it took Ziraat Bank’s ratings for Foreign Currency Long-Term, Support Rating Floor and Viability ratings under review for a potential downgrade and confirmed other ratings and outlooks. Following its downgrade of Turkey’s credit rating by one level on 13 July 2018, the agency lowered Ziraat Bank’s Long-term Foreign Currency IDR by two grades, Long-term Local Currency IDR and Short-term Local Currency IDR by one grade along with other banks’ ratings and revised their outlooks as “Negative” on 20 July 2018. The agency also downgraded Support Rating Floor and Viability Ratings by two grades. On 1 October 2018, the agency further lowered the Bank’s Foreign Currency Long-Term IDR, Local Currency Long-Term IDR, National Long-Term Rating, Viability Rating and Support Rating Floor by one more grade.

After revising the credit outlook of Turkey from “Stable” to “Negative” on 14 August 2018, Japan Credit Rating Agency Ltd (JCR) also lowered Ziraat Bank’s TL/FC Short and Long-term ratings from “Stable” to “Negative” and on 5 October 2018, confirmed the Bank’s credit ratings and outlooks.

The credit ratings assigned to Ziraat Bank are presented below.

CREDIT RATINGS ASSIGNED BY RATING AGENCIES

Rating Agency	Category	Rating	Revision date
Fitch Ratings	Foreign Currency Long-Term IDR	B+	October 2018
	Outlook	Negative	
	Foreign Currency Short-Term IDR	B	
	Local Currency Long-Term IDR	BB	
	Outlook	Negative	
	Local Currency Short-Term IDR	B	
	National Long-Term Rating	AA	
	Outlook	Stable	
	Support Rating	4	
	Support Rating Floor	B+	
	Viability Rating	b+	
Moody's	Outlook	Negative	September 2018
	Long-Term Bank Deposit Foreign Currency	B2	
	Short-Term Bank Deposit Foreign Currency	Not-Prime	
	Long-Term Bank Deposit Domestic Currency	B1	
	Short-Term Bank Deposit Domestic Currency	Not-Prime	
	Long-Term Bonds Foreign Currency	B1	
	Long-Term Bonds Domestic Currency	B1	
	Baseline Credit Assessment	b2	
	Adjusted Baseline Credit Assessment	b2	
JCR Eurasia	Long-Term International Foreign Currency	BBB -	October 2018
	Outlook	Negative	
	Long-Term International Local Currency	BBB -	
	Outlook	Negative	
	Long-Term National Local Rating	AAA (Trk)	
	Outlook	Stable	
	Short-Term International Foreign Currency	A - 3	
	Outlook	Negative	
	Short-Term International Local Currency	A - 3	
	Outlook	Negative	
	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 2018 WITH
INDEPENDENT AUDITORS' REPORT THEREON**

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

A) Audit of Unconsolidated Financial Statements

Qualified Opinion

We have audited the unconsolidated financial statements of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ("the Bank") which comprise the unconsolidated balance sheet as at 31 December 2018 and the unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended, and notes, comprising 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 2018, 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 Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

Basis for Qualified Opinion

As disclosed in section five footnote II.9.3.1, the accompanying unconsolidated balance sheet as at 31 December 2018 include a general reserve of total of TL 952.000 thousands, of which TL 1.425.000 thousand was recognised in prior years and 523.000 thousands have been reversed in the current period, 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 measured at amortised cost

Refer to Section Three, No: VII to the unconsolidated financial statements relating to the details of accounting policies and significant judgments of for impairment in loans measured at amortised cost

<i>Key audit matter</i>	<i>How the matter is addressed in our audit</i>
<p>As of 31 December 2018, loans measured at amortised cost comprise 69% of Bank's total assets.</p> <p>The Bank recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard ("Standard").</p> <p>As of 1 January 2018, due to the adoption of the Regulation and Standard, in determining the impairment of loans it is started to apply "expected credit loss model" rather than the "incurred loss model". The new model contains significant assumptions and estimates.</p> <p>The significant assumptions and estimates of the Bank's management are as follows:</p> <ul style="list-style-type: none"> - significant increase in credit risk; - incorporating the forward looking macroeconomic information in calculation of credit risk; and - design and implementation of expected credit loss model. <p>The determination of the impairment of loans measured at amortised cost depends on the credit default status, the model based on the change in the credit risk at the first recognition date and the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>The Bank calculates expected credit losses on a collective basis. The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations and the forward looking expectations are reflected by macroeconomic models.</p> <p>Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.</p>	<p>Our procedures for testing the impairment of loans included 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 are tested with the involvement of information risk management specialists. - We evaluated the adequacy of the subjective and objective criteria that is defined in the Bank's impairment accounting policy compared with the Regulation and Standard. - We evaluated the Banks's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist. - The determination of the impairment of loans measured at amortised cost depends on the credit default status, the model based on the change in the credit risk at the first recognition date and the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets. - The Bank calculates expected credit losses on a collective basis. The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations and the forward looking expectations are reflected by macroeconomic models. - Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.

INDEPENDENT AUDITOR'S REPORT

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.

Key audit matter	How the matter was addressed in our audit
<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 footnote 3.16 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 2018, 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>As of December 31, 2018, the liabilities of the Bank which are not related to the current period are calculated by an independent actuary according to TAS 19 Employee Benefits.</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>The key judgments and assumptions used in calculation of transferrable liabilities disclosed at the footnote II.9.4.3 of section five, 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.

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.
- 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.

INDEPENDENT AUDITOR'S REPORT

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 2018 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 of 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

12 February 2019
İstanbul, Turkey

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

THE UNCONSOLIDATED FINANCIAL REPORT OF TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 31 DECEMBER 2018

The Bank's Headquarter Address: Hacıbayram 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.



Dr. Ahmet GENÇ
Chairman of the Board



Hüseyin AYDIN
Member of the Board,
CEO



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



Member of the Board,
Member of the Audit Committee



Bilgehan KURU
Executive Vice President of
Treasury and International Banking



Neslihan ARAS
Senior Vice President of Financial
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

CONTENTS

Page Number

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	90
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	90
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	91
IV.	Information About the Persons and Institutions That Have Qualified Shares Attributable to the Bank	92
V.	Summary Information on the Bank's Activities and Services	92
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	93
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	93

SECTION TWO

Current year Unconsolidated Financial Statements

I.	Balance sheet- Assests	94
II.	Balance sheet- Liabilities and Equity	95
III.	Statement of off-balance sheet commitments	96
IV.	Statement of profit or loss	98
V.	Statement of profit or loss and other comprehensive income	99
VI.	Statement of changes in shareholders' equity	100
VII.	Statement of cash flows	102
VIII.	Statement of profit distribution	103

Prior year Unconsolidated Financial Statements

I.	Balance sheet- Assests	104
II.	Balance sheet- Liabilities	105
III..	Statement of off-balance sheet commitments	106
IV	Statement of income	108
V.	Statement of income and expense items accounted under shareholders' equity	109
VI.	Statement of changes in shareholders' equity	110
VII.	Statement of cash flows	112
VIII.	Statement of profit distribution	113

SECTION THREE

Explanations on Accounting Policies

I.	Basis of Presentation	114
II.	Explanations on Strategy of Using Financial Instruments and foreign Currency Transactions	115
III.	Explanations on Investments in Associates, Subsidiaries and Joint Ventures	115
IV.	Explanations on forward Transactions, Options and Derivative Instruments	116
V.	Explanations on Interest Income and Expense	116
VI.	Explanations on Fee and Commission Income and Expense	116
VII.	Explanations on Financial Assets	116
VIII.	Explanations on Impairment of Financial Assets	118
IX.	Explanations on Offsetting Financial Instruments	120
X.	Explanations on Sales and Repurchase Agreements and Securities Lending Transactions	120
XI.	Information on Assets Held for Sale and Related to Discontinued Operations and Explanations on Liabilities Related With These Assets	121
XII.	Explanations on Goodwill and Other Intangible Assets	121

Page Number

XIII.	Explanations on Property and Equipment	121
XIV.	Explanations on Leasing Transactions	122
XV.	Explanations on Provisions, Contingent Asset and Liabilities	122
XVI.	Explanations on Obligations Related to Employee Rights	123
XVII.	Explanations on Taxation	124
XVIII.	Explanations on Borrowings	126
XIX.	Explanations on Issuance of Share Certificates	126
XX.	Explanations on Avalized Drafts and Acceptances	126
XXI.	Explanations on Government Grants	126
XXII.	Cash and Cash Equivalents	126
XXII.	Explanations on Segment Reporting	126
XXIV.	Explanations on Other Matters	126
XXV.	Explanations on Prior Period Accounting Policies Not Available for the Current Period	130

SECTION FOUR**Explanations Related to the Financial Position and Risk Management of the Bank**

I.	Explanations on the Components of Shareholders' Equity	131
II.	Explanations on Credit Risk	138
III.	Explanations on the Currency Risk	153
IV.	Explanations on the Interest Rate Risk	155
V.	Explanations on the Position Risk of Equity Securities	158
VI.	Explanations on the Liquidity Risk Management and Liquidity Coverage Ratio	158
VII.	Explanations on Leverage	164
VIII.	Explanations on Risk Management	165
IX.	Explanations on Operating Segments	192
X.	Explanations on the Fair Value Realization of Financial Assets and Liabilities	195
XI.	Explanations on the Activities Carried Out on Behalf and on Account of Other Parties	197

SECTION FIVE**Explanations and Notes Related to Unconsolidated Financial Statements**

I.	Explanations and Notes Related to Assets	197
II.	Explanations and Notes Related to Liabilities(Current Period)	230
II.	Explanations and Notes Related to Liabilities (Prior Period)	236
III.	Explanations and Notes to Off-Balance Sheet Accounts	243
IV.	Explanations and Notes Related to Income Statement(Current Period)	250
V.	Explanations and Notes Related to the Changes in Shareholders' Equity	259
VI.	Explanations on Cash Flow Statements	260
VII.	Explanations and Notes to the Risk Group of the Bank	260
VIII.	Explanations and Notes Related to Subsequent Events	262
IX.	Explanations and Notes Related to Domestic, foreign, Off-Shore Branches or Affiliates and foreign Representatives of the Bank	262

SECTION SIX**Other Explanations**

I.	Information on the Bank's Rating That Has Been Determined By International Rating Agencies	263
II.	Other Explanations on the Bank's Operations	264

SECTION SEVEN**Explanations on Independent Auditors' Report**

I.	Explanations on Independent Auditors' Report	264
II.	Explanations and Notes Prepared By the Independent Auditors	264

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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 6.100.000. This capital is divided into 6.100.000.000 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 to increase the capital to TL 6.100.000 was approved by the Bank's Ordinary General Assembly on 13 August 2018 and the capital increase and the related amendment to the articles of association of the Articles of Association were registered on 22 October 2018. It was announced on 24 October 2018 in the Trade Registry Gazette No. 9688. The accounting for the capital increase was made on 9 November 2018 with the permission of Banking Regulation and Supervision Agency.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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	
Dr. Ahmet GENÇ	Chairman
Hüseyin AYDIN	CEO and Member
Yusuf DAĞCAN	Vice Chairman and Member
Cemalettin BAŞLI	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Mahmut KAÇAR	Member
Salim ALKAN	Member
Yusuf BİLMEZ	Member
Audit Committee Members	
Yusuf BİLMEZ	Member
Feyzi ÇUTUR	Member
Executive Vice Presidents	
Ali KIRBAŞ	Banking Operations and Communication
Alpaslan ÇAKAR	Retail Branch Banking -2
Bilgehan KURU	Treasury and International Banking
Mehmet Cengiz GÖĞEBAKAN	Loan Policies
Musa ARDA	Loan Allocation and Management
Peyami Ömer ÖZDİLEK	Internal Operations
Süleyman TÜRETKEN	Retail Branch Banking-1
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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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. 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	6.100.000	100	6.100.000	-

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

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 2018, Bank carries its activities with a grand total of 1.750 branches; 1.638 domestic branches including 20 corporate branches, 87 entrepreneurial branches, 1.638 branches and 5 mobile branches (31 December 2017: 1.759 domestic branches including 1.639 branches, 20 corporate branches, 95 entrepreneurial branches, 5 mobile branches) and 23 branches abroad London branch in England, Baghdad and Arbil branches in Iraq, Athens, Komotini, and Xanthi branches in Greece, Sofia, Plovdiv, Kardzhali and Varna branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina, Prizren and Peja branch in Kosovo, Bahrain branch in Bahrain, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Taşkinköy, 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 24.647 (31 December 2017: 24.554).

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. The agreement which has been signed with T. İş Bankası A.Ş. has ended on 31.12.2018. Moreover, Ziraat Bank's card branding and loyalty program which was launched in 2017, has reached the final stage for the establishment and 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.

Bankkart Başak is a bank card through which demand deposit accounts and agricultural loan accounts can be linked. Bank can associate Bankkart Başak 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 2018

(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 Bank, and Turkmen Turkish Joint Stock Commercial Bank which is an entity of 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

Current Period Unconsolidated Financial Statements

- I. Balance Sheet- Assets
- II. Balance Sheet- Liability
- III. Off-balance sheet commitments
- IV. Statement of profit or loss
- V. Statement of profit or loss and other comprehensive income
- VI. Statement of changes in shareholders' equity
- VII. Statement of cash flows
- VIII. Statement of profit distribution

Prior Period Unconsolidated Financial Statements

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

UNCONSOLIDATED BALANCE SHEET**(STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2018**

(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 December 2018		
ASSETS			TL	FC	Total
I. FINANCIAL ASSETS (NET)			68.528.668	75.076.955	143.605.623
1.1 Cash and Cash Equivalents			5.689.602	40.548.243	46.237.845
1.1.1 Cash and Balances with Central Bank	(1)		4.824.521	35.667.113	40.491.634
1.1.2 Banks	(4)		865.081	4.881.130	5.746.211
1.1.3 Money Markets			-	-	-
1.2 Financial Assets Measured at Fair Value Through Profit or Loss		(2)	501.172	6.230.452	6.731.624
1.2.1 Government Securities			501.172	5.892.281	6.393.453
1.2.2 Equity Securities			-	-	-
1.2.3 Other Financial Assets			-	338.171	338.171
1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income		(5),(6)	55.426.682	22.960.841	78.387.523
1.3.1 Government Securities			55.241.367	22.570.485	77.811.852
1.3.2 Equity Securities			120.095	249.956	370.051
1.3.3 Other Financial Assets			65.220	140.400	205.620
1.4 Financial Assets Measured at Amortised Cost		(8)	5.404.610	4.850.029	10.254.639
1.4.1 Government Securities			5.207.791	4.848.753	10.056.544
1.4.2 Other Financial Assets			196.819	1.276	198.095
1.5 Derivative Financial Assets		(3)	1.548.527	487.849	2.036.376
1.5.1 Derivative Financial Assets Measured at Fair Value Through Profit or Loss			1.548.527	487.849	2.036.376
1.5.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income			-	-	-
1.6 Non-Performing Financial Assets			-	-	-
1.7 Expected Credit Loss (-)		(21)	41.925	459	42.384
II. LOANS (NET)		(7)	251.834.149	119.112.345	370.946.494
2.1 Loans			252.755.351	119.115.976	371.871.327
2.1.1 Measured at Amortised Cost			252.755.351	119.115.976	371.871.327
2.1.2 Fair Value Through Profit or Loss			-	-	-
2.1.3 Fair Value Through Other Comprehensive Income			-	-	-
2.2 Lease Receivables		(12)	-	-	-
2.2.1 Financial Lease Receivables			-	-	-
2.2.2 Operating Lease Receivables			-	-	-
2.2.3 Unearned Income (-)			-	-	-
2.3 Factoring Receivables			-	-	-
2.3.1 Measured at Amortised Cost			-	-	-
2.3.2 Fair Value Through Profit or Loss			-	-	-
2.3.3 Fair Value Through Other Comprehensive Income			-	-	-
2.4 Non-Performing Loans			7.431.956	27.793	7.459.749
2.5 Expected Credit Loss (-)			8.353.158	31.424	8.384.582
2.5.1 12 Month Expected Credit Losses (Stage I)			849.224	6.272	855.496
2.5.2 Significant Increase in Credit Risk (Stage II)			2.180.751	516	2.181.267
2.5.3 Credit-Impaired Losses (Stage III/Specific Provision)			5.323.183	24.636	5.347.819
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)		(15)	1.225.389	-	1.225.389
3.1 Held for Sale Purpose			1.225.389	-	1.225.389
3.2 Related to Discontinued Operations			-	-	-
IV. EQUITY INVESTMENTS			4.380.385	3.222.928	7.603.313
4.1 Investments in Associates (Net)		(9)	94.912	-	94.912
4.1.1 Associates Valued Based on Equity Method			-	-	-
4.1.2 Unconsolidated Associates			94.912	-	94.912
4.2 Subsidiaries (Net)		(10)	4.285.473	3.115.172	7.400.645
4.2.1 Unconsolidated Financial Subsidiaries			4.279.236	3.115.172	7.394.408
4.2.2 Unconsolidated Non-Financial Subsidiaries			6.237	-	6.237
4.3 Joint Ventures (Net)		(11)	-	107.756	107.756
4.3.1 Joint Ventures Valued Based on Equity Method			-	-	-
4.3.2 Unconsolidated Joint Ventures			-	107.756	107.756
V. PROPERTY AND EQUIPMENT (Net)		(16)	5.032.628	12.574	5.045.202
VI. INTANGIBLE ASSETS (Net)		(19)	597.576	11.817	609.393
6.1 Goodwill			-	-	-
6.2 Other			597.576	11.817	609.393
VII. INVESTMENT PROPERTY (Net)		(14)	-	-	-
VIII. CURRENT TAX ASSET			52.297	-	52.297
IX. DEFERRED TAX ASSET		(20)	1.545.993	-	1.545.993
X. OTHER ASSETS		(22)	3.530.529	2.991.894	6.522.423
TOTAL ASSETS			336.727.614	200.428.513	537.156.127

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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 2018**

(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. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

LIABILITIES AND EQUITY		Note (Section Five II)	Current Period 31 December 2018		
			TL	FC	Total
I.	DEPOSITS	(1)	178.236.637	152.829.846	331.066.483
II.	FUNDS BORROWED	(3)	2.668.613	31.503.040	34.171.653
III.	MONEY MARKETS	(4)	55.960.316	12.390.480	68.350.796
IV.	SECURITIES ISSUED (Net)	(5)	2.817.528	12.612.940	15.430.468
4.1	Bills		1.806.838	106.896	1.913.734
4.2	Asset Backed Securities		-	-	-
4.3	Bonds		1.010.690	12.506.044	13.516.734
V.	FUNDS		6.073.748	-	6.073.748
5.1	Borrower Funds		-	-	-
5.2	Other		6.073.748	-	6.073.748
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	(2)	1.156.322	487.170	1.643.492
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		1.156.322	487.170	1.643.492
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
VIII.	FACTORING LIABILITIES		-	-	-
IX.	LEASE LIABILITIES (Net)	(7)	-	221	221
9.1	Financial Lease		-	224	224
9.2	Operating Lease		-	-	-
9.3	Other		-	-	-
9.4	Deferred Financial Lease Expenses (-)		-	3	3
X.	PROVISIONS	(9)	2.750.935	80.626	2.831.561
10.1	Restructuring Provisions		-	-	-
10.2	Reserve for Employee Benefits		1.312.520	-	1.312.520
10.3	Insurance Technical Provisions (Net)		-	-	-
10.4	Other Provisions		1.438.415	80.626	1.519.041
XI.	CURRENT TAX LIABILITY	(10)	1.462.416	4.278	1.466.694
XII.	DEFERRED TAX LIABILITY	(11)	-	-	-
XIII.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(12)	-	-	-
13.1	Held for Sale Purpose		-	-	-
13.2	Related to Discontinued Operations		-	-	-
XIV.	SUBORDINATED DEBT INSTRUMENTS	(13)	-	-	-
14.1	Loans		-	-	-
14.2	Other Debt Instruments		-	-	-
XV.	OTHER LIABILITIES	(6)	8.094.847	10.624.770	18.719.617
XVI.	SHAREHOLDERS' EQUITY	(14)	59.987.459	(2.586.065)	57.401.394
16.1	Paid-in capital		6.100.000	-	6.100.000
16.2	Capital Reserves		(483)	-	(483)
16.2.1	Share Premium		-	-	-
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Other Capital Reserves		(483)	-	(483)
16.3	Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss		5.505.954	206.516	5.712.470
16.4	Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		(3.637.328)	(2.792.581)	(6.429.909)
16.5	Profit Reserves		37.320.380	-	37.320.380
16.5.1	Legal Reserves		4.026.361	-	4.026.361
16.5.2	Status Reserves		-	-	-
16.5.3	Extraordinary Reserves		31.732.384	-	31.732.384
16.5.4	Other Profit Reserves		1.561.635	-	1.561.635
16.6	Profit or (Loss)		14.698.936	-	14.698.936
16.6.1	Prior Periods' Profit or (Loss)		6.737.998	-	6.737.998
16.6.2	Current Period Profit or (Loss)		7.960.938	-	7.960.938
16.7	Minority Interest		-	-	-
TOTAL LIABILITIES AND EQUITY			319.208.821	217.947.306	537.156.127

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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 2018

(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 OFF-BALANCE SHEET COMMITMENTS		Note (Section Five III)	Current Period 31 December 2018		
			TL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		95.217.645	212.317.845	307.535.490
I.	GUARANTEES AND WARRANTIES	(1),(3)	38.147.431	83.037.589	121.185.020
1.1	Letters of Guarantee		37.852.640	56.901.700	94.754.340
1.1.1	Guarantees Subject to State Tender Law		1.545.763	12.362.178	13.907.941
1.1.2	Guarantees Given for Foreign Trade Operations		31.771.450	43.373.060	75.144.510
1.1.3	Other Letters of Guarantee		4.535.427	1.166.462	5.701.889
1.2	Bank Acceptances		26.238	8.286.735	8.312.973
1.2.1	Import Letter of Acceptance		26.238	8.284.661	8.310.899
1.2.2	Other Bank Acceptances		-	2.074	2.074
1.3	Letters of Credit		268.553	17.647.062	17.915.615
1.3.1	Documentary Letters of Credit		268.553	17.590.326	17.858.879
1.3.2	Other Letters of Credit		-	56.736	56.736
1.4	Prefinancing Given as Guarantee		-	-	-
1.5	Endorsements		-	202.092	202.092
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	202.092	202.092
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)	35.804.240	10.058.079	45.862.319
2.1	Irrevocable Commitments		35.804.240	10.058.079	45.862.319
2.1.1	Asset Purchase and Sale Commitments		2.164.112	5.010.133	7.174.245
2.1.2	Deposit Purchase and Sales Commitments		-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4	Loan Granting Commitments		8.547.764	393	8.548.157
2.1.5	Securities Issue Brokerage Commitments		-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-
2.1.7	Commitments for Cheques		2.773.071	-	2.773.071
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-
2.1.9	Commitments for Credit Card Limits		13.341.463	-	13.341.463
2.1.10	Commitments for Credit Cards and Banking Services Promotions		23.620	-	23.620
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		8.954.210	5.047.553	14.001.763
2.2	Revocable Commitments		-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-
2.2.2	Other Revocable Commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	21.265.974	119.222.177	140.488.151
3.1	Hedging Derivative Financial Instruments		-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-
3.2	Trading Transactions		21.265.974	119.222.177	140.488.151
3.2.1	Forward Foreign Currency Buy/Sell Transactions		2.522.130	5.522.841	8.044.971
3.2.1.1	Forward Foreign Currency Transactions-Buy		1.014.221	2.937.649	3.951.870
3.2.1.2	Forward Foreign Currency Transactions-Sell		1.507.909	2.585.192	4.093.101

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 2018

(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 OFF-BALANCE SHEET COMMITMENTS		Note (Section Five III)	Current Period 31 December 2018		
			TL	FC	Total
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		18.722.244	113.675.362	132.397.606
3.2.2.1	Foreign Currency Swap-Buy		6.779	51.842.375	51.849.154
3.2.2.2	Foreign Currency Swap-Sell		18.715.465	33.287.327	52.002.792
3.2.2.3	Interest Rate Swap-Buy		-	14.272.830	14.272.830
3.2.2.4	Interest Rate Swap-Sell		-	14.272.830	14.272.830
3.2.3	Foreign Currency, Interest rate and Securities Options		21.600	23.974	45.574
3.2.3.1	Foreign Currency Options-Buy		10.800	11.987	22.787
3.2.3.2	Foreign Currency Options-Sell		10.800	11.987	22.787
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)		1.320.273.303	203.877.366	1.524.150.669
IV.	ITEMS HELD IN CUSTODY		483.537.169	28.520.249	512.057.418
4.1	Customer Fund and Portfolio Balances		-	-	-
4.2	Investment Securities Held in Custody		18.593.440	9.756.471	28.349.911
4.3	Checks Received for Collection		10.552.360	1.236.933	11.789.293
4.4	Commercial Notes Received for Collection		9.896.272	757.409	10.653.681
4.5	Other Assets Received for Collection		8.816	-	8.816
4.6	Assets Received for Public Offering		421.798.436	-	421.798.436
4.7	Other Items Under Custody		22.686.196	16.769.436	39.455.632
4.8	Custodians		1.649	-	1.649
V.	PLEDGES RECEIVED		835.481.621	172.435.494	1.007.917.115
5.1	Marketable Securities		1.499.608	996.893	2.496.501
5.2	Guarantee Notes		16.636.075	1.778.629	18.414.704
5.3	Commodity		1.085.366	85.485	1.170.851
5.4	Warranty		-	-	-
5.5	Immovable		732.484.160	113.437.562	845.921.722
5.6	Other Pledged Items		83.771.203	56.117.548	139.888.751
5.7	Pledged Items-Depository		5.209	19.377	24.586
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		1.254.513	2.921.623	4.176.136
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			1.415.490.948	416.195.211	1.831.686.159

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

(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 PROFIT OR LOSS		Note (Section Five IV)	Current Period 1 January-31 December 2018
INCOME AND EXPENSE ITEMS			
I.	INTEREST INCOME	(1)	53.053.807
1.1	Interest on Loans		41.027.918
1.2	Interest on Reserve Requirements		697.410
1.3	Interest on Banks		248.312
1.4	Interest on Money Market Transactions		22.490
1.5	Interest on Marketable Securities Portfolio		10.977.126
1.5.1	Fair Value Through Profit or Loss		5.665
1.5.2	Fair Value Through Other Comprehensive Income		9.871.894
1.5.3	Measured at Amortised Cost		1.099.567
1.6	Financial Lease Income		-
1.7	Other Interest Income		80.551
II.	INTEREST EXPENSE (-)	(2)	31.137.996
2.1	Interest on Deposits		19.674.540
2.2	Interest on Funds Borrowed		1.429.422
2.3	Interest Expense on Money Market Transactions		8.793.448
2.4	Interest on Securities Issued		1.087.134
2.5	Other Interest Expenses		153.452
III.	NET INTEREST INCOME (I - II)		21.915.811
IV.	NET FEES AND COMMISSIONS INCOME		2.637.794
4.1	Fees and Commissions Received		3.557.787
4.1.1	Non-cash Loans		668.217
4.1.2	Other	(12)	2.889.570
4.2	Fees and Commissions Paid		919.993
4.2.1	Non-cash Loans		949
4.2.2	Other		919.044
V.	PERSONNEL EXPENSE (-)		2.839.925
VI.	DIVIDEND INCOME	(3)	290.900
VII.	TRADING INCOME/(LOSS) (Net)	(4)	(3.834.183)
7.1	Trading Gains/(Losses) on Securities		8.791
7.2	Gains/(Losses) on Derivative Financial Transactions		(3.506.435)
7.3	Foreign Exchange Gains/(Losses)		(336.539)
VIII.	OTHER OPERATING INCOME	(5)	1.433.843
IX.	GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		19.604.240
X.	EXPECTED CREDIT LOSS (-)	(6)	4.718.687
XI.	OTHER OPERATING EXPENSES (-)	(7)	4.851.869
XII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		10.033.684
XIII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-
XIV.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-
XV.	INCOME/(LOSS) ON NET MONETARY POSITION		-
XVI.	PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(8)	10.033.684
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(2.072.746)
17.1	Current Tax Provision		(2.242.602)
17.2	Deferred Tax Income Effect (+)		(2.722.000)
17.3	Deferred Tax Expense Effect (-)		2.891.856
XVIII.	CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	(10)	7.960.938
XIX.	INCOME FROM DISCONTINUED OPERATIONS		-
19.1	Income from Non-current Assets Held for Sale		-
19.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-
19.3	Income from Other Discontinued Operations		-
XX.	EXPENSES FOR DISCONTINUED OPERATIONS (-)		-
20.1	Expenses for Non-current Assets Held for Sale		-
20.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-
20.3	Expenses for Other Discontinued Operations		-
XXI.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)		-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
22.1	Current Tax Provision		-
22.2	Deferred Tax Expense Effect (+)		-
22.3	Deferred Tax Income Effect (-)		-
XXIII.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIV.	NET PROFIT/(LOSS) (XVIII+XXIII)	(11)	7.960.938
24.1	Profit/(Loss) from the Group		7.960.938
24.2	Profit/(Loss) from Minority Interest		-
	Earning/(Loss) per share (in TL full)		1,403

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

(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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Current Period
		1 January-31 December 2018
I.	CURRENT PERIOD PROFIT/LOSS	7.960.938
II.	OTHER COMPREHENSIVE INCOME	(3.385.555)
2.1	Not Reclassified to Profit or Loss	1.796.306
2.1.1	Property and Equipment Revaluation Increase/Decrease	(107.965)
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	74.380
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	2.235.617
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(405.726)
2.2	Reclassified to Profit or Loss	(5.181.861)
2.2.1	Foreign Currency Translation Differences	-
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(6.321.870)
2.2.3	Cash Flow Hedge Income/Loss	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	1.140.009
III.	TOTAL COMPREHENSIVE INCOME (I+II)	4.575.383

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(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)

		Other Accumulated Comprehensive Income That Will Not Be Reclassified to Profit or Loss						
		Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)						
VI. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		Paid-in Capital	Share Premium	Share certificate Cancel profits	Other capital reserves	Tangible and Intangible Assets Revaluation Reserve	Accumulated Gains/Losses on Remeasurements of Defined Benefit Plans	
I.	Current Period 31 December 2018							
I.	Balance at the beginning of the period	5.600.000	-	-	(252)	3.858.888	(119.482)	1.320.744
II.	Adjustment in accordance with TMS 8	-	-	-	-	-	-	-
2.1	Effect of adjustment	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-
III.	New balance (I+II)	5.600.000	-	-	(252)	3.858.888	(119.482)	1.320.744
IV.	Total comprehensive income (loss)	-	-	-	-	(98.150)	61.983	1.832.473
V.	Capital increase in cash	500.000	-	-	-	-	-	-
VI.	Capital increase through internal reserves	-	-	-	-	-	-	-
VII.	Issued capital inflation adjustment difference	-	-	-	-	-	-	-
VIII.	Convertible bonds	-	-	-	-	-	-	-
IX.	Subordinated debt	-	-	-	-	-	-	-
X.	Increase (decrease) through other changes, equity	-	-	-	(231)	-	-	(1.143.986)
XI.	Profit distribution	-	-	-	-	-	-	-
11.1	Dividends distributed	-	-	-	-	-	-	-
11.2	Transfers to legal reserves	-	-	-	-	-	-	-
11.3	Other	-	-	-	-	-	-	-
	Balance at the End of the Year (III+IV+.....+X+XI)	6.100.000	-	-	(483)	3.760.738	(57.499)	2.009.231

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Other Accumulated Comprehensive Income That Will Be Reclassified to Profit or Loss							
	Exchange Differences on Translation	Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income	Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)	Profit Reserves	Prior period net profit/ (loss)	Current period net profit/ (loss)	Total
-		(1.250.450)	-	29.660.259	7.940.121	-	47.009.828
-		2.402	-	-	5.518.877	-	5.521.279
-		-	-	-	-	-	-
-		2.402	-	-	5.518.877	-	5.521.279
-		(1.248.048)	-	29.660.259	13.458.998	-	52.531.107
-		(5.181.861)	-	-	-	7.960.938	4.575.383
-		-	-	-	-	-	500.000
-		-	-	-	-	-	-
-		-	-	-	-	-	-
-		-	-	-	-	-	-
-		-	-	-	-	-	-
-		-	-	-	1.219.121	-	74.904
-		-	-	7.660.121	(7.940.121)	-	(280.000)
-		-	-	-	(280.000)	-	(280.000)
-		-	-	7.582.399	(7.582.399)	-	-
-		-	-	77.722	(77.722)	-	-
-		(6.429.909)	-	37.320.380	6.737.998	7.960.938	57.401.394

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

(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 CASH FLOWS		Note (Section Five VI)	Current Period 1 January-31 December 2018
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		2.203.126
1.1.1	Interest Received		47.282.174
1.1.2	Interest Paid		(29.442.439)
1.1.3	Dividend Received		290.900
1.1.4	Fees and Commissions Received		3.557.787
1.1.5	Other Income		1.433.843
1.1.6	Collections from Previously Written-off Loans and Other Receivables		1.154.673
1.1.7	Payments to Personnel and Service Suppliers		(3.465.410)
1.1.8	Taxes Paid		(2.355.477)
1.1.9	Other		(16.252.925)
1.2	Changes in Operating Assets and Liabilities		21.112.523
1.2.1	Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		(6.714.626)
1.2.2	Net (increase)/decrease in due from banks and other financial institutions		9.908.304
1.2.3	Net (increase)/decrease in loans		(68.324.344)
1.2.4	Net (increase)/decrease in other assets		(6.930.126)
1.2.5	Net increase/(decrease) in bank deposits		22.202.162
1.2.6	Net increase/(decrease) in other deposits		53.034.467
1.2.7	Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss		1.095.723
1.2.8	Net increase/(decrease) in funds borrowed		4.950.035
1.2.9	Net increase/(decrease) in payables		-
1.2.10	Net increase/(decrease) in other liabilities		11.890.928
I.	Net Cash Provided from Banking Operations		23.315.649
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES		
II.	Net Cash Provided from Investing Activities		(17.597.250)
2.1	Cash paid for acquisition of investments, associates and subsidiaries		(1.539.904)
2.2	Cash obtained from disposal of investments, associates and subsidiaries		-
2.3	Purchases of property and equipment		(79.232)
2.4	Disposals of property and equipment		235.203
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(26.023.741)
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income		11.798.189
2.7	Purchase of Financial Assets Measured at Amortised Cost		(3.501.862)
2.8	Sale of Financial Assets Measured at Amortised Cost		2.607.480
2.9	Other		(1.093.383)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from Financing Activities		1.265.269
3.1	Cash Obtained from Funds Borrowed and Securities Issued		8.758.603
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(7.993.108)
3.3	Issued Equity Instruments		500.000
3.4	Dividends Paid		-
3.5	Payments for Finance Leases		(226)
3.6	Other		-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(1)	3.390.382
V.	Net Decrease/Increase in Cash and Cash Equivalents (I+II+III+IV)		10.374.050
VI.	Cash and Cash Equivalents at the Beginning of the Period	(1)	13.015.679
VII.	Cash and Cash Equivalents at the End of the Period	(1)	23.389.729

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2018

(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 December 2018
I.	DISTRIBUTION OF CURRENT YEAR INCOME	
1.1	Current Year Income	10.033.684
1.2	Taxes And Duties Payable (-) ^(**)	2.242.602
1.2.1	Corporate Tax (Income tax)	2.242.602
1.2.2	Income withholding tax	-
1.2.3	Other taxes and duties	-
A.	NET INCOME FOR THE YEAR (1.1-1.2)	7.791.082
1.3	Prior Year Losses (-)	-
1.4	First Legal Reserves (-)	-
1.5	Other Statutory Reserves (-)	-
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	7.791.082
1.6	First Dividend To Shareholders (-)	-
1.6.1	To Owners Of Ordinary Shares	-
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 (-)	-
1.8	Dividends To Board Of Directors (-)	-
1.9	Second Dividend To Shareholders (-)	-
1.9.1	To Owners Of Ordinary Shares	-
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 (-)	-
1.11	Statutory Reserves (-)	-
1.12	Extraordinary Reserves	-
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	1,3735
3.2	To Owners Of Ordinary Shares (%)	137,35
3.3	To Owners Of Privileged Shares	
3.4	To Owners Of Privileged Shares (%)	
IV.	DIVIDEND PER SHARE	
4.1	To Owners Of Ordinary Shares	-
4.2	To Owners Of Ordinary Shares (%)	-
4.3	To Owners Of Privileged Shares	-
4.4	To Owners Of Privileged Shares (%)	-

^(*) 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 deferred tax benefit amounted TL 169.856 is not taken into account in profit distribution.

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)		Note (Section Five I)	Prior Period 31 December 2017		
ASSETS			TL	FC	Total
I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY		(23)	4.970.977	39.297.687	44.268.664
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)		(24)	888.200	515.682	1.403.882
2.1 Financial Assets Held for Trading			888.200	515.682	1.403.882
2.1.1 Public Sector Debt Securities			8.184	5.134	13.318
2.1.2 Securities Representing a Share in Capital			-	-	-
2.1.3 Derivative Financial Assets Held for Trading		(25)	880.016	510.548	1.390.564
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		(26)	798.732	3.504.017	4.302.749
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)		(27),(28)	45.444.531	17.574.244	63.018.775
5.1 Securities Representing a Share in Capital			112.788	844.158	956.946
5.2 Public Sector Debt Securities			45.331.743	16.629.561	61.961.304
5.3 Other Marketable Securities			-	100.525	100.525
VI. LOANS AND RECEIVABLES		(29)	221.859.779	76.398.253	298.258.032
6.1 Loans and Receivables			221.634.293	76.398.253	298.032.546
6.1.1 Loans Granted to Risk Group of The Bank			4.854	1.617.844	1.622.698
6.1.2 Public Sector Debt Securities			-	-	-
6.1.3 Other			221.629.439	74.780.409	296.409.848
6.2 Loans under Follow-up			4.755.226	19.103	4.774.329
6.3 Specific Provisions (-)			4.529.740	19.103	4.548.843
VII. FACTORING RECEIVABLES			-	-	-
VIII. INVESTMENTS HELD TO MATURITY (Net)		(30)	2.833.728	4.762.159	7.595.887
8.1 Public Sector Debt Securities			2.727.442	4.761.212	7.488.654
8.2 Other Marketable Securities			106.286	947	107.233
IX. INVESTMENTS IN ASSOCIATES (Net)		(31)	94.912	-	94.912
9.1 Accounted with Equity Method			-	-	-
9.2 Unconsolidated Associates			94.912	-	94.912
9.2.1 Financial Associates			88.846	-	88.846
9.2.2 Non-financial Associates			6.066	-	6.066
X. INVESTMENTS IN SUBSIDIARIES (Net)		(32)	3.035.473	2.109.014	5.144.487
10.1 Unconsolidated Financial Subsidiaries			3.029.236	2.109.014	5.138.250
10.2 Unconsolidated Non-Financial Subsidiaries			6.237	-	6.237
XI. ENTITIES UNDER COMMON CONTROL (Net)		(33)	-	72.495	72.495
11.1 Accounted with Equity Method			-	-	-
11.2 Unconsolidated Entities Under Common Control			-	72.495	72.495
11.2.1 Financial Entities Under Common Control			-	72.495	72.495
11.2.2 Non Financial Entities Under Common Control			-	-	-
XII. RECEIVABLES FROM LEASING TRANSACTIONS		(34)	-	-	-
12.1 Finance Lease Receivables			-	-	-
12.2 Operating Lease Receivables			-	-	-
12.3 Other			-	-	-
12.4 Unearned Income (-)			-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES		(35)	-	-	-
13.1 Fair Value Hedges			-	-	-
13.2 Cash Flow Hedges			-	-	-
13.3 Hedges for Investments Made in Foreign Countries			-	-	-
XIV. TANGIBLE ASSETS (Net)		(39)	5.233.467	7.304	5.240.771
XV. INTANGIBLE ASSETS (Net)		(42)	428.403	8.230	436.633
15.1 Goodwill			-	-	-
15.2 Other			428.403	8.230	436.633
XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)		(36)	-	-	-
XVII. TAX ASSET			815	115	930
17.1 Current Tax Asset			815	115	930
17.2 Deferred Tax Asset		(37)	-	-	-
XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)		(38)	670.215	-	670.215
18.1 Held for Sale			670.215	-	670.215
18.2 Held from Discontinued Operations			-	-	-
XIX. OTHER ASSETS		(43)	2.570.007	1.196.070	3.766.077
TOTAL ASSETS			288.829.239	145.445.270	434.274.509

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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)

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)		Note (Section Five II)	Prior Period 31 December 2017		
LIABILITIES AND EQUITY			TL	FC	Total
I.	DEPOSITS	(15)	161.933.028	104.451.161	266.384.189
1.1	Deposits Held By the Risk Group of the Bank		1.286.498	491.752	1.778.250
1.2	Other		160.646.530	103.959.409	264.605.939
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(16)	235.506	312.263	547.769
III.	FUNDS BORROWED	(17)	1.650.412	27.414.383	29.064.795
IV.	MONEY MARKET BALANCES		43.157.357	13.100.369	56.257.726
4.1	Interbank Money Market Borrowings		41.850.000	-	41.850.000
4.2	Istanbul Stock Exchange Takasbank Borrowings		-	-	-
4.3	Funds Provided under Repurchase Agreements	(18)	1.307.357	13.100.369	14.407.726
V.	MARKETABLE SECURITIES ISSUED (Net)	(19)	3.590.796	9.166.573	12.757.369
5.1	Bills		3.590.796	-	3.590.796
5.2	Asset-backed Securities		-	-	-
5.3	Bonds		-	9.166.573	9.166.573
VI.	FUNDS		6.030.575	-	6.030.575
6.1	Borrower Funds		-	-	-
6.2	Other		6.030.575	-	6.030.575
VII.	MISCELLANEOUS PAYABLES		2.411.419	1.610.642	4.022.061
VIII.	OTHER LIABILITIES	(20)	1.874.678	582.440	2.457.118
IX.	FACTORING PAYABLES		-	-	-
X.	PAYABLES FROM LEASING TRANSACTIONS (Net)	(21)	-	447	447
10.1	Finance Lease Payables		-	454	454
10.2	Operating Lease Payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred Finance Lease Expenses (-)		-	7	7
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(22)	-	-	-
11.1	Fair Value Hedges		-	-	-
11.2	Cash Flow Hedges		-	-	-
11.3	Hedges for Investments Made in Foreign Countries		-	-	-
XII.	PROVISIONS	(23)	8.458.157	60.810	8.518.967
12.1	General Provisions		5.376.195	15.675	5.391.870
12.2	Restructuring Provisions		-	-	-
12.3	Employee Benefits Provisions		1.315.548	-	1.315.548
12.4	Insurance Technical Reserves (Net)		-	-	-
12.5	Other Provisions		1.766.414	45.135	1.811.549
XIII.	TAX LIABILITY	(24)	1.222.555	1.110	1.223.665
13.1	Current Tax Liability		917.189	1.110	918.299
13.2	Deferred Tax Liability		305.366	-	305.366
XIV.	LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(25)	-	-	-
14.1	Held for Sale		-	-	-
14.2	Held from Discontinued Operations		-	-	-
XV.	SUBORDINATED LOANS	(26)	-	-	-
XVI.	SHAREHOLDERS' EQUITY	(27)	46.064.823	945.005	47.009.828
16.1	Paid-in Capital		5.600.000	-	5.600.000
16.2	Capital Reserves		2.864.443	945.005	3.809.448
16.2.1	Share Premium		-	-	-
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Marketable Securities Valuation Differences		(892.099)	945.005	52.906
16.2.4	Tangible Assets Revaluation Reserves		3.858.888	-	3.858.888
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
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)
16.3	Profit Reserves		29.660.259	-	29.660.259
16.3.1	Legal Reserves		3.604.355	-	3.604.355
16.3.2	Statutory Reserves		-	-	-
16.3.3	Extraordinary Reserves		24.630.569	-	24.630.569
16.3.4	Other Profit Reserves		1.425.335	-	1.425.335
16.4	Profit or Loss		7.940.121	-	7.940.121
16.4.1	Prior Years Profit/Loss		-	-	-
16.4.2	Net Period Profit/Loss		7.940.121	-	7.940.121
TOTAL LIABILITIES AND EQUITY			276.629.306	157.645.203	434.274.509

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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)

III.STATEMENT OF OFF-BALANCE SHEET COMMITMENTS		Note (Section Five III)	Current Period 31 December 2017		
			TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		69.318.241	154.878.728	224.196.969
I.	GUARANTEES AND WARRANTIES	(5),(7)	32.933.711	63.173.415	96.107.126
1.1	Letters of Guarantee		32.669.962	43.023.095	75.693.057
1.1.1	Guarantees Subject to State Tender Law		1.565.066	7.776.033	9.341.099
1.1.2	Guarantees Given for Foreign Trade Operations		27.424.105	34.376.931	61.801.036
1.1.3	Other Letters of Guarantee		3.680.791	870.131	4.550.922
1.2	Bank Acceptances		30.004	6.271.964	6.301.968
1.2.1	Import Letter of Acceptance		30.004	6.265.331	6.295.335
1.2.2	Other Bank Acceptances		-	6.633	6.633
1.3	Letters of Credit		233.745	13.878.356	14.112.101
1.3.1	Documentary Letters of Credit		233.745	13.838.232	14.071.977
1.3.2	Other Letters of Credit		-	40.124	40.124
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	(5),(7)	23.689.109	8.738.845	32.427.954
2.1	Irrevocable Commitments		23.689.109	8.738.845	32.427.954
2.1.1	Asset Purchase and Sale Commitments		202.675	4.565.070	4.767.745
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
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
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-
2.1.9	Commitments for Credit Card Limits		8.645.831	-	8.645.831
2.1.10	Commitments for Credit Cards and Banking Services Promotions		26.137	-	26.137
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
2.2	Revocable Commitments		-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-
2.2.2	Other Revocable Commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(6)	12.695.421	82.966.468	95.661.889
3.1	Hedging Derivative Financial Instruments		-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-
3.2	Trading Transactions		12.695.421	82.966.468	95.661.889
3.2.1	Forward Foreign Currency Buy/Sell Transactions		3.617.638	6.924.910	10.542.548
3.2.1.1	Forward Foreign Currency Transactions-Buy		1.536.329	3.734.219	5.270.548
3.2.1.2	Forward Foreign Currency Transactions-Sell		2.081.309	3.190.691	5.272.000

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)

III.STATEMENT OF OFF-BALANCE SHEET COMMITMENTS		Note (Section Five III)	Current Period 31 December 2017		
			TL	FC	Total
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		8.709.947	75.685.916	84.395.863
3.2.2.1	Foreign Currency Swap-Buy		14.555	37.312.694	37.327.249
3.2.2.2	Foreign Currency Swap-Sell		8.695.392	27.876.600	36.571.992
3.2.2.3	Interest Rate Swap-Buy		-	5.248.311	5.248.311
3.2.2.4	Interest Rate Swap-Sell		-	5.248.311	5.248.311
3.2.3	Foreign Currency, Interest rate and Securities Options		367.836	355.642	723.478
3.2.3.1	Foreign Currency Options-Buy		183.918	177.821	361.739
3.2.3.2	Foreign Currency Options-Sell		183.918	177.821	361.739
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
IV.	ITEMS HELD IN CUSTODY		366.635.232	19.496.516	386.131.748
4.1	Customer Fund and Portfolio Balances		-	-	-
4.2	Investment Securities Held in Custody		8.210.037	6.993.963	15.204.000
4.3	Checks Received for Collection		8.770.728	935.671	9.706.399
4.4	Commercial Notes Received for Collection		8.089.851	463.789	8.553.640
4.5	Other Assets Received for Collection		8.816	-	8.816
4.6	Assets Received for Public Offering		328.861.408	-	328.861.408
4.7	Other Items Under Custody		12.692.743	11.103.093	23.795.836
4.8	Custodians		1.649	-	1.649
V.	PLEDGES RECEIVED		742.129.511	118.416.306	860.545.817
5.1	Marketable Securities		1.498.312	51.776	1.550.088
5.2	Guarantee Notes		15.206.384	1.133.950	16.340.334
5.3	Commodity		1.092.765	81.269	1.174.034
5.4	Warranty		-	-	-
5.5	Immovable		652.639.237	85.012.978	737.652.215
5.6	Other Pledged Items		71.687.604	32.122.212	103.809.816
5.7	Pledged Items-Depository		5.209	14.121	19.330
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		963.231	2.080.082	3.043.313
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			1.179.046.215	294.871.632	1.473.917.847

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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
UNCONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 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		Note (Section Five IV)	Prior Period 1 January-31 December 2017
	INCOME AND EXPENSE ITEMS		
I.	INTEREST INCOME	(13)	35.463.463
1.1	Interest Income from Loans		28.357.308
1.2	Interest Income from Reserve Deposits		379.068
1.3	Interest Income from Banks		138.413
1.4	Interest Income from Money Market Placements		330.961
1.5	Interest Income from Marketable Securities		6.192.579
1.5.1	Financial Assets Held for Trading		4.014
1.5.2	Financial Assets at Fair Value through Profit and Loss		-
1.5.3	Financial Assets Available-for-Sale		5.526.833
1.5.4	Investments Held-to-Maturity		661.732
1.6	Finance Lease Income		-
1.7	Other Interest Income		65.134
II.	INTEREST EXPENSES	(14)	18.561.385
2.1	Interest Expense on Deposits		12.249.174
2.2	Interest on Borrowings		700.779
2.3	Interest on Money Market Borrowings		4.845.742
2.4	Interest on Marketable Securities Issued		677.607
2.5	Other Interest Expense		88.083
III.	NET INTEREST INCOME/EXPENSES (I - II)		16.902.078
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		2.217.385
4.1	Fees and Commissions Received		2.673.493
4.1.1	Non-cash Loans		466.107
4.1.2	Other	(11)	2.207.386
4.2	Fees and Commissions Paid		456.108
4.2.1	Non-cash Loans		397
4.2.2	Other		455.711
V.	DIVIDEND INCOME	(15)	284.531
VI.	TRADING PROFIT/LOSS (Net)	(16)	(813.839)
6.1	Profit/Loss from Capital Market Operations		39.665
6.2	Profit/losses on Derivative Financial Transactions		(800.570)
6.3	Profit/Loss from Foreign Exchanges		(52.934)
VII.	OTHER OPERATING INCOME	(17)	1.377.577
VIII.	TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)		19.967.732
IX.	PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)		3.190.566
X.	OTHER OPERATING EXPENSES(-)	(18)	6.490.467
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		10.286.699
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)	(19)	10.286.699
XVI.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(20)	(2.346.578)
16.1	Current Tax Provision		(2.300.432)
16.2	Deferred Tax Provision		(46.146)
XVII.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(21)	7.940.121
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)	(22)	7.940.121
	Earnings per Share (Full TL)		1,497

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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 FOR THE YEAR ENDED 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 INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		Prior Period 1 January-31 December 2017
I.	ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	1.022.171
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	(198.594)
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	253.845
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)
IX.	DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(334.977)
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	691.020
XI.	CURRENT YEAR PROFIT/LOSS	7.940.121
11.1	Net change in fair value of marketable securities (transfer to profit-loss)	39.665
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
XII.	TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	8.631.141

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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 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 CHANGES IN SHAREHOLDERS' EQUITY

	31 December 2017	Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Canc. Profits	Legal Reserves	Statutory 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	-

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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.	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
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	(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 FOR THE YEAR ENDED 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 CASH FLOWS		Note (Section Five VI)	Prior Period 1 January-31 December 2017
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		6.865.830
1.1.1	Interest Received		33.449.782
1.1.2	Interest Paid		(18.010.343)
1.1.3	Dividend Received		281.531
1.1.4	Fees and Commissions Received		2.673.493
1.1.5	Other Income		904.564
1.1.6	Collections from Previously Written-off Loans and Other Receivables		1.508.942
1.1.7	Payments to Personnel and Service Suppliers		(2.703.319)
1.1.8	Taxes Paid		(2.767.737)
1.1.9	Other		(8.471.083)
1.2	Changes in Operating Assets and Liabilities		(11.835.125)
1.2.1	Net (Increase)/Decrease in Trading Securities		4.074
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)
1.2.4	Net (Increase)/Decrease in Loans		(64.667.228)
1.2.5	Net (Increase)/Decrease in Other Assets		(1.306.478)
1.2.6	Net Increase/(Decrease) in Bank Deposits		12.354.467
1.2.7	Net Increase/(Decrease) in Other Deposits		39.611.827
1.2.8	Net Increase/(Decrease) in Funds Borrowed		6.173.956
1.2.9	Net Increase/(Decrease) in Payables		-
1.2.10	Net Increase/(Decrease) in Other Liabilities		3.985.416
I.	Net Cash Provided from Banking Operations		(4.969.295)
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES		
II.	Net Cash Provided from Investing Activities		(4.891.580)
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		(597.281)
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-
2.3	Fixed Assets Purchases		(464.575)
2.4	Fixed Assets Sales		224.167
2.5	Cash Paid for Purchase of Financial Assets Available for Sale		(18.939.706)
2.6	Cash Obtained from Sale of financial Assets Available for Sale		16.074.784
2.7	Cash Paid for Purchase of Investment Securities		(433.646)
2.8	Cash Obtained from Sale of Investment Securities		1.910.559
2.9	Other		(2.665.882)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from Financing Activities		5.965.927
3.1	Cash Obtained from Funds Borrowed and Securities Issued		7.993.072
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.277.100)
3.3	Issued Equity Instruments		500.000
3.4	Dividends Paid		(250.000)
3.5	Payments for Finance Leases		(45)
3.6	Other		-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		1.344.144
V.	Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)		(2.550.804)
VI.	Cash and Cash Equivalents at the Beginning of the Period		15.566.483
VII.	Cash and Cash Equivalents at the End of the Period		13.015.679

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 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)

VIII. PROFIT DISTRIBUTION STATEMENT ^(*)		Prior Period 31 December 2017
I.	DISTRIBUTION OF CURRENT YEAR INCOME	
1.1	Current Year Income	10.286.699
1.2	Taxes And Duties Payable (-)	2.346.578
1.2.1	Corporate Tax (Income tax)	2.300.432
1.2.2	Income withholding tax	-
1.2.3	Other taxes and duties	46.146
A.	NET INCOME FOR THE YEAR (1.1-1.2)	7.940.121
1.3	Prior Year Losses (-)	-
1.4	First Legal Reserves (-)	397.006
1.5	Other Statutory Reserves (-)	-
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	7.543.115
1.6	First Dividend To Shareholders (-)	280.000
1.6.1	To Owners Of Ordinary Shares	280.000
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 (-)	-
1.8	Dividends To Board Of Directors (-)	-
1.9	Second Dividend To Shareholders (-)	-
1.9.1	To Owners Of Ordinary Shares	-
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 (-)	25.000
1.11	Statutory Reserves (-)	-
1.12	Extraordinary Reserves	7160.393
1.13	Other Reserves	-
1.14	Special Funds	77.722
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
3.2	To Owners Of Ordinary Shares (%)	149,66
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	0,050
4.2	To Owners Of Ordinary Shares (%)	5,00
4.3	To Owners Of Privileged Shares	-
4.4	To Owners Of Privileged Shares (%)	-

*The profit distribution table for the previous period has been finalized with the decision of the Ordinary General Assembly after the publication of the audited financial statements as of 31 December 2017 and restated accordingly.

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 2018

(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, except for the financial assets and liabilities carried at fair value.

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.

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

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.

Changes in Accounting Policies

As of 1 January 2018 the Bank has applied TFRS 9 Financial Instruments (TFRS 9) published by POA according to "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750 for the first time in attached unconsolidated financial statements. Prior period financial statements and notes were not restated in accordance with the transition provisions of TFRS 9. Therefore, the impact of the first application of standard has been reflected to Prior years' profit or loss and attached financial statements are presented separately rather than comparatively. TFRS 9 has been in effect as of 1 January 2018, the impact on opening balances are presented in Note XXIII of Section Three.

The TAS 39 measurement categories of financial assets at fair value through profit or loss, available for sale and held-to-maturity have been replaced by; financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost, respectively as a consequence of TFRS 9.

TFRS 15 Revenue from Contracts with Customers and other TAS/TFRS changes have not significant impact on Bank's accounting policies, financial position and performance.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The standard is effective from annual periods beginning on and after 1 January 2019 and the adoption process regarding the mentioned amendments continues as of the reporting date.

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

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

Loans and securities are instruments from which the Bank gets returns above the average returns within its lines of activity. Letter of guarantees, bank loans, commercial letter of credits, repayment commitments for cheques and 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 liquidity risk 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 converted to Turkish currency and the resulting exchange differences are recognized as a "foreign exchange gain or loss".

USD capital amounts transferred to the equity participations operating abroad are evaluated and presented on the financial statements with the exchange rate on valuation date. For currency risk arising from foreign currency translation, Euro denominated deposits are used as hedging instruments. The total capital amount linked to this purpose is 265.575 thousand Euros.

Assets and liabilities and income statement items of the abroad branches of the Bank are converted to 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, equivalents of investments related to subsidiaries are fixed as of revaluation date and revaluation differences added to subsidiaries' values are recognized under shareholders' equity.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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. 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.

Derivative financial instruments of the Bank are classified under "IFRS 9 Financial Instruments Standard", "Derivative Financial Assets Designated at Fair Value through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value through Other Comprehensive Income".

Derivative financial instruments are initially recognized at fair value. Derivative transactions, depending on the fair value being positive or negative is shown as financial assets at fair value through profit/loss or financial liabilities at fair value through profit/loss in the following periods of the recording. Differences arising from the fair value of the valuation result are recognized in Statement of Profit or Loss in Profit/Losses from derivative financial transactions under Trading Profit/Loss.

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 according to the effective interest method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities).

Interest income from financial assets are recognized as gross carrying amount according to the effective interest rate method except for interest income from purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

If the expectations for the cash flows in the financial asset are revised for reasons other than the credit risk, the amendment is reflected in the carrying amount of the asset and in the related income statement line and is amortized over the estimated life of the financial asset.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

Income and losses from banking, agency and intermediary services are recognized as income/loss and conformant with IFRS 15 Revenue from Contracts with Customers on the date they are collected.

Prepaid expense amounts are recognize as expense on an accrual basis during the service period.

Commission income from consumer, corporate and entrepreneurial loans are transferred to income accounts according to periodicity principle using effective interest rate method on an accrual basis.

VII. EXPLANATIONS ON FINANCIAL ASSETS

As IFRS 9 has been put into effect on 1 January 2018, the Bank's accounting policy for financial instruments is summarized as follows.

Financial assets are recognized or derecognized according to IFRS 9 Financial Instruments Part 3 Recognition and Derecognition. Financial assets are measured at fair value at initial recognition in the financial statements. They are included in the balance sheet of the Bank, if the Bank is a legal party to these instruments.

The Bank categorizes its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Financial instruments comprise financial assets and liabilities and derivative instruments. This classification is based on the contractual cash flow characteristics of the related business model used for management of the financial assets at initial recognition.

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Classification and Measurement within the Scope of TFRS 9

In accordance with TFRS 9 Financial Instruments Standard, financial assets are classified as a measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss.

- The business model used by the entity for the management of financial assets,
- Properties of contractual cash flows of a financial asset.

To determine the classification of financial assets, Business Model Test and Cash Flow Characteristics Test are performed.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit/loss are financial assets that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

Government bonds and treasury bills included in held for trading and available for sale portfolios traded in BİST are carried at weighted average exchange prices of BİST as of the balance sheet date and those securities that are not traded in BİST are carried at prices of the Central Bank of the Republic of Turkey. Eurobonds are carried at prices in the over the counter markets. All gains and losses arising from these valuations are reflected in the profit or loss account.

Financial Assets at Fair Value Through Other Comprehensive Income

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated other comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity. When these securities are collected or disposed of, the accumulated fair value differences reflected in the equity are reflected to the income statement.

Financial Assets at Fair Value Through Other Comprehensive Income

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

Regarding the banking operations of the Bank, there exist ineffective shares of Kredi Garanti Fonu, Türk Ticaret Bankası in liquidation, 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 financial assets at fair value through other comprehensive income and are carried out at book value.

Financial Assets Measured at Amortized Cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Fair value through other comprehensive income" and "measured at amortized cost" securities portfolio of the Bank include Consumer Price Indexed (CPI) Bonds. CPI's are valued and accounted according to the effective interest rate method which is calculated according to the real coupon rate and the reference inflation index on the issue date. As it is mentioned in the Undersecretariat of Treasury's Investor Guide of CPI, the reference index used during the calculation of the actual coupon payment amount is the previous two months CPI's. The Bank determines its expected inflation rates in compliance with this guide.

The Bank also sets the estimated inflation rate in case of necessity.

Loans

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate Method".

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.

Bank's loans are recognized under the "Measured at Amortized Cost" account.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

Explanations on Expected Loss Provisions

The main principle of the expected credit loss model is to reflect the general outlook of deterioration or improvement in the credit quality of financial instruments. The amount of expected credit losses known as loss provision or provision varies according to the degree of increase in credit risk. There are two measurements according to the general approach:

- 12-Month Expected Loss Provision (Stage 1) applies to all assets unless there is a significant deterioration in credit quality.
- Lifetime Expectation Loss (Stage 2 and Stage 3) is applied when there is a significant increase in credit risk.

Impairment

As of 1 January 2018, the Bank recognize provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9.

The expected credit loss model includes instruments that are recorded at amortized cost or at fair value in other comprehensive income tables (such as bank deposits, loans and securities) and, in addition, financial lease receivables that are not measured at fair value through profit or loss, credit commitments and financial guarantee contracts.

The guiding principle of the expected credit loss model is to reflect the increase in credit risk of financial instruments or the general view of the recovery. The amount of allowance for the loss depends on the extent of the increase in credit risk since the initial issuance of the loan.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Expected credit loss is an estimate of the expected credit losses over the life of a financial instrument also the following aspects are important for the measurement.

- Probability-weighted and neutral amount determined by taking into account possible outcomes,
- Time value of money,
- Reasonable and supportable information on past events, current conditions and forecast of future economic conditions, at the time of reporting, without excessive cost and effort.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

12 Month Expected Credit Losses (Stage 1)

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. For such asset impairment for credit risk is recorded in the amount of 12-month expected credit losses. It is valid for all assets unless there is a significant deterioration in the quality of the loan.

The expected 12 month loss values (within 12 months after the reporting date or within a shorter period if the life of a financial instrument is shorter than 12 months) are part of the estimation of loss of life expectancy.

Significant Increase in Credit Risk (Stage 2)

Financial assets are transferred to stage 2 if there is a significant increase in credit risk. The expected loss provision is calculated by calculating the 1-year maturity for loans under stage 1, and the expected loss provision for loans under stage 2 is calculated by taking into consideration the remaining maturity.

The main criteria taken into consideration in determining the credit risk of the financial asset to be significantly increased and transferred to the stage 2 are the close monitoring, the number of delay days being 30 and above, and the Bank's internal early warning system note

Credit-Impaired Losses (Stage 3/Specific Provision)

Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount.

It is considered a debt as default on these two conditions;

- Objective Default Definition: It means debt having past due more than 90 days.
- Subjective Default Definition: It means it is considered that a debt is unlikely to be paid. Whenever it is considered that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due

Collective assessment of financial instruments is based on homogeneous group assets referring to portfolio segmentation including similar credit risk and product characteristics.

Credits that differ in cash flows or have different characteristics with other credits may be subject to individual valuation instead of aggregate valuation. A credit loss can be defined as the difference between all contractual cash flows that are outstanding under the contract and the original expected Effective Interest Rate value and discounted cash flows. When cash flows are estimated, the following situations are considered.

- During the expected life of the financial instrument, all contractual terms of the financial instrument,
- Cash flows expected to be obtained from collateral sales.

In the calculation of the expected credit loss, the basic parameters which are expressed as probability of default, loss in default and default amount are used.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Probability of Default

Probability of default refers to the likelihood that a loan will default at a certain time. In Default Probability models, sectoral information for the corporate portfolio and product information for the Individual portfolio are taken as the basis

Default Amount

The default amount represents the expected gross receivable if a loan is defaulted.

Loss Given Default

Loss given default refers to the ratio of the economic net loss resulting from the default of a loan to the default amount. In other words, it refers to the ratio of net loss due to a defaulted loan to the balance at the time of default.

Future Expectations

The effect of future expectations is included in the credit risk parameters used in the calculation of expected credit losses by using scenarios related to macroeconomic factors. The main macroeconomic indicators that create these estimation models are the ratio of Gross Domestic Product (GDP) and Consumer Price Index (CPI). Macroeconomic estimation models include more than one scenario and the related scenarios are taken into account in the expected credit loss calculations.

The Methodology of Behavioral Maturity Calculation

For the loans in Stage 1, which have less than one year to due date and for the loans in Stage 2, which have more than one year to due date are calculated until the maturity day and the lifetime (until maturity date). In this calculation, the remaining maturity information of the loan is taken as basis for each loan. While this information is used for products with real maturity information, behavioral maturity is calculated by analyzing historical data for products with no maturity information. Expected loss provisions are calculated based on these maturities depending on the type of loan.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities 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 ("Repos") are classified as "Financial assets at fair value difference through profit or loss", "Financial assets at fair value difference through other comprehensive income" and "Measured at amortized cost" in the balance sheet according to the investment purposes and measured according to the portfolio of the Bank to which they belong. Funds obtained under repurchase agreements are accounted under "Funds provided under repurchase agreements" in liability accounts and differences between the sale and repurchase prices determined by these repurchase agreements are accrued evenly over the life of the repurchase agreement using the "Effective interest (internal 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, securities borrowed by the Bank are monitored in Financial assets at fair value through profit/loss portfolio at market value as of the date of borrowing. There is no valuation for securities nevertheless commission/interest payables are valued.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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

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

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

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

Other intangible assets are amortized by using the straight line method based on their useful lives. Useful lives of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected economic benefit from assets and technical, technological or any other type of obsolescence. Amortization method used in the current period is not subject to any change. Depreciation period is 5 years (20% annual depreciation rate) for establishment/formation expenses for other intangible assets with uncertain leasing period or leasing period over 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 3.760.738 net is followed under shareholders' equity as of 31 December 2018. 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Estimated useful lives and amortization rates of tangible assets are below:

	Estimated Useful Lives (Year)	Amortization Rate
Buildings	50	2%
Safe-deposit boxes	50	2%
Other movable properties	3-25	4-33,33%
Assets held under financial leases	4-5	20-25%

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

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

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

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Financial Lease

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

The Bank does not perform financial operations as "Lessor".

Operational Lease

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

XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES

Provisions other than provisions for impairment 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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. As of 31 December 2018, retirement benefit obligation is TL 824.520 (31 December 2017: TL 813.548).

	Current Period	Prior Period
Discount Rate	16,30%	12,10%
Inflation	12,00%	8,90%

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 57.499 was classified 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. 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. As of 31 December 2018 the number of personnel who benefit from the Fund, excluding dependents, is 23.308 (31 December 2017: 22.531). 19.458 of these members are active while 3.850 are passive members. (31 December 2017: 18.723 active members, 3.808 passive members).

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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

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

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

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

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

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

The technical balance sheet report as of 31 December 2018 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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 expemted 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 3rd article of Corporation Tax Code (CTC) 14 annunciation dated 23 December 2017 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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

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

XVIII. EXPLANATIONS ON BORROWINGS

The Bank accounts its debt instruments in accordance with TFRS 9 "Financial Instruments". In the following periods, all financial liabilities are carried at amortized cost by using effective interest rate 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 to increase the capital to TL 6.100.000 was approved by the Bank's Ordinary General Assembly held on 13 August 2018, and the capital increase and the related amendment to the articles of association of the Articles of Association were registered on 22 October 2018. It was announced in the Trade Registry Gazette No. 9688. The accounting for this capital increase was made on 9 November 2018 with the permission of BRSA.

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.

XXII. EXPLANATIONS ON SEGMENT REPORTING

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

XXIV. EXPLANATIONS ON OTHER MATTERS

Explanations on Profit Distribution

In accordance with the decision taken in the General Assembly of the year 2017, which was carried out on 13 August 2018, from TL 7.940.121 net profit, TL 397.006 is transferred to first legal reserve and TL 25.000 was transferred to second legal reserve. TL 280.000 was paid to shareholder as a first dividend and TL 250.000 was paid to employees as an additional payment. 50% of the sales revenue of the real estates sold in 2017 is TL 77.722 thousand and transferred to Other Reserves for monitoring in a special fund account. Within this framework, it has been decided to keep TL 7.160.393 of the profit within the Bank.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Developments related to TFRS 9 Transition Process

TFRS 9 "Financial Instruments", which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting.

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent solely payments of principal and interest.

Explanations on the impact of TFRS 9 implementation of the Bank are below.

ASSETS	31 December 2017	TFRS-9 Reclassification impact	TFRS-9 Remeasurement impact	1 January 2018
FINANCIAL ASSETS (Net)	120.589.957	(92.235)	75.529	120.573.251
Cash and cash equivalents	48.571.413	-	-	48.571.413
Cash and balances at Central Bank	44.268.664	-	-	44.268.664
Banks	4.302.749	-	-	4.302.749
Receivables from Money Markets	-	-	-	-
Financial assets measured at fair value to profit or loss	13.318	-	-	13.318
Financial assets measured at fair value to other comprehensive income	63.018.775	-	-	63.018.775
Financial assets measured at amortised cost	7.595.887	-	-	7.595.887
Derivative financial assets	1.390.564	-	-	1.390.564
Non-performing financial assets	-	-	-	-
Allowance for expected credit losses (-)	-	92.235	(75.529)	16.706
LOANS (Net)	298.258.032	(4.709.341)	5.047.138	298.595.829
Loans	298.032.546	-	-	298.032.546
Loans measured at amortised cost	298.032.546	-	-	298.032.546
Non-performing loans	4.774.329	-	-	4.774.329
Allowance for expected credit losses (-)	4.548.843	4.709.341	(5.047.138)	4.211.046
12-Month expected credit losses (Stage 1)	-	4.511.156	(3.992.797)	518.359
Significant increase in credit risk (Stage 2)	-	198.185	(72.687)	125.498
Credit-Impaired (Stage 3)	4.548.843	-	(981.654)	3.567.189
NON-CURRENTS ASSETS OR DISPOSAL GROUPS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS (Net)	670.215	-	-	670.215
INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	5.311.894	-	-	5.311.894
Investments in associates (Net)	94.912	-	-	94.912
Investments in subsidiaries (Net)	5.144.487	-	-	5.144.487
Jointly Controlled Partnerships (Joint Ventures) (Net)	72.495	-	-	72.495
TANGIBLE ASSETS (Net)	5.240.771	-	-	5.240.771
INTANGIBLE ASSETS AND GOODWILL (Net)	436.633	-	-	436.633
INVESTMENT PROPERTIES (Net)	-	-	-	-
TAX ASSET	930	-	-	930
OTHER ASSETS	3.766.077	-	-	3.766.077
TOTAL ASSETS	434.274.509	(4.801.576)	5.122.667	434.595.600

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

LIABILITIES AND EQUITY	31 December 2017	TFRS-9 Reclassification impact	TFRS-9 Remeasurement impact	1 January 2018
DEPOSITS	266.384.189	-	-	266.384.189
FUNDS BORROWED	29.064.795	-	-	29.064.795
MONEY MARKETS	56.257.726	-	-	56.257.726
SECURITIES ISSUED (Net)	12.757.369	-	-	12.757.369
FUNDS	6.030.575	-	-	6.030.575
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-
DERIVATIVE FINANCIAL LIABILITIES	547.769	-	-	547.769
FACTORING LIABILITIES	447	-	-	447
PROVISIONS	8.518.967	(4.804.152)	(431.859)	3.282.956
General Provision	5.391.870	(5.391.870)	-	-
Reserve for Employee Benefits	1.315.548	-	-	1.315.548
Other provision	1.811.549	587.718	(431.859)	1.967.408
CURRENT TAX LIABILITY	918.299	-	209.250	1.127.549
DEFERRED TAX LIABILITY	305.366	-	(173.427)	131.939
OTHER LIABILITIES	6.479.179	-	-	6.479.179
SHAREHOLDER'S EQUITY	47.009.828	2.577	5.518.702	52.531.107
Paid in capital	5.600.000	-	-	5.600.000
Capital reserves	(119.734)	119.482	-	(252)
Other capital reserves	(119.734)	119.482	-	(252)
Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss	-	3.739.406	-	3.739.406
Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss	-	72.871	(175)	72.696
Marketable Securities Valuation Differences	52.906	(52.906)	-	-
Tangible Assets Revaluation Reserves	3.858.888	(3.858.888)	-	-
Bonus Shares of Subsidiaries, Associates and Entities Under Common Control	17.388	(17.388)	-	-
Profit Reserves	29.660.259	-	-	29.660.259
Legal Reserves	3.604.355	-	-	3.604.355
Status Reserves	-	-	-	-
Extraordinary Reserves	24.630.569	-	-	24.630.569
Other Profit Reserves	1.425.335	-	-	1.425.335
Profit or (Loss)	7.940.121	-	5.518.877	13.458.998
Prior Periods' Profit or (Loss)	-	-	5.518.877	5.518.877
Current Period Profit or (Loss)	7.940.121	-	-	7.940.121
Minority Interest	-	-	-	-
TOTAL LIABILITIES AND EQUITY	434.274.509	(4.801.575)	5.122.666	434.595.600

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Reconciliation of the opening balances of the provision to TFRS 9

	Book value before TFRS 9 31 December 2017	Remeasurements	Book value after TFRS 9 1 January 2018
Loans Provision	9.258.184	(5.047.138)	4.211.046
Stage 1 ⁽¹⁾	4.511.156	(3.992.797)	518.359
Stage 2 ⁽¹⁾	198.185	(72.687)	125.498
Stage 3	4.548.843	(981.654)	3.567.189
Financial Assets ⁽²⁾	94.811	(75.703)	19.108
Non-Cash Loans ⁽³⁾	725.775	(431.859)	293.916
Stage 1 and 2	587.718	(462.375)	125.343
Stage 3	138.057	30.516	168.573
Total	10.078.770	(5.554.700)	4.524.070

⁽¹⁾ Represents general provisions for stage 1 and 2 loans before TFRS 9.⁽²⁾ Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Fair Value through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets.⁽³⁾ Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified "12. General Provision" and expected credit loss for stage 3 non-cash loans is classified "12.5. Other Provisions" under liabilities. In accordance with TFRS 9, the expected loss provisions for the Stage 1, Stage 2 and Stage 3 non-cash loans are in the "10.4 Other Provisions" column in the liabilities.

The Impact of TFRS 9 Transition to Equity

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not restated, it is stated that the difference between the book value of 1 January 2018 at the date of application should be reflected in the retained earning of equity. The explanations about the transition effects to TFRS 9 presented in the equity items under the scope of this article are given below.

The difference between the provision for impairment of the prior period and allowance for expected credit losses that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 amounting to TL 5.554.700 as income is recorded to "Prior years' profits or losses" in shareholders' equity.

As stated in the Communiqué on "Uniform Chart of Accounts and Prospectus" issued on 20 September 2017, for general provisions (TFRS 9 expected loss provisions for the loans at first and second stages), deferred tax assets calculation has started as of 1 January 2018. Within this scope, deferred tax assets amounting to TL 173.427 have been reflected to the opening financials of 1 January 2018 and the related amount has been recorded to "Prior years' profits or losses" in shareholders' equity.

For the specific provisions (TFRS 9 allowance for expected credit losses for third stage loans) which have been cancelled due to TFRS 9 transition, income tax loss amounting to TL 209.250 is recorded to "Prior years' profits or losses" in equity as of 1 January 2018.

The general provision amounting to TL 2.402 relating to equity investments in available-for-sale financial assets, which were presented under general provision in before TFRS 9, has been started to be recognized in "Other accumulated comprehensive income that will be reclassified in profit or loss" under equity.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

XXV. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT AVAILABLE FOR THE CURRENT PERIOD

"TFRS 9 Financial Instruments" standard came into effect instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies lost their validity with the transition of TFRS 9 are given below:

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

Held-to-maturity financial assets

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

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

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

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

Held to maturity assets are initially recognized at cost value.

Loans and receivables

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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. The Bank allocates general provisions for the first and second group loans and other receivables above the minimum rates specified in the Regulation.

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 The Bank, there exist ineffective shares of Kredi Garanti Fonu, Türk Ticaret Bankası in liquidation, 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.

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 2018 Bank's total capital has been calculated as TL 61.008.521 (31 December 2017: TL 50.097.067), capital adequacy ratio is 14, 82% (31 December 2017: 15, 20%). This ratio is well above the minimum ratio required by the legislation.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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. Information Related to The Components of Shareholders' Equity

	Current Period	Amount as per the regulation before 1/1/2014*
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	6.100.000	-
Share issue premiums	-	-
Reserves	35.758.745	-
Gains recognized in equity as per TAS	7.349.739	-
Profit	14.698.936	-
Current Period Profit	7.960.938	-
Prior Period Profit	6.737.998	-
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	63.924.808	-
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	6.523.415	-
Improvement costs for operating leasing	39.634	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	609.393	609.393
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

	Current Period	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	7.172.442	-
Total Common Equity Tier I Capital	56.752.366	-
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 (-)	-	-
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)	56.752.366	-
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)	4.258.026	-
Tier II Capital Before Deductions	4.258.026	-
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	4.258.026	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	61.010.392	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

	Current Period	Amount as per the regulation before 1/1/2014*
Deductions from Total Capital	61.010.392	-
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	1.871	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	61.008.521	-
Total Risk Weighted Assets	411.815.001	-
CAPITAL ADEQUACY RATIOS		
CET 1 Capital Ratio (%)	13,78	-
Tier I Capital Ratio (%)	13,78	-
Capital Adequacy Ratio (%)	14,82	-
BUFFERS		
Total additional core capital requirement ratio (a+b+c)	1,89	-
a) Capital conservation buffer requirement (%)	1,88	-
b) Bank specific countercyclical buffer requirement (%)	0,016	-
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	5,78	-
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	174.201	-
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	83.917	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1.545.993	-
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	4.258.026	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4.258.026	-
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

(*) 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".

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

	Prior 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 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1.916.885	-
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	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions from Common Equity Tier I Capital	2.331.013	-
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	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

	Prior Period 31 December 2017	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 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	-
Deductions from Total Capital	-	-
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
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 Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

	Prior Period 31 December 2017	Amount as per the regulation before 1/1/2014*
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 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

(*) The systemic significant bank buffer ratio has been shown as "-" 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".

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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. Necessary Explanations in order to Reach an Agreement Between the Statement of Shareholders's Equity and Balance-Sheet Amounts

Current Period	Balance sheet value	Amount of adjustment	Value at capital report
Paid-in capital	6.100.000	-	6.100.000
Other Capital Reserves	(483)	483	-
Bonus Shares which are not accounted in the current period profit or loss of Associates, Subsidiaries and Joint-Ventures	-	17.388	17.388
Portion of the current and prior periods' losses which cannot be covered through reserves and loss reflected in equity in accordance with TAS (-)	-	7.349.739	7.349.739
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	5.712.470	(5.712.470)	-
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(6.429.909)	6.429.909	-
Profit Reserves	37.320.380	(1.561.635)	35.758.745
Profit or Loss	14.698.936	-	14.698.936
Prior Periods' Profit/Loss	6.737.998	-	6.737.998
Current Period Net Profit/Loss	7.960.938	-	7.960.938
Deductions from Common Equity Tier I Capital ⁽¹⁾	-	7.172.442	7.172.442
Common Equity Tier 1 capital	57.401.394	-	56.752.366
Tier 1 capital	-	-	56.752.366
Provisions	-	-	4.258.026
Tier 2 capital ⁽²⁾	-	4.258.026	4.258.026
Shareholders' Equity Adjustments ⁽³⁾	-	1.871	1.871
Total Shareholders' Equity	57.401.394	3.607.127	61.008.521

⁽¹⁾ The regulations cover Common Equity Tier 1 capital adjustments within the framework of paragraphs 9-1-b and c.⁽²⁾ The regulations cover general loan provisions included in Tier 2 capital within the framework of paragraphs 8-1-a.⁽³⁾ The regulations cover Shareholders' Equity adjustments within the framework of paragraphs 9-8-ç.

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, Group Presidencies, Department Presidencies, Assistant General Management, General Manager, Credit Committee and Board of Directors.

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 Directorates/Branches.

The limits, subjects, collateral structure, maturities, accounts booked, outstanding balances of the loans allocated by the branches are periodically analyzed depending on the number of customers and monitored 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, collateral, etc.).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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.

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.

Non-cash risks of customers classified as non-performing loans in accordance with the Communiqué on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions" are subjected to expected loss provision (Stage 3) under the same regulation, when the related risks are reimbursed and transformed into cash receivables, they are followed up in the same risk group as the cash loan which was previously classified as non-performing loans and the expected losses provision (Stage 3) continues to be provided.

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 30% and 35% respectively (31 December 2017: 24% and 29%).

The percentage of top 100 and top 200 non-cash loans in the total non-cash loan portfolio is 53% and 65% respectively (31 December 2017: 54% and 65%).

The percentage of top 100 and top 200 cash and non-cash loans in the total cash and non-cash loan portfolio is 30% and 38% respectively (31 December 2017: 23% and 27%).

IFRS 9 expected loss provisions for the loans for the Stage 1 and Stage 2 are amounted TL 3.263.642 (31 December 2017: TL 5.391.870)

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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. 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	101.715.907	681.851	534.943	-	-	18.509.633	231.082.507
European Union Countries	64.088	-	-	-	-	25.482.569	184.327
OECD Countries ⁽¹⁾	-	-	-	-	-	986.769	107.465
Off-shore Banking Regions	-	-	-	-	-	26.699	-
USA, Canada	-	-	-	-	-	3.945.698	1.059.853
Other Countries	1.941.939	2.049	62	-	-	1.082.143	1.259.928
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	4.429.032	1.180.659
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-
Total	103.721.934	683.900	535.005	-	-	54.462.543	234.874.739

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	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 retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Investments in Equity Instruments ⁽³⁾	Other receivables	Total
	134.307.296	54.822.568	1.872.545	1.003.055	-	-	-	2.080.910	119.091	20.387.062	567.117.368
	64.831	-	1.727	803	-	-	-	-	9	-	25.798.354
	-	-	-	-	-	-	-	-	-	-	1.094.234
	-	-	-	-	-	-	-	-	-	-	26.699
	454	-	-	-	-	-	-	-	-	-	5.006.005
	146.447	32.141	287	1.841.225	-	-	-	-	23.906	-	6.330.127
	6.066	-	-	687.555	-	-	-	1.300.000	-	-	7.603.312
	-	-	-	-	-	-	-	-	-	-	-
	134.525.094	54.854.709	1.874.559	3.532.638	-	-	-	3.380.910	143.006	20.387.062	612.976.099

	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	Securisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Investments in Equity Instruments	Other Receivables ⁽³⁾	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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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
Agriculture	119	473	11.578	-	-	-	3.121.694	5.123.165
Farming and Stockbreeding	37	473	11.578	-	-	-	2.376.041	4.730.831
Forestry	82	-	-	-	-	-	538.135	170.433
Fishing	-	-	-	-	-	-	207.518	221.901
Manufacturing	74.812	6.082	31.472	-	-	-	100.315.586	9.095.844
Mining and Quarrying	-	-	-	-	-	-	5.110.036	161.125
Production	74.806	19	2.115	-	-	-	68.941.250	8.839.853
Electric, Gas and Water	6	6.063	29.357	-	-	-	26.264.300	94.866
Construction	-	-	58.284	-	-	-	49.455.899	4.688.200
Services	40.073.793	2.927	302.575	-	-	54.462.538	79.329.844	27.255.605
Wholesale and Retail Trade	18	1.435	6.357	-	-	-	23.069.403	19.717.803
Hotel Food and Beverage Services	302	13	1.237	-	-	-	4.765.048	1.602.016
Transportation and Telecommunication	4.786	249	152.113	-	-	-	15.625.958	2.733.835
Financial Institutions	39.828.794	-	16.951	-	-	49.011.495	11.828.099	14.050
Real Estate and Leasing Services	138.682	248	792	-	-	5.451.043	23.074.862	2.455.183
Self Employment Services	-	-	-	-	-	-	-	261
Education Services	100.492	-	115.705	-	-	-	376.173	263.689
Health and Social Services	719	982	9.420	-	-	-	590.301	468.768
Other	63.573.210	674.418	131.096	-	-	5	2.651.716	88.362.280
Total	103.721.934	683.900	535.005	-	-	54.462.543	234.874.739	134.525.094

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

Risk Classes												
	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 from banks, brokerage houses and corporate	Investments similar to collective investment funds	Investments in Equity Instruments	Other receivables	TL	FC	Total
	975.339	87.725	16.504	-	-	-	-	-	328.546	8.710.157	954.986	9.665.143
	937.276	83.914	16.266	-	-	-	-	-	327.429	8.149.536	334.309	8.483.845
	18.775	2.409	43	-	-	-	-	-	930	251.299	479.508	730.807
	19.288	1.402	195	-	-	-	-	-	187	309.322	141.169	450.491
	1.735.010	380.891	220.417	-	-	-	-	-	171.547	39.699.621	72.332.040	112.031.661
	24.312	4.515	485	-	-	-	-	-	79	902.499	4.398.053	5.300.552
	1.690.739	373.774	20.115	-	-	-	-	-	171.327	33.095.196	47.018.802	80.113.998
	19.959	2.602	199.817	-	-	-	-	-	141	5.701.926	20.915.185	26.617.111
	1.386.611	183.196	290.794	-	-	-	166.360	-	27.021	19.100.258	37.156.107	56.256.365
	5.297.109	590.941	1.253.641	-	-	-	3.214.550	143.006	93.421	87.437.600	124.582.350	212.019.950
	2.935.788	383.934	28.163	-	-	-	-	-	60.818	35.046.120	11.157.599	46.203.719
	796.019	41.885	154.028	-	-	-	-	-	6.717	2.636.566	4.730.699	7.367.265
	513.701	25.225	4.333	-	-	-	-	-	20.172	4.495.195	14.585.177	19.080.372
	2.430	41	1.002.368	-	-	-	2.889.876	143.006	754	28.773.187	75.964.677	104.737.864
	849.168	131.275	63.276	-	-	-	324.674	-	4.496	14.713.414	17.780.285	32.493.699
	-	-	-	-	-	-	-	-	-	-	261	261
	80.587	5.926	170	-	-	-	-	-	194	670.889	272.047	942.936
	119.416	2.655	1.303	-	-	-	-	-	270	1.102.229	91.605	1.193.834
	45.460.640	631.806	1.751.282	-	-	-	-	-	19.766.527	165.717.886	57.285.094	223.002.980
	54.854.709	1.874.559	3.532.638	-	-	-	3.380.910	143.006	20.387.062	320.665.522	292.310.577	612.976.099

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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
Sectors/Counter Parties								
Agriculture	955	873	12.484	-	-	-	2.502.034	4.897.362
Farming and Stockbreeding	359	529	8.789	-	-	-	2.064.354	4.087.431
Forestry	596	9	17	-	-	-	285.899	161.127
Fishing	-	335	3.678	-	-	-	151.781	648.804
Manufacturing	59.644	4.307	24.574	-	-	-	70.807.286	7.624.225
Mining and Quarrying	-	28	20	-	-	-	5.179.999	136.470
Production	59.644	513	17.903	-	-	-	48.652.936	7.414.516
Electric, Gas and Water	-	3.766	6.651	-	-	-	16.974.351	73.239
Construction	-	19	30.491	-	-	-	31.123.128	4.164.129
Services	2.813.141	5.185	405.911	-	-	26.385.655	60.038.530	23.242.615
Wholesale and Retail Trade	113	1.315	4.005	-	-	-	18.107.312	16.449.170
Hotel Food and Beverage Services	671	95	3.878	-	-	-	3.795.748	1.414.294
Transportation and Telecommunication	1.213	636	262.694	-	-	-	7.920.206	2.558.014
Financial Institutions	2.626.670	84	22.397	-	-	25.104.953	11.293.821	18.059
Real Estate and Leasing Services	113.624	934	1.022	-	-	1.280.702	18.204.766	2.187.180
Self Employment Services	-	-	-	-	-	-	-	-
Education Services	68.494	14	98.139	-	-	-	269.711	214.021
Health and Social Services	2.356	2.107	13.776	-	-	-	446.966	401.877
Other	69.616.640	641.216	173.352	-	-	9.963.256	3.571.295	80.115.483
Total	72.490.380	651.600	646.812	-	-	36.348.911	168.042.273	120.043.814

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

Risk Classes												
	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 from banks, brokerage houses and corporatse	Investments similar to collective investment funds	Investments in Equity Instruments	Other receivables	TL	FC	Total
	923.014	-	15.941	-	-	-	-	-	354.859	8.202.277	505.245	8.707.522
	781.167	-	15.298	-	-	-	-	-	350.882	7.116.656	192.153	7.308.809
	16.607	-	202	-	-	-	-	-	1.040	230.552	234.945	465.497
	125.240	-	441	-	-	-	-	-	2.937	855.069	78.147	933.216
	1.282.115	-	40.885	-	-	-	-	-	180.431	33.465.290	46.558.177	80.023.467
	10.155	-	706	-	-	-	-	-	33	1.104.072	4.223.339	5.327.411
	1.210.389	-	40.150	-	-	-	-	-	180.238	27.782.669	29.793.620	57.576.289
	61.571	-	29	-	-	-	-	-	160	4.578.549	12.541.218	17.119.767
	823.346	-	26.716	-	-	-	52.385	-	36.474	13.701.896	22.554.792	36.256.688
	3.909.971	-	907.042	-	-	-	2.349.772	137.407	90.178	62.733.667	57.551.740	120.285.407
	2.189.105	-	182.064	-	-	-	-	-	58.802	30.371.591	6.620.295	36.991.886
	422.841	-	115.343	-	-	-	-	-	5.934	2.227.813	3.530.991	5.758.804
	431.149	-	1.521	-	-	-	-	-	19.566	4.143.082	7.051.917	11.194.999
	2.005	-	603.888	-	-	-	1.471.450	137.407	684	13.970.709	27.310.709	41.281.418
	743.226	-	3.686	-	-	-	878.322	-	4.576	10.572.856	12.845.182	23.418.038
	-	-	-	-	-	-	-	-	-	-	-	-
	29.998	-	166	-	-	-	-	-	169	520.752	159.960	680.712
	91.647	-	374	-	-	-	-	-	447	926.864	32.686	959.550
	40.683.451	-	1.231.608	-	-	-	-	-	17.996.728	163.845.698	60.147.331	223.993.029
	47.621.897	-	2.222.192	-	-	-	2.402.157	137.407	18.658.670	281.948.828	187.317.285	469.266.113

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

4. Analysis of maturity-bearing exposures according to remaining maturities

Current Period	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Exposure Classifications:					
Conditional and unconditional exposures to central governments or central banks	3.190.166	120.489	2.228.434	3.748.742	94.434.103
Conditional and unconditional exposures to regional governments or local authorities	5.070	18	2.617	25.849	650.346
Conditional and unconditional receivables from administrative units and non-commercial enterprises	12.811	2.095	5.806	28.983	485.310
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	30.174.656	6.551.867	2.297.515	1.563.082	13.875.423
Conditional and unconditional exposures to corporates	1.786.591	6.461.933	2.666.726	41.111.641	182.847.848
Conditional and unconditional retail exposures	1.377.471	447.792	884.219	27.159.217	104.656.395
Conditional and unconditional exposures secured by real estate property	9.178	27.356	22.577	3.344.315	51.451.283
Past due receivables	1.699.780	376	34	191	174.178
Receivables defined in high risk category by BRSA	890.827	100.681	1.234	28.363	2.511.533
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	92.134	-	-	331.624	2.957.152
Investments in Equity Instruments	-	-	-	-	143.006
Grand Total	39.238.684	13.712.607	8.109.162	77.342.007	454.186.577

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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

Prior Period 31 December 2017	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Exposure Classifications:					
Conditional and unconditional exposures to central governments or central banks	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.

In determining the risk weights for the risk classes used in the risk ratings from the risk classes specified in Article 6 of the Regulation on the Measurement and Assessment of Capital Adequacy of Banks, the notes of the Fitch Ratings International Rating Agency for foreign banks and the Islamic International Rating Agency (IIRA) for countries are used. Domestic counterparties are considered as "Gradeless" and take the risk weight in accordance with the category of "Gradeless" in the 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

5. Exposures by risk weights:

Current Period

	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1	Exposures before Credit Risk Mitigation	99.274.675	-	27.787.143	-	45.423.242	186.888.665	250.069.736	3.532.638	-	-	-	650.898
2	Exposures after Credit Risk Mitigation	144.280.532	-	12.418.620	47.341.458	64.421.116	117.153.495	223.900.938	3.459.940	-	-	-	650.898

Prepared with the numbers after conversion rate to credit.

Prior Period

	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.

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 "TFRS 9 expected loss provisions for the loans for the stage 3" calculation is made within the scope of Regulation on Provisions.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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 "TFRS 9 expected loss provisions (Stage 2)" calculation is made within the scope of Regulation for Provisions.

	Loans		Provisions
	Impaired (TFRS 9)	Non-performing loans	Provisions for Expected
Current Period	Significant Increase in Credit Risk (Stage 2)	(Stage 3)	Credit Loss (TFRS)
Agriculture	2.269.454	1.231.300	689.259
Farming and Stockbreeding	2.255.362	1.218.312	678.631
Forestry	4.544	6.497	4.409
Fishery	9.548	6.491	6.219
Manufacturing	1.256.901	1.495.860	1.114.679
Mining and Quarrying	6.820	21.034	16.512
Production	980.736	1.454.341	1.054.662
Electricity, Gas and Water	269.345	20.485	43.505
Construction	2.301.174	607.996	459.787
Services	10.547.173	2.971.634	4.352.424
Wholesale and Retail Trade	1.626.669	1.819.071	1.479.131
Accommodation and Dining	458.281	128.510	105.366
Transportation and Telecom.	7.440.608	90.628	1.965.041
Financial Institutions	5.012	4.271	3.012
Real Estate and Rental Services	749.270	893.236	771.106
Professional Services	-	-	-
Educational Services	34.470	21.500	16.098
Health and Social Services	232.863	14.418	12.670
Other	1.833.155	1.152.959	912.937
Total	18.207.857	7.459.749	7.529.086

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Prior Period	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

	Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	3.567.189	2.061.271	(280.641)	-	5.347.819
2	General Provisions	643.857	2.410.933	(18.027)	-	3.036.763

	Prior Period	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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

The table below shows the maximum credit sensitivity of financial statement items.

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	6.731.624	1.403.882
Banks	5.746.211	4.302.749
Interbank Money Market Placements	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	78.387.523	63.018.775
Financial Assets Measured at Amortised Cost	10.254.639	7.595.887
Loans	370.946.494	298.258.032
Other Assets	5.314.082	2.169.308
Total credit risk exposure of balance sheet items	477.380.573	376.748.633
Financial Guarantees	121.185.020	96.107.126
Commitments	45.862.319	32.427.954
Total credit risk exposure of off-balance sheet items	167.047.339	128.535.080
Total credit risk exposure	644.427.912	505.283.713

	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	5.746.211	-	5.746.211	4.302.749	-	4.302.749
Financial Assets at Fair Value Through Profit or Loss	6.731.624	-	6.731.624	1.403.882	-	1.403.882
Loans:	353.663.470	18.207.857	371.871.327	292.723.165	5.309.381	298.032.546
Corporate/Entrepreneurial Loans	202.117.379	14.459.974	216.577.353	155.891.622	3.265.750	159.157.372
Consumer Loans	89.870.265	1.531.778	91.402.043	83.598.503	852.172	84.450.675
Specialized Loans	61.675.826	2.216.105	63.891.931	53.233.040	1.191.459	54.424.499
Financial Assets Measured at Fair Value Through Other Comprehensive Income	78.387.523	-	78.387.523	63.018.775	-	63.018.775
Financial Assets Measured at Amortised Cost	10.254.639	-	10.254.639	7.595.887	-	7.595.887

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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 ⁽¹⁾	10.367.476	11.292.800
<i>Corporate/Entrepreneurial Loans</i>	5.718.819	4.236.504
<i>Consumer Loans</i>	1.089.808	1.560.233
<i>Specialized Loans</i>	3.558.849	5.496.063
Other	-	-
Available-for-sale Financial Assets	-	-
Held-to-maturity Investments	-	-

⁽¹⁾ Accruals are not included.

8. Risks Included Capital Capacity Buffer Calculations

Current Period

Country	Banking Accounts RWA	Trading Accounts RWA	TOTAL
Bosnia and Herzegovina	1.401.445	-	1.401.445
USA	1.078.371	226.040	1.304.411
Turkish Republic of Northern Cyprus	591.347	-	591.347
Germany	484.989	-	484.989
Azerbaijan	389.808	-	389.808
Uzbekistan	270.123	-	270.123
Kosovo	202.039	61.656	263.695
Switzerland	159.287	-	159.287
Saudi Arabia	153.203	2.444	155.647
Lebanon	118.708	-	118.708
Other	1.021.197	-	1.021.197

Prior Period

Country	Banking Accounts RWA	Trading Accounts RWA	TOTAL
Bosnia and Herzegovina	2.192.122	29.403	2.221.525
USA	936.285	872.493	1.808.778
Turkish Republic of Northern Cyprus	1.343.351	1.700	1.345.051
Germany	1.292.030	-	1.292.030
Azerbaijan	586.744	-	586.744
Uzbekistan	367.879	205.576	573.455
Kosovo	417.550	1.327	418.877
Switzerland	305.419	-	305.419
Saudi Arabia	253.429	-	253.429
Lebanon	165.230	54.228	219.458
Other	1.607.595	66.431	1.674.026

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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 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
24.12.2018	5,2411	5,9906	3,6981	0,8026	0,5805	5,3128	3,8563	0,6005	6,6719	1,3970	4,7525
25.12.2018	5,2524	5,9673	3,7030	0,8021	0,5781	5,3400	3,8700	0,5989	6,6743	1,4001	4,7641
26.12.2018	5,2292	5,9534	3,6902	0,7974	0,5744	5,2708	3,8447	0,5933	6,6300	1,3939	4,7297
27.12.2018	5,2418	5,9799	3,6855	0,8013	0,5805	5,3195	3,8416	0,5960	6,6273	1,3973	4,7330
28.12.2018	5,2145	5,9726	3,6772	0,8003	0,5828	5,3225	3,8249	0,6005	6,6166	1,3901	4,7258
31.12.2018	5,2422	5,9934	3,6947	0,8028	0,5859	5,3134	3,8415	0,6027	6,7089	1,3975	4,7656

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
5,2604	5,9865	3,7711	0,8022	0,5825	5,3075	3,9166	0,6097	6,6682	1,4023	4,6921

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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. Information on the foreign currency risk of the Bank

Current Period	EUR	USD	Other FC ⁽¹⁾	Total
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	15.586.616	11.354.892	8.725.600	35.667.108
Banks	525.296	2.284.264	2.071.118	4.880.678
Financial Assets at Fair Value Through Profit and Loss	2.086.278	4.144.174	-	6.230.452
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	5.253.290	17.625.866	81.685	22.960.841
Loans ⁽²⁾	45.402.645	74.190.478	139.421	119.732.544
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) ⁽⁴⁾	2.074.564	1.148.364	-	3.222.928
Financial Assets Measured at Amortised Cost	890.956	3.958.304	769	4.850.029
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	8.012	434	4.128	12.574
Intangible Assets	3.872	-	7.945	11.817
Other Assets (6)	1.935.377	1.009.939	42.789	2.988.105
Total Assets ^{(5) (7)}	73.766.906	115.716.715	11.073.455	200.557.076
Liabilities				
Interbank Deposits	9.480.979	7.577.952	166.015	17.224.946
Foreign Currency Deposits	78.047.132	46.557.340	11.000.428	135.604.900
Money Market Borrowings	-	12.390.480	-	12.390.480
Funds Provided from Other Financial Institutions	9.379.455	22.120.189	3.396	31.503.040
Issued Marketable Securities	60.089	12.462.206	90.645	12.612.940
Sundry Creditors	2.133.579	39.531	7.032	2.180.142
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	2.488.244	4.430.330	1.611.179	8.529.753
Total Liabilities	101.589.478	105.578.028	12.878.695	220.046.201
Net Balance Sheet Position	(27.822.572)	10.138.687	(1.805.240)	(19.489.125)
Net Off-Balance Sheet Position ⁽³⁾	29.335.754	(12.368.708)	1.940.459	18.907.505
Financial Derivative Assets	33.782.256	31.635.082	3.647.503	69.064.841
Financial Derivative Liabilities	4.446.502	44.003.790	1.707.044	50.157.336
Non-Cash Loans	33.562.849	43.102.010	6.372.730	83.037.589
Prior Period				
Total Assets	48.394.040	88.907.933	9.785.290	147.087.263
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	16.757.136	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

⁽¹⁾ Of the foreign currencies presented in the other FC column of assets 77,61% is Gold, 15,98% is SAR, 2,34% is GBP, 2,16% is IQD, and the remaining 1,91% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 60,60% is Gold, 14,11% is GBP, 13,46% is SAR, 5,72% is CHF, 2,17% is DKK, 0,77% is SEK, 0,59% is BGN and the remaining 2,58% is other foreign currencies. (31 December 2017: 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.)

⁽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 2017: TL 1.356.454 equivalent of USD, TL 800.021 equivalent of EUR and TL 2.040 equivalent of GBP)

⁽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 3.787 are not included in the table.

⁽⁷⁾ Expected loss provisions for financial assets and other assets are reflected in related items.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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 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	21.974.449	-	-	-	-	18.516.763	40.491.212
Banks	3.318.379	10.879	45.483	-	-	2.370.766	5.745.507
Financial Assets at Fair Value Through Profit and Loss	20.574	8.478	3.234	916	5.966	6.692.456	6.731.624
Money Market Placements	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	8.849.807	8.341.822	18.668.696	19.927.493	21.937.049	662.656	78.387.523
Loans Given ⁽³⁾	127.048.614	34.097.919	66.018.652	119.026.844	22.642.535	2.111.930	370.946.494
Financial Assets Measured at Amortised Cost	2.388.244	883.236	1.944.981	1.618.345	3.418.449	-	10.253.255
Other Assets ⁽²⁾	404.550	1.297.606	311.015	81.474	10.437	22.495.430	24.600.512
Total Assets ^{(1) (5)}	164.004.617	44.639.940	86.992.061	140.655.072	48.014.436	52.850.001	537.156.127
Liabilities							
Interbank Deposits	15.187.956	5.292.517	446.008	-	-	4.742.133	25.668.614
Other Deposits	138.444.436	45.004.430	38.597.049	1.102.333	-	82.249.621	305.397.869
Money Market Borrowings	64.077.480	2.671.990	1.118.379	482.947	-	-	68.350.796
Sundry Creditors	-	-	-	-	-	5.315.978	5.315.978
Issued Marketable Securities	1.088.127	896.197	4.030.908	9.415.236	-	-	15.430.468
Funds Provided from Other Financial Institutions	6.970.785	8.941.633	11.721.664	5.508.802	1.028.769	-	34.171.653
Other Liabilities ⁽⁴⁾	1.333.955	810.066	460.321	281.682	4.831.437	75.103.288	82.820.749
Total Liabilities ⁽¹⁾	227.102.739	63.616.833	56.374.329	16.791.000	5.860.206	167.411.020	537.156.127
Balance Sheet Long Position	-	-	30.617.732	123.864.072	42.154.230	-	196.636.034
Balance Sheet Short Position	(63.098.122)	(18.976.893)	-	-	-	(114.561.019)	(196.636.034)
Off-Balance Sheet Long Position	-	1.098.007	-	-	-	-	1.098.007
Off-Balance Sheet Short Position	(34.431)	-	(74.986)	(139.258)	-	-	(248.675)
Total Position	(63.132.553)	(17.878.886)	30.542.746	123.724.814	42.154.230	(114.561.019)	849.332

⁽¹⁾ Balances without fixed maturity are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.⁽²⁾ Deferred tax asset is shown under the "Non-Interest Bearing" column.⁽³⁾ Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in loans given.⁽⁴⁾ Total shareholders' equity is shown under the "Non-Interest Bearing" column.⁽⁵⁾ Allowance for expected losses for financial assets and other assets are reflected in the related items.

(Based on days to repricing dates)

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Prior Period 31 December 2017	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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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. 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⁾	-	2,00	-	13,00
Banks	0,71	4,33	-	23,35
Financial Assets at Fair Value Through Profit and Loss	2,34	5,18	-	8,78
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,68	5,70	-	12,59
Loans Given ⁽²⁾	4,95	7,28	4,85	15,54
Investments Held-to-Maturity	6,63	7,32	-	17,06
Liabilities				
Interbank Deposits ⁽³⁾	0,52	2,32	-	23,33
Other Deposits ⁽⁴⁾	1,32	2,26	-	14,19
Money Market Borrowings	-	3,76	-	24,33
Sundry Creditors	-	-	-	-
Issued Marketable Securities	0,60	4,77	1,50	21,40
Funds Provided from Other Financial Institutions	1,22	3,94	-	21,13

⁽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⁾	-	1,50	-	4,00
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 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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. 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 - Current Period	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 ^(*)	143.006	143.006	-

^(*) The market values are taken into account as fair values because the equity investments are not traded in the stock exchange.

Investments in Equity Instruments - Prior Period	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 143.006 and 100% of them are risk weighted (31 December 2017: are amounted TL 137.407 and 100% of them are risk weighted).

VI. 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Explanation regarding the usage of the stress test

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

General information on liquidity urgent and unexpected situation plan

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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. Likidite Karşılama Oranı

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 95,72% in the week of 5 October 2018; and for the total 95,72% in the week of 5 October 2018. As for the highest ratios take place for FC as 127,68% in the week of 5 October 2018 and for the total as 127,68% in the week of 5 October 2018 (31 December 2017: 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).

Current Period	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TP+YP	YP	TP+YP	YP
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			57.078.656	38.987.473
CASH OUTFLOWS				
Retail and Small Business Customers, of which;	225.635.890	103.736.351	19.102.361	10.373.635
Stable deposits	69.224.573	-	3.461.229	-
Less stable deposits	156.411.317	103.736.351	15.641.132	10.373.635
Unsecured wholesale funding, of which;	102.475.385	45.423.037	58.204.960	28.155.342
Operational deposit	5.481.100	249.200	1.370.275	62.300
Non-operational deposits	82.408.632	38.360.429	43.781.140	21.368.021
Other unsecured funding	14.585.653	6.813.408	13.053.545	6.725.021
Secured funding			-	-
Other cash outflows, of which;	53.499.462	15.562.688	13.603.789	10.923.340
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	9.100.850	8.770.246	9.100.850	8.770.246
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	44.398.612	6.792.442	4.502.939	2.153.094
Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	52.116.679	37.788.687	2.671.135	1.889.434
TOTAL CASH OUTFLOWS			93.582.245	51.341.751
CASH INFLOWS				
Secured lending	-	-	-	-
Unsecured lending	30.268.536	13.125.293	18.717.764	9.093.084
Other cash inflows	1.414.804	7.199.952	1.414.804	7.199.952
Total Cash Inflows	31.683.340	20.325.245	20.132.568	16.293.036
			Upper Limit Applied Amounts	
TOTAL HQLA STOCK			57.078.656	38.987.473
TOTAL NET CASH OUTFLOWS			73.449.677	35.048.715
LIQUIDITY COVERAGE RATIO (%)			77,71	111,24

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Prior 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.

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. While considering 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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. Since the securities used in repo transactions lose the characteristic of being free, in accordance with that securities can be used as collateral, liquidity coverage ratio is affected.

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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 31 December 2018								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	18.516.763	21.974.449	-	-	-	-	-	40.491.212
Banks	2.370.766	3.318.379	10.879	45.483	-	-	-	5.745.507
Financial Assets at Fair Value Through Profit and Loss	-	3.039	8.478	3.234	18.451	5.966	6.692.456	6.731.624
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	691.413	3.656.742	8.291.799	31.106.069	34.271.449	370.051	78.387.523
Loans Given	-	18.827.446	23.489.893	148.970.294	147.769.313	29.777.618	2.111.930	370.946.494
Investments Held-to-Maturity	-	492.123	883.236	1.944.981	3.514.466	3.418.449	-	10.253.255
Other Assets	5.238.470	414.266	1.295.787	355.415	81.474	10.437	17.204.663	24.600.512
Total Assets	26.125.999	45.721.115	29.345.015	159.611.206	182.489.773	67.483.919	26.379.100	537.156.127
Liabilities								
Interbank Deposits	4.742.133	15.187.956	5.292.517	446.008	-	-	-	25.668.614
Other Deposits	82.249.621	138.434.298	44.985.092	38.487.845	1.196.461	44.552	-	305.397.869
Funds Provided from Other Financial Institutions	-	4.217.260	3.203.479	12.126.167	11.249.921	3.374.826	-	34.171.653
Money Market Borrowings	-	64.077.480	2.671.990	1.118.379	482.947	-	-	68.350.796
Issued Marketable Securities	-	1.088.127	896.197	4.030.908	9.415.236	-	-	15.430.468
Sundry Creditors	3.270.068	2.045.910	-	-	-	-	-	5.315.978
Other Liabilities (3)	13.094.327	1.908.929	1.810.151	351.953	281.683	6.143.957	59.229.749	82.820.749
Total Liabilities	103.356.149	226.959.960	58.859.426	56.561.260	22.626.248	9.563.335	59.229.749	537.156.127
Liquidity Gap	(77.230.150)	(181.238.845)	(29.514.411)	103.049.946	159.863.525	57.920.584	(32.850.649)	-
Net Off-Balance Sheet Position	-	(296.539)	(910.708)	239.414	672.964	-	-	(294.869)
Financial Derivative Assets	-	35.631.390	15.398.589	3.000.559	1.793.273	-	-	55.823.811
Financial Derivative Liabilities	-	35.927.929	16.309.297	2.761.145	1.120.309	-	-	56.118.680
Non-cash Loans	43.512.657	4.219.665	9.073.114	34.559.942	25.159.538	4.660.104	-	121.185.020
Prior Period								
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
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

(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) Non-performing loans net-off related provision for expected loss of stage 3 are presented in "undistributed" column.

(4) Allowance for expected credit losses for financial assets and other assets are recognized in the related account.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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	19.957.561	5.318.867	451.020	-	-	25.727.448
Other deposits	221.439.526	45.700.799	40.067.717	1.277.614	120.190	308.605.846
Funds borrowed from other financial institutions	4.264.500	3.298.313	12.655.495	12.825.612	4.837.708	37.881.628
Funds borrowed from Interbank money market	64.287.562	2.690.943	1.120.332	485.048	-	68.583.885
Total	309.949.149	57.008.922	54.294.564	14.588.274	4.957.898	440.798.807
Prior Period^(*)						
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

^(*) 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.

VII 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 7,82% (31 December 2017: 8,13%). 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)	534.876.356	430.766.423
(Assets deducted in determining Tier 1 capital)	(7.765.288)	(2.516.479)
Total on-balance sheet risks (sum of lines 1 and 2)	527.111.068	428.249.944
Derivative financial instruments and credit derivatives		
Replacement cost associated with all derivative financial instruments and credit Derivatives	2.232.071	1.581.527
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	633.593	499.682
Total risks of derivative financial instruments and credit derivatives	2.865.664	2.081.209
Securities or commodity financing transactions (SCFT)		
Risks from SCFT assets	5.074.003	5.102.762
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	5.074.003	5.102.762
Other off-balance sheet transactions		
Gross notional amounts of off-balance sheet transactions	168.298.955	127.578.228
(Adjustments for conversion to credit equivalent amounts)	-	-
Total risks of off-balance sheet items	168.298.955	127.578.228
Capital and total risks		
Tier 1 capital	55.001.423	45.764.096
Total risks	703.349.690	563.012.143
Leverage ratio		
Leverage ratio %	7,82	8,13

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

VIII. 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.

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.

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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.

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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 expected loss provisions for the loans for the stage 3 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.

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Overview of Risk Weighted Amounts

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	361.242.979	281.524.899	28.899.438
2	Standardised approach	361.242.979	281.524.899	28.899.438
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3.681.993	3.363.968	294.559
5	Standardised approach for counterparty credit risk	3.681.993	3.363.968	294.559
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	3.294.787	2.343.399	263.584
10	Investments made in collective investment companies-1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB Supervisory Formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	14.176.551	18.610.561	1.134.124
17	Standardised approach	14.176.551	18.610.561	1.134.124
18	Internal model approaches	-	-	-
19	Operational risk	29.418.691	23.652.179	2.353.495
20	Basic Indicator approach	29.418.691	23.652.179	2.353.495
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)	411.815.001	329.495.006	32.945.200

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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 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					Not subject to capital requirements or subject to deduction from capital
	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	
Assets						
Cash and balances at central bank	40.491.634	40.491.634	-	-	-	-
Banks	5.746.211	5.746.211	-	-	-	-
Receivables from Money Markets	-	-	-	-	-	-
Financial assets measured at fair value to profit or loss	6.731.624	-	-	-	6.731.624	-
Financial assets measured at fair value to other comprehensive income	78.387.523	50.287.378	28.169.653	-	28.100.145	-
Financial assets measured at amortised cost	10.254.639	10.254.634	1.996.979	-	-	-
Derivative financial assets	2.036.376	-	2.036.376	-	-	-
Loans (Net)	370.946.494	373.981.386	-	-	-	1.871
Investments in associates (Net)	94.912	94.912	-	-	-	-
Investments in subsidiaries (Net)	7.400.645	7.400.645	-	-	-	-
Jointly Controlled Partnerships (Joint Ventures) (Net)	107.756	107.756	-	-	-	-
Kiralama işlemlerinden alacaklar	-	-	-	-	-	-
Tangible Assets (net)	5.045.202	5.005.568	-	-	-	39.634
Intangible Assets (net)	609.393	-	-	-	-	609.393
Investment Properties (Net)	-	-	-	-	-	-
Tax Asset	1.598.290	1.598.290	-	-	-	-
Non-Currents Assets Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	1.225.389	1.225.389	-	-	-	-
Other Assets	6.522.423	6.522.423	-	-	-	-
Total Assets	537.156.127	502.716.226	32.203.008	-	34.831.769	650.898
Yükümlülükler						
Deposits	331.066.483	-	-	-	-	-
Funds Borrowed	34.171.653	-	2.860.112	-	-	-
Money Markets	68.350.796	-	25.941.503	-	-	-
Securities Issued (Net)	15.430.468	-	-	-	-	-
Funds	6.073.748	-	-	-	-	-
Derivative Financial Liabilities	1.643.492	-	-	-	-	-
Factoring borçları	-	-	-	-	-	-
Diğer yükümlülükler	18.719.617	-	-	-	-	-
Factoring Liabilities	221	-	-	-	-	-
Provisions	2.831.561	-	-	-	-	-
Tax Liability	1.466.694	-	-	-	-	-
Non-Currents Liabilities or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Debt Instruments	-	-	-	-	-	-
Equity	57.401.394	-	-	-	-	-
Total Liabilities	537.156.127	-	28.801.615	-	-	-

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Prior Period	Carrying values as reported in published financial statements ^(*)	Carrying values of items in accordance with TAS				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	
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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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

Current Period	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	537.156.127	502.716.226	32.203.008	34.831.769
Liabilities carrying value amount under regulatory scope of consolidation	-	-	28.801.615	-
Total net amount under regulatory scope of consolidation	537.156.127	502.716.226	3.401.393	34.831.769
Differences in valuations	229.969.735	72.904.465	73.687.383	-
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	767.125.862	575.620.691	77.088.776	34.831.769

Prior Period	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 structure.s

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).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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.

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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.

The controls on Risk Management Disclosures are carried out within the scope of Risk Management Department activities. Two separate control processes are carried out periodically in the related unit, Capital Adequacy Calculation process and other Risk Management processes control, and are carried out within the scope of capital adequacy check points and guide and control points and guidance related to other risk management activities.

All activities, new transactions and products planned by the Bank; compliance with relevant laws, regulations, internal policies and banking practices is controlled. In this context, the compliance of the legislative regulations regarding the Risk Management Disclosures with the intra-bank practices is also checked.

The control activities carried out in the Head Office Units are carried out in accordance with the control periods determined by taking into account the functions and the risks of the units, the duties of the units and their effects on the Bank's balance sheet. The control processes of the Head Office Units are carried out through the control points determined according to the processes, duties and powers of the unit and the control techniques are detailed in the General Directorate Control Manual.

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.

3.6. Credit Quality of Assets

			Allowances/ Amortisation and impairments	
Current Period	Defaulted	Non-defaulted		Net values
Loans	7.459.749	371.871.327	8.384.582	370.946.494
Debt Securities	-	103.634.009	6.223.847	97.410.162
Off-balance sheet exposures	279.906	166.767.433	448.141	166.599.198
Total	7.739.655	642.272.769	15.056.570	634.955.854
Prior Period	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	138.057	129.122.798	725.775	128.535.080
Total	4.912.386	500.896.620	6.997.350	498.811.656

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

3.7 Changes in the Defaulted Receivables and Debt Instruments

Current Period

1	Defaulted loans and debt securities at end of the previous reporting period	4.774.329
2	Loans and debt securities that have defaulted since the last reporting period	3.918.309
3	Returned to non-defaulted status	85.686
4	Amounts written off	-
5	Other changes	(1.147.203)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)^(*) definitions	7.459.749

(*) Provisions for non-cash loans are not included in the table.

Prior Period

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

(*) Provisions for non-cash loans are not included in the table.

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 expected loss 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. 29750 dated 22 June 2016. 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 expected credit loss provisions for the stage 1 and stage 2 for credits classified as "Standard Credits" and "Under Close Monitoring" and expected loss provisions for the loans for the stage 3 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 expected loss 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 expected loss provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 29750 and dated 22 June 2016 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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.

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	Non Performing Loans	Expected Loss Provisions	Total
Domestic	362.076.360	7.381.834	6.397.529	363.060.665
European Union Countries	342.142	27.358	25.833	343.667
USA, Canada	4.279	4.239	4.516	4.002
OECD Countries	7.341	-	54	7.287
Off-Shore Banking Regions	-	-	-	-
Other	9.441.205	46.318	1.956.650	7.530.873
Total	371.871.327	7.459.749	8.384.582	370.946.494

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

	Loans and Receivables	Non Performing Loans	Expected Loss Provisions	Total
Agriculture	71.208.801	1.231.300	899.518	71.540.583
Farming and Stockbreeding	70.306.635	1.218.312	884.498	70.640.449
Forestry	624.143	6.497	6.795	623.845
Fishing	278.023	6.491	8.225	276.289
Manufacturing	80.875.132	1.495.860	1.396.462	80.974.530
Mining and Quarrying	4.863.059	21.034	33.793	4.850.300
Production	52.668.951	1.454.341	1.209.519	52.913.773
Electric, Gas and Water	23.343.122	20.485	153.150	23.210.457
Construction	37.851.512	607.996	517.945	37.941.563
Services	86.459.618	2.971.634	4.563.056	84.868.196
Wholesale and Retail Trade	32.450.798	1.819.071	1.562.812	32.707.057
Hotel Food and Beverage Services	6.137.157	128.510	126.550	6.139.117
Transportation and Telecommunication	14.363.504	90.628	1.980.069	12.474.063
Financial Institutions	7.529.239	4.271	8.863	7.524.647
Real Estate and Leasing Services	24.407.120	893.236	851.636	24.448.720
Self Employment Services	-	-	-	-
Education Services	716.147	21.500	18.988	718.659
Health and Social Services	855.653	14.418	14.138	855.933
Other	95.476.264	1.152.959	1.007.601	95.621.622
Total	371.871.327	7.459.749	8.384.582	370.946.494

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Current Period	Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Undistributed	Total
Loans and Receivables	-	18.827.446	23.489.893	148.970.294	147.769.313	29.777.618	2.111.930	370.946.494
Prior Period	Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Undistributed	Total
Loans and Receivables	-	11.432.382	18.856.319	104.149.557	128.368.233	35.226.055	225.486	298.258.032

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	308.419	155.519	1.742.770	2.206.708
Retail Loans	57.408	11.971	4.894	74.273
Specialized Loans	604.811	183.072	95.164	883.047
Total	970.638	350.562	1.842.828	3.164.028

⁽¹⁾ Explanations on the amounts; For the loans with instalments, the overdue installment amounts, for other type of credits, the overdue principal amount and the remaining principal amounts of intallmanent results with a grand total of TL 15.043.829.

Prior 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 intallmanent 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 3.660.290, a portion of TL 3.404.751 consists of performing loans and remaining portion of TL 255.539 consists of non-performing loans. While the specific provision allocated for non-performing loans amounts to TL 166.198, no expected loss provision (Stage 3) was allocated for non-performing loans of TL 360, 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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
Current Period							
Loans	313.988.391	12.205.965	1.587.257	47.788.901	19.917.358	-	-
Debt Securities	95.373.786	-	-	-	-	-	-
Total	409.362.177	12.205.965	1.587.257	47.788.901	19.917.358	-	-
Of which defaulted	6.788.104	1.274	134	670.371	330.907	-	-
Prior Period							
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.

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

3.12. Standard Approach- Loan risk Exposure and the Effects of Loan Risk Reduction Techniques

Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount
Risk Classes						
Exposures to sovereigns and their central banks	103.382.072	755.048	140.351.903	2.508.107	20.164.873	14,1%
Exposures to regional and local governments	652.674	69.730	672.680	49.958	346.487	47,9%
Exposures to administrative bodies and non-commercial entities	252.278	726.398	875.633	300.059	1.101.096	93,7%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	47.005.226	15.738.552	47.005.223	8.087.350	10.822.141	19,6%
Exposures to corporates	175.719.811	104.533.979	153.986.632	57.470.710	207.127.806	98,0%
Retail exposures	129.695.090	36.438.867	114.564.343	3.715.750	87.948.545	74,3%
Exposures secured by residential property	47.446.107	331.458	47.194.835	178.693	16.589.279	35,0%
Exposures secured by commercial property	6.879.814	550.210	6.727.011	327.865	3.594.586	51,0%
Past-due items	1.874.559	-	1.543.667	-	1.130.264	0,0%
Exposures in high-risk categories	3.319.088	374.036	3.304.792	199.912	5.232.314	149,3%
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	3.314.849	133.558	3.314.849	66.061	3.294.788	97,5%
Other exposures	20.387.060	-	20.387.060	-	10.724.574	52,6%
Equity share investments	143.006	-	143.006	-	143.006	100,0%
Total	540.071.634	159.651.836	540.071.634	72.904.465	368.219.759	60,1%

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount
Risk Classes						
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%

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

3.13. Standard Approach: Receivables related with Risk Classes and Risk Weights

Current Period				35%	50%								Total risk amount (post-CCF and CRM)
Risk Classes/Risk Weight	0%	10%	20%	secured by property mortgage	secured by property mortgage	50% (*)	75%	100%	150%	200%	Other		
Exposures to sovereigns and their central banks	102.798.235	-	9.399	-	-	39.778.765	-	273.611	-	-	-	-	142.860.010
Exposures to regional and local government	31.656	-	35	-	-	688.934	-	2.013	-	-	-	-	722.638
Exposures to administrative bodies and non-commercial entities	74.516	-	100	-	-	-	-	1101.076	-	-	-	-	1175.692
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	28.301.034	-	11.576.563	-	-	13.416.294	-	1.798.682	-	-	-	-	55.092.573
Exposures to corporates	2.605.173	-	405.916	-	-	2.799.262	-	205.646.991	-	-	-	-	211.457.342
Retail exposures	710.828	-	414.870	-	-	900	117.153.495	-	-	-	-	-	118.280.093
Exposures secured by residential property	8.215	-	5.108	47.341.458	-	-	-	18.747	-	-	-	-	47.373.528
Exposures secured by commercial property	2.609	-	3.086	-	6.910.422	-	-	138.759	-	-	-	-	7.054.876
Past-due items	134	-	-	-	-	826.539	-	716.994	-	-	-	-	1.543.667
Exposures in high-risk categories	449	-	2.387	-	-	-	-	41.928	3.459.940	-	-	-	3.504.704
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	86.122	-	-	-	-	-	-	3.294.788	-	-	-	-	3.380.910
Equity share investments	-	-	-	-	-	-	-	143.006	-	-	-	-	143.006
Other exposures	9.661.561	-	1.156	-	-	-	-	10.724.343	-	-	-	-	20.387.060
Total	144.280.532	-	12.418.620	47.341.458	6.910.422	57.510.694	117.153.495	223.900.938	3.459.940	-	-	-	612.976.099

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Prior Period Risk Classes/Risk Weight	0%	10%	20%	35% secured by property mortgage	50% secured by property mortgage	50% ^(*)	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	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

3.14. Credit risk under Internal Ratings-Based (IRB) Approach

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

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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
	Cuurent Period						
	Valuation Method according to fair value - CCR (for derivatives)	1.852.350	589.296			2.441.646	1.131.017
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)					15.402.040	1.678.245
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)					3.178.525	817.062
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	Total						3.626.324

^(*) Effective Expected Positive Exposure

		Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) ^(*)	Alpha used for comput- ing regulatory EAD	Exposure at default post CRM	RWA
	Prior Period						
	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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

3.17. Capital Requirement for Loan Valuation Adjustments

	Current Period	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	2.441.646	55.669
4	Total subject to the CVA capital charge	2.441.646	55.669
	Prior Period	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

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

Current Period										Total credit exposure ^(*)
Risk Weight/Regulatory portfolio	0%	10%	20%	50%	75%	100%	150%	Other		
Exposures to sovereigns and their central banks	40.050	-	-	5.242	-	-	-	-	-	45.292
Exposures to regional and local governments	5.017	-	-	-	-	-	-	-	-	5.017
Exposures to administrative bodies and non-commercial entities	1.812	-	-	-	-	-	-	-	-	1.812
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	26.262.022	-	6.439.678	4.117.087	-	17.931	-	-	-	36.836.718
Exposures to corporates	59.801	-	-	-	-	305.088	-	-	-	364.889
Retail exposures	4.395	-	-	-	5.149	-	-	-	-	9.544
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	86.122	-	-	-	-	6.012	-	-	-	92.134
Equity share investments	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-
Other assets ^(**)	-	-	-	-	-	-	-	-	-	-
Total	26.459.219	-	6.439.678	4.122.329	5.149	329.031	-	-	-	37.355.406

^(*) 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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Prior Period 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Collaterals for CCR

	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Current Period						
Cash-domestic currency	-	-	-	-	14.032.882	-
Cash-foreign currency	-	-	-	-	14.612.240	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	28.645.122	-
	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Prior Period						
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	-

Credit Derivatives

None.

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

None.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Risks Related with Other Parts of the Center

		Exposure at default (post- CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs) (total)	709.305	17.957
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3	(i)OTC Derivatives	-	-
4	(ii)Exchange-traded Derivatives	-	-
5	(iii)Securities financing transactions	462.693	9.254
6	(iv)Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	246.612	8.703
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i)OTC Derivatives	-	-
14	(ii)Exchange-traded Derivatives	-	-
15	(iii)Securities financing transactions	-	-
16	(iv)Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Explanations on Securitization Disclosures

None.

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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.

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.

<i>Standard approach-Current Period</i>		RWA
Outright products		
1	Interest rate risk (general and specific)	11.638.176
2	Equity risk (general and specific)	454.090
3	Foreign exchange risk	2.084.285
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	14.176.551

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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>Standard approach-Period Period</i>		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

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, trading profit/loss (net) and other operating incomes and also by deducting profit/loss gained from sale of securities 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.

Current Period	31.12.2015	31.12.2016	31.12.2017	Total/Number of Positive GI years	Ratio (%)	Total
Gross Income	12.046.693	15.914.437	19.108.775	15.689.968	15	2.353.495
Amount Subject to Operational Risk						29.418.691
Prior Period	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 Book

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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 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 -Current Period	Shock Applied (+/- x basis point)	Gains/(Losses)	Gains/Equity- (Losses)/Equity
1. TL	500	(7.858.209)	(13,08%)
2. TL	(400)	7.553.954	12,58%
3. EUR	200	335.294	0,56%
4. EUR	(200)	(305.553)	(0,51%)
5. USD	200	(1.960.562)	(3,26%)
6. USD	(200)	2.589.906	4,31%
Total (of negative shocks)		9.838.307	16,38%
Total (of positive shocks)		(9.483.477)	(15,79%)

Type of Currency-Prior Period	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%)

Notes and explanations prepared in accordance with "the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks" published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section. As of 31 December 2018, the following notes to be presented on a quarterly and semi-annually basis according to Communiqué have not been presented due to usage of standard approach for the calculation of capital adequacy by the Bank.

RWA flow statements of market risk exposures under an Internal Model Approach (IMA)

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

RWA (Risk Weighted Amounts) flow statements of credit risk exposures under IRB

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

IX. EXPLANATIONS ON OPERATING SEGMENTS

Organizational and internal reporting structure of the Bank is determined in line with TFRS 8 "Operating Segments".

The Bank has operations in retail banking, corporate and SME 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 public funds whose risk does not belong to the Bank, pension payments, credit cards, automatic and regular payment, cheques and notes, money transfer order, foreign exchange transactions, ATM internet banking, mobile banking, safe-deposit box and insurance brokerage services. Moreover, existing banking products are improved and new banking products are launched in order to increase profitability and benefit from the services undertaken as being a state bank. By "Finart" IT 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 SME banking, the Bank allocates 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 and, spot and forward TL, foreign currency, precious metal, securities derivative transactions are executed in local and international organized and over the counter money and capital markets and also The Bank's liquidity and securities portfolio management, deposit and non-deposit funding activities are executed. Additionally the distribution of treasury products between branches and other channels for marketing purposes and the intermediation to the customers' trade finance are other responsibilities of the EVP. 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 mutual 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 have long term financing from banks and international financial institutions issues bonds in local and international markets, manages relationship with correspondent banks and relations with international investors so as to diversify its funding base are among the responsibilities of the Department.

Besides, the Bank has commission revenue from life, non-life and private pension insurance and other finance institutions by rendering agency services through its Branches.

As of 31 December 2018 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".

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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

	Retail Banking	Corporate/ SME banking	Specialized Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
Current Period						
OPERATING INCOME/EXPENSE						
Interest Income	11.336.624	18.385.076	6.933.515	16.318.041	80.551	53.053.807
Interest Income from Loans	11.336.624	18.385.076	6.933.515	4.372.703	-	41.027.918
Interest Income from Banks	-	-	-	248.312	-	248.312
Interest Income from Securities	-	-	-	10.977.126	-	10.977.126
Other Interest Income	-	-	-	719.900	80.551	800.451
Interest Expense	12.589.361	5.266.127	-	13.129.056	153.452	31.137.996
Interest Expense on Deposits	12.589.361	5.266.127	-	1.819.052	-	19.674.540
Interest Expense on Funds Borrowed	-	-	-	1.429.422	-	1.429.422
Interest Expense on Money Market Transactions	-	-	-	8.793.448	-	8.793.448
Interest Expense on Securities Issued	-	-	-	1.087.134	-	1.087.134
Other Interest Expense	-	-	-	-	153.452	153.452
Net Interest Income/Expense	(1.252.737)	13.118.949	6.933.515	3.188.985	(72.901)	21.915.811
Net Fees and Commission Income/Expense	1.805.533	1.450.116	99.539	(795.106)	77.712	2.637.794
Fees and Commissions Received	1.805.533	1.450.116	99.539	13.885	188.714	3.557.787
Fees and Commissions Paid	-	-	-	808.991	111.002	919.993
Personnel Expenses	-	-	-	-	2.839.925	2.839.925
Dividend Income	-	-	-	290.900	-	290.900
Trading Income/Loss (Net)	-	-	-	(3.834.183)	-	(3.834.183)
Other Operating Income	35.122	176.485	30.671	4.260	1.187.305	1.433.843
Provision for Expected Loss (-)	1.146.329	2.749.669	805.633	994	16.062	4.718.687
Other Operating Expense	1.717.834	41.071	53.863	-	3.039.101	4.851.869
Income Before Tax	(2.276.245)	11.954.810	6.204.229	(1.146.138)	(4.702.972)	10.033.684
Profit/Loss on Equity Method Applied Subsidiaries	-	-	-	-	-	-
Tax Provision	-	-	-	-	(2.072.746)	(2.072.746)
Net Profit/Loss	(2.276.245)	11.954.810	6.204.229	(1.146.138)	(6.775.718)	7.960.938
SEGMENT ASSETS						
Financial Assets at FV Through P/L	-	-	-	6.731.624	-	6.731.624
Banks and Other Financial Institutions	-	-	-	5.745.507	-	5.745.507
Financial Assets Available for Sale (Net)	-	-	-	78.387.523	-	78.387.523
Loans	91.540.432	201.771.123	64.158.050	13.476.889	-	370.946.494
Derivative Financial Assets	-	-	-	10.253.255	-	10.253.255
Held to Maturity Investments (Net)	-	-	-	2.036.376	-	2.036.376
Associates, Subsidiaries and Joint Ventures	-	-	-	7.603.313	-	7.603.313
Other Assets	17.591	1.103.924	100.315	36.953.627	17.276.578	55.452.035
TOTAL SEGMENT ASSETS	91.558.023	202.875.047	64.258.365	161.188.114	17.276.578	537.156.127
SEGMENT LIABILITIES						
Deposits	243.086.366	54.506.095	-	25.668.614	7.805.408	331.066.483
Derivative Financial Liabilities Held for Trading	-	-	-	1.643.492	-	1.643.492
Funds Borrowed	-	-	-	34.171.653	-	34.171.653
Money Market Funds	2.657	13.548.364	-	54.799.775	-	68.350.796
Securities Issued (Net)	-	-	-	15.430.468	-	15.430.468
Provisions	-	448.141	-	-	2.383.420	2.831.561
Other Liabilities	-	-	-	-	26.260.280	26.260.280
Shareholders' Equity	-	-	-	-	57.401.394	57.401.394
TOTAL SEGMENT LIABILITIES	243.089.023	68.502.600	-	131.714.002	93.850.502	537.156.127
OTHER SEGMENT ITEMS						
Capital Investment	-	-	-	-	-	-
Amortization Expense	-	-	-	-	313.160	313.160
Restructuring Costs	-	-	-	-	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

		Corporate/ SME banking	Specialized Banking	Treasury/ Investment Banking	Other /Undistributed	Total
Prior Period 31 December 2017	Retail Banking					
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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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

1. Information Regarding the Fair Value of Financial Assets and Liabilities

Current Period	Book Value	Fair Value
Financial Assets	465.334.867	465.208.633
Due from Interbank Money Market	-	-
Banks	5.746.211	5.746.211
Available-for-sale Financial Assets	78.387.523	78.387.523
Held-to-maturity Investments	10.254.639	10.128.405
Loans	370.946.494	370.946.494
Financial Liabilities	385.984.582	385.984.582
Bank Deposits	25.668.614	25.668.614
Other Deposits	305.397.869	305.397.869
Funds Borrowed from Other Financial Institutions	34.171.653	34.171.653
Issued Marketable Securities	15.430.468	15.430.468
Miscellaneous Payables	5.315.978	5.315.978
Prior Period	Book Value	Fair Value
Financial Assets	373.175.443	373.583.925
Due from Interbank Money Market	-	-
Banks	4.302.749	4.302.749
Available-for-sale Financial Assets	63.018.775	63.018.775
Held-to-maturity Investments	7.595.887	8.004.369
Loans	298.258.032	298.258.032
Financial Liabilities	312.228.414	312.228.414
Bank Deposits	15.383.002	15.383.002
Other Deposits	251.001.187	251.001.187
Funds Borrowed from Other Financial Institutions	29.064.795	29.064.795
Issued Marketable Securities	12.757.369	12.757.369
Miscellaneous Payables	4.022.061	4.022.061

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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 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)	6.731.624	-	-	6.731.624
Government Debt Securities	6.393.453	-	-	6.393.453
Marketable Securities	-	-	-	-
Other Marketable Securities	338.171	-	-	338.171
Financial Assets at Fair Value Through Other Comprehensive Income	78.059.998	184.520	115.577	78.360.095
Government Debt Securities	77.811.852	-	-	77.811.852
Marketable Securities	227.046	-	115.577	342.623
Other Marketable Securities	21.100	184.520	-	205.620
Derivative Financial Assets	-	2.036.376	-	2.036.376
Subsidiaries and Joint Ventures⁽²⁾	-	-	3.222.927	3.222.927
Total Assets	84.791.622	2.220.896	3.338.504	90.351.022
Derivative Financial Liabilities	-	1.643.492	-	1.643.492
Total Liabilities	-	1.643.492	-	1.643.492

⁽¹⁾ Since equity securities under the heading of Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income amounting to TL 27.428 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.)

⁽²⁾ Information on domestic partnerships monitored over acquisition cost is not shown in this table.

Prior 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
Subsidiaries and Joint Ventures⁽²⁾	-	2.181.509	-	2.181.509
Total Assets	62.810.018	3.770.962	-	66.580.980
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.

⁽²⁾ Information on domestic partnerships monitored over acquisition cost is not shown in this table.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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 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

In accordance with the transition provisions of TFRS 9, the prior period financial statements and footnotes are not restated. Footnotes prepared on different bases are presented in separate tables.

1. Information on Cash and Balances with Central Bank of the Republic of Turkey

	Current Period	
	TL	FC
Cash in TL/Foreign Currency	2.075.790	1.429.963
Central Bank of the Republic of Turkey	2.747.581	34.206.046
Other	1.150	31.104
Total	4.824.521	35.667.113

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 8%; for deposits up to 6-months maturity 5%; for deposits up to 1-year maturity 3%; for deposits 1-year and longer maturity 1,5%; for TL liabilities other than deposits up to 1-year maturity 8%; for TL liabilities other than deposits between 1- and 3-years maturity 4,5%; for TL liabilities other than deposits more than 3-years maturity 1,5%; 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 20%; for FC liabilities other than deposits up to 2-years maturity 15%; for FC liabilities other than deposits up to 3-years maturity 10%; 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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

	Current Period	
	TL	FC
Unrestricted Demand Deposit	2.424.088	12.546.367
Unrestricted Time Deposit	-	-
Restricted Time Deposit	-	763
Other ⁽¹⁾	323.493	21.658.916
Total	2.747.581	34.206.046

⁽¹⁾ Includes required reserves and CBRT Restricted Electronic Money Funds amounting to TL 7.537. Required reserve of branches abroad amounting to TL 163.388 is presented in this line. TL 10.945.733 of the current period's FC required reserve is the part of the TL required reserves that are held in FC.

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	
	TL	FC
Derivative financial assets held-for-trading		
Forward Transactions	243.160	15.245
Swap Transactions	1.305.367	471.896
Futures Transactions	-	-
Options	-	708
Other	-	-
Total	1.548.527	487.849

4. Information on Banks and Other Financial Institutions

4.1. Information on Bank Balances

	Current Period	
	TL	FC
Banks		
Domestic Banks	686.231	2.278
Foreign Banks	178.850	4.878.852
Foreign Head Office and Branches	-	-
Total	865.081	4.881.130

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

4.2. Information on Foreign Bank Accounts

	Unrestricted Amount	Restricted Amount
	Current Period	Current Period
European Union Countries	467.631	-
USA, Canada	1.701.552	-
OECD Countries ⁽¹⁾	22.129	-
Off-shore Banking Regions	-	-
Other	2.865.491	899
Total	5.056.803	899

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

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
Assets Subject to Repurchase Agreements	28.169.653
Assets Blocked/Given as Collateral	45.687.419
Total	73.857.072

6. Information on Financial Assets Available For Sale

	Current Period
Debt Securities	84.213.066
Quoted in Stock Exchange	84.028.546
Not Quoted in Stock Exchange	184.520
Share Certificates	395.377
Quoted in Stock Exchange	227.170
Not Quoted in Stock Exchange	168.207
Provision for Impairment (-)	6.220.920
Total	78.387.523

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	
	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-
Legal Entities	-	-
Individuals	-	-
Indirect Loans Granted to Shareholders	-	-
Loans Granted to Employees ^{(1) (2)}	365.688	-
Total	365.688	-

⁽¹⁾ Interest rediscount and interest accrual amounting TL 4.243, are not included in the table above.⁽²⁾ Since the balance of overdraft accounts related to employees amounting TL 22.068, is showed under Table 7.4. as overdraft accounts (real person), it is not included to the table above.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

7.2 Information on the First and Second Group Loans and Other Receivables Including Restructured or Rescheduled Loans

Cash Loans	Standard Loans	Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring	
			Restructured or Rescheduled	Refinancing
Non-Specialized Loans	287.524.006	12.257.515	2.023.033	-
Commercial Loans	188.591.255	4.728.644	1.950.717	-
Export Loans	5.709.535	27.105	-	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	1.688.751	6.052.521	-	-
Consumer Loans	84.626.693	1.297.885	71.882	-
Credit Cards	5.805.745	134.811	434	-
Other	1.102.027	16.549	-	-
Specialized Lending ^{(1) (2)}	58.636.554	1.518.720	534.642	-
Other Receivables	-	-	-	-
Interest Income Accruals ⁽²⁾	7.502.910	1.760.999	112.948	-
Total	353.663.470	15.537.234	2.670.623	-

⁽¹⁾ Agricultural loans of funds originated are shown in specialized lendings.⁽²⁾ Farmer support agricultural loans are shown in specialized lendings.

	Standard Qualified Loans	Loans in Close Monitoring
Expected Provision Loss for 12 months	855.496	-
Significant Increase in Credit Risk	-	2.181.267

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended	5.737.944	3.851.508
3 - 4 or 5 Times Extended	398.011	357.178
Over 5 Times Extended	10.447	12.388

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	3.158.689	2.125.650
6 - 12 Months	999.805	435.713
1 - 2 Years	335.644	276.250
2 - 5 Years	1.500.893	1.265.495
5 Years and Over	151.371	117.966
Total	6.146.402	4.221.074

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
Short-term Loans	71.401.575	1.481.478	365.376
Medium and Long-term Loans and Other Receivables	274.758.985	12.294.757	2.192.299

⁽¹⁾ Rediscounts are not included.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

7.4. Information on Consumer Loans, Individual Credit Cards and Personnel Loans and Personnel Credit Cards

Current Period	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	780.170	83.379.437	84.159.607
Real Estate Loans ⁽²⁾	12.233	51.727.328	51.739.561
Vehicle Loans	4.054	180.446	184.500
Consumer Loans ⁽²⁾	763.883	31.471.663	32.235.546
Other	-	-	-
Consumer Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	1.170	42.151	43.321
Real Estate Loans	-	7.064	7.064
Vehicle Loans	-	-	-
Consumer Loans	1.170	35.087	36.257
Other	-	-	-
Individual Credit Cards-TL	4.517.288	118.447	4.635.735
With Installment	1.300.562	114.935	1.415.497
Without Installment	3.216.726	3.512	3.220.238
Individual Credit Cards-FC	504	-	504
With Installment	-	-	-
Without Installment	504	-	504
Personnel Loans-TL	10.872	231.950	242.822
Real Estate Loans	-	2.260	2.260
Vehicle Loans	-	-	-
Consumer Loans	10.872	229.690	240.562
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	120.677	2.141	122.818
With Installment	39.914	2.048	41.962
Without Installment	80.763	93	80.856
Personnel Credit Cards-FC	48	-	48
With Installment	-	-	-
Without Installment	48	-	48
Overdraft Accounts-TL (Real Person)	1.550.710	-	1.550.710
Overdraft Accounts-FC (Real Person)	-	-	-
Total ⁽¹⁾	6.981.439	83.774.126	90.755.565

⁽¹⁾ TL 646.478 of interest income accrual is not included in the table above.⁽²⁾ Consumer loans originated from funds amounting to TL 3.839.218 of are included in the table above.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

7.5. Information on Commercial Installment Loans and Corporate Credit Cards

Current Period	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	1.599.002	32.072.687	33.671.689
Business Loans	586	434.733	435.319
Vehicle Loans	46.303	785.233	831.536
Consumer Loans	1.552.113	30.852.721	32.404.834
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	160.509	28.492.473	28.652.982
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	160.509	28.492.473	28.652.982
Other	-	-	-
Corporate Credit Cards-TL	1.167.050	14.704	1.181.754
With Installment	353.950	14.640	368.590
Without Installment	813.100	64	813.164
Corporate Credit Cards-FC	131	-	131
With Installment	-	-	-
Without Installment	131	-	131
Overdraft Account-TL (Legal Entity)	663.279	-	663.279
Overdraft Account-FC (Legal Entity)	-	-	-
Total ⁽¹⁾	3.589.971	60.579.864	64.169.835

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

7.6. Loans According to Types Of Borrowers

	Current Period
Public	3.566.745
Private	358.927.725
Interest Income Accruals of Loans	9.376.857
Total	371.871.327

7.7. Breakdown of Domestic and International Loans

	Current Period
Domestic Loans	353.958.673
Foreign Loans	8.535.797
Interest Income Accruals of Loans	9.376.857
Total	371.871.327

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

7.8. Loans Granted to Subsidiaries and Associates

	Current Period
Direct loans granted to subsidiaries and associates	2.535.527
Indirect loans granted to subsidiaries and associates	-
Total	2.535.527

7.9. Provisions provided against loans

	Current Period
Loans and other receivables with limited collectability	388.478
Loans and other receivables with doubtful collectability	688.923
Uncollectible loans and other receivables	4.270.418
Total	5.347.819

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	27.918	77.194	150.427
(Gross amounts before the specific provisions)	-	-	-
Loans and other receivables which are restructured	27.918	77.194	150.427
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	355.665	490.272	3.928.392
Additions (+)	3.394.562	238.089	285.658
Transfers from Other Categories of Loans under Follow-Up (+)	-	2.238.822	1.398.337
Transfers to Other Categories of Loans under Follow-Up (-)	2.238.822	1.398.337	-
Collections (-) ⁽¹⁾	333.177	252.975	568.521
Sold	31.399	2.485	44.332
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance	1.146.829	1.313.386	4.999.534
Specific Provision (-)	388.478	688.923	4.270.418
Net Balance on Balance Sheet ⁽²⁾	758.351	624.463	729.116

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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	1.923	1.124	24.746
Expected Loss Provision (-)	809	604	23.223
Net Balance on Balance Sheet	1.114	520	1.523

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)	758.351	624.463	729.116
Loans to Real Persons and Legal Entities (Gross)	1.146.829	1.313.386	4.864.328
Specific Provisions (-)	388.478	688.923	4.135.212
Loans to Real Persons and Legal Entities (Net)	758.351	624.463	729.116
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	135.206
Specific Provisions (-)	-	-	135.206
Other Loans and Receivables (Net)	-	-	-

7.10.5. Information on accruals of interest,rediscount and valuation effect and their provisions calculated for non-performing loans banks which provide expected credit loss according to TFRS 9

	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)	65.936	27.893	8.290
Interest Accruals and Valuation Differences	108.834	55.936	25.067
Specific Provisions (-)	42.898	28.043	16.777

7.10.6. 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. 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.

7.10.7. 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

7.10.8. Other Explanations and Disclosures

Current Period	Corporate/SME	Consumer	Agricultural	Total
Neither Past Due nor Impaired Loans ⁽¹⁾	202.117.379	89.870.265	61.675.826	353.663.470
Past Due but not Impaired Loans	14.459.974	1.531.778	2.216.105	18.207.857
Impaired Loans	5.403.149	949.515	1.107.085	7.459.749
Total	221.980.502	92.351.558	64.999.016	379.331.076
Specific Provisions of Impaired Loans (-)	4.075.927	707.554	564.338	5.347.819
Net Loan Amount	217.904.575	91.644.004	64.434.678	373.983.257

⁽¹⁾ TL 3.839.218 consumer, TL 1.950.642 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	Corporate/SME	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.

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	
	TL	FC
Government Bonds	177.923	1.819.056
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-
Asset Backed Securities	-	-
Other	-	-
Total	177.923	1.819.056

Held-to-maturity investments given as collateral or blocked

	Current Period	
	TL	FC
Bills	-	-
Bonds and Similar Investment Securities	3.790.424	3.019.229
Other	-	-
Total	3.790.424	3.019.229

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

8.2. Information on Held-to-Maturity Government Bonds and Treasury Bills

	Current Period
Government Bonds	10.056.544
Treasury Bills	-
Other Public Sector Debt Securities	-
Total	10.056.544

8.3 Information on Held-to-Maturity Investments

	Current Period
Debt securities	10.254.639
Quoted in a Stock Exchange	10.056.544
Not Quoted in a Stock Exchange	198.095
Provision for Impairment (-)	-
Total	10.254.639

8.4 Movements of Held-to-Maturity Investments

	Current Period
Beginning Balance	7.595.887
Foreign Currency Differences on Monetary Assets	1.764.370
Purchases During the Year ⁽¹⁾	3.501.862
Disposals through Sales and Redemptions	(2.607.480)
Provision for Impairment (-)	-
Period End Balance	10.254.639

⁽¹⁾ Accruals are shown in "Purchases During the Year".

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	25,00	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	124.867	68.647	56.073	4.658	-	19.635	9.198	-
2	310.575	176.864	165.369	9.559	-	30.615	44.798	-
3	5.995.076	866.788	117.413	271.724	38.065	100.978	80.268	-

⁽¹⁾ There is no fair value due to the fact that associates are not traded in the stock exchange⁽²⁾ Current period information of associates has been provided from limited reviewed financial statements as of 31 December 2018. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 December 2017.⁽³⁾ Total fixed assets include tangible and intangible assets.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

9.2. Information about Associates (Net)

	Current Period
Balance at the Beginning of the Period	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
Capital Commitments	-
Period Ending Share of Capital Participation (%)	15,43

9.3. Sectoral Information and Related Amounts of Associates

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

9.4. Associates Quoted to a Stock Exchange

None (31 December 2017: None).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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/Türkiye	100,00	100,00
2	Ziraat Sigorta A.Ş.	İstanbul/Türkiye	100,00	100,00
3	Ziraat Finansal Kiralama A.Ş.	İstanbul/Türkiye	100,00	100,00
4	Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/Türkiye	100,00	99,60
5	Ziraat Portföy Yönetimi A.Ş.	İstanbul/Türkiye	100,00	99,80
6	Ziraat Katılım Bankası A.Ş.	İstanbul/Türkiye	100,00	100,00
7	Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Türkiye	100,00	100,00
8	Ziraat Girişim Sermayesi Yatırım Ortaklığı A.Ş. ^(*)	İstanbul/Türkiye	100,00	100,00
9	Ziraat Teknoloji A.Ş.	İstanbul/Türkiye	100,00	100,00
10	Ziraat Bank International A.G.	Frankfurt/Almanya	100,00	100,00
11	Ziraat Bank BH d.d.	Saraybosna/Bosna Hersek	100,00	100,00
12	Ziraat Bank (Moscow) JSC	Moskova/Rusya	100,00	100,00
13	Kazakhstan Ziraat Int. Bank	Almatı/Kazakistan	100,00	99,58
14	Ziraat Bank Azerbaycan ASC	Bakü/Azerbaycan	100,00	100,00
15	Ziraat Bank Montenegro AD	Podgoritsa/Karadağ	100,00	100,00
16	JSC Ziraat Bank Georgia	Tiflis/Gürcistan	100,00	100,00
17	Ziraat Bank Uzbekistan JSC	Taşkent/Özbekistan	100,00	100,00

^(*) Establishment procedures of Ziraat Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi'. as a subsidiary of the Parent Bank, is completed by a registration in the Turkish Trade Registry Gazette on 14 November 2018

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

	Total Assets ⁽⁴⁾	Shareholders' Equity ⁽⁴⁾	Total Non- Current Assets ⁽⁴⁾	Interest Income ^{(3) (4)}	Income from Marketable Securities ^{(2) (4)}	Current Period Profit/ Loss ⁽⁴⁾	Prior Period Profit/Loss ⁽⁴⁾	Fair Value ⁽¹⁾	Shareholders equity amount needed
1	7.934.269	1.035.806	2.318	323.057	-	549.108	447.839	-	-
2	1.588.415	644.324	5.438	155.264	-	294.914	221.883	-	-
3	3.340.955	375.887	1.320	7.041	-	40.930	68.279	-	-
4	261.424	182.010	378	-	1.115.445	68.147	40.740	-	-
5	64.084	60.171	364	9.670	31.796	20.902	15.843	-	-
6	21.728.699	1.640.386	121.455	1.291.286	75.268	242.045	98.592	-	-
7	1.915.039	1.684.115	1.511.320	-	-	133.176	236.712	-	-
8	751.498	751.420	-	1.901	-	1.420	-	-	-
9	58.593	16.730	4.800	1.620	286	3.635	2.460	-	-
10	9.077.947	1.407.742	22.318	330.944	3.097	108.242	77.864	1.355.100	-
11	3.123.497	528.750	105.018	123.012	327	(106.929)	6.050	610.350	-
12	527.474	205.466	10.127	47.824	327	19.911	11.415	209.829	-
13	973.678	372.132	18.547	62.531	-	34.663	24.381	382.795	-
14	699.343	200.830	53.697	42.922	622	4.257	9.054	202.831	-
15	397.194	83.430	4.320	11.805	891	(3.885)	(3.915)	77.207	-
16	226.931	102.525	8.533	5.705	3.418	4.455	1.252	110.598	-
17	322.099	135.444	4.494	28.631	-	3.023	12.967	166.462	-

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

⁽⁴⁾ Information on Ziraat Katılım Bankası A.Ş. has been provided from limited reviewed financial statements as of 30 September 2018, the prior period profit/loss balances have been provided from limited reviewed financial statements as of 30 September 2017. Information on other subsidiaries shown in the table above has been provided from limited reviewed financial statements as of 31 December 2018, the prior period profit/loss balances have been provided from audited financial statements as of 31 December 2017.

	Current Period
Balance at the Beginning of the Period	5.138.250
Movements During the Period	2.256.158
Additions to Scope of Consolidation	-
Purchases ⁽¹⁾	1.521.015
Bonus Shares Obtained	-
Dividends from current year income	-
Sales	-
Revaluation Increase	807.408
Impairment Provision (-)	72.265
Balance at the End of the Period	7.394.408
Capital Commitments	-
Share percentage at the end of the period (%)	-

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

10.2. Sectoral Information and Related Amounts of Subsidiaries

	Current Period
Banks	4.865.172
Insurance Companies	129.972
Factoring Companies	-
Leasing Companies	282.839
Financing Companies	-
Other Financial Subsidiaries	2.116.425

10.3. Subsidiaries which are Quoted on a Stock Exchange

None (31 December 2017: 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	174.905	174.905	3.798.310	14.917	19.868	86.875	55.699
Total	174.905	174.905	3.798.310	14.917	19.868	86.875	55.699

^(*) Information on entity under joint control is provided from the unaudited financial statements as of 31 December 2018.^(**) 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

13. Information on Derivative Financial Assets for Hedging Purposes

The Bank has no derivative financial assets for hedging purposes

14. Information on Investment Property

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 1.221.830 consisting of TL 17.591 due to consumer loans, TL 1.103.924 on its commercial loans and TL 100.315 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 3.559.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

16. Explanations on Property And Equipment

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End						
Cost	5.702.197	14.088	45.179	249.457	1.016.647	7.027.568
Accumulated Depreciation (-)	995.606	4.730	30.380	184.635	568.678	1.784.029
Impairment (-)	2.768	-	-	-	-	2.768
Net Book Value	4.703.823	9.358	14.799	64.822	447.969	5.240.771
Current Period End						
Net Book Value at the Beginning of the Period	4.703.823	9.358	14.799	64.822	447.969	5.240.771
Change During the Period (Net)	(119.344)	(648)	(6.021)	(25.188)	(44.368)	(195.569)
- Cost	(102.402)	840	(75)	5.730	71.822	(24.085)
- Depreciation - net (-)	16.905	1.488	5.946	30.918	116.190	171.447
- Impairment (-)	37	-	-	-	-	37
Net Currency Translation from Foreign Subsidiaries	-	-	-	-	-	-
Cost at Period End	5.599.795	14.928	45.104	255.187	1.088.469	7.003.483
Accumulated Depreciation at Period End (-)	1.012.511	6.218	36.326	215.553	684.868	1.955.476
Impairment (-)	2.805	-	-	-	-	2.805
Closing Net Book Value	4.584.479	8.710	8.778	39.634	403.601	5.045.202

17. The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this:

None.

18. Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets:

None.

19. Explanations on Intangible Assets

	Current Period		
	Book Value	Accumulated Depreciation	Net Value
Establishment Costs	2.116	1.881	235
Goodwill	-	-	-
Intangible Rights	900.574	291.416	609.158
Total	902.690	293.297	609.393

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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.

20. Information on Deferred Tax Asset

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

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

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

	Current Period
Deferred Tax Assets	2.961.913
Deferred Tax Liabilities	(1.415.920)
Net Deferred Tax (Assets)/Liabilities	1.545.993
Net Deferred Tax Income/Expense	169.856
	Current Period
Reserve for Employment Termination Benefits	164.904
Short Term Employee Benefits	103.400
Financial Assets Valuation	1.299.293
Other	(21.604)
Net Deferred Tax Assets/Liabilities	1.545.993

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

	Current Period
As of 1 January	(305.366)
Effect of Change in the Effective Tax Rate	195.927
Deferred Tax Expense/Income	(26.071)
Deferred Tax Expenses (Net)	169.856
Deferred Tax Recognized Under Shareholders' Equity ⁽¹⁾	1.681.503
Deferred Tax (Assets)/Liabilities	1.545.993

⁽¹⁾ Deferred tax liability arising from the transition to TFRS 9 amounting to TL 173.427 is included.

21. Information on expected credit loss for financial investments

	Current Period
Cash values and central bank	422
Receivables from banks and money markets	704
Financial assets appraised over their redeemed cost	1.384
Other asset	39.874
Total:	42.384

22. Information on Other Assets

As of 31 December 2018, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

23. Information on Cash and Balances with Central Bank of the Republic of Turkey

	Prior Period	
	TL	FC
Cash in TL/Foreign Currency	2.293.745	1.297.282
Central Bank of the Republic of Turkey	2.677.232	37.998.478
Other	-	1.927
Total	4.970.977	39.297.687

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Information on Required Reserves

	Prior Period	
	TL	FC
Unrestricted Demand Deposit	2.497.091	4.497.767
Unrestricted Time Deposit	-	-
Restricted Time Deposit	-	6.316
Other ⁽¹⁾	180.141	33.494.395
Total	2.677.232	37.998.478

⁽¹⁾ Includes required reserves and CBRT Restricted Electronic Money Funds amounting to TL 8.541. Required reserve of branches abroad amounting to TL 108.320 is presented in this line. 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.

24. Information on Financial Assets at Fair Value Through Profit and Loss Given or Blocked as Collateral or Subject to Repurchase Agreements(Prior Period)

None

25. Positive Differences Related to The Derivative Financial Assets Held-for-Trading

	Prior Period	
	TL	FC
Derivative financial assets held-for-trading		
Forward Transactions	75.494	33.745
Swap Transactions	803.137	472.961
Futures Transactions	-	-
Options	1.385	3.842
Other	-	-
Total	880.016	510.548

26. Information on Banks and Other Financial Institutions

26.1 Information on Bank Balances

	Prior Period	
	TP	YP
Banks		
Domestic Banks	672.035	891.020
Foreign Banks	126.697	2.612.997
Foreign Head Office and Branches	-	-
Total	798.732	3.504.017

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

26.2. Information on Foreign Bank Accounts

	Unrestricted Amount	Restricted Amount
	Prior Period	Prior Period
European Union Countries	1.798.917	-
USA, Canada	92.147	-
OECD Countries ⁽¹⁾	16.814	-
Off-shore Banking Regions	-	-
Other	831.816	-
Total	2.739.694	-

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

27. Explanation Regarding to the Comparison of Net Values of Financial Assets Available-For-Sale Given or Blocked as Collateral and Subject to Repurchase Agreements

	Prior Period
Assets Subject to Repurchase Agreements	15.365.959
Assets Blocked/Given as Collateral	45.242.823
Total	60.608.782

28. Information on Financial Assets Available For Sale

	Prior Period
Debt Securities	63.768.397
Quoted in Stock Exchange	63.683.727
Not Quoted in Stock Exchange	84.670
Share Certificates	973.001
Quoted in Stock Exchange	819.540
Not Quoted in Stock Exchange	153.461
Provision for Impairment (-)	1.722.623
Total	63.018.775

29. Information Related to Loans

29.1 Information on All Types of Loans and Advances Given to Shareholders and Employees of The Bank

	Prior Period	
	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-
Legal Entities	-	-
Individuals	-	-
Indirect Loans Granted to Shareholders	-	-
Loans Granted to Employees ^{(1) (2)}	318.346	-
Total	318.346	-

⁽¹⁾ Interest rediscount and interest accrual amounting TL 3.370, are not included in the table above.⁽²⁾ Since the balance of overdraft accounts related to employees amounting TL 15.310, is showed under Table 27.3. as overdraft accounts (real person), it is not included to the table above.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

29.2 Information on the First and Second Group Loans and Other Receivables Including Restructured or Rescheduled Loans

Prior Period	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
Cash Loans						
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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Extension Periods	Standard Loans and Other Receivables ⁽¹⁾	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

29.3 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

29.4 Information on Consumer Loans, Individual Credit Cards and Personnel Loans and Personnel Credit Cards

Prior Period	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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

29.5 Information on Commercial Installment Loans and Corporate Credit Cards

Prior Period	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.

29.6 Loans According to Types Of Borrowers

	Prior Period
Public	1.948.056
Private	290.036.555
Interest Income Accruals of Loans	6.047.935
Total	298.032.546

29.7 Breakdown of Domestic and International Loans

	Prior Period
Domestic Loans	285.716.655
Foreign Loans	6.267.956
Interest Income Accruals of Loans	6.047.935
Total	298.032.546

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

29.8 Loans Granted to Subsidiaries and Associates

	Prior Period
Direct loans granted to subsidiaries and associates	1.622.698
Indirect loans granted to subsidiaries and associates	-
Total	1.622.698

29.9 Specific provisions provided against loans

	Prior Period
Loans and other receivables with limited collectability	355.335
Loans and other receivables with doubtful collectability	487.655
Uncollectible loans and other receivables	3.705.853
Total	4.548.843

29.10 Information On Non-Performing Receivables (Net)

29.10.1 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	-	-	-

29.10.2 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			
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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

29.10.3 Information on the Movement of Non-Performing Receivables

	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	-	-	-

29.10.4 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)	-	-	-

29.10.5 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.

29.10.6 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

29.10.7 Other Explanations and Disclosures

Prior 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⁾This line also shows the individual loan amount of TL 3.730.985, agricultural value amounting to TL 2.016.203 and corporate/entrepreneurial loan amounting to TL 18 of which is not related to the Bank

30. Information on Held-To-Maturity Investments

30.1 Information on Comparative Net Values of Held-to-Maturity Investments Subject to Repo Transactions and Given as a Collateral/ Blocked

	Prior Period	
	TL	FC
Government Bonds	174.799	2.103.464
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-
Asset Backed Securities	-	-
Other	-	-
Total	174.799	2.103.464

Held-to-maturity investments given as collateral or blocked

	Prior Period	
	TL	FC
Bills	-	-
Bonds and Similar Investment Securities	2.369.824	2.651.289
Other	-	-
Total	2.369.824	2.651.289

30.2 Information on Held-to-Maturity Government Bonds and Treasury Bills

	Prior Period
Government Bonds	7.488.654
Treasury Bills	-
Other Public Sector Debt Securities	-
Total	7.488.654

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

30.3 Information on Held-to-Maturity Investments

	Prior Period
Debt securities	7.595.887
Quoted in a Stock Exchange	7.488.654
Not Quoted in a Stock Exchange	107.233
Provision for Impairment (-)	-
Total	7.595.887

30.4 Movements of Held-to-Maturity Investments

	Prior Period
Beginning Balance	8.749.464
Foreign Currency Differences on Monetary Assets	323.336
Purchases During the Year ⁽¹⁾	433.646
Disposals through Sales and Redemptions	(1.910.559)
Provision for Impairment (-)	-
Period End Balance	7.595.887

⁽¹⁾ Accruals are shown in "Purchases During the Year".

31. Information about Associates Accounts (Net)

31.1 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 the associates are not traded on the stock exchange, they do not have fair value.⁽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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

31.2. Information about Associates (Net)

	Prior Period
Balance at the Beginning of the Period	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
Capital Commitments	-
Period Ending Share of Capital Participation (%)	15,43

31.3 Sectoral Information and Related Amounts of Associates

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

31.4 Associates Quoted to a Stock Exchange

None.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

32 Information on Subsidiaries (Net)

32.1 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, Batumi 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

	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	48.173	971.937	-
10	2.409.237	371.514	81.996	89.695	253	10.973	319	337.820	-
11	412.101	164.371	11.889	35.441	252	11.162	7.271	150.954	-
12	648.822	289.377	15.193	38.218	8.078	23.486	21.508	286.462	-
13	410.543	140.611	26.999	24.712	433	8.676	10.149	162.098	-
14	238.128	32.067	4.074	7.525	258	(3.759)	(3.736)	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 31 December 2017, the prior period profit/loss balances have been provided from limited reviewed financial statements as of 31 December 2016. Information on other subsidiaries shown in the table above has been provided from unaudited 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.

	Prior Period
Balance at the Beginning of the Period	4.101.352
Movements During the Period	1.036.898
Additions to Scope of Consolidation	-
Purchases ^(*) ^(**)	668.492
Bonus Shares Obtained	3.000
Dividends from current year income	-
Transfers to available for sale assets	-
Sales	-
Revaluation Increase	376.366
Impairment Provision (-)	10.960
Balance at the End of the Period	5.138.250
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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

32.2. Sectoral Information and Related Amounts of Subsidiaries

	Prior Period
Banks	3.359.014
Insurance Companies	129.972
Factoring Companies	-
Leasing Companies	282.839
Financing Companies	-
Other Financial Subsidiaries	1.366.425

32.3 Subsidiaries which are Quoted on a Stock Exchange

None

33. Information on Entities Under Common Control (Joint Ventures)

Entities under Common Control (Joint Ventures) ^(*)	Parent Bank's Share ^(**)	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

^(*) 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.

34. Information on Finance Lease Receivables (Net)

None.

35. Information on Derivative Financial Assets for Hedging Purposes

None.

36. Information on Derivative Financial Assets for Hedging Purposes

None.

37. Information on Deferred Tax Asset

None

38. Information on Derivative Financial Assets for Hedging Purposes

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 591.901 consisting of TL 14.731 due to consumer loans, TL 668.295 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

39. 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

40. 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

41. 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

42. Explanations on Intangible Assets

	Prior Period		Net Value
	Book Value	Accumulated Depreciation	
Establishment Costs	5.384	5.181	203
Goodwill	-	-	-
Intangible Rights	648.691	212.261	436.430
Total	654.075	217.442	436.633

Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements:

None

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition:

None

The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition :

None

The book value of intangible fixed assets that are pledged or restricted for use:

None

Amount of purchase commitments for intangible fixed assets:

None

Information on revalued intangible assets according to their types:

None.

Amount of total research and development expenses recorded in income statement within the period if any:

None.

Positive or negative consolidation goodwill on entity basis:

Not applicable for the unconsolidated financial statements

Information on Goodwill:

None.

43 Explanations on Other Assets

As of 31 December 2017, other assets does not exceed 10% of the total assets excluding off-balance sheet commitments.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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. EXPLANATIONS AND NOTES RELATED TO LIABILITIES(CURRENT PERIOD)

1. Information on Deposits/Funds Collected

1.1 Information on Maturity Structure of Deposits

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	25.838.545	-	2.434.235	72.374.457	8.108.409	3.032.613	3.344.387	163.671	115.296.317
Foreign Currency Deposits	32.904.615	-	11.123.815	44.085.869	8.357.133	7.579.682	23.733.359	5.576	127.790.049
Residents in Turkey	27.197.662	-	10.413.062	33.693.139	5.174.086	3.480.548	7.451.393	4.070	87.413.960
Residents Abroad	5.706.953	-	710.753	10.392.730	3.183.047	4.099.134	16.281.966	1.506	40.376.089
Public Sector Deposits	7.008.902	-	3.189.817	4.748.666	1.596.385	3.408.368	3.728	-	19.955.866
Commercial Inst. Deposits	8.036.083	-	6.344.859	6.966.096	668.237	2.444.196	63.614	-	24.523.085
Other Inst. Deposits	1.874.072	-	1.797.575	4.071.666	1.034.292	767.749	481.790	-	10.027.144
Precious Metals	6.587.404	-	67.100	936.470	96.814	48.850	68.770	-	7.805.408
Interbank Deposits	4.742.133	-	11.814.536	4.191.970	2.847.538	1.258.825	813.612	-	25.668.614
CBRT	977	-	-	-	-	-	-	-	977
Domestic Banks	234.266	-	9.144.287	190.729	11.406	2.088	2.085	-	9.584.861
Foreign Banks	2.992.857	-	2.670.249	3.730.201	2.836.132	1.256.737	540.487	-	14.026.663
Participation Banks	1.514.033	-	-	271.040	-	-	271.040	-	2.056.113
Other	-	-	-	-	-	-	-	-	-
Total	86.991.754	-	36.771.937	137.375.194	22.708.808	18.540.283	28.509.260	169.247	331.066.483

1.2. Saving Deposits Under the Guarantee of Deposit Insurance and Exceeding the Deposit Insurance Limit

Current Period	Under the Guarantee of Deposit Insurance	Exceeding Deposit Insurance Limit
Saving Deposits ⁽¹⁾	72.452.175	42.513.947
Foreign Currency Saving Deposits ⁽¹⁾	35.389.813	62.168.160
Other Deposits in the form of Saving Deposits	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance ⁽²⁾	1.106.656	161.259
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 140.007 and TL 24.266 respectively, cannot be decomposed by type and are therefore included in the table above

Based on the Council of Minister's decree dated 29 December 2003 and numbered 2003/6668, TL 649 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 1.570.390 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

1.3. 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
Deposits and other Accounts in Branches Abroad	59.444
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	8.967
Deposits Obtained through Illegal Acts Defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-

2. Negative Differences Related to the Derivative Financial Liabilities Held for Trading

	Current Period	
	TL	FC
Forward Transactions	272.091	8.419
Swap Transactions	882.868	478.751
Futures Transactions	-	-
Options	1.363	-
Other	-	-
Total	1.156.322	487.170

3. Information on Banks and Other Financial Institutions

3.1. General Information on Banks and Other Financial Institutions

	Current Period	
	TL	FC
Borrowings from CBRT	-	-
Domestic Banks and Institutions	2.088.086	4.119.290
Foreign Banks, Institutions and Funds	580.527	27.383.750
Total	2.668.613	31.503.040

3.2. Maturity Structure of Funds Borrowed

	Current Period	
	TL	FC
Short-Term	2.086.811	4.952.533
Medium and Long-Term	581.802	26.550.507
Total	2.668.613	31.503.040

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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

61,63% 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.

4. Information on Funds Supplied from Repurchase Agreements

	Current Period	
	TL	FC
From Domestic Transactions	55.960.316	-
Financial Institutions and Organizations	55.754.498	-
Other Institutions and Organizations	203.162	-
Real Person	2.656	-
From Overseas Operations	-	12.390.480
Financial Institutions and Organizations	-	12.390.480
Other Institutions and Organizations	-	-
Real Person	-	-
Total	55.960.316	12.390.480

5. Information on Securities Issued

	Current Period	
	TL	FC
Bank Bonds	1.806.838	106.896
Asset-Backed Securities	-	-
Treasury Bills	1.010.690	12.506.044
Total	2.817.528	12.612.940

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	
	Gross	Net
Less than 1 Year	224	221
Between 1-4 Years	-	-
More than 4 Years	-	-
Total	224	221

8. Information on Derivative Financial Liabilities for Hedging Purposes

There are no derivative financial liabilities for hedging purposes

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

9. Explanations on Provisions

9.1 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 26

9.2. Specific Provisions for Unindemnified Non-Cash Loans

The expected loss provision for unindemnified non-cash loans (stage three) is TL 221.262.

9.3. Information on Other Provisions

9.3.1. 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 952.000, which has a part of TL 523.000 have been reversed 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 30.500 and other provision of TL 217 exist for cash transfers made by Bank officials.

	Current Period
Free provisions for possible risks	982.717

9.3.2. 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 38.100 provision has been provided in financial statements for the lawsuits against the Bank which are not finalized yet amounting to TL 104.663.

The Bank also provided provisions amounting to TL 221.262 for unindemnified non-cash loans, and TL 226.879 (Stage 1 and Stage 2) and TL 50.083 for other provisions. As a result of the provisions mentioned above, the other provision balance on the Bank's balance sheet amounts to TL 1.519.041

9.4. Liabilities on Reserve for Employee Termination Benefits

9.4.1. 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 2018, unpaid vacation liability amounted to TL 198.000, and employment termination amounted to TL 824.520 are presented under the "Employee Benefits Provision" in the financial statements.

9.4.2. Additional Bonus Provision Paid to Personnel

The Bank provided provisions amounting to TL 290.000 of additional bonus provision with the decision of General Assembly.

9.4.3. 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 2018 and 31 December 2017.

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 4.256.114 as of 31 December 2018 (31 December 2017: TL 3.442.106).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

	Current Period
Non Medical Assets	2.558.724
Actual and Technical Overrun	4.256.114

The principal actuarial assumptions used are as follows:

	Current Period
Discount rate	
- Pension benefits transferable to SSI	9,80%
- Post employment medical benefits transferable to SSI	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
Bank Placements	1.834.427
Property and Equipment	379.187
Marketable Securities	308.779
Other	36.331
Total	2.558.724

10. Information on Tax Liability

10.1. Information on Current Tax Liability

10.1.1. Information on Tax Provisions

As of 31 December 2018, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 880.567.

10.1.2. Information on Current Taxes Payable

	Current Period
Corporate Tax Payable	880.567
Taxation on Income From Securities	195.908
Property Tax	2.668
Banking Insurance Transactions Tax (BITT)	235.144
Foreign Exchange Transactions Tax	58
Value Added Tax Payable	8.366
Other	109.738
Total	1.432.449

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

10.1.3. Information on Premiums

	Current Period
Social Security Premiums - Employee	40
Social Security Premiums - Employer	54
Bank Social Aid Pension Fund Premium - Employee	11.988
Bank Social Aid Pension Fund Premium - Employer	16.712
Pension Fund Membership Fees and Provisions - Employee	1
Pension Fund Membership Fees and Provisions - Employer	-
Unemployment Insurance - Employee	1.816
Unemployment Insurance - Employer	3.634
Other	-
Total	34.245

11. Information on Deferred Tax Liabilities, if any

The Bank does not have any deferred tax liability.

12. 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.

13. Explanations on Subordinated Debts

The Bank does not have any subordinated debts.

14. Information on Shareholders' Equity

14.1. Presentation on Paid-In Capital

	Current Period
Common stock	6.100.000
Preferred stock	-

14.2. 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.

14.3. 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 6.100.000 is approved in General Assembly in 13 August 2018. Increase of capital and amendments according to the relevant materials of the Articles of Association was registered on 22 October 2018. It has been announced in the Trade Registry Gazette numbered 9367 dated 22 October 2018. The offsetting transactions of the mentioned capital increase was accounted on 9 November 2019 accordance with the permission from the Banking Regulation and Supervision Agency.

Date of Capital Increase	Amount	Cash	Profit Reserves	Capital Reserves
22.10.2018	500.000	500.000	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

14.4. Information on Additions from Capital Reserves to Capital in the Current Period

There is no share capital amount included in capital.

14.5. 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.

14.6. 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.

14.7. Information on Preferred Shares Representing The Capital

The Bank has no preferred shares.

14.8. Information on Marketable Securities Value Increase Fund

	Current Period	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	1.793.543	176.034
Revaluation Difference	(33.695)	176.034
Foreign Exchange Difference	1.827.238	-
From Available for Sale Marketable Securities	(3.637.328)	(2.792.581)
Revaluation Difference	(5.477.334)	(2.792.581)
Deferred Tax Effect	1.840.006	-
Foreign Exchange Difference	-	-
Total	(1.843.785)	(2.616.547)

15. Information on Deposits/Funds Collected

15.1. Information on Maturity Structure of Deposits Collected

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	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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

15.2. Saving Deposits Under the Guarantee of Deposit Insurance and Exceeding the Deposit Insurance Limit

	Under the Guarantee of Deposit Insurance	Exceeding Deposit Insurance Limit
Prior Period		
Saving Deposits ⁽¹⁾	67.218.784	33.625.630
Foreign Currency Saving Deposits ⁽¹⁾	27.562.476	39.848.407
Other Deposits in the form of Saving Deposits	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance ⁽²⁾	858.357	101.979
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.

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.

15.3. 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.

15.4. Saving Deposits of Real Persons Not Covered by the Deposit Insurance Fund

	Prior Period
Deposits and other Accounts in Branches Abroad	65.522
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
Deposits Obtained through Illegal Acts Defined in the 282nd 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	-

16. Negative Differences Related to the Derivative Financial Liabilities Held for Trading

	Prior Period	
	TL	FC
Forward Transactions	71.896	25.208
Swap Transactions	161.436	285.251
Futures Transactions	-	-
Options	2.174	1.804
Other	-	-
Total	235.506	312.263

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

17. Information on Banks and Other Financial Institutions

17.1. General Information on Banks and Other Financial Institutions

	Prior Period	
	TL	FC
Borrowings from CBRT	-	-
Domestic Banks and Institutions	726.531	1.281.611
Foreign Banks, Institutions and Funds	923.881	26.132.772
Total	1.650.412	27.414.383

17.2. Maturity Structure of Funds Borrowed

	Prior Period	
	TL	FC
Short-Term	713.749	8.266.906
Medium and Long-Term	936.663	19.147.477
Total	1.650.412	27.414.383

17.3. 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.

18. Information on Funds Supplied from Repurchase Agreements

	Prior Period	
	TL	FC
From Domestic Transactions	1.307.357	-
Financial Institutions and Organizations	1.211.018	-
Other Institutions and Organizations	90.588	-
Real Person	5.751	-
From Overseas Operations	-	13.100.369
Financial Institutions and Organizations	-	13.100.369
Other Institutions and Organizations	-	-
Real Person	-	-
Total	1.307.357	13.100.369

19. Information on Securities Issued

	Prior Period	
	TL	FC
Bank Bonds	3.590.796	-
Asset-Backed Securities	-	-
Treasury Bills	-	9.166.573
Total	3.590.796	9.166.573

20. 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

21. 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:

	Prior Period	
	Gross	Net
Less than 1 Year	454	447
Between 1-4 Years	-	-
More than 4 Years	-	-
Total	454	447

22. Information on Derivative Financial Liabilities for Hedging Purposes

There are no derivative financial liabilities for hedging purposes

23. Explanations on Provisions

23.1. Information on General Provisions

	Prior Period
General Provisions	5.391.870
Allocated for Group-I Loans and Receivables	4.511.156
Additional Provision for Loans and Receivables with Extended Maturities	311.325
Allocated for Group-II Loans and Receivables	198.185
Additional Provision for Loans and Receivables with Extended Maturities	79.110
Allocated for Non-cash Loans	587.718
Other	94.811

23.2. 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

23.3. Specific Provisions for Unindemnified Non-Cash Loans

Specific provisions for unindemnified non-cash loans amount to TL 138.057

23.4. Information on Other Provisions

23.4.1. 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 217 exist for cash transfers made by Bank officials.

	Prior Period
Free provisions for possible risks	1.500.384

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

23.4.2. 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.

The Bank also provided provisions amounting to TL 138.057 for unindemnified non-cash loans, and TL 70.658 (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

23.5. Liabilities on Reserve for Employee Termination Benefits

23.5.1. 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, and employment termination amounted to TL 813.548 are presented under the "Employee Benefits Provision" in the financial statements.

23.5.2. 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.

23.5.3. 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.

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

	Prior Period
Fund Assets	2.038.024
Actual and Technique Deficit/Surplus Amount	3.442.106

The principal actuarial assumptions used are as follows:

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Plan assets are comprised as follows:

	Prior Period
Bank Placements	1.612.918
Property and Equipment	127.096
Marketable Securities	125.000
Other	173.010
Total	2.038.024

24. Information on Tax Liability

24.1. Information on Current Tax Liability

24.1.1. 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.

24.1.2. Information on Current Taxes Payable

	Prior Period
Corporate Tax Payable	418.724
Taxation on Income From Securities	186.736
Property Tax	2.402
Banking Insurance Transactions Tax (BITT)	154.213
Foreign Exchange Transactions Tax	106
Value Added Tax Payable	6.143
Other	121.948
Total	890.272

24.1.3 Information on Premiums

	Prior Period
Social Security Premiums - Employee	37
Social Security Premiums - Employer	50
Bank Social Aid Pension Fund Premium - Employee	9.779
Bank Social Aid Pension Fund Premium - Employer	13.629
Pension Fund Membership Fees and Provisions - Employee	2
Pension Fund Membership Fees and Provisions - Employer	6
Unemployment Insurance - Employee	1.507
Unemployment Insurance - Employer	3.017
Other	-
Total	28.027

24.2 Information on Deferred Tax Liabilities, if any

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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.

The Bank's deferred tax liability tax amounts to TL 305.366. Information on calculated deferred tax including deductible temporary differences, financial losses, tax deductibles and tax exemptions is shown below:

	Prior Period
Deferred Tax Assets	213.110
Deferred Tax Liabilities	(518.476)
Net Deferred Tax (Assets)/Liabilities	(305.366)
Net Deferred Tax Income/Expense	(46.146)
	Prior Period
Reserve for Employment Termination Benefits	162.710
Short Term Employee Benefits	50.400
Financial Assets Valuation	(182.935)
Other	(335.541)
Net Deferred Tax Assets/Liabilities	(305.366)
	Prior Period
As of 1 January	75.757
Effect of Change in the Effective Tax Rate	(35.635)
Deferred Tax Expense/Income	(10.511)
Deferred Tax Expenses (Net)	(46.146)
Deferred Tax Recognized Under Shareholders' Equity ^(*)	(334.977)
Deferred Tax (Assets)/Liabilities	(305.366)

25. Information on Payables for Assets Held For Sale and Discontinued Operations

The Bank does not have a registered capital system.

26. Explanations on Subordinated Debts

The Bank does not have any subordinated debts.

27. Information on Shareholders' Equity

	Prior Period
Common stock	5.600.000
Preferred stock	-

27.2. 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.

27.3. Information on Share Capital Increases and Their Sources; Other Information on Increased Capital Shares in the Current Period

There are no capital increases in the current period.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

27.4. Information on Additions from Capital Reserves to Capital in the Current Period

There is no share capital amount included in capital.

27.5. 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.

27.6. 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.

27.7. Information on Preferred Shares Representing The Capital

The Bank has no preferred shares.

27.8. Information on Marketable Securities Value Increase Fund

	Prior Period	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	843.688	146.801
Revaluation Difference	(26.256)	146.801
Foreign Exchange Difference	869.944	-
From Available for Sale Marketable Securities	(1.735.787)	798.204
Revaluation Difference	(2.022.076)	798.204
Deferred Tax Effect	286.289	-
Foreign Exchange Difference	-	-
Total	(892.099)	945.005

III. EXPLANATIONS AND NOTES TO OFF-BALANCE SHEET ACCOUNTS

1. Information on Off-Balance Sheet Liabilities(Current Period)

1.1. Nature and Amount Of Irrevocable Loan Commitments

	Current Period
Commitments for Credit Card Expenditure Limits	13.341.463
Other Irrevocable Commitments	14.001.763
Loan Granting Commitments	8.548.157
Payment Commitments for Cheques	2.773.071
Asset Purchase Commitments	7.174.245
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	23.620
Subsidiaries and Associates Capital Contribution Commitments	-
Total	45.862.319

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

1.2. Nature and Amount of Possible Losses and Commitments Arising From The Off-Balance Sheet Items Including The Below Mentioned

The Bank has provided provision amounting to TL 448.141 for possible losses arising from the off-balance sheet items in the current year.

1.2.1. Non-Cash Loans Including Guarantees, Acceptances, Financial Guarantees and Other Letter Of Credits

	Current Period
Guarantee Letters	94.754.340
Letter of Credits	17.915.615
Bank Acceptances	8.312.973
Endorsement	202.092
Total	121.185.020

1.2.2. Certain Guarantees, Temporary Guarantees, Surety Ships and Similar Transactions

	Current Period
Letters of Certain Guarantees	65.841.319
Letters of Advance Guarantees	20.112.137
Letters of Temporary Guarantees	3.098.995
Letters of Guarantees Given to Customs Offices	1.444.864
Other Letters of Guarantees	4.257.025
Total	94.754.340

1.3. Explanations on Non-Cash Loans

1.3.1. Total Non-Cash Loans

	Current Period
Non-Cash Loans for Providing Cash Loans	872.563
With Original Maturity of One Year or Less	4.289
With Original Maturity of More than One Year	868.274
Other Non-Cash Loans	120.312.457
Total	121.185.020

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

1.3.2. Information on Sectoral Risk Concentrations Of Non-Cash Loans

	Current Period			
	TL	(%)	FC	(%)
Agricultural	314.459	0,82	124.786	0,15
Farming and Raising Livestock	197.139	0,52	27.428	0,03
Forestry	107.321	0,28	19.879	0,02
Fishing	9.999	0,03	77.479	0,09
Manufacturing	9.255.446	24,26	39.256.320	47,28
Mining and Quarrying	304.660	0,80	329.550	0,40
Production	5.739.909	15,05	35.712.090	43,01
Electric, Gas and Water	3.210.877	8,42	3.214.680	3,87
Construction	11.092.684	29,08	22.929.365	27,61
Services	17.101.201	44,83	20.069.132	24,17
Wholesale and Retail Trade	7.508.678	19,68	6.702.932	8,07
Hotel, Food and Beverage Services	204.763	0,54	649.195	0,78
Transportation and Telecommunication	1.685.681	4,42	4.896.381	5,90
Financial Institutions	6.212.235	16,28	6.411.574	7,72
Real Estate and Leasing Services	1.221.388	3,20	1.171.901	1,41
Self-employment Services	-	-	-	-
Education Services	164.208	0,43	146.350	0,18
Health and Social Services	104.248	0,27	90.799	0,11
Other	383.641	1,01	657.986	0,79
Total	38.147.431	100,00	83.037.589	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	37.592.882	81.412.464	381.440	1.518.328
Letters of Guarantee	37.298.091	55.300.831	381.440	1.498.807
Bank Acceptances	26.238	8.268.610	-	17.913
Letters of Credit	268.553	17.640.931	-	1.608
Endorsements	-	202.092	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	-	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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. Explanations on Derivative Transactions

	Current Period
Types of Trading Transactions	
Foreign Currency Related Derivative Transactions: (I)	111.942.491
Forward Transactions	8.044.971
Swap Transactions	103.851.946
Futures Transactions	-
Option Transactions	45.574
Interest Related Derivative Transactions (II)	28.545.660
Forward Interest Rate Agreements	
Interest Rate Swaps	28.545.660
Interest Rate Options	-
Interest Rate Futures	-
Other Trading Derivative Transactions: (III)	-
A. Total Trading Derivative Transactions (I+II+III)	140.488.151
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)	140.488.151

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Derivatives held for trading						
Foreign exchange derivatives	(287.572)	(919.679)	239.416	672.966	-	(294.869)
- Inflow	35.092.096	15.930.070	3.008.371	1.793.274	-	55.823.811
- Outflow	(35.379.668)	(16.849.749)	(2.768.955)	(1.120.308)	-	(56.118.680)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	612.937	13.659.893	14.272.830
- Outflow	-	-	-	(612.937)	(13.659.893)	(14.272.830)
Derivatives held for hedging						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total Inflow	35.092.096	15.930.070	3.008.371	2.406.211	13.659.893	70.096.641
Total Outflow	(35.379.668)	(16.849.749)	(2.768.955)	(1.733.245)	(13.659.893)	(70.391.510)

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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 TL 2.773.071 TL. (31 December 2017: 3.697.066 TL).

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.

5. Information on Off-Balance Sheet Liabilities

5.1. Nature and Amount Of Irrevocable Loan Commitments

	Prior Period
Commitments for Credit Card Expenditure Limits	8.645.831
Other Irrevocable Commitments	10.236.522
Loan Granting Commitments	5.054.653
Payment Commitments for Cheques	3.697.066
Asset Purchase Commitments	4.767.745
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	26.137
Subsidiaries and Associates Capital Contribution Commitments	-
Total	32.427.954

5.2. Nature and Amount of Possible Losses and Commitments Arising From The Off-Balance Sheet Items Including The Below Mentioned

In the current period, the Bank has recorded a provision amounting to TL 138.057 for possible losses arising from off-balance sheet items.

5.2.1. Non-Cash Loans Including Guarantees, Acceptances, Financial Guarantees and Other Letter Of Credits

	Prior Period
Guarantee Letters	75.693.057
Letter of Credits	14.112.101
Bank Acceptances	6.301.968
Endorsement	-
Total	96.107.126

5.2.2. Certain Guarantees, Temporary Guarantees, Surety Ships and Similar Transactions

	Prior Period
Letters of Certain Guarantees	50.005.153
Letters of Advance Guarantees	18.096.539
Letters of Temporary Guarantees	3.040.443
Letters of Guarantees Given to Customs Offices	1.281.851
Other Letters of Guarantees	3.269.071
Total	75.693.057

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

5.3. Explanations on Non-Cash Loans

5.3.1. Total Non-Cash Loans

	Prior Period
Non-Cash Loans for Providing Cash Loans	811.524
With Original Maturity of One Year or Less	12.761
With Original Maturity of More than One Year	798.763
Other Non-Cash Loans	95.295.602
Total	96.107.126

5.3.2. Information on Sectoral Risk Concentrations Of Non-Cash Loans

	Prior Period			
	TL	(%)	FC	(%)
Agricultural	90.969	0,28	25.014	0,04
Farming and Raising Livestock	28.383	0,09	-	-
Forestry	62.586	0,19	25.014	0,04
Fishing	-	-	-	-
Manufacturing	8.920.823	27,09	33.450.001	52,95
Mining and Quarrying	269.589	0,82	332.678	0,53
Production	5.055.235	15,35	30.840.639	48,82
Electric, Gas and Water	3.595.999	10,92	2.276.684	3,60
Construction	9.512.795	28,88	16.520.050	26,15
Services	13.815.986	41,95	12.376.224	19,59
Wholesale and Retail Trade	6.436.332	19,54	4.632.292	7,33
Hotel, Food and Beverage Services	186.215	0,57	383.594	0,61
Transportation and Telecommunication	1.453.499	4,41	2.423.894	3,84
Financial Institutions	4.165.548	12,65	3.781.673	5,99
Real Estate and Leasing Services	1.402.836	4,26	1.061.405	1,68
Self-employment Services	-	-	-	-
Education Services	99.736	0,30	32.417	0,05
Health and Social Services	71.820	0,22	60.949	0,10
Other	593.138	1,80	802.126	1,27
Total	32.933.711	100,00	63.173.415	100,00

5.3.3. 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	-	-	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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. Explanations on Derivative Transactions

	Prior Period
Types of Trading Transactions	
Foreign Currency Related Derivative Transactions: (I)	85.165.267
Forward Transactions	10.542.548
Swap Transactions	73.899.241
Futures Transactions	-
Option Transactions	723.478
Interest Related Derivative Transactions (II)	10.496.622
Forward Interest Rate Agreements	-
Interest Rate Swaps	10.496.622
Interest Rate Options	-
Interest Rate Futures	-
Other Trading Derivative Transactions: (III)	-
A. Total Trading Derivative Transactions (I+II+III)	95.661.889
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)	95.661.889

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.

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	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)

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

7. 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 TL 3.697.066. As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

8. 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(CURRENT PERIOD)

1. Within The Scope of Interest Income

1.1. Information on Interest Income from Loans

	Current Period	
	TL	FC
Interest on Loans ⁽¹⁾	34.326.648	6.701.270
Short Term Loans	10.040.293	499.984
Medium and Long Term Loans	23.878.107	6.201.255
Interest on Non-Performing Loans	408.248	31
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	
	TL	FC
Central Bank of the Republic of Turkey	64.265	-
Domestic Banks	114.095	316
Foreign Banks	19.588	50.048
Foreign Head Office and Branches	-	-
Total	197.948	50.364

1.3. Information on Interest Income on Marketable Securities

	Current Period	
	TL	FC
Financial Assets Held for Trading ⁽¹⁾	5.041	624
Financial Assets at Fair Value through Profit or Loss	8.549.617	1.322.277
Investments Held-to-Maturity	737.839	361.728
Total	9.292.497	1.684.629

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

1.4. Information on Interest Income from Subsidiaries and Associates

	Current Period
Interest Income from Subsidiaries and Associates	83.006

2. Within the Scope of Interest Expense

2.1. Information on Interest Expense on Borrowings

	Current Period	
	TL	FC
Banks ⁽¹⁾	233.877	1.195.545
Central Bank of the Republic of Turkey	-	-
Domestic Banks	144.417	97.991
Foreign Banks	89.460	1.097.554
Foreign Head Office and Branches	-	-
Other Institutions	-	-
Total	233.877	1.195.545

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

2.2 Information on Interest Expenses Given to Subsidiaries and Associates

	Current Period
Interest Expenses Given to Subsidiaries and Associates	330.101

2.3 Information on Interest Given on Securities Issued

	Current Period	
	TL	FC
Interest Given on Securities Issued	512.731	574.403

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

2.4 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	-	1.626.763	596	-	88	311	-	1.627.758
Saving Deposit	16	331.100	9.362.872	734.199	175.524	181.437	5.941	10.791.089
Public Sector Deposit	501	611.659	661.405	136.907	664.108	889	-	2.075.469
Commercial Deposit	167	751.271	1.159.771	164.186	217.931	3.259	-	2.296.585
Other Deposit	7	190.695	438.154	106.158	120.144	38.914	-	894.072
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Total	691	3.511.488	11.622.798	1.141.450	1.177.795	224.810	5.941	17.684.973
FC								
Foreign Currency Deposit	745	246.218	928.948	123.338	126.899	365.434	-	1.791.582
Bank Deposit	143	171.684	7.495	2.333	5.928	3.710	-	191.293
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	267	5.262	478	301	384	-	6.692
Total	888	418.169	941.705	126.149	133.128	369.528	-	1.989.567
Grand Total	1.579	3.929.657	12.564.503	1.267.599	1.310.923	594.338	5.941	19.674.540

3. Explanations on Dividend Income

	Current Period
Trading Financial Assets	-
Financial Assets at Fair Value Through Profit or Loss	-
Financial Assets at Fair Value Through Other Comprehensive Income	3.218
Other ⁽¹⁾	287.682
Total	290.900

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

4. Information on Trading Profit/Loss (Net)

	Current Period
Profit	103.351.524
Foreign Exchange Gains	101.432.736
Profit on Derivative Financial Instruments	1.903.311
Profit from the Capital Market Transactions	15.477
Loss (-)	107.185.707
Foreign Exchange Loss	101.769.275
Loss on Derivative Financial Instruments	5.409.746
Loss from the Capital Market Transactions	6.686

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 949.392 and income from sales of assets amounting to TL 40.046

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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 for Impairment on Loans and Other Receivables of Banks

Expected Loss Provisions According to TFRS 9

	Current Period
Expected Credit Loss Provisions	4.701.631
12 month expected credit loss (stage 1)	477.388
Significant increase in credit risk (stage 2)	2.081.162
Non-performing loans (stage 3)	2.143.081
Marketable Securities Impairment Expense	994
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value Through Other Comprehensive Income	994
Subsidiaries, Associates and Entities under Common Control Provision Expenses for Impairment	-
Associates	-
Subsidiaries	-
Joint Ventures	-
Other	16.062
Total	4.718.687

7. Information on Other Operating Expenses

	Current Period
Personnel Expenses ⁽²⁾	2.839.925
Reserve for Employee Termination Benefits	109.075
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	101
Depreciation Expenses of Tangible Fixed Assets	238.783
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	74.377
Impairment Expense for Equity Shares Subject to the Equity Method	-
Impairment Expense for Investment Securities that will be Disposed	-
Amortization Expenses of Investment Securities that will be Disposed	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-
Other Operating Expenses	2.538.089
Operational Leasing Expenses	302.240
Maintenance Expenses	104.165
Advertisement Expenses	200.322
Other Expenses	1.931.362
Loss on Sales of Assets	986
Other ⁽¹⁾	1.890.458
Total	7.691.794

⁽¹⁾ TL 673 410 of other items consists of Saving Deposit Insurance Fund accrual expense while TL 661.270 consists of taxes, duties and charges expense⁽²⁾ This table also includes "Personnel Expenses" which is not in the "Other operating expenses", but is a separate item.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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
Net Interest Income	21.915.811
Net Fees and Commissions Income	2.637.794
Other Operating Income	1.433.843
Dividend Income	290.900
Trading Income/Expense (Net)	(3.834.183)
Provision for Loan or Other Receivables Losses (-)	2.839.925
Expected Loss Provisions (-)	4.718.687
Other Operating Expenses (-)	4.851.869
Profit/(Loss) From Continuing Operations	10.033.684

9. Information on Tax Provision for Continuing and Discontinuing Operations

As of 31 December 2018, TL 2.072.746 of the Bank's total tax provision expense amounting to TL 2.242.602 consists of current tax expense while remaining balances amounting to TL 169.856 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 7.960.938

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

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 2018

(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)

13. Interest Income for the Period Ended 31 December 2017

13.1. Information on interest income received from loans for the period ended 31 December 2017

	Prior Period	
	TL	FC
Interest on Loans ⁽¹⁾	24.581.785	3.775.523
Short Term Loans	6.255.007	156.533
Medium and Long Term Loans	18.203.012	3.618.939
Interest on Non-Performing Loans	123.766	51
Premiums from Resource Utilization Support Fund	-	-

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

13.2. Information on Interest Income Received from Banks for the Period Ended 31 December 2017

	Prior Period	
	TL	FC
Central Bank of the Republic of Turkey	22.831	-
Domestic Banks	65.666	858
Foreign Banks	5.493	43.565
Foreign Head Office and Branches	-	-
Total	93.990	44.423

13.3. Information on Interest Received from Marketable Securities for the Period Ended 31 December 2017

	Prior Period	
	TL	FC
Financial Assets Held for Trading	1.037	2.977
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets Available-for-Sale	4.686.379	840.454
Investments Held-to-Maturity	344.675	317.057
Total	5.032.091	1.160.488

13.4. Information on interest income received from associates and subsidiaries for the period ended 31 December 2017

	Prior Period
Interest Income from Subsidiaries and Associates	48.506

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

14. Interest Expense for the Period Ended 31 December 2017

14.1. Information Related to the Loans Given for the Period Ended 31 December 2017

	Prior Period	
	TL	FC
Banks ⁽¹⁾	140.300	560.479
Central Bank of the Republic of Turkey	-	-
Domestic Banks	48.864	11.036
Foreign Banks	91.436	549.443
Foreign Head Office and Branches	-	-
Other Institutions	-	-
Total	140.300	560.479

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

14.2. Information on Interest Expense Given to Associates and Subsidiaries for the Period Ended 31 December 2017

	Prior Period
Interest Expenses Given to Subsidiaries and Associates	173.511

14.3. Information on the Obligations Issued to the Securities Issued for the Period Ended 31 December 2017

	Prior Period	
	TL	FC
Interest Given on Securities Issued	358.755	318.852

14.4. Indication of Interest Paid to the Deposits for the Period Ended 31 December 2017 by Maturity Structure

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

15. Explanations on Dividend Income for the Period Ended 31 December 2017

	Prior Period
Trading Financial Assets	-
Financial Assets at Fair Value Through Profit or Loss	-
Available-for-Sale Financial Assets	4.760
Other ⁽¹⁾	279.771
Total	284.531

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

16. Explanations on Commercial Profit/Loss for the Year Ended 31 December 2017 (Net)

	Prior Period
Profit	36.060.681
Foreign Exchange Gains	34.822.027
Profit on Derivative Financial Instruments	1.198.720
Profit from the Capital Market Transactions	39.934
Loss (-)	36.874.520
Foreign Exchange Loss	34.874.961
Loss on Derivative Financial Instruments	1.999.290
Loss from the Capital Market Transactions	269

17. Explanations on Other Operating Income for the Period Ended 31 December 2017

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 and income from sales of assets amounting to TL 211.106

	Prior Period
Specific Provisions for Loans and Other Receivables ⁽¹⁾	1.127.901
Group III Loans and Receivables	369.890
Group IV Loans and Receivables	408.040
Group V Loans and Receivables	349.971
General Provision Expenses	1.470.245
Provision Expenses for the Possible Losses	535.450
Marketable Securities Impairment Expense	254
Financial Assets at Fair Value through Profit and Loss	-
Financial Assets Available for Sale	254
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
Total	3.190.566

⁽¹⁾ The related amount represents the period expense and the provision reversal amounting to TL 562.481 is included in other operating income.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

18. Information on Other Operating Expenses for the Period Ended 31 December 2017

	Prior Period
Personnel Expenses	2.493.686
Reserve for Employee Termination Benefits	90.892
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	-
Depreciation Expenses of Tangible Fixed Assets	239.934
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	63.654
Impairment Expense for Equity Shares Subject to the Equity Method	-
Impairment Expense for Investment Securities that will be Disposed	-
Amortization Expenses of Investment Securities that will be Disposed	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-
Other Operating Expenses	1.984.241
Operational Leasing Expenses	266.409
Maintenance Expenses	64.999
Advertisement Expenses	123.041
Other Expenses	1.529.792
Loss on Sales of Assets	719
Other ⁽¹⁾	1.617.341
Total	6.490.467

⁽¹⁾ TL 549.373 of other items consists of Saving Deposit Insurance Fund accrual expense while TL 529.343 consists of taxes, duties and charges expense

19. Information on profit/loss before taxes and losses for continuing operations and discontinued operations for the year ended 31 December 2017

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

	Prior Period
Net Interest Income	16.902.078
Net Fees and Commissions Income	2.217.385
Other Operating Income	1.377.577
Dividend Income	284.531
Trading Income/Expense (Net)	(813.839)
Provision for Loan or Other Receivables Losses (-)	3.190.566
Other Operating Expenses (-)	6.490.467
Profit/(Loss) From Continuing Operations	10.286.699

20. Information on Tax Provision for Discontinued Operations and Discontinued Operations for the Period Ended 31 December 2017

As of 31 December 2017, TL 2.346.578 of the Bank's total tax provision expense amounting to TL 2.300.432 consists of current tax expense while remaining balances amounting to TL 46.146 consists of deferred tax expense.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

21. Statement of Net Income/Loss for the Period Ended 31 December 2017 and Discontinued Operations

The Bank's net operating income after tax amounts to TL 7.940.121

22.1. Explanation of Quality, Size and Repetition Rate of Income and Expense Items Due to Ordinary Banking Transactions for the Period Ended on December 31, 2017

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.

22.2. The Effects of the Amendment to the Income Statement for the Period Ended 31 December 2017 on Profit/Loss Effects

As of December 31, 2017, there are no changes in the estimates made in relation to the financial statement items..

23. In case the other items in the income statement exceed the 10% of the income statement, the sub-accounts constituting at least 20% of these items are shown for the Period Ended 31 December 2017.

The "Others" item under the "Commissions and fees" in the income statement is composed of commissions and fees from major credit card transactions and banking transactions.

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

Pursuant to the decision taken at the 2017 Ordinary General Assembly Meeting held on August 13, 2018, the first legal reserves from 7.940.121 TL period net profit, of TL 397.006, the first legal reserve of TL 397.006 and the second legal reserve of TL 25.000 The Company decided to allocate TL 280,000 as a first dividend and TL 250,000 as additional dividend to the shareholder. 50% of the sales revenue of the real estates sold in 2017 was transferred to Other Reserves for TL 77,722 thousand, which will be monitored in a special fund account. Within this framework, it has been decided to leave the Bank amounting to TL 7.160.393 within the Bank. 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. Profit Reserves

As of the balance sheet date, profit reserves amount to TL 37.320.380, legal reserves amount to TL 4.026.361 extraordinary reserves amount to TL 31.732.384 and other profit reserves amount to TL 1.561.635.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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. 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 2.203.126 is composed mainly from interest received from loans and securities amounting to TL 47.282.174 and interest paid to deposit and money market operations which is amounting to TL 29.442.439 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 3.390.382 as of 31 December 2017 (31 December 2017: TL 1.344.144).

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	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
Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	3.538.007	3.592.955
Central Bank of the Republic of Turkey and Other Banks	19.851.722	9.422.724
Money Market Operations	-	-
Total Cash and Cash Equivalents	23.389.729	13.015.679

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

1. Information on the Deposits of the Bank's Risk Group

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						
Opening Balance	1.622.698	4.428.780	-	-	-	78.923
Closing Balance	2.535.527	5.669.093	-	-	-	648.530
Interest and Commissions Income	83.006	963	-	-	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

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						
Opening Balance	1.190.812	3.442.805	-	-	-	59.823
Closing Balance	1.622.698	4.428.780	-	-	-	78.923
Interest and Commissions Income	48.506	884	-	-	-	-

Represent the amount of interest and commissions income as of 31 December 2017.

2. Deposits Held By The Bank's Risk Group

Current 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
Deposits						
Opening Balance		1.760.542	-	-		17.708
Closing Balance		2.711.172	-	-		13.974
Interest Expense on Deposits		330.101	-	-		14.504

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
Deposits						
Opening Balance		1.523.670	-	-		22.247
Closing Balance		1.760.542	-	-		17.708
Interest Expense on Deposits		173.511	-	-		3.429

⁽¹⁾ The prior period balance of the deposit interest expense represents the amount at 31 December 2017

3. Information on Forward Transactions, Option Agreements and Similar Transactions Between the Bank's Risk Group

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
The Fair Value Differences Through Profit and Loss						
Opening Balance		555.062	-	-		-
Closing Balance		1.209.831	-	-		-
Total Profit/Loss		(37.347)	-	-		-
Risk Protection Oriented Processes		-		-		-
Opening Balance		-		-		-
Closing Balance		-		-		-
Total Profit/Loss		-		-		-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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)

Prior 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
The Fair Value Differences Through Profit and Loss			
Opening Balance	127.897	-	-
Closing Balance	555.062	-	-
Total Profit/Loss	18.295	-	-
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 11.216(31 December 2017:8.935 TL).

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	Country of Incorporation	Total Assets	Statutory Share Capital
Domestic Branch ⁽¹⁾	1.750	24.559			
Foreign Representative Office ⁽²⁾	1	-	1- Iran		
Foreign Branch ⁽²⁾	1	4	1- England	8.127.929	275.574
	4	3	2- Bulgaria	453.668	85.239
	2	4	3- Iraq	1.063.775	262.110
	3	4	4- Greece	561.578	197.782
	1	3	5- Saudi Arabia	1.827.563	78.633
	3	-	6- Kosovo	273.508	59.934
	8	33	7- T.R. of Northern Cyprus	2.089.848	190.488
	1	3	1- Bahrain	16.047.579	26.211
Off-Shore Banking Region Branches	-	-	-	-	-

⁽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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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 2018, 2 new branches were opened, 11 branches were closed in Turkey. Prizren and Peja branches in Kosovo are opened abroad.

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: September 2018

Outlook	Negative
Long term Foreign Currency Deposit	B2
Short term Foreign Currency Deposit	Not-Prime
Long term Turkish Liras Deposit	B1
Short term Turkish Liras Deposit	Not-Prime
Long term Foreign Currency Bond	B1
Long term Turkish Lira Bond	B1
Basic Credit Note	b2
Adjusted Basic Credit Note	b2
<u>Fitch Ratings: October 2018</u>	
FC Long Term	B+/Negative
FC Short Term	B
TL Long Term	BB/Negative
TL Short Term	B
National Long Term	AA (tur)/Stable
Support	4
Support Rating Base	B+
Financial Capability Grade	b+

JCR Eurasia: October 2018

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

(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. 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 2018, 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 12 February 2019 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 2018 WITH
INDEPENDENT AUDITORS' REPORT THEREON**

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

INDEPENDENT AUDITOR’S REPORT

To the General Assembly of Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

A) Audit of Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“the Bank”) and its consolidated financial affiliates (together will be referred as “the Group”) which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows for the year then ended, and notes, comprising 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 consolidated financial position of the Bank as at 31 December 2018, and its consolidated financial performance and its consolidated 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 Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

Basis for Qualified Opinion

As disclosed in section five footnote II.9.3.1, the accompanying consolidated balance sheet as at 31 December 2018 include a general reserve of total of TL 982.000 thousands, of which TL 1.425.000 thousand was recognised in prior years, TL 30.000 thousand have been recognised in current year and 523.000 thousands have been reversed in the current period and, which is provided by the Group 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 Consolidated 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 Consolidated 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 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 measured at amortised cost

Refer to Section Three, No: VIII to the consolidated financial statements relating to the details of accounting policies and significant judgments of for impairment in loans measured at amortised cost

Key audit matter	How the matter is addressed in our audit
<p>As of 31 December 2018, loans measured at amortised cost comprise 70% of the Group's total assets.</p> <p>The Group recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard ("Standard").</p> <p>As of 1 January 2018, due to the adoption of the Regulation and Standard, in determining the impairment of loans it is started to apply "expected credit loss model" rather than the "incurred loss model". The new model contains significant assumptions and estimates.</p> <p>The significant assumptions and estimates of the Group's management are as follows:</p> <ul style="list-style-type: none"> - significant increase in credit risk; - incorporating the forward looking macroeconomic information in calculation of credit risk; and - design and implementation of expected credit loss model. <p>The determination of the impairment of loans measured at amortised cost depends on the credit default status, the model based on the change in the credit risk at the first recognition date and the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>The Group calculates expected credit losses on a collective basis. The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations and the forward looking expectations are reflected by macroeconomic models.</p> <p>Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.</p>	<p>Our procedures for testing the impairment of loans included 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 are tested with the involvement of information risk management specialists. - We evaluated the adequacy of the subjective and objective criteria that is defined in the Group's impairment accounting policy compared with the Regulation and Standard. - We evaluated the Group's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist. - We performed loan reviews for selected loan samples which include a detailed examination and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables. - We tested the accuracy and completeness of the data in the expected loss calculation models. Also the expected credit loss calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated. - We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method. - We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk. - Additionally, we also evaluated the adequacy of the consolidated financial statement disclosures related to impairment provisions.

INDEPENDENT AUDITOR'S REPORT

Pension plan

Refer to Section III Note: XVI to the consolidated 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 footnote 3.16 to the consolidated 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 2018, 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>As of December 31, 2018, the liabilities of the Bank which are not related to the current period are calculated by an independent actuary according to TAS 19 Employee Benefits.</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>The key judgments and assumptions used in calculation of transferrable liabilities disclosed at the footnote II.9.4.3 of section five, 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 consolidated 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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 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 consolidated 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 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.
- 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.

INDEPENDENT AUDITOR'S REPORT

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

1) 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 2018 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

2) 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 of 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
27 February 2019
İstanbul, Turkey

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

THE CONSOLIDATED FINANCIAL REPORT OF TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 31 DECEMBER 2018

The Bank's Headquarter Address: Hacıbayram 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.
Ziraat Girişim Sermayesi 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 Azerbaijan 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.



Dr. Ahmet GENÇ
Chairman of the Board



Hüseyin AYDIN
Member of the Board,
CEO



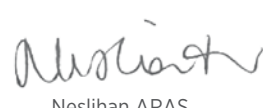
Feyzi ÇUTUR
Member of the Board,
Member of the Audit Committee



Yusuf BİLMEZ
Member of the Board,
Member of the Audit Committee



Bilgehan KURU
Executive Vice President of
Treasury and International Banking



Neslihan ARAS
Senior Vice President of Financial
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

CONTENTS

Page Number

SECTION ONE

General Information about the Bank

I.	History of the Parent Bank Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status, If Any	274
II.	Explanation About the Parent Bank's Capital Structure, Shareholders of the Parent 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 of Which the Bank Belongs To	274
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	275
IV.	Information About the Persons and Institutions That Have Qualified Shares Attributable to the Parent Bank	276
V.	Summary Information on the Bank's Activities and Services	276
VI.	Differences Between the Communique on Preparation O 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	277
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	277

SECTION TWO

Current year Consolidated Financial Statements

I.	Balance sheet- Assests	278
II.	Balance sheet- Liabilities and Equity	279
III.	Statement of off-balance sheet commitments	280
IV.	Statement of profit or loss	282
V.	Statement of profit or loss and other comprehensive income	283
VI.	Statement of changes in shareholders' equity	284
VII.	Statement of cash flows	286
VIII.	Statement of profit distribution	287

Prior year Consolidated Financial Statements

I.	Balance sheet- Assests	288
II.	Balance sheet- Liabilities	289
III..	Statement of off-balance sheet commitments	290
IV	Statement of income	292
V.	Statement of income and expense items accounted under shareholders' equity	293
VI.	Statement of changes in shareholders' equity	294
VII.	Statement of cash flows	296
VIII.	Statement of profit distribution	297

SECTION THREE

Explanations on Accounting Policies

I.	Basis of Presentation	298
II.	Explanations on Strategy of Using Financial Instruments and foreign Currency Transactions	299
III.	Information on Consolidated Subsidiaries	299
IV.	Explanations on forward Transactions, Options and Derivative Instruments	301
V.	Explanations on Interest Income and Expense	302
VI.	Explanations on Fee and Commission Income and Expense	302
VII.	Explanations on Financial Assets	302
VIII.	Explanations on Impairment of Financial Assets	304
IX.	Explanations on Offsetting Financial Instruments	306
X.	Explanations on Sales and Repurchase Agreements and Securities Lending Transactions	306
XI.	Information on Assets Held for Sale and Related to Discontinued Operations and Explanations on Liabilities Related With These Assets	306

	Page Number
XII. Explanations on Goodwill and Other Intangible Assets	306
XIII. Explanations on Property and Equipment	307
XIV. Explanations on Leasing Transactions	307
XV. Explanations on Provisions, Contingent Asset and Liabilities	308
XVI. Explanations on Obligations Related to Employee Rights	308
XVII. Explanations on Taxation	310
XVIII. Explanations on Insurance Technical Reserves	312
XIX. Explanations on Borrowings	312
XX. Explanations on Issuance of Share Certificates	312
XXI. Explanations on Avalized Drafts and Acceptances	313
XXII. Explanations on Government Grants	313
XXIII. Cash and Cash Equivalents	313
XXIV. Explanations on Segment Reporting	313
XXV. Explanations on Other Matters	313
XXVI. Explanations on Prior Period Accounting Policies Not Available for the Current Period	316

SECTION FOUR

Explanations Related to the Financial Position and Risk Management of the Bank

I. Explanations on the Components of Consolidated Shareholders' Equity	318
II. Explanations on Consolidated Credit Risk	326
III. Explanations on the Consolidated Currency Risk	341
IV. Explanations on the Consolidated Interest Rate Risk	343
V. Explanations on the Position Risk of Consolidated Equity Securities	346
VI. Explanations on Consolidated Liquidity Risk Management and Liquidity Coverage Ratio	346
VII. Explanations on Consolidated Leverage	352
VIII. Explanations on Consolidated Risk Management	353
IX. Explanations on Consolidated Operating Segments	380
X. Explanations on the Fair Value Realization of Financial Assets and Liabilities	383
XI. Explanations on the Activities Carried Out on Behalf and on Account of Other Parties	385

SECTION FIVE

Explanations and Notes Related to Consolidated Financial Statements

I. Explanations and Notes Related to Assets	385
II. Explanations and Notes Related to Liabilities(Current Period)	418
III. Explanations and Notes to Consolidated Off-Balance Sheet Accounts	431
IV. Explanations and Notes Related to Income Statement(Current Period)	439
V. Explanations and Notes Related to the Changes in Shareholders' Equity	447
VI. Explanations on Consolidated Cash Flow Statements	448
VII. Explanations and Notes to the Risk Group of the Parent Bank	449
VIII. Explanations and Notes Related to Subsequent Events	450
IX. Explanations and Notes Related to Domestic, foreign, Off-Shore Branches or Affiliates and foreign Representatives of the Bank	450

SECTION SIX

Other Explanations

I. Information on the Bank's Rating That Has Been Determined By International Rating Agencies	451
II. Other Explanations on the Bank's Operations	452

SECTION SEVEN

Explanations on Independent Auditors' Report

I. Explanations on Independent Auditors' Report	452
II. Explanations and Notes Prepared By the Independent Auditors	452

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

(Convenience Translation of Publicly Announced Consolidated 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 Parent 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 Parent Bank's head office is located in Ankara.

II. EXPLANATION ABOUT THE PARENT BANK'S CAPITAL STRUCTURE, SHAREHOLDERS OF THE PARENT 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 OF WHICH THE BANK BELONGS TO

The total share capital of the Parent Bank is TL 6.100.000. This capital is divided into 6.100.000.000 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 6.100.000 was approved by the Parent Bank's Ordinary General Assembly on 13 August 2018 and the capital increase and the related amendment to the articles of association of the Articles of Association were registered on 22 October 2018. It was announced on 24 October 2018 in the Trade Registry Gazette No. 9688. The accounting for the capital increase was made on 9 November 2018 with the permission of Banking Regulation and Supervision Agency.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

(Convenience Translation of Publicly Announced Consolidated 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	
Dr. Ahmet GENÇ	Chairman
Hüseyin AYDIN	CEO and Member
Yusuf DAĞCAN	Vice Chairman and Member
Cemalettin BAŞLI	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Mahmut KAÇAR	Member
Salim ALKAN	Member
Yusuf BİLMEZ	Member
Audit Committee Members	
Yusuf BİLMEZ	Member
Feyzi ÇUTUR	Member
Executive Vice Presidents	
Ali KIRBAŞ	Banking Operations and Communication
Alpaslan ÇAKAR	Retail Branch Banking-2
Bilgehan KURU	Treasury and International Banking
Mehmet Cengiz GÖĞEBAKAN	Loan Policies
Musa ARDA	Loan Allocation and Management
Peyami Ömer ÖZDİLEK	Internal Operations
Süleyman TÜRETKEN	Retail Branch Banking-1
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 Parent Bank.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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	6.100.000	100	6.100.000	-

The Parent Bank's sole shareholder is the Turkish Wealth Fund.

V. SUMMARY INFORMATION ON THE 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 2018, Parent Bank carries its activities with a grand total of 1.773 branches; 1.750 domestic branches including 20 corporate branches, 87 entrepreneurial branches, 1.638 branches and 5 mobile branches (31 December 2017: 1.759 domestic branches including 1.639 branches, 20 corporate branches, 95 entrepreneurial branches, 5 mobile branches) and 23 branches abroad London branch in England, Baghdad and Arbil branches in Iraq, Athens, Komotini, and Xanthi branches in Greece, Sofia, Plovdiv, Kardzhali and Varna branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina, Prizren and Peja branch in Kosovo, Bahrain branch in Bahrain, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Taşköy, Karaoğlanoğlu and İskele branches in Turkish Republic of Northern Cyprus. The Bank also has 1 representative office in Tehran, Iran.

The Parent Bank signed a contract with T. İş Bankası A.Ş. on 22 January 2007 to provide longer installment plan and bonus points to their credit card users and benefit from all the advantages within Maximum credit card at merchants that are a part of Maximum plan. The agreement which has been signed with T. İş Bankası A.Ş. has ended on 31 December 2018. Moreover, Ziraat Bank's card branding and loyalty program which was launched in 2017, has reached the final stage for the establishment and 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.

Bankkart Başak is a bank card through which demand deposit accounts and agricultural loan accounts can be linked. The Parent Bank can associate Bankkart Başak 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 Parent 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 Parent 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 the consolidated subsidiaries in Note III are referred to as 'Group' as a whole.

As of 31 December 2018, the Group has 27.276 employees (31 December 2017: 26.918).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

(Convenience Translation of Publicly Announced Consolidated 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 Parent 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

CONSOLIDATED FINANCIAL STATEMENTS

Current Period Consolidated Financial Statements

- I. Balance Sheet- Assets
- II. Balance Sheet- Liability
- III. Off-balance sheet commitments
- IV. Statement of profit or loss
- V. Statement of profit or loss and other comprehensive income
- VI. Statement of changes in shareholders' equity
- VII. Statement of cash flows
- VIII. Statement of profit distribution

Prior Period Consolidated Financial Statements

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED BALANCE SHEET**(STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2018**

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

(Convenience Translation of Publicly Announced Consolidated 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 December 2018		
ASSETS			TL	FC	Total
I. FINANCIAL ASSETS (NET)			71.859.970	79.256.668	151.116.638
1.1 Cash and Cash Equivalents			7.815.408	44.414.292	52.229.700
1.1.1 Cash and Balances with Central Bank	(1)		5.159.473	37.723.020	42.882.493
1.1.2 Banks	(4)		2.594.530	6.502.590	9.097.120
1.1.3 Money Markets			61.405	188.682	250.087
1.2 Financial Assets Measured at Fair Value Through Profit or Loss	(2)		536.584	6.246.194	6.782.778
1.2.1 Government Securities			505.480	5.895.402	6.400.882
1.2.2 Equity Securities			8	-	8
1.2.3 Other Financial Assets			31.096	350.792	381.888
1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income	(5),(6)		56.610.615	23.222.432	79.833.047
1.3.1 Government Securities			55.241.367	22.647.572	77.888.939
1.3.2 Equity Securities			125.580	252.138	377.718
1.3.3 Other Financial Assets			1.243.668	322.722	1.566.390
1.4 Financial Assets Measured at Amortised Cost	(8)		5.404.610	4.877.935	10.282.545
1.4.1 Government Securities			5.207.791	4.876.659	10.084.450
1.4.2 Other Financial Assets			196.819	1.276	198.095
1.5 Derivative Financial Assets	(3)		1.548.540	510.238	2.058.778
1.5.1 Derivative Financial Assets Measured at Fair Value Through Profit or Loss			1.548.540	510.238	2.058.778
1.5.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income			-	-	-
1.6 Non-Performing Financial Assets			-	-	-
1.7 Expected Credit Loss (-)	(21)		55.787	14.423	70.210
II. LOANS (NET)	(7)		263.463.461	135.594.418	399.057.879
2.1 Loans			262.903.728	132.869.206	395.772.934
2.1.1 Measured at Amortised Cost			262.903.728	132.828.354	395.732.082
2.1.2 Fair Value Through Profit or Loss			-	40.852	40.852
2.1.3 Fair Value Through Other Comprehensive Income			-	-	-
2.2 Lease Receivables	(12)		1.449.276	2.529.404	3.978.680
2.2.1 Financial Lease Receivables			2.118.748	2.908.117	5.026.865
2.2.2 Operating Lease Receivables			-	-	-
2.2.3 Unearned Income (-)			669.472	378.713	1.048.185
2.3 Factoring Receivables			-	2.147	2.147
2.3.1 Measured at Amortised Cost			-	2.147	2.147
2.3.2 Fair Value Through Profit or Loss			-	-	-
2.3.3 Fair Value Through Other Comprehensive Income			-	-	-
2.4 Non-Performing Loans			7.750.674	1.005.323	8.755.997
2.5 Expected Credit Loss (-)			8.640.217	811.662	9.451.879
2.5.1 12 Month Expected Credit Losses (Stage I)			882.310	113.905	996.215
2.5.2 Significant Increase in Credit Risk (Stage II)			2.232.388	32.346	2.264.734
2.5.3 Credit-Impaired Losses (Stage III/Specific Provision)			5.525.519	665.411	6.190.930
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(15)		1.230.611	68	1.230.679
3.1 Held for Sale Purpose			1.230.611	68	1.230.679
3.2 Related to Discontinued Operations			-	-	-
IV. EQUITY INVESTMENTS			147.786	89.787	237.573
4.1 Investments in Associates (Net)	(9)		139.811	2.337	142.148
4.1.1 Associates Valued Based on Equity Method			133.745	-	133.745
4.1.2 Unconsolidated Associates			6.066	2.337	8.403
4.2 Subsidiaries (Net)	(10)		7.975	-	7.975
4.2.1 Unconsolidated Financial Subsidiaries			1.738	-	1.738
4.2.2 Unconsolidated Non-Financial Subsidiaries			6.237	-	6.237
4.3 Joint Ventures (Net)	(11)		-	87.450	87.450
4.3.1 Joint Ventures Valued Based on Equity Method			-	87.450	87.450
4.3.2 Unconsolidated Joint Ventures			-	-	-
V. PROPERTY AND EQUIPMENT (Net)	(16)		6.600.795	202.960	6.803.755
VI. INTANGIBLE ASSETS (Net)	(19)		683.280	48.426	731.706
6.1 Goodwill			-	-	-
6.2 Other			683.280	48.426	731.706
VII. INVESTMENT PROPERTY (Net)	(14)		-	-	-
VIII. CURRENT TAX ASSET			53.287	7.336	60.623
IX. DEFERRED TAX ASSET	(20)		1.639.462	96	1.639.558
X. OTHER ASSETS	(22)		4.287.712	3.220.873	7.508.585
TOTAL ASSETS			349.966.364	218.420.632	568.386.996

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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 2018**

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

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

CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)		Note (Section Five II)	Current Period 31 December 2018		
LIABILITIES AND EQUITY			TL	FC	Total
I.	DEPOSITS	(1)	184.601.759	169.773.489	354.375.248
II.	FUNDS BORROWED	(3)	1.196.347	33.652.422	34.848.769
III.	MONEY MARKETS	(4)	56.213.158	12.390.480	68.603.638
IV.	SECURITIES ISSUED (Net)	(5)	4.326.776	12.617.088	16.943.864
4.1	Bills		1.761.094	106.896	1.867.990
4.2	Asset Backed Securities		1.375.097	-	1.375.097
4.3	Bonds		1.190.585	12.510.192	13.700.777
V.	FUNDS		6.073.748	-	6.073.748
5.1	Borrower Funds		-	-	-
5.2	Other		6.073.748	-	6.073.748
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	(2)	1.156.322	511.847	1.668.169
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		1.156.322	511.847	1.668.169
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
VIII.	FACTORING LIABILITIES		-	-	-
IX.	LEASE LIABILITIES (Net)	(7)	-	-	-
9.1	Financial Lease		-	-	-
9.2	Operating Lease		-	-	-
9.3	Other		-	-	-
9.4	Deferred Financial Lease Expenses (-)		-	-	-
X.	PROVISIONS	(9)	4.637.486	113.586	4.751.072
10.1	Restructuring Provisions		-	-	-
10.2	Reserve for Employee Benefits		1.342.697	4.324	1.347.021
10.3	Insurance Technical Provisions (Net)		1.739.355	-	1.739.355
10.4	Other Provisions		1.555.434	109.262	1.664.696
XI.	CURRENT TAX LIABILITY	(10)	1.607.656	19.295	1.626.951
XII.	DEFERRED TAX LIABILITY	(11)	-	8.669	8.669
XIII.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(12)	-	-	-
13.1	Held for Sale Purpose		-	-	-
13.2	Related to Discontinued Operations		-	-	-
XIV.	SUBORDINATED DEBT INSTRUMENTS	(13)	-	-	-
14.1	Loans		-	-	-
14.2	Other Debt Instruments		-	-	-
XV.	OTHER LIABILITIES	(6)	8.547.463	10.810.430	19.357.893
XVI.	SHAREHOLDERS' EQUITY	(14)	62.844.885	(2.715.910)	60.128.975
16.1	Paid-in capital		6.100.000	-	6.100.000
16.2	Capital Reserves		(483)	-	(483)
16.2.1	Share Premium		-	-	-
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Other Capital Reserves		(483)	-	(483)
16.3	Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss		4.110.411	67.143	4.177.554
16.4	Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		(780.255)	(2.783.053)	(3.563.308)
16.5	Profit Reserves		37.320.380	-	37.320.380
16.5.1	Legal Reserves		4.026.361	-	4.026.361
16.5.2	Status Reserves		-	-	-
16.5.3	Extraordinary Reserves		31.732.384	-	31.732.384
16.5.4	Other Profit Reserves		1.561.635	-	1.561.635
16.6	Profit or (Loss)		16.092.374	-	16.092.374
16.6.1	Prior Periods' Profit or (Loss)		6.748.737	-	6.748.737
16.6.2	Current Period Profit or (Loss)		9.343.637	-	9.343.637
16.7	Minority Interest		2.458	-	2.458
TOTAL LIABILITIES AND EQUITY			331.205.600	237.181.396	568.386.996

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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 2018

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

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

III. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET

		Note (Section Five III)	Current Period 31 December 2018		
COMMITMENTS			TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)	(1),(3)	100.186.509	221.199.122	321.385.631
I.	GUARANTEES AND WARRANTIES		42.358.851	89.288.857	131.647.708
1.1	Letters of Guarantee		42.052.714	61.662.493	103.715.207
1.1.1	Guarantees Subject to State Tender Law		1.809.270	13.798.953	15.608.223
1.1.2	Guarantees Given for Foreign Trade Operations		35.394.204	43.373.848	78.768.052
1.1.3	Other Letters of Guarantee		4.849.240	4.489.692	9.338.932
1.2	Bank Acceptances		26.238	8.290.788	8.317.026
1.2.1	Import Letter of Acceptance		26.238	8.288.714	8.314.952
1.2.2	Other Bank Acceptances		-	2.074	2.074
1.3	Letters of Credit		274.137	18.114.396	18.388.533
1.3.1	Documentary Letters of Credit		274.137	18.008.378	18.282.515
1.3.2	Other Letters of Credit		-	106.018	106.018
1.4	Prefinancing Given as Guarantee		-	-	-
1.5	Endorsements		-	202.092	202.092
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	202.092	202.092
1.5.2	Other Endorsements		-	-	-
1.6	Purchase Guarantees on Marketable Security Issuance		-	-	-
1.7	Factoring Guarantees		-	2.172	2.172
1.8	Other Guarantees		-	1.010.273	1.010.273
1.9	Other Collaterals	5.762	6.643	12.405	
II.	COMMITMENTS	(1),(3)	36.323.782	14.578.481	50.902.263
2.1	Irrevocable Commitments		36.150.769	10.188.966	46.339.735
2.1.1	Asset Purchase and Sale Commitments		2.192.245	5.070.064	7.262.309
2.1.2	Deposit Purchase and Sales Commitments		-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4	Loan Granting Commitments		8.547.764	20.980	8.568.744
2.1.5	Securities Issue Brokerage Commitments		-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-
2.1.7	Commitments for Cheques		2.876.065	37	2.876.102
2.1.8	Tax and Fund Liabilities from Export Commitments		6.925	-	6.925
2.1.9	Commitments for Credit Card Limits		13.341.463	22.436	13.363.899
2.1.10	Commitments for Credit Cards and Banking Services Promotions		23.620	-	23.620
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		9.162.687	5.075.449	14.238.136
2.2	Revocable Commitments		173.013	4.389.515	4.562.528
2.2.1	Revocable Loan Granting Commitments		-	372.805	372.805
2.2.2	Other Revocable Commitments		173.013	4.016.710	4.189.723
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	21.503.876	117.331.784	138.835.660
3.1	Hedging Derivative Financial Instruments		-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-
3.2	Trading Transactions		21.503.876	117.331.784	138.835.660
3.2.1	Forward Foreign Currency Buy/Sell Transactions		2.524.108	3.223.439	5.747.547
3.2.1.1	Forward Foreign Currency Transactions-Buy		1.014.221	1.760.205	2.774.426
3.2.1.2	Forward Foreign Currency Transactions-Sell		1.509.887	1.463.234	2.973.121

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 2018

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

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

III. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET		Note (Section Five III)	Current Period 31 December 2018		
COMMITMENTS			TL	FC	Total
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		18.958.168	114.084.371	133.042.539
3.2.2.1	Foreign Currency Swap-Buy		242.703	51.873.780	52.116.483
3.2.2.2	Foreign Currency Swap-Sell		18.715.465	33.664.931	52.380.396
3.2.2.3	Interest Rate Swap-Buy		-	14.272.830	14.272.830
3.2.2.4	Interest Rate Swap-Sell		-	14.272.830	14.272.830
3.2.3	Foreign Currency, Interest rate and Securities Options		21.600	23.974	45.574
3.2.3.1	Foreign Currency Options-Buy		10.800	11.987	22.787
3.2.3.2	Foreign Currency Options-Sell		10.800	11.987	22.787
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)		1.351.947.272	250.674.668	1.602.621.940
IV.	ITEMS HELD IN CUSTODY		484.862.074	29.618.131	514.480.205
4.1	Customer Fund and Portfolio Balances		-	-	-
4.2	Investment Securities Held in Custody		19.513.200	9.949.943	29.463.143
4.3	Checks Received for Collection		10.913.777	1.298.021	12.211.798
4.4	Commercial Notes Received for Collection		9.935.885	899.959	10.835.844
4.5	Other Assets Received for Collection		8.816	-	8.816
4.6	Assets Received for Public Offering		421.800.764	7.242	421.808.006
4.7	Other Items Under Custody		22.687.433	17.067.264	39.754.697
4.8	Custodians		2.199	395.702	397.901
V.	PLEDGES RECEIVED		865.830.685	218.134.914	1.083.965.599
5.1	Marketable Securities		2.419.375	1.439.047	3.858.422
5.2	Guarantee Notes		17.840.388	4.474.610	22.314.998
5.3	Commodity		2.371.854	452.978	2.824.832
5.4	Warranty		-	-	-
5.5	Immovable		756.841.771	153.479.598	910.321.369
5.6	Other Pledged Items		86.352.088	58.269.304	144.621.392
5.7	Pledged Items-Depository		5.209	19.377	24.586
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		1.254.513	2.921.623	4.176.136
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			1.452.133.781	471.873.790	1.924.007.571

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS		Note (Section Five IV)	Current Period 1 January-31 December 2018
	INCOME AND EXPENSE ITEMS		
I.	INTEREST INCOME	(1)	56.134.708
1.1	Interest on Loans		43.353.615
1.2	Interest on Reserve Requirements		734.653
1.3	Interest on Banks		493.737
1.4	Interest on Money Market Transactions		33.749
1.5	Interest on Marketable Securities Portfolio		11.121.497
1.5.1	Fair Value Through Profit or Loss		6.693
1.5.2	Fair Value Through Other Comprehensive Income		10.013.039
1.5.3	Measured at Amortised Cost		1.101.765
1.6	Financial Lease Income		271.810
1.7	Other Interest Income		125.647
II.	INTEREST EXPENSE (-)	(2)	32.269.251
2.1	Interest on Deposits		20.535.591
2.2	Interest on Funds Borrowed		1.501.841
2.3	Interest Expense on Money Market Transactions		8.816.678
2.4	Interest on Securities Issued		1.261.636
2.5	Other Interest Expenses		153.505
III.	NET INTEREST INCOME (I - II)		23.865.457
IV.	NET FEES AND COMMISSIONS INCOME		2.694.706
4.1	Fees and Commissions Received		3.863.598
4.1.1	Non-cash Loans		745.087
4.1.2	Other	(12)	3.118.511
4.2	Fees and Commissions Paid		1.168.892
4.2.1	Non-cash Loans		510
4.2.2	Other		1.168.382
V.	PERSONNEL EXPENSE (-)		3.175.068
VI.	DIVIDEND INCOME	(3)	4.808
VII.	TRADING INCOME/(LOSS) (Net)	(4)	(3.801.156)
7.1	Trading Gains/(Losses) on Securities		10.859
7.2	Gains/(Losses) on Derivative Financial Transactions		(4.068.267)
7.3	Foreign Exchange Gains/(Losses)		256.252
VIII.	OTHER OPERATING INCOME	(5)	3.450.126
IX.	GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		23.038.873
X.	EXPECTED CREDIT LOSS (-)	(6)	5.225.689
XI.	OTHER OPERATING EXPENSES (-)	(7)	5.983.608
XII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		11.829.576
XIII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-
XIV.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		46.756
XV.	INCOME/(LOSS) ON NET MONETARY POSITION		-
XVI.	PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(8)	11.876.332
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(2.532.212)
17.1	Current Tax Provision		(2.721.984)
17.2	Deferred Tax Income Effect (+)		(2.726.149)
17.3	Deferred Tax Expense Effect (-)		2.915.921
XVIII.	CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	(10)	9.344.120
XIX.	INCOME FROM DISCONTINUED OPERATIONS		-
19.1	Income from Non-current Assets Held for Sale		-
19.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-
19.3	Income from Other Discontinued Operations		-
XX.	EXPENSES FOR DISCONTINUED OPERATIONS (-)		-
20.1	Expenses for Non-current Assets Held for Sale		-
20.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-
20.3	Expenses for Other Discontinued Operations		-
XXI.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)		-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
22.1	Current Tax Provision		-
22.2	Deferred Tax Expense Effect (+)		-
22.3	Deferred Tax Income Effect (-)		-
XXIII.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIV.	NET PROFIT/(LOSS) (XVIII+XXIII)	(11)	9.344.120
24.1	Profit/(Loss) from the Group		9.343.637
24.2	Profit/(Loss) from Minority Interest		483
	Earning/(Loss) per share (in TL full)		1,647

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

V. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Current Period 1 January-31 December 2018
I.	CURRENT PERIOD PROFIT/LOSS	9.344.120
II.	OTHER COMPREHENSIVE INCOME	(3.401.517)
2.1	Not Reclassified to Profit or Loss	521.447
2.1.1	Property and Equipment Revaluation Increase/Decrease	(107.965)
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	75.582
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	679.067
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(125.237)
2.2	Reclassified to Profit or Loss	(3.922.964)
2.2.1	Foreign Currency Translation Differences	523.104
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(5.425.064)
2.2.3	Cash Flow Hedge Income/Loss	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	978.996
III.	TOTAL COMPREHENSIVE INCOME (I+II)	5.942.603

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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

		Other Accumulated Comprehensive Income That Will Not Be Reclassified to Profit or Loss					

Other Accumulated Comprehensive Income That Will Be Reclassified to Profit or Loss									
	Exchange Differences on Translation	Accumulated gains (losses) due to revaluation and/ or reclassification of financial assets measured at fair value through other comprehensive income	Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)	Profit Reserves	Prior period net profit/ (loss)	Current period net profit/ (loss)	Shareholders' equity before minority interest	Minority Shares	Total Shareholders' Equity
	2.120.621	(1.767.831)	-	29.660.259	8.068.601	-	48.481.491	1.665	48.483.156
	-	2.402	-	-	5.401.136	-	5.403.538	-	5.403.538
	-	-	-	-	-	-	-	-	-
	-	2.402	-	-	5.401.136	-	5.403.538	-	5.403.538
	2.120.621	(1.765.429)	-	29.660.259	13.469.737	-	53.885.029	1.665	53.886.694
	523.104	(4.446.378)	-	-	-	9.343.637	5.941.810	793	5.942.603
	-	-	-	-	-	-	500.000	-	500.000
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	4.774	-	-	1.219.121	-	79.678	-	79.678
	-	-	-	7.660.121	(7.940.121)	-	(280.000)	-	(280.000)
	-	-	-	-	(280.000)	-	(280.000)	-	(280.000)
	-	-	-	7.582.399	(7.582.399)	-	-	-	-
	-	-	-	77.722	(77.722)	-	-	-	-
	2.643.725	(6.207.033)	-	37.320.380	6.748.737	9.343.637	60.126.517	2.458	60.128.975

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

VII. CONSOLIDATED STATEMENT OF CASH FLOWS		Note (Section Five VI)	Current Period 1 January-31 December 2018
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		1.892.753
1.1.1	Interest Received		50.363.075
1.1.2	Interest Paid		(30.573.694)
1.1.3	Dividend Received		4.808
1.1.4	Fees and Commissions Received		3.863.598
1.1.5	Other Income		3.450.126
1.1.6	Collections from Previously Written-off Loans		1.183.842
1.1.7	Payments to Personnel and Service Suppliers		(3.800.553)
1.1.8	Taxes Paid		(3.096.364)
1.1.9	Other		(19.502.085)
1.2	Changes in Operating Assets and Liabilities		21.173.587
1.2.1	Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		(6.724.201)
1.2.2	Net (increase)/decrease in due from banks and other financial institutions		9.211.129
1.2.3	Net (increase)/decrease in loans		(70.080.799)
1.2.4	Net (increase)/decrease in other assets		(7.432.023)
1.2.5	Net increase/(decrease) in bank deposits		22.343.023
1.2.6	Net increase/(decrease) in other deposits		61.520.023
1.2.7	Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss		1.119.259
1.2.8	Net increase/(decrease) in funds borrowed		3.573.693
1.2.9	Net increase/(decrease) in payables		
1.2.10	Net increase/(decrease) in other liabilities		7.643.483
I.	Net Cash Provided from Banking Operations		23.066.340
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES		
II.	Net Cash Provided from Investing Activities		(15.687.718)
2.1	Cash paid for acquisition of investments, associates and subsidiaries		(49.535)
2.2	Cash obtained from disposal of investments, associates and subsidiaries		-
2.3	Purchases of property and equipment		(421.891)
2.4	Disposals of property and equipment		304.933
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(26.780.508)
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income		11.929.917
2.7	Purchase of Financial Assets Measured at Amortised Cost		(3.515.803)
2.8	Sale of Financial Assets Measured at Amortised Cost		2.631.165
2.9	Other		214.004
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from Financing Activities		2.061.980
3.1	Cash Obtained from Funds Borrowed and Securities Issued		9.555.088
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(7.993.108)
3.3	Issued Equity Instruments		500.000
3.4	Dividends Paid		-
3.5	Payments for Finance Leases		-
3.6	Other		-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(1)	5.015.333
V.	Net Decrease/Increase in Cash and Cash Equivalents (I+II+III+IV)		14.455.935
VI.	Cash and Cash Equivalents at the Beginning of the Period	(1)	13.839.511
VII.	Cash and Cash Equivalents at the End of the Period	(1)	28.295.446

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

VIII.	PROFIT DISTRIBUTION STATEMENT ^(*)	Current Period 31 December 2018
I.	DISTRIBUTION OF CURRENT YEAR INCOME	
1.1	Current Year Income	10.033.684
1.2	Taxes And Duties Payable (-) ^(*)	2.242.602
1.2.1	Corporate Tax (Income tax)	2.242.602
1.2.2	Income withholding tax	-
1.2.3	Other taxes and duties	-
A.	NET INCOME FOR THE YEAR (1.1-1.2)	7.791.082
1.3	Prior Year Losses (-)	-
1.4	First Legal Reserves (-)	-
1.5	Other Statutory Reserves (-)	-
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	7.791.082
1.6	First Dividend To Shareholders (-)	-
1.6.1	To Owners Of Ordinary Shares	-
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 (-)	-
1.8	Dividends To Board Of Directors (-)	-
1.9	Second Dividend To Shareholders (-)	-
1.9.1	To Owners Of Ordinary Shares	-
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 (-)	-
1.11	Statutory Reserves (-)	-
1.12	Extraordinary Reserves	-
1.13	Other Reserves	-
1.14	Special Funds	-
II.	DISTRIBUTION OF RESERVES	
2.1	Appropriated Reserves	-
2.2	Dividends To Shareholders (-)	-
2.2.1	To Owners Of Ordinary Shares	-
2.2.2	To Owners Of Privileged Shares	-
2.2.3	To Owners Of Preferred Shares	-
2.2.4	To Profit Sharing Bonds	-
2.2.5	To Holders Of Profit And Loss Sharing Certificates	-
2.3	Dividends To Personnel (-)	-
2.4	Dividends To Board Of Directors (-)	-
III.	EARNINGS PER SHARE	
3.1	To Owners Of Ordinary Shares	1,3735
3.2	To Owners Of Ordinary Shares (%)	137,35
3.3	To Owners Of Privileged Shares	-
3.4	To Owners Of Privileged Shares (%)	-
IV.	DIVIDEND PER SHARE	
4.1	To Owners Of Ordinary Shares	-
4.2	To Owners Of Ordinary Shares (%)	-
4.3	To Owners Of Privileged Shares	-
4.4	To Owners Of Privileged Shares (%)	-

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

^(*) The deferred tax benefit amounted TL 169.856 is not taken into account in profit distribution.

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 Consolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

I. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)		Note (Section Five I)	Prior Period 31 December 2017		
ASSETS			TL	FC	Total
I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(23)		5.277.535	40.942.802	46.220.337
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(24)		904.588	563.275	1.467.863
2.1 Financial Assets Held for Trading			904.588	563.275	1.467.863
2.1.1 Public Sector Debt Securities			24.367	37.470	61.837
2.1.2 Securities Representing a Share in Capital			5	-	5
2.1.3 Derivative Financial Assets Held for Trading	(25)		880.049	516.718	1.396.767
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	(26)		2.373.229	3.258.911	5.632.140
IV. MONEY MARKET PLACEMENTS			40.122	92.263	132.385
4.1 Interbank Money Market Placements			-	24.171	24.171
4.2 Istanbul Stock Exchange Money Market Placements			38.043	-	38.043
4.3 Receivables from Reverse Repurchase Agreements			2.079	68.092	70.171
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(27),(28)		45.961.580	17.676.651	63.638.231
5.1 Securities Representing a Share in Capital			118.095	845.817	963.912
5.2 Public Sector Debt Securities			45.331.743	16.690.632	62.022.375
5.3 Other Marketable Securities			511.742	140.202	651.944
VI. LOANS AND RECEIVABLES	(29)		231.413.967	85.606.521	317.020.488
6.1 Loans and Receivables			231.188.481	85.606.521	316.795.002
6.1.1 Loans Granted to Risk Group of The Bank			-	-	-
6.1.2 Public Sector Debt Securities			-	-	-
6.1.3 Other			231.188.481	85.606.521	316.795.002
6.2 Loans under Follow-up			4.790.067	238.900	5.028.967
6.3 Specific Provisions (-)			4.564.581	238.900	4.803.481
VII. FACTORING RECEIVABLES			-	1.614	1.614
VIII. INVESTMENTS HELD TO MATURITY (Net)	(30)		2.863.604	4.762.159	7.625.763
8.1 Public Sector Debt Securities			2.757.318	4.761.212	7.518.530
8.2 Other Marketable Securities			106.286	947	107.233
IX. INVESTMENTS IN ASSOCIATES (Net)	(31)		127.251	1.168	128.419
9.1 Accounted with Equity Method			121.185	-	121.185
9.2 Unconsolidated Associates			6.066	1.168	7.234
9.2.1 Financial Associates			-	-	-
9.2.2 Non-financial Associates			6.066	1.168	7.234
X. INVESTMENTS IN SUBSIDIARIES (Net)	(32)		7.583	-	7.583
10.1 Unconsolidated Financial Subsidiaries			1.346	-	1.346
10.2 Unconsolidated Non-Financial Subsidiaries			6.237	-	6.237
XI. ENTITIES UNDER COMMON CONTROL (Net)	(33)		-	52.036	52.036
11.1 Accounted with Equity Method			-	52.036	52.036
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	(34)		852.715	2.028.804	2.881.519
12.1 Finance Lease Receivables			1.073.052	2.278.160	3.351.212
12.2 Operating Lease Receivables			-	-	-
12.3 Other			-	-	-
12.4 Unearned Income (-)			220.337	249.356	469.693
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(35)		-	-	-
13.1 Fair Value Hedges			-	-	-
13.2 Cash Flow Hedges			-	-	-
13.3 Hedges for Investments Made in Foreign Countries			-	-	-
XIV. TANGIBLE ASSETS (Net)	(39)		6.535.523	144.109	6.679.632
XV. INTANGIBLE ASSETS (Net)	(42)		494.932	37.156	532.088
15.1 Goodwill			-	-	-
15.2 Other			494.932	37.156	532.088
XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(36)		-	-	-
XVII. TAX ASSET			32.197	8.858	41.055
17.1 Current Tax Asset			5.741	5.520	11.261
17.2 Deferred Tax Asset	(37)		26.456	3.338	29.794
XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(38)		674.731	88	674.819
18.1 Held for Sale			674.731	88	674.819
18.2 Held from Discontinued Operations			-	-	-
XIX. OTHER ASSETS	(43)		2.858.008	1.332.149	4.190.157
TOTAL ASSETS			300.417.565	156.508.564	456.926.129

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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 Consolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)		Note (Section Five II)	Prior Period 31 December 2017		
LIABILITIES AND EQUITY			TL	FC	Total
I.	DEPOSITS	(15)	167.014.412	115.555.201	282.569.613
1.1	Deposits Held By the Risk Group of the Bank		30.053	14.053	44.106
1.2	Other		166.984.359	115.541.148	282.525.507
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(16)	235.506	313.404	548.910
III.	FUNDS BORROWED	(17)	1.763.056	29.355.197	31.118.253
IV.	MONEY MARKET BALANCES		43.189.819	13.119.704	56.309.523
4.1	Interbank Money Market Borrowings		41.850.000	19.335	41.869.335
4.2	Istanbul Stock Exchange Takasbank Borrowings		-	-	-
4.3	Funds Provided under Repurchase Agreements	(18)	1.339.819	13.100.369	14.440.188
V.	MARKETABLE SECURITIES ISSUED (Net)	(19)	4.298.047	9.176.233	13.474.280
5.1	Bills		3.562.491	-	3.562.491
5.2	Asset-backed Securities		557.804	-	557.804
5.3	Bonds		177.752	9.176.233	9.353.985
VI.	FUNDS		6.030.575	-	6.030.575
6.1	Borrower Funds		-	-	-
6.2	Other		6.030.575	-	6.030.575
VII.	MISCELLANEOUS PAYABLES		2.474.671	1.668.719	4.143.390
VIII.	OTHER LIABILITIES	(20)	1.947.850	628.104	2.575.954
IX.	FACTORING PAYABLES		-	-	-
X.	PAYABLES FROM LEASING TRANSACTIONS (Net)	(21)	-	-	-
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	(22)	-	-	-
11.1	Fair Value Hedges		-	-	-
11.2	Cash Flow Hedges		-	-	-
11.3	Hedges for Investments Made in Foreign Countries		-	-	-
XII.	PROVISIONS	(23)	10.170.466	191.571	10.362.037
12.1	General Provisions		5.500.371	134.827	5.635.198
12.2	Restructuring Provisions		-	-	-
12.3	Employee Benefits Provisions		1.325.862	3.058	1.328.920
12.4	Insurance Technical Reserves (Net)		1.514.046	-	1.514.046
12.5	Other Provisions		1.830.187	53.686	1.883.873
XIII.	TAX LIABILITY	(24)	1.304.963	5.475	1.310.438
13.1	Current Tax Liability		999.597	3.741	1.003.338
13.2	Deferred Tax Liability		305.366	1.734	307.100
XIV.	LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(25)	-	-	-
14.1	Held for Sale		-	-	-
14.2	Held from Discontinued Operations		-	-	-
XV.	SUBORDINATED LOANS	(26)	-	-	-
XVI.	SHAREHOLDERS' EQUITY	(27)	47.619.530	863.626	48.483.156
16.1	Paid-in Capital		5.600.000	-	5.600.000
16.2	Capital Reserves		2.168.384	863.626	3.032.010
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)
16.2.4	Tangible Assets Revaluation Reserves		4.051.876	12.475	4.064.351
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
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)
16.3	Profit Reserves		30.317.558	-	30.317.558
16.3.1	Legal Reserves		3.824.868	-	3.824.868
16.3.2	Statutory Reserves		-	-	-
16.3.3	Extraordinary Reserves		24.836.410	-	24.836.410
16.3.4	Other Profit Reserves		1.656.280	-	1.656.280
16.4	Profit or Loss		9.531.923	-	9.531.923
16.4.1	Prior Years Profit/Loss		647.804	-	647.804
16.4.2	Net Period Profit/Loss		8.884.119	-	8.884.119
16.5	Minority Shares		1.665	-	1.665
TOTAL LIABILITIES AND EQUITY			286.048.895	170.877.234	456.926.129

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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 Consolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

III. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS					
		Note (Section Five III)	Current Period 31 December 2017		Total
			TL	FC	
A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		73.022.242	160.157.172	233.179.414
I.	GUARANTEES AND WARRANTIES	(5),(7)	36.067.838	66.258.784	102.326.622
1.1	Letters of Guarantee		35.800.639	45.354.359	81.154.998
1.1.1	Guarantees Subject to State Tender Law		1.676.924	8.472.455	10.149.379
1.1.2	Guarantees Given for Foreign Trade Operations		30.334.670	34.377.923	64.712.593
1.1.3	Other Letters of Guarantee		3.789.045	2.503.981	6.293.026
1.2	Bank Acceptances		30.004	6.277.094	6.307.098
1.2.1	Import Letter of Acceptance		30.004	6.270.461	6.300.465
1.2.2	Other Bank Acceptances		-	6.633	6.633
1.3	Letters of Credit		233.745	14.291.714	14.525.459
1.3.1	Documentary Letters of Credit		233.745	14.202.295	14.436.040
1.3.2	Other Letters of Credit		-	89.419	89.419
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
1.9	Other Collaterals		-	4.020	4.020
II.	COMMITMENTS	(5),(7)	23.846.740	11.162.799	35.009.539
2.1	Irrevocable Commitments		23.810.655	8.857.039	32.667.694
2.1.1	Asset Purchase and Sale Commitments		232.731	4.596.925	4.829.656
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
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
2.1.8	Tax and Fund Liabilities from Export Commitments		1.966	-	1.966
2.1.9	Commitments for Credit Card Limits		8.645.831	19.817	8.665.648
2.1.10	Commitments for Credit Cards and Banking Services Promotions		26.137	-	26.137
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
2.2	Revocable Commitments		36.085	2.305.760	2.341.845
2.2.1	Revocable Loan Granting Commitments		-	3.356	3.356
2.2.2	Other Revocable Commitments		36.085	2.302.404	2.338.489
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(6)	13.107.664	82.735.589	95.843.253
3.1	Hedging Derivative Financial Instruments		-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-
3.2	Trading Transactions		13.107.664	82.735.589	95.843.253
3.2.1	Forward Foreign Currency Buy/Sell Transactions		3.617.638	5.662.634	9.280.272
3.2.1.1	Forward Foreign Currency Transactions-Buy		1.536.329	3.100.467	4.636.796

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 Consolidated Financial Statements Originally Issued in Turkish, See in Note I. of Section Three)

III. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS					
		Note (Section Five III)	Current Period 31 December 2017		Total
			TL	FC	
3.2.1.2	Forward Foreign Currency Transactions-Sell		2.081.309	2.562.167	4.643.476
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		9.122.190	76.717.313	85.839.503
3.2.2.1	Foreign Currency Swap-Buy		426.798	37.618.583	38.045.381
3.2.2.2	Foreign Currency Swap-Sell		8.695.392	28.602.108	37.297.500
3.2.2.3	Interest Rate Swap-Buy		-	5.248.311	5.248.311
3.2.2.4	Interest Rate Swap-Sell		-	5.248.311	5.248.311
3.2.3	Foreign Currency, Interest rate and Securities Options		367.836	355.642	723.478
3.2.3.1	Foreign Currency Options-Buy		183.918	177.821	361.739
3.2.3.2	Foreign Currency Options-Sell		183.918	177.821	361.739
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
IV.	ITEMS HELD IN CUSTODY		367.086.784	19.908.153	386.994.937
4.1	Customer Fund and Portfolio Balances		-	-	-
4.2	Investment Securities Held in Custody		8.329.436	7.039.458	15.368.894
4.3	Checks Received for Collection		9.077.998	938.449	10.016.447
4.4	Commercial Notes Received for Collection		8.110.316	569.700	8.680.016
4.5	Other Assets Received for Collection		8.816	-	8.816
4.6	Assets Received for Public Offering		328.865.001	8.857	328.873.858
4.7	Other Items Under Custody		12.693.018	11.200.593	23.893.611
4.8	Custodians		2.199	151.096	153.295
V.	PLEDGES RECEIVED		764.354.880	147.468.325	911.823.205
5.1	Marketable Securities		2.713.833	383.446	3.097.279
5.2	Guarantee Notes		16.070.650	2.895.574	18.966.224
5.3	Commodity		1.923.260	81.296	2.004.556
5.4	Warranty		-	-	-
5.5	Immovable		670.555.120	110.699.922	781.255.042
5.6	Other Pledged Items		73.086.808	33.393.966	106.480.774
5.7	Pledged Items-Depository		5.209	14.121	19.330
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		963.231	2.080.082	3.043.313
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			1.205.427.137	329.613.732	1.535.040.869

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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

IV CONSOLIDATED STATEMENT OF INCOME		Note (Section Five IV)	Prior Period 1 January-31 December 2017
	INCOME AND EXPENSE ITEMS		
I.	INTEREST INCOME	(13)	37,104.621
1.1	Interest Income from Loans		29,559.462
1.2	Interest Income from Reserve Deposits		395.544
1.3	Interest Income from Banks		271.352
1.4	Interest Income from Money Market Placements		347.886
1.5	Interest Income from Marketable Securities		6,250.242
1.5.1	Financial Assets Held for Trading		6.138
1.5.2	Financial Assets at Fair Value through Profit and Loss		-
1.5.3	Financial Assets Available-for-Sale		5,579.005
1.5.4	Investments Held-to-Maturity		665.099
1.6	Finance Lease Income		197.759
1.7	Other Interest Income		82.376
II.	INTEREST EXPENSES	(14)	18,990.284
2.1	Interest Expense on Deposits		12,605.985
2.2	Interest on Borrowings		721.937
2.3	Interest on Money Market Borrowings		4,848.800
2.4	Interest on Marketable Securities Issued		724.924
2.5	Other Interest Expense		88.638
III.	NET INTEREST INCOME/EXPENSES (I - II)		18,114.337
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		1,943.504
4.1	Fees and Commissions Received		2,406.518
4.1.1	Non-cash Loans		506.128
4.1.2	Other	(11)	1,900.390
4.2	Fees and Commissions Paid		463.014
4.2.1	Non-cash Loans		560
4.2.2	Other		462.454
V.	DIVIDEND INCOME	(15)	7.749
VI.	TRADING PROFIT/LOSS (Net)	(16)	(845.653)
6.1	Profit/Loss from Capital Market Operations		44.164
6.2	Profit/losses on Derivative Financial Transactions		(865.123)
6.3	Profit/Loss from Foreign Exchanges		(24.694)
VII.	OTHER OPERATING INCOME	(17)	3,737.922
VIII.	TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)		22,957.859
IX.	PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)		3,493.344
X.	OTHER OPERATING EXPENSES(-)	(18)	7,969.003
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		11,495.512
XII.	GAINS RECORDED AFTER MERGER		-
XIII.	PROFIT/LOSS ON EQUITY METHOD APPLIED SUBSIDIARIES		20.359
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-
XV.	INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(19)	11,515.871
XVI.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(20)	(2,631.539)
16.1	Current Tax Provision		(2,601.014)
16.2	Deferred Tax Provision		(30.525)
XVII.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(21)	8,884.332
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)	(22)	8,884.332
23.1	Group's Profit/Loss		8,884.119
23.2	Minority Shares Profit/Loss		213
	Earnings per Share (Full TL)		1,675

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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

V. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		Prior Period
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		1 January-31 December 2017
I.	ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	564.179
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	93.433
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	424.682
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)
IX.	DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(330.677)
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	700.296
XI.	CURRENT YEAR PROFIT/LOSS	8.884.332
11.1	Net change in fair value of marketable securities (transfer to profit-loss)	44.164
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
XII.	TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	9.584.628

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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

VI. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	31 December 2017	Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancel Profits	Legal Reserves	Statutory Reserves
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	-

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	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	-	-	-	-	-	-	213	8.884.332
	6.783.805	(151.794)	-	(7.566.852)	-	-	-	-	-	-	(503.751)
	-	-	-	(503.751)	-	-	-	-	-	-	(503.751)
	6.783.805	(151.794)	-	(7.063.101)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	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

FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

VII. CONSOLIDATED STATEMENT OF CASH FLOWS		Note (Section Five VI)	Prior Period 1 January-31 December 2017
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		7.704.826
1.1.1	Interest Received		35.748.972
1.1.2	Interest Paid		(18.665.259)
1.1.3	Dividend Received		7.031
1.1.4	Fees and Commissions Received		2.406.518
1.1.5	Other Income		1.185.821
1.1.6	Collections from Previously Written-off Loans		1.520.060
1.1.7	Payments to Personnel and Service Suppliers		(2.867.747)
1.1.8	Taxes Paid		(2.978.291)
1.1.9	Other		(8.652.279)
1.2	Changes in Operating Assets and Liabilities		(12.513.361)
1.2.1	Net (Increase)/Decrease in Trading Securities		(247.731)
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)
1.2.4	Net (Increase)/Decrease in Loans		(70.981.593)
1.2.5	Net (Increase)/Decrease in Other Assets		(1.168.360)
1.2.6	Net Increase/(Decrease) in Bank Deposits		12.445.351
1.2.7	Net Increase/(Decrease) in Other Deposits		44.255.334
1.2.8	Net Increase/(Decrease) in Funds Borrowed		7.240.990
1.2.9	Net Increase/(Decrease) in Payables		-
1.2.10	Net Increase/(Decrease) in Other Liabilities		4.072.628
I.	Net Cash Provided from Banking Operations		(4.808.535)
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES		
II.	Net Cash Provided from Investing Activities		(5.098.534)
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)
2.4	Fixed Assets Sales		230.588
2.5	Cash Paid for Purchase of Financial Assets Available for Sale		(18.982.629)
2.6	Cash Obtained from Sale of financial Assets Available for Sale		16.074.784
2.7	Cash Paid for Purchase of Investment Securities		(433.646)
2.8	Cash Obtained from Sale of Investment Securities		1.910.559
2.9	Other		(3.366.314)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from Financing Activities		6.442.188
3.1	Cash Obtained from Funds Borrowed and Securities Issued		9.272.510
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(3.076.164)
3.3	Issued Equity Instruments		500.000
3.4	Dividends Paid		(250.000)
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
V.	Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)		(2.060.402)
VI.	Cash and Cash Equivalents at the Beginning of the Period	(1)	15.899.913
VII.	Cash and Cash Equivalents at the End of the Period	(1)	13.839.511

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

VIII. PROFIT DISTRIBUTION STATEMENT ^(*)		Prior Period 31 December 2017
I.	DISTRIBUTION OF CURRENT YEAR INCOME	
1.1	Current Year Income	10.286.699
1.2	Taxes And Duties Payable (-)	2.346.578
1.2.1	Corporate Tax (Income tax)	2.300.432
1.2.2	Income withholding tax	-
1.2.3	Other taxes and duties	46.146
A.	NET INCOME FOR THE YEAR (1.1-1.2)	7.940.121
1.3	Prior Year Losses (-)	-
1.4	First Legal Reserves (-)	397.006
1.5	Other Statutory Reserves (-)	-
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	7.543.115
1.6	First Dividend To Shareholders (-)	280.000
1.6.1	To Owners Of Ordinary Shares	280.000
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 (-)	-
1.8	Dividends To Board Of Directors (-)	-
1.9	Second Dividend To Shareholders (-)	-
1.9.1	To Owners Of Ordinary Shares	-
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 (-)	25.000
1.11	Statutory Reserves (-)	-
1.12	Extraordinary Reserves	7160.393
1.13	Other Reserves	-
1.14	Special Funds	77.722
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
3.2	To Owners Of Ordinary Shares (%)	149,66
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	0,050
4.2	To Owners Of Ordinary Shares (%)	5,00
4.3	To Owners Of Privileged Shares	-
4.4	To Owners Of Privileged Shares (%)	-

*The profit distribution table for the previous period has been finalized with the decision of the Ordinary General Assembly after the publication of the audited financial statements as of 31 December 2017 and restated accordingly.

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 2018

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

(Convenience Translation of Publicly Announced Consolidated 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 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, except for the financial assets and liabilities carried at fair value.

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.

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

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.

Changes in Accounting Policies

As of 1 January 2018 the Group has applied TFRS 9 Financial Instruments (TFRS 9) published by POA according to "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750 for the first time in attached consolidated financial statements. Prior period financial statements and notes were not restated in accordance with the transition provisions of TFRS 9. Therefore, the impact of the first application of standard has been reflected to Prior years' profit or loss and attached financial statements are presented separately rather than comparatively. TFRS 9 has been in effect as of 1 January 2018, the impact on opening balances are presented in Note XXV of Section Three.

The TAS 39 measurement categories of financial assets at fair value through profit or loss, available for sale and held-to-maturity have been replaced by; financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost, respectively as a consequence of TFRS 9.

TFRS 15 Revenue from Contracts with Customers and other TAS/TFRS changes have not significant impact on Group's accounting policies, financial position and performance.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The standard is effective from annual periods beginning on and after 1 January 2019 and the adoption process regarding the mentioned amendments continues as of the reporting date.

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

Main activity of the Parent 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 Parent Bank's main funding source is Turkish Lira deposits, repurchase agreements, issued securities, shareholders' equity and government funds transferred from the budget, ministerial offices and other public resources to the Bank by means of legislative and administrative decisions. The Parent Bank directs these funds to assets with high return and low risk. These assets include predominantly domestic government bonds and loans. The Parent Bank's liquidity structure covers the financing of all liabilities at due date. Although most of the sources in the Bank's balance sheet are with fixed interest rate, some of the securities in assets have floating interest rate. Since the remaining time to re-pricing date of sources is short, cost of sources is repriced in short periods based on the market conditions. Moreover, the Bank adopts high return principle for its long-term placements.

Loans and securities are instruments from which the Parent Bank gets returns above the average returns within its lines of activity. Letter of guarantees, bank loans, commercial letter of credits, repayment commitments for cheques and expense limit commitments for credit card 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 İstanbul ("BİST"), 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 Parent Bank is not presumed to be significantly affected from liquidity risk 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 the 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 converted to Turkish currency and the resulting exchange differences are recognized as a "foreign exchange gain or loss".

USD capital amounts transferred to the equity participations operating The Parent Bank's abroad are evaluated and presented on the financial statements with the exchange rate on valuation date. For currency risk arising from foreign currency translation, Euro denominated deposits are used as hedging instruments.

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

III. INFORMATION ON CONSOLIDATED SUBSIDIARIES

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018**

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

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

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

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

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

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

Title	Address (City/Country)	Main Activities	31 December 2018		31 December 2017	
			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.	Istanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Sigorta A.Ş.	Istanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Finansal Kiralama A.Ş.	Istanbul/Turkey	Leasing	100,00	100,00	100,00	100,00
Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	Brokerage Houses	99,60	99,60	99,60	99,60
Ziraat Portföy Yönetimi A.Ş.	Istanbul/Turkey	Portfolio Management	99,70	99,80	99,70	99,80
Ziraat Katılım Bankası A.Ş.	Istanbul/Turkey	Banking	100,00	100,00	100,00	100,00
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	Real Estate	100,00	100,00	100,00	100,00
Ziraat Girişim Sermayesi Ortaklığı A.Ş.	Istanbul/Turkey	Venture Capital	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 Azerbaijan 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	100,00	100,00
Ziraat Bank Uzbekistan JSC	Tashkent/Uzbekistan	Insurance	100,00	100,00	100,00	100,00

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

1.2. Consolidation Principles of Associates and Joint Ventures

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 2018		31 December 2017	
			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.	Istanbul/Turkey	Banking	15,43	15,43	15,43	15,43

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.

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 Parent Bank has no embedded derivative instruments separated from the articles of association.

Derivative financial instruments of the Group are classified under "IFRS 9 Financial Instruments Standard", "Derivative Financial Assets Designated at Fair Value through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value through Other Comprehensive Income".

Derivative financial instruments are initially recognized at fair value. Derivative transactions, depending on the fair value being positive or negative is shown as financial assets at fair value through profit/loss or financial liabilities at fair value through profit/loss in the following periods of the recording. Differences arising from the fair value of the valuation result are recognized in Statement of Profit or Loss in Profit/Losses from derivative financial transactions under Trading Profit/Loss.

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

Interest income and expenses of Group are recognized according to the effective interest method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities).

Interest income from financial assets are recognized as gross carrying amount according to the effective interest rate method except for interest income from purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

If the expectations for the cash flows in the financial asset are revised for reasons other than the credit risk, the amendment is reflected in the carrying amount of the asset and in the related income statement line and is amortized over the estimated life of the financial asset.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

Income and losses from banking, agency and intermediary services are recognized as income/loss and conformant with TFRS 15 Revenue from Contracts with Customers on the date they are collected.

Prepaid expense amounts are recognize as expense on an accrual basis during the service period.

Commission income from consumer, corporate and entrepreneurial loans are transferred to income accounts according to periodicity principle using effective interest rate method on an accrual basis.

VII. EXPLANATIONS ON FINANCIAL ASSETS

As TFRS 9 has been put into effect on 1 January 2018, the Group's accounting policy for financial instruments is summarized as follows.

Financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Recognition and Derecognition. Financial assets are measured at fair value at initial recognition in the financial statements. They are included in the balance sheet of the Group, if the Group is a legal party to these instruments.

The Group categorizes its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Financial instruments comprise financial assets and liabilities and derivative instruments. This classification is based on the contractual cash flow characteristics of the related business model used for management of the financial assets at initial recognition.

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.

Classification and Measurement within the Scope of TFRS 9

In accordance with TFRS 9 Financial Instruments Standard, financial assets are classified as a measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss.

- The business model used by the entity for the management of financial assets,
- Properties of contractual cash flows of a financial asset.

To determine the classification of financial assets, Business Model Test and Cash Flow Characteristics Test are performed.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit/loss are financial assets that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

Government bonds and treasury bills included in held for trading and available for sale portfolios traded in BİST are carried at weighted average exchange prices of BİST as of the balance sheet date and those securities that are not traded in BİST are carried at prices of the Central Bank of the Republic of Turkey. Eurobonds are carried at prices in the over the counter markets. All gains and losses arising from these valuations are reflected in the profit or loss account.

Financial Assets at Fair Value Through Other Comprehensive Income

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated other comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity. When these securities are collected or disposed of, the accumulated fair value differences reflected in the equity are reflected to the income statement.

Financial Assets at Fair Value Through Other Comprehensive Income

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment. Regarding the banking operations of the Group, there exist ineffective shares of Kredi Garanti Fonu, Türk Ticaret Bankası in liquidation, 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 financial assets at fair value through other comprehensive income and are carried out at book value.

Financial Assets Measured at Amortized Cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

Fair value through other comprehensive income" and "measured at amortized cost" securities portfolio of the Group include Consumer Price Indexed (CPI) Bonds. CPI's are valued and accounted according to the effective interest rate method which is calculated according to the real coupon rate and the reference inflation index on the issue date. As it is mentioned in the Undersecretariat of Treasury's Investor Guide of CPI, the reference index used during the calculation of the actual coupon payment amount is the previous two months CPI's. The Bank determines its expected inflation rates in compliance with this guide.

Estimated inflation rate used during the year can be updated if necessary.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Loans

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost presenting thereafter measured at amortized cost using the "Effective Interest Rate Method".

Loans, short- and long-term loans are classified as open and collateralized, FX-denominated loans are recorded at a fixed price, and the Bank is subject to evacuation by the foreign exchange buying rate. 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 Parent Bank's loans are recognized under the "Measured at Amortized Cost" account.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

Explanations on Expected Loss Provisions

The main principle of the expected credit loss model is to reflect the general outlook of deterioration or improvement in the credit quality of financial instruments. The amount of expected credit losses known as loss provision or provision varies according to the degree of increase in credit risk. There are two measurements according to the general approach:

- 12-Month Expected Loss Provision (Stage 1) applies to all assets unless there is a significant deterioration in credit quality.
- Lifetime Expectation Loss (Stage 2 and Stage 3) is applied when there is a significant increase in credit risk.

Impairment

As of 1 January 2018, the Group recognize provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9.

The expected credit loss model includes instruments that are recorded at amortized cost or at fair value in other comprehensive income tables (such as bank deposits, loans and securities) and, in addition, financial lease receivables that are not measured at fair value through profit or loss, credit commitments and financial guarantee contracts.

The guiding principle of the expected credit loss model is to reflect the increase in credit risk of financial instruments or the general view of the recovery. The amount of allowance for the loss depends on the extent of the increase in credit risk since the initial issuance of the loan.

Expected credit loss is an estimate of the expected credit losses over the life of a financial instrument also the following aspects are important for the measurement.

- Probability-weighted and neutral amount determined by taking into account possible outcomes,
- Time value of money,
- Reasonable and supportable information on past events, current conditions and forecast of future economic conditions, at the time of reporting, without excessive cost and effort.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

12 Month Expected Credit Losses (Stage 1)

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. For such assets impairment for credit risk is recorded in the amount of 12-month expected credit losses. It is valid for all assets unless there is a significant deterioration in the quality of the loan.

The expected 12 month loss values (within 12 months after the reporting date or within a shorter period if the life of a financial instrument is shorter than 12 months) are part of the estimation of loss of life expectancy.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Significant Increase in Credit Risk (Stage 2)

Financial assets are transferred to stage 2 if there is a significant increase in credit risk. The expected loss provision is calculated by calculating the 1-year maturity for loans under stage 1, and the expected loss provision for loans under stage 2 is calculated by taking into consideration the remaining maturity.

The main criteria taken into consideration in determining the credit risk of the financial asset to be significantly increased and transferred to the stage 2 are the close monitoring, the number of delay days being 30 and above, and the Parent Bank's internal early warning system note

Credit-Impaired Losses (Stage 3/Specific Provision)

Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount.

It is considered a debt as default on these two conditions;

- Objective Default Definition: It means debt having past due more than 90 days.
- Subjective Default Definition: It means it is considered that a debt is unlikely to be paid. Whenever it is considered that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due

Collective assessment of financial instruments is based on homogeneous group assets referring to portfolio segmentation including similar credit risk and product characteristics.

Credits that differ in cash flows or have different characteristics with other credits may be subject to individual valuation instead of aggregate valuation. A credit loss can be defined as the difference between all contractual cash flows that are outstanding under the contract and the original expected Effective Interest Rate value and discounted cash flows. When cash flows are estimated, the following situations are considered.

- During the expected life of the financial instrument, all contractual terms of the financial instrument,
- Cash flows expected to be obtained from collateral sales.

In the calculation of the expected credit loss, the basic parameters which are expressed as probability of default, loss in default and default amount are used.

Probability of Default

Probability of default refers to the likelihood that a loan will default at a certain time. In Default Probability models, sectorial information for the corporate portfolio and product information for the Individual portfolio are taken as the basis

Default Amount

The default amount represents the expected gross receivable if a loan is defaulted.

Loss Given Default

Loss given default refers to the ratio of the economic net loss resulting from the default of a loan to the default amount. In other words, it refers to the ratio of net loss due to a defaulted loan to the balance at the time of default.

Future Expectations

The effect of future expectations is included in the credit risk parameters used in the calculation of expected credit losses by using scenarios related to macroeconomic factors. The main macroeconomic indicators that create these estimation models are the ratio of Gross Domestic Product (GDP) and Consumer Price Index (CPI). Macroeconomic estimation models include more than one scenario and the related scenarios are taken into account in the expected credit loss calculations.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

The Methodology of Behavioral Maturity Calculation

For the loans in Stage 1, which have less than one year to due date and for the loans in Stage 2, which have more than one year are to due date are calculated until the maturity day and the lifetime (until maturity date). In this calculation, the remaining maturity information of the loan is taken as basis for each loan. While this information is used for products with real maturity information, behavioral maturity is calculated by analyzing historical data for products with no maturity information. Expected loss provisions are calculated based on these maturities depending on the type of loan.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities 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 ("Repos") are classified as "Financial assets at fair value difference through profit or loss", "Financial assets at fair value difference through other comprehensive income" and "Measured at amortized cost" in the balance sheet according to the investment purposes and measured according to the portfolio of the Group to which they belong. Funds obtained under repurchase agreements are accounted under "Funds provided under repurchase agreements" in liability accounts and differences between the sale and repurchase prices determined by these repurchase agreements are accrued evenly over the life of the repurchase agreement using the "Effective interest (internal 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, securities borrowed by the Group are monitored in Financial assets at fair value through profit/loss portfolio at market value as of the date of borrowing. There is no valuation for securities nevertheless commission/interest payables are valued.

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

The Group's assets that were acquired due to receivables, 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

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 Parent 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 of the Group, TL 3.966.201 net is followed under shareholders' equity as of 31 December 2018. 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.

Estimated useful lives and amortization rates of tangible assets are below:

	Estimated Useful Lives (Year)	Amortization Rate
Buildings	50	2%
Safe-deposit boxes	50	2%
Other movable properties	3-25	4-33,33%
Assets held under financial leases	4-5	20-25%

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

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".

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Operational Lease

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

2 Accounting of Leasing Transactions for Lessor

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

XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES

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

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

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

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

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

XVI. 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. Employment termination is calculated based on actuarial assumptions. This 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. As of 31 December 2018, retirement benefit obligation is TL 836.363 (31 December 2017: TL 820.157).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

	Current Period	Prior Period
Discount Rate	16,30%	12,10%
Inflation	12,00%	8,90%

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. The Group's actuarial loss amounting to TL 32.536 was classified 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 Parent 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 Parent Bank's and Ziraat Katılım Bankası A.Ş. personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees' Pension Fund ("Fund") which was established by 20th provisional article of Social Security Law Act numbered 506. In accordance with 23rd provisional clause of the Parent 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. As of 31 December 2018 the number of personnel who benefit from the Fund, excluding dependents, is 23.308 (31 December 2017: 22.531). 19.458 of these members are active while 3.850 are passive members. (31 December 2017: 18.723 active members, 3.808 passive members).

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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

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

The technical balance sheet report as of 31 December 2018 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 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 Parent 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 expemted 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).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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 3rd article of Corporation Tax Code (CTC) 14 annunciation dated 23 December 2017 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.

Tax rates used in tax calculation considering the related countries' tax legislation as of 31 December 2017 are presented below:

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

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

XVIII. 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.

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.

XIX. EXPLANATIONS ON BORROWINGS

The Group accounts its debt instruments in accordance with TFRS 9 "Financial Instruments" In the following periods, all financial liabilities are carried at amortized cost by using effective interest rate 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.

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

The decision to increase the capital of Parent Bank to TL 6.100.000 was approved by the Parent Bank's Ordinary General Assembly held on 13 August 2018, and the capital increase and the related amendment to the articles of association of the Articles of Association were registered on 22 October 2018. It was announced in the Trade Registry Gazette No. 9688. The accounting for this capital increase was made on 9 November 2018 with the permission of BRSA.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXII. EXPLANATIONS ON GOVERNMENT GRANTS

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

XXIII. 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.

XXIV. EXPLANATIONS ON SEGMENT REPORTING

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

XXV. EXPLANATIONS ON OTHER MATTERS

Explanations on Profit Distribution

In accordance with the decision taken in the General Assembly of the year 2017, which was carried out on 13 August 2018, from TL 7.940.121 net profit, TL 397.006 is transferred to first legal reserve and TL 25.000 was transferred to second legal reserve. TL 280.000 was paid to shareholder as a first dividend and TL 250.000 was paid to employees as an additional payment. 50% of the sales revenue of the real estates sold in 2017 is TL 77.722 thousand and transferred to Other Reserves for monitoring in a special fund account. Within this framework, it has been decided to keep TL 7.160.393 of the profit within the Parent Bank.

Developments related to TFRS 9 Transition Process

TFRS 9 "Financial Instruments", which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting.

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent solely payments of principal and interest.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Explanations on the impact of TFRS 9 implementation of the Group are below.

		TFRS-9	TFRS-9	
ASSETS	31 December 2017	Reclassification impact	Remeasurement impact	1 January 2018
FINANCIAL ASSETS (Net)	124.716.719	(118.686)	100.148	124.698.181
Cash and cash equivalents	51.984.862	-	-	51.984.862
Cash and balances at Central Bank	46.220.337	-	-	46.220.337
Banks	5.632.140	-	-	5.632.140
Receivables from Money Markets	132.385	-	-	132.385
Financial assets measured at fair value to profit or loss	71.096	-	-	71.096
Financial assets measured at fair value to other comprehensive income	63.638.231	-	-	63.638.231
Financial assets measured at amortised cost	7.625.763	-	-	7.625.763
Derivative financial assets	1.396.767	-	-	1.396.767
Non-performing financial assets	-	-	-	-
Allowance for expected credit losses (-)	-	118.686	(100.148)	18.538
LOANS (Net)	319.903.621	(4.917.056)	4.900.932	319.887.497
Loans	316.795.002	-	-	316.795.002
Loans measured at amortised cost	316.795.002	-	-	316.795.002
Receivables from leasing transactions	3.075.898	-	-	3.075.898
Factoring Receivables	1.614	-	-	1.614
Non-performing loans	5.028.967	-	-	5.028.967
Allowance for expected credit losses (-)	4.997.860	4.917.056	(4.900.932)	5.013.984
<i>12-Month expected credit losses (Stage 1)</i>	-	4.680.739	(4.092.769)	587.970
<i>Significant increase in credit risk (Stage 2)</i>	-	236.317	(90.124)	146.193
<i>Credit-Impaired (Stage 3)</i>	4.997.860	-	(718.039)	4.279.821
NON-CURRENTS ASSETS OR DISPOSAL GROUPS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS (Net)	674.819	-	-	674.819
JOINT VENTURES	188.038	-	-	188.038
Investments in associates (Net)	128.419	-	-	128.419
Investments in subsidiaries (Net)	7.583	-	-	7.583
Jointly Controlled Partnerships (Joint Ventures) (Net)	52.036	-	-	52.036
TANGIBLE ASSETS (Net)	6.679.632	-	-	6.679.632
INTANGIBLE ASSETS AND GOODWILL (Net)	532.088	-	-	532.088
INVESTMENT PROPERTIES (Net)	-	-	-	-
CURRENT TAX ASSET	11.261	-	-	11.261
DEFERRED TAX ASSETS	29.794	-	-	29.794
OTHER ASSETS	4.190.157	-	-	4.190.157
TOTAL ASSETS	456.926.129	(5.035.742)	5.001.080	456.891.467

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

LIABILITIES AND EQUITY	31 December 2017	TFRS-9 Reclassification impact	TFRS-9 Remeasurement impact	1 January 2018
DEPOSITS	282.569.613	-	-	282.569.613
FUNDS BORROWED	31.118.253	-	-	31.118.253
MONEY MARKETS	56.309.523	-	-	56.309.523
SECURITIES ISSUED (Net)	13.474.280	-	-	13.474.280
FUNDS	6.030.575	-	-	6.030.575
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-
DERIVATIVE FINANCIAL LIABILITIES	548.910	-	-	548.910
FACTORING LIABILITIES	-	-	-	-
PROVISIONS	10.362.037	(5.038.318)	(428.230)	4.895.489
General Provision	5.635.198	(5.635.198)	-	-
Reserve for Employee Benefits	1.328.920	-	-	1.328.920
Insurance Technical Reserves (Net)	1.514.046	-	-	1.514.046
Other provision	1.883.873	596.880	(428.230)	2.052.523
CURRENT TAX LIABILITY	1.003.338	-	209.250	1.212.588
DEFERRED TAX LIABILITY	307.100	-	(180.901)	126.199
OTHER LIABILITIES	6.719.344	-	-	6.719.344
SHAREHOLDER'S EQUITY	48.483.156	2.576	5.400.961	53.886.693
Paid in capital	5.600.000	-	-	5.600.000
Capital reserves	(95.773)	95.521	-	(252)
Other capital reserves	(95.773)	95.521	-	(252)
Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss	-	3.968.830	-	3.968.830
Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss	-	(933.992)	(175)	(934.167)
Marketable Securities Valuation Differences	(953.956)	953.956	-	-
Tangible Assets Revaluation Reserves	4.064.351	(4.064.351)	-	-
Bonus Shares of Subsidiaries, Associates and Entities Under Common Control	17.388	(17.388)	-	-
Profit Reserves	30.317.558	-	-	30.317.558
Legal Reserves	3.824.868	-	-	3.824.868
Status Reserves	-	-	-	-
Extraordinary Reserves	24.836.410	-	-	24.836.410
Other Profit Reserves	1.656.280	-	-	1.656.280
Profit or (Loss)	9.531.923	-	5.401.136	14.933.059
Prior Periods' Profit or (Loss)	647.804	-	5.401.136	6.048.940
Current Period Profit or (Loss)	8.884.119	-	-	8.884.119
Minority Interest	1.665	-	-	1.665
TOTAL LIABILITIES AND EQUITY	456.926.129	(5.035.742)	5.001.080	456.891.467

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Reconciliation of the opening balances of the provision to TFRS 9

	Book value before TFRS 9 31 December 2017	Remeasurements	Book value after TFRS 9 1 January 2018
Loans Provision	9.914.916	(4.900.932)	5.013.984
Stage 1 ⁽¹⁾	4.680.739	(4.092.769)	587.970
Stage 2 ⁽¹⁾	236.317	(90.124)	146.193
Stage 3	4.997.860	(718.039)	4.279.821
Financial Assets ⁽²⁾	121.262	(100.323)	20.939
Non-Cash Loans ⁽³⁾	735.115	(428.230)	306.885
Stage 1 and 2	596.880	(460.448)	136.432
Stage 3	138.235	32.218	170.453
Total	10.771.293	(5.429.485)	5.341.808

⁽¹⁾ Represents general provisions for stage 1 and 2 loans before TFRS 9.⁽²⁾ Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Fair Value through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets.⁽³⁾ Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified "12. General Provision" and expected credit loss for stage 3 non-cash loans is classified "12.5. Other Provisions" under liabilities. In accordance with TFRS 9, the expected loss provisions for the Stage 1, Stage 2 and Stage 3 non-cash loans are in the "10.4 Other Provisions" column in the liabilities.

The Impact of TFRS 9 Transition to Equity

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not restated, it is stated that the difference between the book value of 1 January 2018 at the date of application should be reflected in the retained earning of equity. The explanations about the transition effects to TFRS 9 presented in the equity items under the scope of this article are given below.

The difference between the provision for impairment of the prior period and allowance for expected credit losses that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 amounting to TL 5.429.485 as income is recorded to "Prior years' profits or losses" in shareholders' equity.

As stated in the Communiqué on "Uniform Chart of Accounts and Prospectus" issued on 20 September 2017, for general provisions (TFRS 9 expected loss provisions for the loans at first and second stages), deferred tax assets calculation has started as of 1 January 2018. Within this scope, deferred tax assets amounting to TL 180.901 have been reflected to the opening financials of 1 January 2018 and the related amount has been recorded to "Prior years' profits or losses" in shareholders' equity.

For the specific provisions (TFRS 9 allowance for expected credit losses for third stage loans) which have been cancelled due to TFRS 9 transition, income tax loss amounting to TL 209.250 is recorded to "Prior years' profits or losses" in equity as of 1 January 2018.

The general provision amounting to TL 2.402 relating to equity investments in available-for-sale financial assets, which were presented under general provision in before TFRS 9, has been started to be recognized in "Other accumulated comprehensive income that will be reclassified in profit or loss" under equity.

XXVI. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT AVAILABLE FOR THE CURRENT PERIOD

"TFRS 9 Financial Instruments" standard came into effect instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies lost their validity with the transition of TFRS 9 are given below:

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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 BİST are carried at weighted average exchange prices of BİST as of the balance sheet date and those securities that are not traded in BİST 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 Group loans and receivables and those where there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and where there are fixed or determinable payments with fixed maturity. Marketable securities classified as Financial Assets Held to Maturity may subject to exchange-repurchase bids or refundment transactions within the scope of early redemption.

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

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

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

Held to maturity assets are initially recognized at cost value.

Loans and receivables

Group 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.

Group 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 Parent Bank. Foreign exchange indexed loans are used as TL by the valid counter foreign exchange buying rate of the Parent 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. Allocated provisions are deducted from the income for the period. The Group 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. The Group allocates general provisions for the first and second group loans and other receivables above the minimum rates specified in the Regulation.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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 The Group, there exist ineffective shares of Kredi Garanti Fonu, Türk Ticaret Bankası in liquidation, 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.

SECTION FOUR

EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT

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 2018 Group's total capital has been calculated as TL 63.884.017 (31 December 2017: TL 51.743.724), capital adequacy ratio is 14, 23% (31 December 2017: 14,60%). This Group's ratio is well above the minimum ratio required by the legislation.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

1. Information Related to The Components of Shareholders' Equity

	Current Period	Amount as per the regulation before 1/1/2014*
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	6.100.000	-
Share issue premiums	-	-
Reserves	35.758.745	-
Gains recognized in equity as per TAS	8.398.062	-
Profit	16.092.374	-
Current Period Profit	9.343.637	-
Prior Period Profit	6.748.737	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17.388	-
Minority Shares	289	-
Common Equity Tier 1 Capital Before Deductions	66.366.858	-
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	6.240.052	-
Improvement costs for operating leasing	62.118	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	731.706	731.706
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

	Current Period	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	7.033.876	-
Total Common Equity Tier I Capital	59.332.982	-
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)	-	-
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 (-)	-	-
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 (-)	-	-
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)	59.332.982	-
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)	4.552.906	-
Tier II Capital Before Deductions	4.552.906	-
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	4.552.906	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	63.885.888	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

	Current Period	Amount as per the regulation before 1/1/2014*
Total Tier I Capital and Tier II Capital (Total Equity)	63.885.888	-
Loans Granted against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	1.871	-
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)	63.884.017	-
Total Risk Weighted Assets	448.874.719	-
CAPITAL ADEQUACY RATIOS		
CET 1 Capital Ratio (%)	13,22	-
Tier I Capital Ratio (%)	13,22	-
Capital Adequacy Ratio (%)	14,23	-
BUFFERS		
Total additional core capital requirement ratio (a+b+c)	3,41	-
a) Capital conservation buffer requirement (%)	1,88	-
b) Bank specific countercyclical buffer requirement (%)	0,032	-
c) Higher bank buffer requirement ratio (%) ^(*)	1,5	-
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	5,22	-
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	174.201	-
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	65.943	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1.639.558	-
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	4.552.906	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4.552.906	-
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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

	Prior 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	-
Minority Shares	178	-
Common Equity Tier 1 Capital Before Deductions	50.378.828	-
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1.897.159	-
Improvement costs for operating leasing	83.440	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	425.670	532.088
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 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions from Common Equity Tier I Capital	2.406.269	-
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 premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(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	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

	Prior Period 31 December 2017	Amount as per the regulation before 1/1/2014*
Total Tier I Capital and Tier II Capital (Total Equity)	-	-
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 (-)	106.418	-
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)	47.866.141	-
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)	3.879.292	-
Tier II Capital Before Deductions	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 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	3.879.292	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	51.745.433	-
Deductions from Total Capital	51.745.433	-
Loans Granted against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
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 Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

	Prior Period 31 December 2017	Amount as per the regulation before 1/1/2014*
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		
CET 1 Capital Ratio (%)	13,53	-
Tier I Capital 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 Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand	5.635.198	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3.879.292	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Comminique on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Comminique on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(*) Amounts considered within transition provisions

(*) The systemic significant bank buffer ratio has been shown as "-" in the consolidated 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".

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2. Necessary Explanations in order to Reach an Agreement Between the Statement of Shareholders's Equity and Balance-Sheet Amounts

Current Period	Balance sheet value	Amount of adjustment	Value at capital report
Paid-in capital	6.100.000	-	6.100.000
Other Capital Reserves	(483)	483	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-	17.388	17.388
Portion of the current and prior periods' losses which cannot be covered through reserves and profit reflected in equity in accordance with TAS (-)	-	8.398.062	8.398.062
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	4.176.552	(4.176.552)	-
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(3.562.306)	3.562.306	-
Profit Reserves	37.320.380	(1.561.635)	35.758.745
Profit or Loss	16.092.374	-	16.092.374
Prior Periods' Profit/Loss	6.748.737	-	6.748.737
Current Period Net Profit/Loss	9.343.637	-	9.343.637
Deductions from Common Equity Tier I Capital ⁽¹⁾	-	7.033.876	7.033.876
Minority Shares	-	289	289
Common Equity Tier 1 capital	60.128.975	-	59.332.982
Tier 1 capital	-	-	56.752.366
Provisions	-	-	4.552.906
Tier 2 capital ⁽²⁾	-	4.552.906	4.552.906
Shareholders' Equity Adjustments ⁽³⁾	-	1.871	1.871
Total Shareholders' Equity	60.128.975	3.755.042	63.884.017

⁽¹⁾ The regulations cover Common Equity Tier 1 capital adjustments within the framework of paragraphs 9-1-b and c.⁽²⁾ The regulations cover general loan provisions included in Tier 2 capital within the framework of paragraphs 8-1-a.⁽³⁾ The regulations cover Shareholders' Equity adjustments within the framework of paragraphs 9-8-ç.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

II. EXPLANATIONS ON 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, Group Presidencies, Department Presidencies, Assistant General Management, General Manager, Credit Committee and Board of Directors.

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 Directorates/Branches.

The limits, subjects, collateral structure, maturities, accounts booked, outstanding balances of the loans allocated by the branches are periodically analyzed depending on the number of customers and monitored 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, collateral, 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 analysing credit worthiness and determining credit allocation for Corporate/Commercial/Entrepreneurial consumer loans.

The Parent 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".

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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 Parent 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 Parent 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 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.

Non-cash risks of customers classified as non-performing loans in accordance with the Communiqué on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions" are subjected to expected loss provision (Stage 3) under the same regulation, when the related risks are reimbursed and transformed into cash receivables, they are followed up in the same risk group as the cash loan which was previously classified as non-performing loans and the expected losses provision (Stage 3) continues to be provided.

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 in the total cash loan portfolio is 27% and 33% respectively (31 December 2017: 23% and 28%).

The percentage of top 100 and top 200 non-cash loans in the total non-cash loan portfolio is 49% and 60% respectively (31 December 2017: 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 28% and 35% respectively (31 December 2017: 27% and 34%).

TFRS 9 expected loss provisions for the loans for the Stage 1 and Stage 2 are amounted TL 3.500.696 (31 December 2017: TL 5.635.198)

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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	Conditional and unconditional retail receivables
Current Period								
Domestic	105.971.128	682.786	542.144	-	-	21.394.107	256.336.366	136.363.786
European Union Countries	64.087	-	-	-	-	26.636.834	2.063.237	132.114
OECD Countries ⁽¹⁾	-	-	-	-	-	988.063	281.482	-
Off-shore Banking Regions	-	-	-	-	-	142.333	-	-
USA, Canada	-	-	-	-	-	4.019.793	1.090.168	842
Other Countries	2.200.674	2.049	63	-	-	1.345.902	3.654.763	1.943.517
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	196.602	756.309	6.067
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-	-
Total	108.235.889	684.835	542.207	-	-	54.723.634	264.182.325	138.446.326

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	Conditional and unconditional retail receivables
Prior Period								
Domestic	75.265.929	644.283	652.406	-	-	7.401.426	181.255.187	121.526.030
European Union Countries	27.917	-	-	-	-	24.055.991	1.952.422	119.532
OECD Countries ⁽¹⁾	-	-	-	-	-	679.480	51.003	-
Off-shore Banking Regions	-	-	-	-	-	221.401	283.110	-
USA, Canada	-	-	-	-	-	2.108.446	1.473.286	491
Other Countries	553.705	7.995	23	-	-	810.351	3.850.086	149.524
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	1.018.461	6.522	6.066
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-	-
Total	75.847.551	652.278	652.429	-	-	36.295.556	188.871.616	121.801.643

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 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
54.822.568	2.325.682	226.182	-	-	-	1.146.549	124.424	23.190.242	603.125.964
-	1.727	803	-	-	-	-	9	76.638	28.975.449
-	-	-	-	-	-	-	-	-	1.269.545
-	-	-	-	-	-	-	-	-	142.333
-	-	-	-	-	-	-	-	-	5.110.803
32.140	287	2.213.318	-	-	-	-	24.001	131.793	11.548.507
-	-	-	-	-	-	-	-	-	958.978
-	-	-	-	-	-	-	-	-	-
54.854.708	2.327.696	2.440.303	-	-	-	1.146.549	148.434	23.398.673	651.131.579

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
47.607.741	-	552.922	-	-	-	1.199.276	116.361	20.567.359	456.788.920
-	-	-	-	-	-	-	1.582	67.943	26.225.387
-	-	-	-	-	-	-	-	-	730.483
-	-	-	-	-	-	-	-	-	504.511
-	-	-	-	-	-	-	-	-	3.582.223
14.155	-	900.844	-	-	-	-	26.266	87.964	6.400.913
-	-	-	-	-	-	-	-	-	1.031.049
-	-	-	-	-	-	-	-	-	-
47.621.896	-	1.453.766	-	-	-	1.199.276	144.209	20.723.266	495.263.486

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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
Agriculture	119	473	11.578	-	-	-	3.148.963	5.123.165
Farming and Stockbreeding	37	473	11.578	-	-	-	2.393.782	4.730.831
Forestry	82	-	-	-	-	-	542.020	170.433
Fishing	-	-	-	-	-	-	213.161	221.901
Manufacturing	74.812	6.082	31.472	-	-	-	102.697.768	9.095.843
Mining and Quarrying	-	-	-	-	-	-	5.261.839	161.125
Production	74.806	19	2.115	-	-	-	71.032.920	8.839.852
Electric, Gas and Water	6	6.063	29.357	-	-	-	26.403.009	94.866
Construction	-	-	61.108	-	-	-	51.499.361	4.688.200
Services	44.587.748	3.861	306.953	-	-	54.721.656	85.456.430	27.782.163
Wholesale and Retail Trade	18	1.435	6.357	-	-	-	25.022.115	19.717.803
Hotel Food and Beverage Services	302	13	1.237	-	-	-	4.823.337	1.602.016
Transportation and Telecommunication	4.786	249	152.113	-	-	-	16.003.428	2.733.835
Financial Institutions	44.342.749	934	18.112	-	-	49.270.612	14.988.333	540.608
Real Estate and Leasing Services	138.682	248	792	-	-	5.451.044	23.315.891	2.455.183
Self Employment Services	-	-	-	-	-	-	-	261
Education Services	100.492	-	115.705	-	-	-	457.251	263.689
Health and Social Services	719	982	12.637	-	-	-	846.075	468.768
Other	63.573.210	674.419	131.096	-	-	1.978	21.379.803	91.756.955
Total	108.235.889	684.835	542.207	-	-	54.723.634	264.182.325	138.446.326

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

Risk Classes												
	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 from banks, brokerage houses and corporate	Investments similar to collective investment funds	Investments in Equity Instruments	Other receivables	TL	FC	Total
	975.337	87.723	16.503	-	-	-	-	-	328.551	8.735.465	956.947	9.692.412
	937.275	83.913	16.265	-	-	-	-	-	327.433	8.166.538	335.049	8.501.587
	18.774	2.409	43	-	-	-	-	-	931	253.963	480.729	734.692
	19.288	1.401	195	-	-	-	-	-	187	314.964	141.169	456.133
	1.735.009	380.890	220.415	-	-	-	-	-	171.546	40.480.949	73.932.888	114.413.837
	24.311	4.515	485	-	-	-	-	-	79	937.494	4.514.860	5.452.354
	1.690.740	373.774	20.114	-	-	-	-	-	171.325	33.755.760	48.449.905	82.205.665
	19.958	2.601	199.816	-	-	-	-	-	142	5.787.695	20.968.123	26.755.818
	1.386.610	183.195	290.793	-	-	-	166.360	-	27.020	20.345.449	37.957.198	58.302.647
	5.297.105	590.937	161.304	-	-	-	980.189	148.434	355.031	89.799.084	130.592.727	220.391.811
	2.935.788	383.933	28.162	-	-	-	-	-	60.819	36.161.310	11.995.120	48.156.430
	796.019	41.884	64.060	-	-	-	-	-	6.718	2.565.455	4.770.131	7.335.586
	513.700	25.224	4.333	-	-	-	-	-	20.173	4.562.539	14.895.302	19.457.841
	2.429	41	-	-	-	-	655.514	148.007	262.364	29.901.297	80.328.406	110.229.703
	849.168	131.275	63.276	-	-	-	324.675	-	4.493	14.728.635	18.006.092	32.734.727
	-	-	-	-	-	-	-	-	-	-	261	261
	80.586	5.926	170	-	-	-	-	-	194	751.956	272.057	1.024.013
	119.415	2.654	1.303	-	-	-	-	427	270	1.127.892	325.358	1.453.250
	45.460.647	1.084.951	1.751.288	-	-	-	-	-	22.516.525	177.571.572	70.759.300	248.330.872
	54.854.708	2.327.696	2.440.303	-	-	-	1.146.549	148.434	23.398.673	336.932.519	314.199.060	651.131.579

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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
Agriculture	955	873	12.484	-	-	-	2.535.564	4.897.362
Farming and Stockbreeding	359	529	8.789	-	-	-	2.083.448	4.087.431
Forestry	596	9	17	-	-	-	292.976	161.127
Fishing	-	335	3.678	-	-	-	159.140	648.804
Manufacturing	59.644	4.306	24.574	-	-	-	72.711.951	7.624.224
Mining and Quarrying	-	28	20	-	-	-	5.281.465	136.470
Production	59.644	513	17.903	-	-	-	50.429.522	7.414.515
Electric, Gas and Water	-	3.765	6.651	-	-	-	17.000.964	73.239
Construction	-	19	32.953	-	-	-	32.414.489	4.164.129
Services	6.170.310	5.861	409.066	-	-	26.334.184	64.696.030	23.624.020
Wholesale and Retail Trade	113	1.315	4.005	-	-	-	19.728.420	16.449.171
Hotel Food and Beverage Services	671	95	3.878	-	-	-	3.818.691	1.414.294
Transportation and Telecommunication	1.213	636	262.693	-	-	-	8.145.651	2.558.014
Financial Institutions	5.983.839	760	23.238	-	-	25.053.482	13.710.545	399.463
Real Estate and Leasing Services	113.624	934	1.022	-	-	1.280.702	18.395.693	2.187.180
Self Employment Services	-	-	-	-	-	-	-	-
Education Services	68.494	14	98.139	-	-	-	336.916	214.021
Health and Social Services	2.356	2.107	16.091	-	-	-	560.114	401.877
Other	69.616.642	641.219	173.352	-	-	9.961.372	16.513.582	81.491.908
Total	75.847.551	652.278	652.429	-	-	36.295.556	188.871.616	121.801.643

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

Risk Classes												
	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 from banks, brokerage houses and corporate	Investments similar to collective investment funds	Investments in Equity Instruments	Other receivables	TL	FC	Total
	923.014	-	15.941	-	-	-	-	-	354.858	8.233.364	507.687	8.741.051
	781.167	-	15.298	-	-	-	-	-	350.881	7.135.750	192.152	7.327.902
	16.607	-	202	-	-	-	-	-	1.040	235.186	237.388	472.574
	125.240	-	441	-	-	-	-	-	2.937	862.428	78.147	940.575
	1.282.114	-	40.886	-	-	-	-	-	180.431	34.217.961	47.710.169	81.928.130
	10.155	-	706	-	-	-	-	-	33	1.129.681	4.299.196	5.428.877
	1.210.388	-	40.151	-	-	-	-	-	180.238	28.498.568	30.854.306	59.352.874
	61.571	-	29	-	-	-	-	-	160	4.589.712	12.556.667	17.146.379
	823.346	-	26.716	-	-	-	52.385	-	36.474	14.526.065	23.024.446	37.550.511
	3.909.971	-	303.154	-	-	-	1.146.891	144.209	287.228	63.148.306	63.882.618	127.030.924
	2.189.105	-	182.064	-	-	-	-	-	58.802	31.423.049	7.189.946	38.612.995
	422.841	-	115.343	-	-	-	-	-	5.933	2.243.004	3.538.742	5.781.746
	431.149	-	1.521	-	-	-	-	-	19.566	4.223.912	7.196.531	11.420.443
	2.005	-	-	-	-	-	268.569	143.781	197.735	13.075.382	32.708.035	45.783.417
	743.226	-	3.686	-	-	-	878.322	-	4.576	10.638.060	12.970.905	23.608.965
	-	-	-	-	-	-	-	-	-	-	-	-
	29.998	-	166	-	-	-	-	-	169	587.950	159.967	747.917
	91.647	-	374	-	-	-	-	428	447	956.949	118.492	1.075.441
	40.683.451	-	1.067.069	-	-	-	-	-	19.864.275	171.174.231	68.838.639	240.012.870
	47.621.896	-	1.453.766	-	-	-	1.199.276	144.209	20.723.266	291.299.927	203.963.559	495.263.486

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

4. Analysis of maturity-bearing exposures according to remaining maturities

Current Period	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Exposure Classifications:					
Conditional and unconditional exposures to central governments or central banks	3.190.166	146.176	2.228.434	3.748.741	98.922.372
Conditional and unconditional exposures to regional governments or local authorities	5.070	18	2.617	25.851	651.279
Conditional and unconditional receivables from administrative units and non-commercial enterprises	16.028	2.095	5.806	28.982	489.296
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	29.848.921	8.870.171	2.649.512	3.196.716	10.158.314
Conditional and unconditional exposures to corporates	14.162.717	6.828.394	2.807.300	42.057.080	198.326.834
Conditional and unconditional retail exposures	3.094.293	465.243	945.403	27.325.243	106.616.144
Conditional and unconditional exposures secured by real estate property	9.178	27.356	22.577	3.344.313	51.451.284
Past due receivables	1.701.750	376	34	190	625.346
Receivables defined in high risk category by BRSA	144.115	397.463	1.234	30.164	1.867.327
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	-	-	-	331.624	814.925
Investments in Equity Instruments	-	-	-	-	148.434
Grand Total	52.172.238	16.737.292	8.662.917	80.088.904	470.071.555

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Prior Period	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Exposure Classifications:					
Conditional and unconditional exposures to central governments or central banks	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.

In determining the risk weights for the risk classes used in the risk ratings from the risk classes specified in Article 6 of the Regulation on the Measurement and Assessment of Capital Adequacy of Banks, the notes of the Fitch Ratings International Rating Agency for foreign banks and the Islamic International Rating Agency (IIRA) for countries are used. Domestic counterparties are considered as "Gradeless" and take the risk weight in accordance with the category of "Gradeless" in the 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

5. Exposures by risk weights:

Current Period

	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1	Exposures before Credit Risk Mitigation	99.567.310	-	29.418.621	-	48.806.263	190.809.897	280.089.185	2.440.303	-	-	-	795.695
2	Exposures after Credit Risk Mitigation	144.615.328	-	14.046.093	47.341.458	67.804.137	121.074.727	253.882.231	2.367.605	-	-	-	795.695

Prepared with the numbers after conversion rate to credit.

Prior Period

	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.

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 "IFRS 9 expected loss provisions (Stage 3)" calculation is made within the scope of Regulation on Provisions.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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 "TFRS 9 expected loss provisions (Stage 2)" calculation is made within the scope of Regulation for Provisions.

Current Period	Loans		Provisions
	Impaired (TFRS 9)		Provisions for Expected Credit Loss (TFRS)
	Significant Increase in Credit Risk (Stage 2)	Non-performing loans (Stage 3)	
Agriculture	2.285.479	1.235.943	691.978
Farming and Stockbreeding	2.267.296	1.221.040	680.255
Forestry	8.272	7.921	5.283
Fishery	9.911	6.982	6.440
Manufacturing	1.745.324	1.610.824	1.196.262
Mining and Quarrying	193.054	22.100	17.018
Production	1.282.925	1.568.239	1.135.738
Electricity, Gas and Water	269.345	20.485	43.506
Construction	2.610.197	641.562	483.811
Services	10.989.288	3.113.760	4.440.277
Wholesale and Retail Trade	1.893.371	1.905.735	1.532.700
Accommodation and Dining	520.936	128.932	106.655
Transportation and Telecom.	7.466.416	118.762	1.979.081
Financial Institutions	5.012	4.367	3.109
Real Estate and Rental Services	833.884	908.346	784.385
Professional Services	1.610	-	27
Educational Services	34.470	26.412	16.129
Health and Social Services	233.589	21.206	18.191
Other	1.848.121	2.153.908	1.643.336
Total	19.478.409	8.755.997	8.455.664

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Prior Period	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	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

⁽¹⁾ Valuation adjustments represent general provisions reserved for overdue loans.

7. Information about Value Adjustment and Change in Provisions

Current Period		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions(Stage III)	4.279.821	2.270.633	(359.524)	-	6.190.930
2	General Provisions (Stage I and Stage II)	734.163	2.737.054	(210.268)	-	3.260.949

Prior Period		Opening Balance	Provision for 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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

The table below shows the maximum credit sensitivity of financial statement items.

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	6.782.778	1.467.863
Banks	9.097.120	5.632.140
Interbank Money Market Placements	250.087	132.385
Financial Assets Measured at Fair Value Through Other Comprehensive Income	79.833.047	63.638.231
Financial Assets Measured at Amortised Cost	10.282.545	7.625.763
Loans	399.057.879	317.020.488
Other Assets	5.352.422	2.186.895
Total credit risk exposure of balance sheet items	510.655.878	397.703.765
Financial Guarantees	131.647.708	102.326.622
Commitments	50.902.263	35.009.539
Total credit risk exposure of off-balance sheet items	182.549.971	137.336.161
Total credit risk exposure	693.205.849	535.039.926

	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	9.097.120	-	9.097.120	5.632.140	-	5.632.140
Financial Assets at Fair Value Through Profit or Loss	6.782.778	-	6.782.778	1.467.863	-	1.467.863
Loans:	376.294.525	19.478.409	395.772.934	311.293.848	5.501.154	316.795.002
Corporate/Entrepreneurial Loans	222.366.233	15.717.769	238.084.002	172.508.184	3.451.287	175.959.471
Consumer Loans	92.252.466	1.544.535	93.797.001	85.552.624	858.408	86.411.032
Specialized Loans	61.675.826	2.216.105	63.891.931	53.233.040	1.191.459	54.424.499
Financial Assets Measured at Fair Value Through Other Comprehensive Income	79.833.047	-	79.833.047	63.638.231	-	63.638.231
Financial Assets Measured at Amortised Cost	10.282.545	-	10.282.545	7.625.763	-	7.625.763

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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 ⁽¹⁾	10.552.812	11.442.115
<i>Corporate/Entrepreneurial Loans</i>	5.901.981	4.385.615
<i>Consumer Loans</i>	1.091.982	1.560.437
<i>Specialized Loans</i>	3.558.849	5.496.063
Other	-	-
Available-for-sale Financial Assets	-	-
Held-to-maturity Investments	-	-

⁽¹⁾ Accruals are not included.

8. Risks Including the Capital Capacity Buffer Calculations

Current Period

Country	Banking Accounts RWA	Trading Accounts RWA	TOTAL
Bosnia and Herzegovina	3.356.346	-	3.356.346
Germany	1.471.948	-	1.471.948
USA	1.111.759	226.040	1.337.799
Turkish Republic of Northern Cyprus	736.951	-	736.951
Azerbaijan	675.488	12.621	688.109
Kazakhstan	570.651	-	570.651
Uzbekistan	459.405	3.121	462.526
Switzerland	333.304	-	333.304
Netherlands	332.034	-	332.034
Russia	326.055	-	326.055
Other	2.439.973	130.400	2.570.373

Prior Period

Country	Banking Accounts RWA	Trading Accounts RWA	TOTAL
USA	3.590.608	-	3.590.608
United Kingdom	2.301.506	3.502	2.305.008
Germany	2.221.782	2.949	2.224.731
Bosnia and Herzegovina	948.706	872.493	1.821.199
Iraq	591.988	-	591.988
France	586.744	-	586.744
Turkish Republic of Northern Cyprus	367.879	205.576	573.455
Singapore	470.348	-	470.348
Saudi Arabia	392.178	54.228	446.406
Netherlands	417.619	1.327	418.946
Other	3.146.990	66.587	3.213.577

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

III EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

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

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

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

2. Hedge against foreign exchange debt instruments and net foreign exchange investments by hedging derivative instruments, if material

None.

3. Management policy for foreign currency risk

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
24.12.2018	5,2411	5,9906	3,6981	0,8026	0,5805	5,3128	3,8563	0,6005	6,6719	1,3970	4,7525
25.12.2018	5,2524	5,9673	3,7030	0,8021	0,5781	5,3400	3,8700	0,5989	6,6743	1,4001	4,7641
26.12.2018	5,2292	5,9534	3,6902	0,7974	0,5744	5,2708	3,8447	0,5933	6,6300	1,3939	4,7297
27.12.2018	5,2418	5,9799	3,6855	0,8013	0,5805	5,3195	3,8416	0,5960	6,6273	1,3973	4,7330
28.12.2018	5,2145	5,9726	3,6772	0,8003	0,5828	5,3225	3,8249	0,6005	6,6166	1,3901	4,7258
31.12.2018	5,2422	5,9934	3,6947	0,8028	0,5859	5,3134	3,8415	0,6027	6,7089	1,3975	4,7656

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
5,2604	5,9865	3,7711	0,8022	0,5825	5,3075	3,9166	0,6097	6,6682	1,4023	4,6921

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

6. Information on the foreign currency risk of the Group

	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	16.096.284	12.501.196	9.125.499	37.722.979
Banks	1.514.757	2.380.625	2.593.756	6.489.138
Financial Assets at Fair Value Through Profit and Loss	2.086.278	4.156.795	3.121	6.246.194
Money Market Placements	-	-	188.665	188.665
Financial Assets at Fair Value Through Other Comprehensive Income	5.451.987	17.631.391	139.054	23.222.432
Loans ⁽²⁾	57.505.938	76.914.874	3.028.946	137.449.758
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) ⁽⁴⁾	-	87.450	2.337	89.787
Financial Assets Measured at Amortised Cost	910.872	3.958.304	8.608	4.877.784
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	17.014	434	185.512	202.960
Intangible Assets	21.505	-	26.921	48.426
Other Assets (6)	1.999.088	1.045.875	145.963	3.190.926
Total Assets ⁽⁵⁾ (7)	85.603.723	118.676.944	15.448.382	219.729.049
Liabilities				
Interbank Deposits	9.118.048	7.728.018	387.329	17.233.395
Foreign Currency Deposits	88.566.189	51.194.251	12.779.654	152.540.094
Money Market Borrowings	-	12.390.480	-	12.390.480
Funds Provided from Other Financial Institutions	11.412.440	22.236.586	3.396	33.652.422
Issued Marketable Securities	60.344	12.463.334	93.410	12.617.088
Miscellaneous payables	2.134.376	39.531	9.362	2.183.269
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	2.637.838	4.458.711	1.672.162	8.768.711
Total Liabilities	113.929.235	110.510.911	14.945.313	239.385.459
Net Balance Sheet Position	(28.325.512)	8.166.033	503.069	(19.656.410)
Net Off-Balance Sheet Position ⁽³⁾	27.761.346	(11.215.345)	1.959.819	18.505.820
Financial Derivative Assets	32.585.452	31.666.487	3.666.863	67.918.802
Financial Derivative Liabilities	4.824.106	42.881.832	1.707.044	49.412.982
Non-Cash Loans	36.646.822	45.965.469	6.676.566	89.288.857
Prior Period				
Total Assets	55.633.927	91.531.503	12.988.685	160.154.115
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 ⁽³⁾	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	

⁽¹⁾ TL 768.374 equivalent of USD, TL 1.086.966 equivalent of EUR loans are originated as foreign currency indexed loans (31 December 2017: TL 2.021.754 equivalent of USD, TL 2.165.005 equivalent of EUR and TL 2.040 equivalent of GBP)

⁽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 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 in other assets amounting to TL 36.685 are not included in the table.

⁽⁶⁾ Expected loss provisions for financial assets and other assets are reflected in related items.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

IV 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	23.637.930	-	-	-	-	19.244.100	42.882.030
Banks	3.910.863	429.440	748.570	52.552	-	3.941.683	9.083.108
Financial Assets at Fair Value Through Profit and Loss	21.145	10.522	10.663	42.018	5.966	6.692.464	6.782.778
Money Market Placements	249.987	-	-	-	-	-	249.987
Financial Assets at Fair Value Through Other Comprehensive Income	8.920.898	8.347.762	18.869.647	21.082.365	21.942.052	670.323	79.833.047
Loans Given ⁽³⁾	127.815.015	35.816.349	73.662.425	132.928.386	26.349.811	2.485.893	399.057.879
Financial Assets Measured at Amortised Cost	2.388.245	883.236	1.945.688	1.626.076	3.429.926	7.839	10.281.010
Other Assets ⁽²⁾	550.141	1.304.545	504.152	95.773	20.037	17.742.509	20.217.157
Total Assets ^{(1) (5)}	167.494.224	46.791.854	95.741.145	155.827.170	51.747.792	50.784.811	568.386.996
Liabilities							
Interbank Deposits	15.448.356	5.224.199	494.669	113.039	-	4.151.647	25.431.910
Other Deposits	148.819.779	47.427.841	41.617.560	4.254.360	282.375	86.541.423	328.943.338
Money Market Borrowings	64.330.322	2.671.990	1.118.379	482.947	-	-	68.603.638
Sundry Creditors	21.402	-	124.850	-	-	5.404.163	5.550.415
Issued Marketable Securities	1.425.962	1.964.991	4.137.675	9.415.236	-	-	16.943.864
Funds Provided from Other Financial Institutions	5.817.048	9.738.616	12.419.697	5.809.914	1.063.494	-	34.848.769
Other Liabilities ⁽⁴⁾	3.508.399	908.612	1.465.331	903.168	4.859.282	76.420.270	88.065.062
Total Liabilities ⁽¹⁾	239.371.268	67.936.249	61.378.161	20.978.664	6.205.151	172.517.503	568.386.996
Balance Sheet Long Position	-	-	34.362.984	134.848.506	45.542.641	-	214.754.131
Balance Sheet Short Position	(71.877.044)	(21.144.395)	-	-	-	(121.732.692)	(214.754.131)
Off-Balance Sheet Long Position	509.574	2.062.209	-	-	-	75.511	2.647.294
Off-Balance Sheet Short Position	469.564	965.120	(74.986)	(193.925)	-	-	1.165.773
Total Position	(70.897.906)	(18.117.066)	34.287.998	134.654.581	45.542.641	(121.657.181)	3.813.067

⁽¹⁾ Balances without fixed maturity are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.⁽²⁾ Deferred tax asset is shown under the "Non-Interest Bearing" column.⁽³⁾ Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in loans given.⁽⁴⁾ Total shareholders' equity is shown under the "Non-Interest Bearing" column.⁽⁵⁾ Allowance for expected losses for financial assets and other assets are reflected in the related items.

(Based on days to repricing dates)

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Prior Period 31 December 2017	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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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⁾	-	2,00	-	13,00
Banks	0,71	4,33	-	23,35
Financial Assets at Fair Value Through Profit and Loss	2,34	5,18	-	8,78
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,68	5,70	-	12,59
Loans Given ⁽²⁾	4,95	7,28	4,85	15,54
Investments Held-to-Maturity	6,63	7,32		17,06
Liabilities				
Interbank Deposits ⁽³⁾	0,52	2,32	-	23,33
Other Deposits ⁽⁴⁾	1,32	2,26	-	14,19
Money Market Borrowings	-	3,76	-	24,33
Sundry Creditors	-	-	-	-
Issued Marketable Securities	0,60	4,77	1,50	21,40
Funds Provided from Other Financial Institutions	1,22	3,94	-	21,13

⁽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⁾	-	1,50	-	4,00
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 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

V. 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

Investments in Equity Instruments - Current Period	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 ^(*)	148.434	148.434	-

^(*) The market values are taken into account as fair values because the equity investments are not traded in the stock exchange.

Investments in Equity Instruments - Prior Period	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 ^(*)	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.

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 148.434 and 100% of them are risk weighted (31 December 2017: are amounted TL 144.209 and 100% of them are risk weighted).

VI. EXPLANATIONS ON CONSOLIDATED 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 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 Parent Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector maturity structure and legal liquidity rates are monitored.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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 Parent 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 ICAAP Regulations".

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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 Bank calculates the Liquidity Cover Rate and transmits consolidated on weekly and consolidated on monthly basis to the BRSA. In the last three months (October-November-December), the consolidated rates are as follows: October FC, 108,75%, TL+FC 75,16%; November FC, 123,26%, TL + FC 80,91%; The December FC was 131,90%, and the TL+FC was 86,71% (31 December 2017: Consolidated rates in the last three months were October FC, 181,79%, TL+FC 96,49%, November FC 199,41%, TL+FC 92,73%, December FC 207,67%, TL+FC 86,31% respectively)

Current Period	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			60.776.637	41.550.730
CASH OUTFLOWS				
Retail and Small Business Customers, of which;	237.477.599	111.531.864	20.221.723	11.153.180
Stable deposits	70.520.740	133	3.526.037	7
Less stable deposits	166.956.859	111.531.731	16.695.686	11.153.173
Unsecured wholesale funding, of which;	109.306.463	49.758.643	61.872.016	30.339.716
Operational deposit	5.919.940	692.801	1.475.920	169.135
Non-operational deposits	86.845.916	41.314.525	45.505.184	22.564.219
Other unsecured funding	16.540.607	7.751.317	14.890.912	7.606.362
Secured funding			-	-
Other cash outflows, of which;	54.422.069	16.368.421	13.776.439	11.048.459
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	9.084.643	8.718.617	9.084.643	8.718.617
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	45.337.426	7.649.804	4.691.796	2.329.842
Other revocable off-balance sheet commitments and contractual obligations	9.716	5.279	486	264
Other irrevocable or conditionally revocable off-balance sheet obligations	103.619.895	40.186.025	5.246.376	2.009.549
TOTAL CASH OUTFLOWS			101.117.040	54.551.168
CASH INFLOWS				
Secured lending	-	-	-	-
Unsecured lending	37.311.748	17.355.983	24.488.020	12.869.927
Other cash inflows	1.495.591	7.261.514	1.469.443	7.235.366
Total Cash Inflows	38.807.339	24.617.497	25.957.463	20.105.293
			Upper Limit	Applied Amounts
TOTAL HQLA STOCK			60.776.637	41.550.730
TOTAL NET CASH OUTFLOWS			75.159.577	34.445.875
LIQUIDITY COVERAGE RATIO (%)			80,86	120,63

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Prior Period	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	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 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

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

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. While considering 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Bonds and bills in the securities portfolio are used as collateral for repo transactions. Since the securities used in repo transactions lose the characteristic of being free, liquidity coverage ratio is affected due to the ability of securities to be used as collateral.

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 Group 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 Parent 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 Parent Bank's Internal Capital Adequacy Assessment Process ("ICAAP") with the approval of the Parent Bank's Senior Management. These limits are followed in particular frequency. Besides, It has reported to the relevant units and Senior Management. There is no excess regarding the limits during operating period.

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

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

Explanations of cash in-flow and cash out-flow items that are considered to be related to liquidity profile of the bank and to be placed on the calculation of liquidity coverage ratio but not on the second paragraph of the disclosure template

All items on the calculation of liquidity coverage ratio are included in calculation in aggregated form on the table. In this context, there is no point included in the calculation of liquidity coverage ratio and not included in the disclosure template.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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) (3)	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	19.258.129	23.623.901	-	-	-	-	-	42.882.030
Banks	3.941.683	3.912.032	428.271	748.570	52.552	-	-	9.083.108
Financial Assets at Fair Value Through Profit and Loss	8	3.610	10.522	10.663	59.553	5.966	6.692.456	6.782.778
Money Market Placements	-	249.987	-	-	-	-	-	249.987
Financial Assets Measured at Fair Value Through Other Comprehensive Income	70.422	692.082	3.662.682	8.492.750	32.260.941	34.276.452	377.718	79.833.047
Loans Given	357.843	19.827.384	24.975.821	156.623.275	161.667.637	33.493.989	2.111.930	399.057.879
Financial Assets Measured at Amortised Cost	7.839	492.124	883.236	1.945.688	3.522.197	3.429.926	-	10.281.010
Other Assets	7.506.861	479.704	1.302.726	548.552	95.773	20.037	10.263.504	20.217.157
Total Assets	31.142.785	49.280.824	31.263.258	168.369.498	197.658.653	71.226.370	19.445.608	568.386.996
Liabilities								
Interbank Deposits	4.151.647	15.448.356	5.224.199	498.606	109.102	-	-	25.431.910
Other Deposits	86.541.423	148.809.641	47.408.503	41.508.356	4.348.488	326.927	-	328.943.338
Funds Provided from Other Financial Institutions	-	3.063.523	4.000.462	12.824.200	11.551.026	3.409.558	-	34.848.769
Money Market Borrowings	-	64.330.322	2.671.990	1.118.379	482.947	-	-	68.603.638
Issued Marketable Securities	-	1.425.962	1.785.096	4.317.570	9.415.236	-	-	16.943.864
Sundry Creditors	3.295.076	2.045.910	-	124.850	-	-	84.579	5.550.415
Other Liabilities (3)	20.639.607	1.872.062	1.908.697	1.356.994	903.169	6.171.802	55.212.731	88.065.062
Total Liabilities	114.627.753	236.995.776	62.998.947	61.748.955	26.809.968	9.908.287	55.297.310	568.386.996
Liquidity Gap	(83.484.968)	(187.714.952)	(31.735.689)	106.620.543	170.848.685	61.318.083	(35.851.702)	-
Net Off-Balance Sheet Position	-	(291.050)	(967.025)	122.547	672.964	-	(44)	(462.608)
Financial Derivative Assets	-	35.660.859	14.439.645	3.000.559	1.793.273	-	19.360	54.913.696
Financial Derivative Liabilities	-	35.951.909	15.406.670	2.878.012	1.120.309	-	19.404	55.376.304
Non-cash Loans	45.706.867	4.670.432	10.165.962	38.893.051	27.158.917	4.856.928	195.551	131.647.708
Prior Period								
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
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

(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) Non-performing loans net-off related provision for expected loss of stage 3 are presented in "undistributed" column.

(4) Allowance for expected credit losses for financial assets and other assets are recognized in the related account.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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	20.217.961	5.250.549	503.618	109.102	-	26.081.230
Other deposits	231.814.869	48.124.210	43.088.228	4.429.641	402.565	327.859.513
Funds borrowed from other financial institutions	3.110.764	4.095.296	13.353.528	13.126.717	4.872.440	38.558.745
Funds borrowed from Interbank money market	64.540.404	2.690.943	1.120.332	485.048	-	68.836.727
Total	319.683.998	60.160.998	58.065.706	18.150.508	5.275.005	461.336.215
Prior 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

^(*) 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.

VII EXPLANATIONS ON CONSOLIDATED LEVERAGE

1. Explanations on the Difference Between the Prior and Current Period of Leverage Ratio

The Parent Bank's consolidated leverage calculated by force of the regulation "Regulation on Measurement and Assessment of Leverage Ratios of Banks" is 7,66% (31 December 2017: 7,98%). 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)	570.386.642	452.721.717
(Assets deducted in determining Tier 1 capital)	(7.798.391)	(2.586.076)
Total on-balance sheet risks (sum of lines 1 and 2)	562.588.251	450.135.641
Derivative financial instruments and credit derivatives		
Replacement cost associated with all derivative financial instruments and credit Derivatives	2.253.807	1.590.316
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	631.144	500.985
Total risks of derivative financial instruments and credit derivatives	2.884.951	2.091.301
Securities or commodity financing transactions (SCFT)		
Risks from SCFT assets	5.082.975	5.102.788
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	5.082.975	5.102.788
Other off-balance sheet transactions		
Gross notional amounts of off-balance sheet transactions	183.788.436	136.027.916
(Adjustments for conversion to credit equivalent amounts)	(3.650.093)	(1.937.432)
Total risks of off-balance sheet items	180.138.343	134.090.484
Capital and total risks		
Tier 1 capital	57.496.516	47.185.249
Total risks	750.694.520	591.420.214
Leverage ratio		
Leverage ratio %	7,66	7,98

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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 ^(*)	568.436.479	456.979.890
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"	49.483	53.761
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	142.583.287	97.270.270
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	21.524.007	14.574.814
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	3.650.093	1.937.432
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	(28.788.983)	(18.087.286)
Total Risk Amount	750.661.186	591.420.214

^(*) 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 2018 of the nonfinancial subsidiaries.

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.

1. Explanations on Risk Management and Risk Weighted Amount

1.1 Parent Bank's Risk Management Approach

It has to do with how the business model determines the Parent 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 Parent Bank's risk profile interacts with the risk appetite approved by the board of directors

While risk appetite determines the Parent 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 Parent 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 Parent 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 Parent 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 Parent Bank's Risk Management Group Presidency regularly and actual values are reported periodically to the Parent Bank's Top Management.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Risk management structure: Responsibilities distributed at the Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent Bank and the structure is understood by the staff. Usage levels for signal and risk parameters are subject to reports submitted to the Parent Bank Top Management.

If limits are exceeded, the Parent 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 Parent Bank-including budget figures-can be reviewed or, where necessary, revised.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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 Parent 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 Parent Bank's Top Management and relevant units conduct their ICAAP duties, authorities and responsibilities in line with the Parent Bank regulations and relevant legal legislation.

Principal elements and scope of risk measurement systems

The Parent 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 Parent 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 expected loss provisions for the loans for the stage 3 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 Parent 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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 Parent 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 Parent 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 Parent 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 Parent 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Diversification of resources is deemed important for managing the liquidity risk that may occur. While the Parent 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 Parent Bank, policies 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)	396.750.839	305.800.542	31.740.067
2	Standardised approach	396.750.839	305.800.542	31.740.067
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3.747.369	3.434.653	299.790
5	Standardised approach for counterparty credit risk	3.747.369	3.434.653	299.790
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	1.022.273	1.108.145	81.782
10	Investments made in collective investment companies-1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB Supervisory Formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	15.630.514	18.965.749	1.250.441
17	Standardised approach	15.630.514	18.965.749	1.250.441
18	Internal model approaches	-	-	-
19	Operational risk	31.723.724	25.145.817	2.537.898
20	Basic Indicator approach	31.723.724	25.145.817	2.537.898
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)	448.874.719	354.454.906	35.909.978

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2. Connections Between Financial Statements and the Risk Amounts

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

	Carrying values as reported in published financial statements ^(*)	Valued amount according to TAS within legal consolidation ^(*)		Carrying values of items			Not subject to capital requirements or subject to deduction from capital
Current Period			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization on framework	Subject to the market risk framework	
Assets							
Cash and balances at central bank	42.882.493	42.882.030	42.882.493	-	-	-	-
Banks	9.083.108	9.083.108	9.086.630	-	-	-	-
Receivables from Money Markets	249.987	249.987	317.114	65.500	-	-	-
Financial assets measured at fair value to profit or loss	6.782.778	6.782.778	8	-	-	6.782.770	-
Financial assets measured at fair value to other comprehensive income	79.833.047	79.833.047	51.509.173	28.169.653	-	28.323.874	-
Financial assets measured at amortised cost	10.281.010	10.281.010	10.282.545	1.996.979	-	-	-
Derivative financial assets	2.058.778	2.058.778	-	2.058.778	-	-	-
Loans (Net)	395.077.052	395.077.052	398.336.130	-	-	-	1.871
Investments in associates (Net)	163.826	142.148	142.148	-	-	-	-
Investments in subsidiaries (Net)	1.738	7.975	7.975	-	-	-	-
Jointly Controlled Partnerships (Joint Ventures) (Net)	87.450	87.450	87.450	-	-	-	-
Lease receivables	3.978.680	3.978.680	3.978.680	-	-	-	-
Factoring reveivables	2.147	2.147	2.147	-	-	-	-
Tangible Assets (net)	6.805.720	6.803.755	6.741.637	-	-	-	62.118
Intangible Assets (net)	734.541	731.706	-	-	-	-	731.706
Investment Properties (Net)	-	-	-	-	-	-	-
Tax Asset	1.700.181	1.700.181	1.700.181	-	-	-	-
Non-Currents Assets Or Disposal Groups “Held For Sale” And “From Discontinued Operations (Net)	1.230.679	1.230.679	1.230.679	-	-	-	-
Other Assets	7.483.264	7.454.485	7.508.585	-	-	-	-
Total Assets	568.436.479	568.386.996	533.813.575	32.290.910	-	35.106.644	795.695
Liabilities							
Deposits	354.351.571	354.375.248	-	-	-	-	-
Funds Borrowed	34.848.769	34.848.769	-	2.860.112	-	-	-
Money Markets	68.603.638	68.603.638	-	25.950.344	-	-	-
Securities Issued (Net)	16.943.864	16.943.864	-	-	-	-	-
Funds	6.073.748	6.073.748	-	-	-	-	-
Derivative Financial Liabilities	1.668.169	1.668.169	-	-	-	-	-
Factoring payables	-	-	-	-	-	-	-
Other Liabilities	19.381.901	19.357.893	-	-	-	-	-
Factoring Liabilities	-	-	-	-	-	-	-
Provisions	4.769.265	4.751.072	-	-	-	-	-
Tax Liability	1.635.620	1.635.620	-	-	-	-	-
Non-Currents Liabilities or Disposal Groups “Held For Sale” And “From Discontinued Operations (Net)	-	-	-	-	-	-	-
Subordinated Debt Instruments	-	-	-	-	-	-	-
Shareholders' Equity	60.159.934	60.128.975	-	-	-	-	-
Total Liabilities	568.436.479	568.386.996	-	28.810.456	-	-	-

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

			Carrying values of items in accordance with TAS					
	Carrying values as reported in published financial statements ^(*)	Valued amount according to TAS within legal consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital	
Prior Period								
Assets								
Cash and balances at central bank	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 designated at fair value through profit or loss	-	-	-	-	-	-	-	
Banks	5.632.140	5.632.140	5.632.140	-	-	-	-	
Receivables from money markets	132.385	132.385	62.214	70.171	-	-	-	
Available for sale financial assets (net)	63.638.231	63.638.231	18.613.864	2.179.191	-	42.845.176	-	
Loans and receivables	317.020.488	317.020.488	317.018.779	-	-	-	1.709	
Factoring receivables	1.614	1.614	1.614	-	-	-	-	
Held to maturity investments (net)	7.625.763	7.625.763	5.315.124	2.310.639	-	-	-	
Investments in associates (net)	146.075	128.419	128.419	-	-	-	-	
Investments in subsidiaries (net)	1.346	7.583	7.583	-	-	-	-	
Investments in joint ventures (net)	52.036	52.036	52.036	-	-	-	-	
Leasing receivables	2.881.519	2.881.519	2.881.519	-	-	-	-	
Derivative financial assets held for hedges	-	-	-	-	-	-	-	
Tangible assets (net)	6.682.102	6.679.632	6.596.192	-	-	-	83.440	
Intangible assets (net)	548.753	532.088	-	-	-	-	532.088	
Investment properties (net)	-	-	-	-	-	-	-	
Tax assets	41.055	41.055	41.055	-	-	-	-	
Non-current assets and disposal groups classified as held for sale (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								
Deposits	282.549.116	282.569.613	-	-	-	-	-	
Derivative financial liabilities held for trading	548.910	548.910	-	-	-	-	-	
Loans	31.118.253	31.118.253	-	2.726.897	-	-	-	
Debt to money markets	56.309.523	56.309.523	-	14.440.188	-	-	-	
Debt securities in issue	13.474.280	13.474.280	-	-	-	-	-	
Funds	6.030.575	6.030.575	-	-	-	-	-	
Various debts	4.179.377	4.143.390	-	-	-	-	-	
Other liabilities	2.575.954	2.575.954	-	-	-	-	-	
Factoring debts	-	-	-	-	-	-	-	
Debts from leasing transactions	-	-	-	-	-	-	-	
Derivative financial liabilities held for hedges	-	-	-	-	-	-	-	
Provisions	10.375.563	10.362.037	-	-	-	-	-	
Tax liability	1.310.438	1.310.438	-	-	-	-	-	
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-	-	
Subordinated debts	-	-	-	-	-	-	-	
Equity	48.507.901	48.483.156	-	-	-	-	-	
Total liabilities	456.979.890	456.926.129	-	17.167.085	-	-	-	

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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

		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework
Current Period	Total			
Asset carrying value amount under scope of regulatory consolidation	568.386.996	533.757.038	32.290.910	35.106.644
Liabilities carrying value amount under regulatory scope of consolidation	-	-	28.810.456	-
Total net amount under regulatory scope of consolidation	568.386.996	533.757.038	3.480.454	35.106.644
Differences in valuations	244.474.188	79.032.680	69.186.526	-
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	812.861.184	612.789.718	72.666.980	35.106.644
Prior Period	Total			
Asset carrying value amount under scope of regulatory consolidation	456.926.129	407.435.852	5.956.768	42.916.272
Liabilities carrying value amount under regulatory scope of consolidation	-	-	17.167.085	-
Total net amount under regulatory scope of consolidation	456.926.129	407.435.852	(11.210.317)	42.916.272
Differences in valuations	180.798.732	58.591.260	48.292.227	-
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	637.724.861	466.027.112	37.081.910	42.916.272

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 Parent 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 Parent 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

As part of the variation in customer segmentation due to changing organizational structure of the Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent Bank's Top Management.

3.3 Structure and organization of credit risk management and control function

The Parent 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 Parent 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

The controls on Risk Management Disclosures are carried out within the scope of Risk Management Department activities. Two separate control processes are carried out periodically in the related unit, Capital Adequacy Calculation process and other Risk Management processes control, and are carried out within the scope of capital adequacy check points and guide and control points and guidance related to other risk management activities.

All activities, new transactions and products planned by the Parent Bank; compliance with relevant laws, regulations, internal policies and banking practices is controlled. In this context, the compliance of the legislative regulations regarding the Risk Management Disclosures with the intra-Parent bank practices is also checked.

The control activities carried out in the Head Office Units are carried out in accordance with the control periods determined by taking into account the functions and the risks of the units, the duties of the units and their effects on the Parent Bank's balance sheet. The control processes of the Head Office Units are carried out through the control points determined according to the processes, duties and powers of the unit and the control techniques are detailed in the General Directorate Control Manual.

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 Parent 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 Parent 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.

3.6. Credit Quality of Assets

			Allowances/ Amortisation and impairments	
Current Period	Defaulted	Non-defaulted		Net values
Loans	8.755.997	399.753.761	9.451.879	399.057.879
Debt Securities	-	105.216.973	6.259.825	98.957.148
Off-balance sheet exposures	279.906	177.707.537	466.897	177.520.546
Total	9.035.903	682.678.271	16.178.601	675.535.573
Prior Period	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 exposures	138.057	134.994.316	734.937	134.397.436
Total	5.167.024	526.252.298	7.269.541	524.149.781

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

3.7 Changes in the Defaulted Receivables and Debt Instruments

Current Period

1	Defaulted loans and debt securities at end of the previous reporting period	5.028.967
2	Loans and debt securities that have defaulted since the last reporting period	4.989.088
3	Returned to non-defaulted status	85.686
4	Amounts written off	-
5	Other changes	(1.176.372)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)^(*) definitions	8.755.997

(*) Provisions for non-cash loans are not included in the table.

Prior Period

1	Defaulted loans and debt securities at end of the previous reporting period	4.380.490
2	Loans and debt securities that have defaulted since the last reporting period	2.168.537
3	Returned 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

(*) Provisions for non-cash loans are not included in the table.

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 Parent Bank classifies its credits and other receivables and allocates expected loss 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. 29750 dated 22 June 2016. 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 Parent Bank sets expected credit loss provisions for the stage 1 and stage 2 for credits classified as "Standard Credits" and "Under Close Monitoring" and expected loss provisions for the loans for the stage 3 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 Parent 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 expected loss 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 Parent Bank.

Definitions of methods used for determining provision amount

The Bank sets expected loss provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 29750 and dated 22 June 2016 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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.

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	Non Performing Loans	Expected Loss Provisions	Total
Domestic	374.792.054	8.051.768	7.038.353	375.805.469
European Union Countries	355.730	27.358	25.921	357.167
USA, Canada	5.485	4.239	4.522	5.202
OECD Countries	7.646.502	144	53.162	7.593.484
Off-Shore Banking Regions	-	-	-	-
Other	12.973.163	672.488	2.329.921	11.315.730
Total	395.772.934	8.755.997	9.451.879	395.077.052

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

	Loans and Receivables	Non Performing Loans	Expected Loss Provisions	Total
Agriculture	71.375.479	1.235.943	902.725	71.708.697
Farming and Stockbreeding	70.414.156	1.221.040	886.526	70.748.670
Forestry	680.808	7.921	7.738	680.991
Fishing	280.515	6.982	8.461	279.036
Manufacturing	90.625.737	1.610.824	1.504.393	90.732.168
Mining and Quarrying	5.069.288	22.100	35.311	5.056.077
Production	61.889.635	1.568.239	1.314.078	62.143.796
Electric, Gas and Water	23.666.814	20.485	155.004	23.532.295
Construction	40.932.134	641.562	552.381	41.021.315
Services	92.822.388	3.113.760	4.704.539	91.231.609
Wholesale and Retail Trade	35.636.639	1.905.735	1.622.172	35.920.202
Hotel Food and Beverage Services	6.519.034	128.932	130.182	6.517.784
Transportation and Telecommunication	14.876.288	118.762	1.995.695	12.999.355
Financial Institutions	8.710.638	4.367	49.739	8.665.266
Real Estate and Leasing Services	25.419.286	908.346	867.581	25.460.051
Self-Employment Services	2.179	-	41	2.138
Education Services	765.177	26.412	19.265	772.324
Health and Social Services	893.147	21.206	19.864	894.489
Other	100.017.196	2.153.908	1.787.841	100.383.263
Total	395.772.934	8.755.997	9.451.879	395.077.052

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Current Period	Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Undistributed	Total
Loans and Receivables	357.843	19.827.384	24.975.821	156.623.275	161.667.637	33.493.989	2.111.930	399.057.879
Prior Period	Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Undistributed	Total
Loans and Receivables	-	12.619.158	20.021.874	108.426.306	136.421.696	37.779.465	1.751.989	317.020.488

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	499.701	201.575	1.767.995	2.469.271
Retail Loans	63.928	12.439	5.405	81.772
Specialized Loans	604.810	183.072	95.164	883.046
Total	1.168.439	397.086	1.868.564	3.434.089

⁽¹⁾ Explanations on the amounts; For the loans with instalments, the overdue installment amounts, for other type of credits, the overdue principal amount and the remaining principal amounts of intallmanent results with a grand total of TL 16.044.320

Prior 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⁾ Explanations on the amounts; For the loans with instalments, the overdue installment amounts, for other type of credits, the overdue principal amount and the remaining principal amounts of intallmanent results with a grand total of TL 4.313.289

Breakdown of restructured receivables by allocation of provision

Out of the Group's total restructured loans amounting to TL 3.860.586, a portion of TL 3.576.692 consists of performing loans and remaining portion of TL 283.894 consists of non-performing loans. While the specific provision allocated for non-performing loans amounts to TL 171.941, no expected loss provision (Stage 3) was allocated for non-performing loans of TL 360, 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 used while mitigating credit risk within the Group.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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
Current Period							
Loans	338.343.135	12.205.965	1.587.257	47.788.901	19.917.358	-	-
Debt Securities	96.898.370	-	-	-	-	-	-
Total	435.241.505	12.205.965	1.587.257	47.788.901	19.917.358	-	-
Of which defaulted	8.084.352	1.274	134	670.371	330.907	-	-
Prior Period							
Loans	279.574.611	9.363.583	1.229.502	28.082.294	22.633.132	-	-
Debt Securities	72.731.857	-	-	-	-	-	-
Total	352.306.468	9.363.583	1.229.502	28.082.294	22.633.132	-	-
Of which defaulted	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 Parent Bank and the reasons in case of any change during the reporting period

The Parent 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.

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

3.12. Standard Approach- Loan risk Exposure and the Effects of Loan Risk Reduction Techniques

Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount
Risk Classes						
Exposures to sovereigns and their central banks	107.894.178	758.747	144.868.014	2.509.956	20.460.158	13,9%
Exposures to regional and local governments	653.608	69.730	673.614	49.958	346.954	48,0%
Exposures to administrative bodies and non-commercial entities	259.479	726.398	882.834	300.059	1.108.297	93,7%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	47.446.731	15.377.723	47.442.723	7.906.935	10.994.443	19,9%
Exposures to corporates	198.718.093	120.286.115	176.984.914	63.780.014	237.941.365	98,8%
Retail exposures	133.616.322	36.461.303	118.485.575	3.715.750	90.889.469	74,4%
Exposures secured by residential property	47.446.107	331.458	47.194.835	178.693	16.589.279	35,0%
Exposures secured by commercial property	6.879.814	550.210	6.727.011	327.865	3.594.586	51,0%
Past-due items	2.327.696	-	1.996.804	-	1.356.832	68,0%
Exposures in high-risk categories	2.229.276	368.990	2.214.980	197.389	3.593.812	149,0%
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	1.080.488	133.558	1.080.488	66.061	1.022.273	89,2%
Other exposures	23.398.673	-	23.398.673	-	13.474.579	57,6%
Equity share investments	148.434	-	148.434	-	148.434	100,0%
Total	572.098.899	175.064.232	572.098.899	79.032.680	401.520.481	61,7%

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount
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%

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

3.13. Standard Approach: Receivables related with Risk Classes and Risk Weights

Current Period				35% secured by property mortgage	50% secured by property mortgage								Total risk amount (post-CCF and CRM)
Risk Classes/Risk Weight	0%	10%	20%			50% ^(*)	75%	100%	150%	200%	Other		
Exposures to sovereigns and their central banks	106.942.573	-	9.399	-	-	39.935.440	-	490.558	-	-	-	-	147.377.970
Exposures to regional and local government	31.656	-	35	-	-	689.868	-	2.013	-	-	-	-	723.572
Exposures to administrative bodies and non-commercial entities	74.516	-	100	-	-	-	-	1.108.277	-	-	-	-	1.182.893
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	26.299.347	-	13.204.035	-	-	14.985.279	-	860.997	-	-	-	-	55.349.658
Exposures to corporates	497.556	-	405.916	-	-	4.002.552	-	235.858.904	-	-	-	-	240.764.928
Retail exposures	710.828	-	414.870	-	-	900	121.074.727	-	-	-	-	-	122.201.325
Exposures secured by residential property	8.215	-	5.108	47.341.458	-	-	-	18.747	-	-	-	-	47.373.528
Exposures secured by commercial property	2.609	-	3.087	-	6.910.422	-	-	138.758	-	-	-	-	7.054.876
Past-due items	134	-	-	-	-	1.279.676	-	716.994	-	-	-	-	1.996.804
Exposures in high-risk categories	449	-	2.387	-	-	-	-	41.928	2.367.605	-	-	-	2.412.369
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	124.276	-	-	-	-	-	-	1.022.273	-	-	-	-	1.146.549
Equity share investments	-	-	-	-	-	-	-	148.434	-	-	-	-	148.434
Other exposures	9.923.169	-	1.156	-	-	-	-	13.474.348	-	-	-	-	23.398.673
Total	144.615.328	-	14.046.093	47.341.458	6.910.422	60.893.715	121.074.727	253.882.231	2.367.605	-	-	-	651.131.579

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Prior Period Risk Classes/Risk Weight	0%	10%	20%	35% secured by property mortgage	50% secured by property mortgage	50% (*)	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	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

(*) "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 Parent Bank's credit risk calculations.

3.15. Counter Party Credit Risk Explanations

Risk management goals and policies for CCR

As part of the Parent 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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 Parent Bank upon approval of the Audit Committee and Board of Directors.

Internal limits are determined by considering the Parent 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 Parent 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 Parent 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 Parent 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 Parent Bank must submit in case of a decline in credit rating

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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
	Current Period						
	Valuation Method according to fair value - CCR (for derivatives)	1.845.786	585.789			2.431.575	1.134.522
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)					16.337.647	1.739.740
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)					3.178.525	817.062
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	Total						3.691.324

^(*) Effective Expected Positive Exposure

		Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) ^(*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
	Prior Period						
	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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

3.17. Capital Requirement for Loan Valuation Adjustments

	Current Period	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	2.431.575	56.045
4	Total subject to the CVA capital charge	2.431.575	56.045

	Prior Period	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

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

Current Period										Total credit exposure ^(*)
Risk Weight/Regulatory portfolio	0%	10%	20%	50%	75%	100%	150%	Other		
Exposures to sovereigns and their central banks	880.014	-	-	5.242	-	61.494	-	-	-	946.750
Exposures to regional and local governments	5.017	-	-	-	-	-	-	-	-	5.017
Exposures to administrative bodies and non-commercial entities	1.812	-	-	-	-	-	-	-	-	1.812
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	26.243.471	-	6.442.448	4.122.603	-	18.501	-	-	-	36.827.023
Exposures to corporates	59.801	-	-	-	-	305.088	-	-	-	364.889
Retail exposures	4.395	-	-	-	5.149	-	-	-	-	9.544
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	124.277	-	-	-	-	6.012	-	-	-	130.289
Equity share investments	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-
Other assets ^(**)	-	-	-	-	-	-	-	-	-	-
Total	27.318.787	-	6.442.448	4.127.845	5.149	391.095	-	-	-	38.285.324

^(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.^(**) Other assets: Includes amount that are not within the counterparty credit risk reported in the table of risks to the central counterparty.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Prior Period										Total credit exposure ^(*)
Risk Weight/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: Includes amount that are not within the counterparty credit risk reported in the table of risks to the central counterparty.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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		
Current Period						
Cash-domestic currency	-	-	-	-	14.898.153	-
Cash-foreign currency	-	-	-	-	14.612.240	-
Domestic sovereign debts	-	-	-	-	4.005	-
Other sovereign debts	-	-	-	-	61.425	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	29.575.823	-

	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Prior Period						
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	-

Credit Derivatives

None.

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

None.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Risks Related with Other Parts of the Center

		Exposure at default (post- CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs) (total)	709.305	17.957
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3	(i) OTC Derivatives	-	-
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	462.693	9.254
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	246.612	8.703
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Explanations on Securitization Disclosures

None.

4. Explanations on Market Risk

4.1. The Parent 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 Parent 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 Parent 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 Parent 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 Parent Bank. Furthermore, scenario analysis and stress tests are also conducted periodically.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

4.2. Organization and structure of market risk management function: Definition of market risk management structure established for implementation of the Parent Bank's strategies and processes as mentioned in line) 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 Parent 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 Parent 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 Parent Bank's Top Management regularly.

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

The amount subject to the Parent 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 Parent 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 Parent Bank's Board of Directors.

<i>Standard approach-Current Period</i>		RWA
Outright products		
1	Interest rate risk (general and specific)	11.757.115
2	Equity risk (general and specific)	454.090
3	Foreign exchange risk	3.419.309
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	15.630.514

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

<i>Standard approach-Period Period</i>		RWA
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 by the Parent Bank to calculate the risk of the sector.

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, trading profit/loss (net) and other operating incomes and also by deducting profit/loss gained from sale of securities monitored out of purchase-sale account, extraordinary incomes (Subsidiaries and Affiliate Shares Included), 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.

Current Period	31.12.2015	31.12.2016	31.12.2017	Total/Number of Positive GI years	Ratio (%)	Total
Gross Income	12.794.636	17.048.849	20.914.474	16.919.320	15	2.537.898
Amount Subject to Operational Risk (Total * 12,5)						31.723.724
Prior Period	31.12.2014	31.12.2015	31.12.2016	Total/Number of Positive GI years	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 (Total * 12,5)						25.145.817

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

6. Explanations on the Interest Rate Risk for Banking Book

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 Parent Bank's Internal Capital Adequacy Assessment Process ("ICAAP")."

Parent 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 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 -Current Period	Shock Applied (+/- x basis point)	Gains/(Losses)	Gains/Equity- (Losses)/Equity
1. TL	500	(7.858.209)	(13,08%)
2. TL	(400)	7.553.954	12,58%
3. EUR	200	335.294	0,56%
4. EUR	(200)	(305.553)	(0,51%)
5. USD	200	(1.960.562)	(3,26%)
6. USD	(200)	2.589.906	4,31%
Total (of negative shocks)		9.838.307	16,38%
Total (of positive shocks)		(9.483.477)	(15,79%)

Type of Currency-Prior Period	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%)

Notes and explanations prepared in accordance with "the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks" published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section. As of 31 December 2018, the following notes to be presented on a quarterly and semi-annually basis according to Communiqué have not been presented due to usage of standard approach for the calculation of capital adequacy by the Bank.

RWA flow statements of market risk exposures under an Internal Model Approach (IMA)

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

RWA (Risk Weighted Amounts) flow statements of credit risk exposures under IRB

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

IX. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

Organizational and internal reporting structure of the Group is determined in line with TFRS 8 "Operating Segments".

The Group has operations in retail banking, corporate and SME 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 public funds whose risk does not belong to the Parent Bank, pension payments, credit cards, automatic and regular payment, cheques and notes, money transfer order, foreign exchange transactions, ATM internet banking, mobile banking, safe-deposit box and insurance brokerage services. Moreover, existing banking products are improved and new banking products are launched in order to increase profitability of Parent Bank and benefit from the services undertaken as being a state bank. By "Finart" IT 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 SME banking, the Group allocates loans for operations, mid-term and long-term investment loans, foreign trade financing loans, letter of credits and guarantees in Turkish Lira and foreign currencies; renders project financing, other corporate finance related services, foreign exchange transactions and banking services to large-scale corporate clients and middle-small scale enterprises.

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

Treasury transactions and international banking activities are conducted by the Treasury Management and International Banking Executive Vice Presidency and, spot and forward TL, foreign currency, precious metal, securities derivative transactions are executed in local and international organized and over the counter money and capital markets and also The Parent Bank's liquidity and securities portfolio management, deposit and non-deposit funding activities are executed. Additionally the distribution of treasury products between branches and other channels for marketing purposes and the intermediation to the customers' trade finance are other responsibilities of the EVP. 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 mutual 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 have long term financing from banks and international financial institutions issues bonds in local and international markets, manages relationship with correspondent banks and relations with international investors so as to diversify its funding base are among the responsibilities of the Department.

Besides, the Parent Bank has commission revenue from life, non-life and private pension insurance and other finance institutions by rendering agency services through its Branches.

As of 31 December 2018 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".

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

(Convenience Translation of Publicly Announced Consolidated 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	Consolidation Corrections	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE							
Interest Income	11.590.132	20.457.267	6.933.515	16.756.337	-	397.457	56.134.708
Interest Income from Loans	11.590.132	20.457.267	6.933.515	4.372.701	-	-	43.353.615
Interest Income from Banks	-	-	-	493.737	-	-	493.737
Interest Income from Securities	-	-	-	11.121.497	-	-	11.121.497
Other Interest Income	-	-	-	768.402	-	397.457	1.165.859
Interest Expense	13.205.477	5.500.168	-	13.410.101	-	153.505	32.269.251
Interest Expense on Deposits	13.205.477	5.500.168	-	1.829.946	-	-	20.535.591
Interest Expense on Funds Borrowed	-	-	-	1.501.841	-	-	1.501.841
Interest Expense on Money Market Transactions	-	-	-	8.816.678	-	-	8.816.678
Interest Expense on Securities Issued	-	-	-	1.261.636	-	-	1.261.636
Other Interest Expense	-	-	-	-	-	153.505	153.505
Net Interest Income/Expense	(1.615.345)	14.957.099	6.933.515	3.346.236	-	243.952	23.865.457
Net Fees and Commission Income/Expense	1.818.791	1.540.803	99.403	(795.106)	-	30.815	2.694.706
Fees and Commissions Received	1.818.791	1.558.354	99.539	13.885	-	373.029	3.863.598
Fees and Commissions Paid	-	17.551	136	808.991	-	342.214	1.168.892
Personnel Expenses	-	-	-	-	-	3.175.068	3.175.068
Dividend Income	-	-	-	292.310	(287.502)	-	4.808
Trading Income/Loss (Net)	-	-	-	(3.761.230)	-	(39.926)	(3.801.156)
Other Operating Income	36.047	191.351	30.671	4.260	-	3.187.797	3.450.126
Provision for Expected Loss (-)	1.170.972	3.152.377	805.633	1.096	-	95.611	5.225.689
Other Operating Expense	1.723.739	85.283	53.863	-	-	4.120.723	5.983.608
Income Before Tax	(2.655.218)	13.451.593	6.204.093	(914.626)	(287.502)	(3.968.764)	11.829.576
Profit/Loss on Equity Method Applied Subsidiaries	-	-	-	-	46.756	-	46.756
Tax Provision	-	-	-	-	-	(2.532.212)	(2.532.212)
Net Profit/Loss	(2.655.218)	13.451.593	6.204.093	(914.626)	(240.746)	(6.500.976)	9.344.120
SEGMENT ASSETS							
Financial Assets at FV Through P/L	-	-	-	6.782.778	-	-	6.782.778
Banks and Other Financial Institutions	-	-	-	9.333.095	-	-	9.333.095
Financial Assets Measured at Fair Value Through Other Comprehensive Income (Net)	-	-	-	79.830.814	2.233	-	79.833.047
Loans	94.703.180	219.844.242	64.158.050	17.086.392	-	3.266.015	399.057.879
Derivative Financial Assets	-	-	-	10.281.010	-	-	10.281.010
Financial Assets Measured at Amortised Cost (Net)	-	-	-	2.058.778	-	-	2.058.778
Associates, Subsidiaries and Joint Ventures	-	-	-	7.655.170	(7.417.597)	-	237.573
Other Assets	-	-	-	-	1.831	60.801.005	60.802.836
TOTAL SEGMENT ASSETS	94.703.180	219.844.242	64.158.050	133.028.037	(7.413.533)	64.067.020	568.386.996
SEGMENT LIABILITIES							
Deposits	257.256.430	62.710.117	-	26.578.726	-	7.829.975	354.375.248
Derivative Financial Liabilities Held for Trading	-	-	-	1.668.169	-	-	1.668.169
Funds Borrowed	-	-	-	34.848.769	-	-	34.848.769
Money Market Funds	-	-	-	68.603.638	-	-	68.603.638
Securities Issued (Net)	-	-	-	16.943.864	-	-	16.943.864
Provisions	4.339	453.913	-	-	-	4.292.820	4.751.072
Other Liabilities	-	-	-	-	(27.731)	27.094.992	27.067.261
Shareholders' Equity	-	-	-	-	(7.385.802)	67.514.777	60.128.975
TOTAL SEGMENT LIABILITIES	257.260.769	63.164.030	-	148.643.166	(7.413.533)	106.732.564	568.386.996
OTHER SEGMENT ITEMS							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	361.204	361.204
Restructuring Costs	-	-	-	-	-	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

Prior Period	Retail Banking	Corporate/ Entrepreneurial banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Corrections	Other /Undistributed	Total
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	-	-	-	-	-	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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

1. Information Regarding the Fair Value of Financial Assets and Liabilities

Current Period	Book Value	Fair Value
Financial Assets	498.520.678	498.548.800
Banks	9.097.120	9.097.120
Due from Interbank Money Market	250.087	250.087
Financial Assets Measured at Fair Value Through Other Comprehensive Income	79.833.047	79.833.047
Financial Assets Measured at Amortised Cost	10.282.545	10.310.667
Loans	399.057.879	399.057.879
Financial Liabilities	411.718.296	411.718.296
Bank Deposits	25.431.910	25.431.910
Other Deposits	328.943.338	328.943.338
Funds Borrowed from Other Financial Institutions	34.848.769	34.848.769
Issued Marketable Securities	16.943.864	16.943.864
Miscellaneous Payables	5.550.415	5.550.415
Prior Period	Book Value	Fair Value
Financial Assets	394.049.007	394.457.489
Due from Interbank Money Market	132.385	132.385
Banks	5.632.140	5.632.140
Available-for-sale Financial Assets	63.638.231	63.638.231
Held-to-maturity Investments	7.625.763	8.034.245
Loans	317.020.488	317.020.488
Financial Liabilities	331.305.536	331.305.536
Bank Deposits	15.350.173	15.350.173
Other Deposits	267.219.440	267.219.440
Funds Borrowed from Other Financial Institutions	31.118.253	31.118.253
Issued Marketable Securities	13.474.280	13.474.280
Miscellaneous Payables	4.143.390	4.143.390

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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)	6.782.778	-	-	6.782.778
Government Debt Securities	6.400.882	-	-	6.400.882
Equity Securities	8	-	-	8
Other Marketable Securities	381.888	-	-	381.888
Financial Assets at Fair Value Through Other Comprehensive Income	79.377.439	310.530	117.650	79.805.619
Government Debt Securities	77.888.939	-	-	77.888.939
Equity Securities	227.647	4.993	117.650	350.290
Other Marketable Securities	1.260.853	305.537	-	1.566.390
Derivative Financial Assets	28.910	2.029.868	-	2.058.778
Loans at Fair Value Through Profit or Loss	-	-	40.852	40.852
Subsidiaries and Joint Ventures⁽²⁾	-	-	87.450	87.450
Total Assets	86.189.127	2.340.398	245.952	88.775.477
Derivative Financial Liabilities	31.241	1.636.928	-	1.668.169
Total Liabilities	31.241	1.636.928	-	1.668.169

⁽¹⁾ Since equity securities under the heading of Derivative Financial Assets Measured at Fair Value through Other Comprehensive Income amounting to TL 27.428 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.)

⁽²⁾ Information on domestic partnerships monitored over acquisition cost is not shown in this table.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or (Loss)	71.096	1.396.767	-	1.467.863
Government Debt Securities	61.837	-	-	61.837
Equity Securities	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	62.890.403	610.423	114.219	63.615.045
Equity Securities ⁽¹⁾	820.208	6.299	114.219	940.726
Government Debt Securities	62.022.375	-	-	62.022.375
Other Marketable Securities	47.820	604.124	-	651.944
Subsidiaries and Joint Ventures⁽²⁾	-	-	52.036	52.036
Total Assets	62.961.499	2.007.190	166.255	65.134.944
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.

⁽²⁾ Information on domestic partnerships monitored over acquisition cost is not shown in this table.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

XI. 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 Group 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 group 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 ASSETS

In accordance with the transition provisions of TFRS 9, the prior period financial statements and footnotes are not restated. Footnotes prepared on different bases are presented in separate tables.

1. Information on Cash and Balances with Central Bank of the Republic of Turkey

	Current Period	
	TL	FC
Cash in TL/Foreign Currency	2,099.128	1.668.232
Central Bank of the Republic of Turkey	3,059.195	35.869.303
Other	1.150	185.485
Total	5.159.473	37.723.020

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 8%; for deposits up to 6-months maturity 5%; for deposits up to 1-year maturity 3%; for deposits 1-year and longer maturity 1,5%; for TL liabilities other than deposits up to 1-year maturity 8%; for TL liabilities other than deposits between 1- and 3-years maturity 4,5%; for TL liabilities other than deposits more than 3-years maturity 1,5%; 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 20%; for FC liabilities other than deposits up to 2-years maturity 15%; for FC liabilities other than deposits up to 3-years maturity 10%; 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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

	Current Period	
	TL	FC
Unrestricted Demand Deposit	2.723.598	12.551.557
Unrestricted Time Deposit	-	6.689
Restricted Time Deposit	-	763
Other ⁽¹⁾	335.597	23.310.294
Total	3.059.195	35.869.303

⁽¹⁾ Includes required reserves and CBRT Restricted Electronic Money Funds amounting to TL 7.537. Required reserve of branches abroad amounting to TL 163.388 is presented in this line. TL 11.677.219 of the current period's FC required reserve is the part of the TL required reserves that are held in FC.

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	
	TL	FC
Derivative financial assets held-for-trading		
Forward Transactions	243.173	28.128
Swap Transactions	1.305.367	481.402
Futures Transactions	-	-
Options	-	708
Other	-	-
Total	1.548.540	510.238

4. Information on Banks and Other Financial Institutions

4.1. Information on Bank Balances

	Current Period	
	TL	FC
Banks		
Domestic Banks	2.415.689	97.528
Foreign Banks	178.841	6.405.062
Foreign Head Office and Branches	-	-
Total	2.594.530	6.502.590

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

4.2. Information on Foreign Bank Accounts

	Unrestricted Amount	Restricted Amount
	Current Period	Current Period
European Union Countries	1.421.520	-
USA, Canada	1.761.747	-
OECD Countries ⁽¹⁾	290.057	-
Off-shore Banking Regions	-	-
Other	3.109.680	899
Total	6.583.004	

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

5. Explanation Regarding to the Comparison of Net Values of Financial Assets Measured at Fair Value Through Other Comprehensive Income Given or Blocked as Collateral and Subject to Repurchase Agreements

	Current Period
Assets Subject to Repurchase Agreements	29.004.119
Assets Blocked/Given as Collateral	45.767.374
Total	74.771.493

6. Information on Financial Assets Measured at Fair Value Through Other Comprehensive Income

	Current Period
Debt Securities	85.616.480
Quoted in Stock Exchange	85.247.015
Not Quoted in Stock Exchange	369.465
Share Certificates	473.465
Quoted in Stock Exchange	227.330
Not Quoted in Stock Exchange	246.135
Provision for Impairment (-)	6.256.898
Total	79.833.047

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	
	Cash	Non-Cash
Direct Loans Granted to Group Shareholders	-	-
Legal Entities	-	-
Individuals	-	-
Indirect Loans Granted to Group Shareholders	-	-
Loans Granted to Group Employees ^{(1) (2)}	403.046	-
Total	403.046	-

⁽¹⁾ Interest rediscount and interest accrual amounting TL 4.261, are not included in the table above.⁽²⁾ Since the balance of overdraft accounts related to employees amounting TL 22.076, is showed under Table 7.4. as overdraft accounts (real person), it is not included to the table above.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

7.2 Information on the First and Second Group Loans Including Restructured or Rescheduled Loans

Current Period			Loans under Follow-up	
			Restructured	
			Revised Contract Terms	Refinanced
Cash Loans	Performing Loans	Non-restructured		
Non-Specialized Loans	309.583.530	13.275.350	2.191.593	-
Commercial Loans	198.443.229	5.677.965	2.117.141	-
Export Loans	6.629.524	46.720	-	-
Import Loans	508.257	5.440	-	-
Loans Given to Financial Sector	2.933.264	6.052.521	-	-
Consumer Loans	86.986.557	1.304.871	71.925	-
Credit Cards	5.831.331	134.811	434	-
Other	8.251.368	53.022	2.093	-
Specialized Lending ^{(1) (2)}	58.636.554	1.518.720	534.642	-
Other Receivables	-	-	-	-
Interest Income Accruals ⁽²⁾	8.074.441	1.841.776	116.328	-
Total	376.294.525	16.635.846	2.842.563	-

⁽¹⁾ Agricultural loans of funds originated are shown in specialized lendings.⁽²⁾ Farmer support agricultural loans are shown in specialized lendings.

	Performing Loans	Loans under Follow-up
Expected Provision Loss for 12 months	996.215	-
Significant Increase in Credit Risk	-	2.264.734

No. of extensions	Performing Loans	Loans under Follow-up
1 or 2 Times Extended	5.751.339	4.023.315
3 - 4 or 5 Times Extended	398.011	357.312
Over 5 Times Extended	10.447	12.388

Extension Periods	Performing Loans	Loans under Follow-up
0 - 6 Months	3.166.569	2.203.595
6 - 12 Months	1.005.320	463.096
1 - 2 Years	335.644	314.268
2 - 5 Years	1.500.893	1.294.090
5 Years and Over	151.371	117.966
Total	6.159.797	4.393.015

7.3. Loans According to Maturity Structure

	Performing Loans	Loans under Follow-up	
		Non-restructured	Restructured
Short-term Loans	78.927.486	1.694.221	400.841
Medium and Long-term Loans	289.292.598	13.099.849	2.325.394

⁽¹⁾ Rediscounts are not included.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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	785.136	84.977.991	85.763.127
Real Estate Loans ⁽²⁾	13.436	53.180.598	53.194.034
Vehicle Loans	5.719	266.645	272.364
Consumer Loans ⁽²⁾	765.981	31.530.748	32.296.729
Other	-	-	-
Consumer Loans- Indexed to FC	1.231	554.870	556.101
Real Estate Loans	-	52.703	52.703
Vehicle Loans	-	523	523
Consumer Loans	954	270.718	271.672
Other	277	230.926	231.203
Consumer Loans-FC	7.083	189.717	196.800
Real Estate Loans	214	37.041	37.255
Vehicle Loans	-	-	-
Consumer Loans	2.006	94.040	96.046
Other	4.863	58.636	63.499
Individual Credit Cards-TL	4.541.131	118.449	4.659.580
With Installment	1.300.562	114.937	1.415.499
Without Installment	3.240.569	3.512	3.244.081
Individual Credit Cards-FC	504	-	504
With Installment	-	-	-
Without Installment	504	-	504
Personnel Loans-TL	11.102	234.224	245.326
Real Estate Loans	-	2.265	2.265
Vehicle Loans	-	102	102
Consumer Loans	11.102	231.857	242.959
Other	-	-	-
Personnel Loans-Indexed to FC	7.316	23.916	31.232
Real Estate Loans	7.276	3.557	10.833
Vehicle Loans	-	133	133
Consumer Loans	31	7.977	8.008
Other	9	12.249	12.258
Personnel Loans-FC	6	2.779	2.785
Real Estate Loans	-	1.001	1.001
Vehicle Loans	-	-	-
Consumer Loans	-	863	863
Other	6	915	921
Personnel Credit Cards-TL	120.677	2.141	122.818
With Installment	39.914	2.048	41.962
Without Installment	80.763	93	80.856
Personnel Credit Cards-FC	885	-	885
With Installment	-	-	-
Without Installment	885	-	885
Overdraft Accounts-TL (Real Person)	1.550.710	-	1.550.710
Overdraft Accounts-FC (Real Person)	17.254	18	17.272
Total ⁽¹⁾	7.043.035	86.104.105	93.147.140

⁽¹⁾ TL 678.267 of interest income accrual is not included in the table above.⁽²⁾ Consumer loans originated from funds amounting to TL 3.839.218 of are included in the table above.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

7.5. Information on Commercial Installment Loans and Corporate Credit Cards

Current Period	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	1.662.607	32.448.158	34.110.765
Business Loans	17.073	460.549	477.622
Vehicle Loans	93.421	944.940	1.038.361
Consumer Loans	1.552.113	30.852.721	32.404.834
Other	-	189.948	189.948
Commercial Installment Loans- Indexed to FC	219.289	938.792	1.158.081
Business Loans	788	59.578	60.366
Vehicle Loans	-	46.410	46.410
Consumer Loans	-	-	-
Other	218.501	832.804	1.051.305
Commercial Installment Loans - FC	311.912	28.941.566	29.253.478
Business Loans	-	-	-
Vehicle Loans	407	19.046	19.453
Consumer Loans	160.509	28.492.473	28.652.982
Other	150.996	430.047	581.043
Corporate Credit Cards-TL	1.167.050	14.704	1.181.754
With Installment	353.950	14.640	368.590
Without Installment	813.100	64	813.164
Corporate Credit Cards-FC	1.033	2	1.035
With Installment	902	-	902
Without Installment	131	2	133
Overdraft Account-TL (Legal Entity)	663.279	-	663.279
Overdraft Account-FC (Legal Entity)	18.754	-	18.754
Total ⁽¹⁾	4.043.924	62.343.222	66.387.146

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

7.6. Loans According to Types Of Borrowers

	Current Period
Public	5.036.418
Private	380.703.971
Interest Income Accruals of Loans	10.032.545
Total	395.772.934

7.7. Breakdown of Domestic and International Loans

	Current Period
Domestic Loans	372.670.578
Foreign Loans	13.069.811
Interest Income Accruals of Loans	10.032.545
Total	395.772.934

7.8. Loans Granted to Subsidiaries and Associates

None

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

7.9. Provisions provided against loans

	Current Period
Loans and other receivables with limited collectability	726.013
Loans and other receivables with doubtful collectability	760.225
Uncollectible loans and other receivables	4.704.692
Total	6.190.930

7.10. Information On Non-Performing Receivables (Net)

7.10.1. Information on Non-Performing Receivables which are Restructured

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current Period	53.834	77.194	152.866
(Gross amounts before the specific provisions)	-	-	-
Rescheduled loans	53.834	77.194	152.866

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	395.153	559.151	4.074.663
Additions (+)	4.159.063	252.363	577.662
Transfers from Other Categories of Loans under Follow-Up (+)	-	2.286.112	1.423.026
Transfers to Other Categories of Loans under Follow-Up (-)	2.286.112	1.423.026	-
Collections (-)	347.600	253.869	582.373
Deducted from the record (-) ⁽¹⁾	31.399	2.485	44.332
Debt Sale (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance	1.889.105	1.418.246	5.448.646
Specific Provision (-)	726.013	760.225	4.704.692
Net Balance on Balance Sheet	1.163.092	658.021	743.954

⁽¹⁾ Consist of amount transferred to the Stage I and Stage II loans.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

7.10.3. Information on Foreign Currency Non-Performing Loans

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible l oans
Current Period:			
Period Ending Balance	583.308	63.507	358.508
Provision (-)	267.579	46.440	351.392
Net Balance on Balance Sheet	315.729	17.067	7.116

7.10.4. Gross and Net Amounts of Non-Performing Receivables According to User Groups

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
Current Period (Net)	1.163.092	658.021	743.954
Loans to Real Persons and Legal Entities (Gross)	1.889.105	1.418.246	5.313.440
Provision (-)	726.013	760.225	4.569.486
Loans to Real Persons and Legal Entities (Net)	1.163.092	658.021	743.954
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	135.206
Provision (-)	-	-	135.206
Other Loans and Receivables (Net)	-	-	-

7.10.5. Information on accruals of interest,rediscount and valuation effect and their provisions calculated for non-performing loans banks which provide expected credit loss according to TFRS 9

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
Current Period (Net)	67.001	29.159	9.399
Interest Accruals and Valuation Differences	116.066	65.264	28.958
Provision (-)	49.065	36.105	19.559

7.10.6. 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 ParentBank 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. 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.

7.10.7. Explanations on Write-Off Policy

The Group 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

7.10.8. Other Explanations and Disclosures

Current Period	Corporate/SME	Consumer	Specialized	Total
Neither Past Due nor Impaired Loans ⁽¹⁾	222.366.233	92.252.466	61.675.826	376.294.525
Past Due but not Impaired Loans	15.717.769	1.544.535	2.216.105	19.478.409
Impaired Loans	6.638.847	1.010.065	1.107.085	8.755.997
Total	244.722.849	94.807.066	64.999.016	404.528.931
Specific Provisions of Impaired Loans (-)	4.887.148	739.444	564.338	6.190.930
Net Loan Amount	239.835.701	94.067.622	64.434.678	398.338.001

⁽¹⁾ TL 3.839.218 consumer, TL 1.950.642 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.

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

Investments measured at amortised cost subject to repo transactions

	Current Period	
	TL	FC
Government Bonds	177.923	1.819.056
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-
Asset Backed Securities	-	-
Other	-	-
Total	177.923	1.819.056

8.1. Information on Comparative Net Values of Held-to-Maturity Investments Subject to Repo Transactions and Given as a Collateral/ Blocked

Investments measured at amortised cost given as collateral or blocked

	Current Period	
	TL	FC
Bills	-	-
Bonds and Similar Investment Securities	3.790.424	3.019.229
Other	-	-
Total	3.790.424	3.019.229

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

8.2. Information on Government Securities Measured at Amortised Cost

	Current Period
Government Bonds	10.076.568
Treasury Bills	-
Other Public Sector Debt Securities	7.882
Total	10.084.450

8.3 Information on Investments Measured at Amortised Cost

	Current Period
Debt securities	10.282.653
Quoted in a Stock Exchange	10.076.676
Not Quoted in a Stock Exchange	205.977
Provision for Impairment (-)	108
Total	10.282.545

8.4 Movements of Investments Measured at Amortised Cost

	Current Period
Beginning Balance	7.625.763
Foreign Currency Differences on Monetary Assets	1.772.252
Purchases During the Year ⁽¹⁾	3.515.803
Disposals through Sales and Redemptions	(2.631.165)
Provision for Impairment (-)	108
Period End Balance	10.282.545

⁽¹⁾ Accruals are shown in "Purchases During the Year".

9. Information about Associates Accounts (Net)

9.1. Information about Unconsolidated Associates

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

	Total Assets ⁽²⁾	Shareholders' Equity ⁽²⁾	Total Non-Current Assets ⁽²⁾⁽³⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit/Loss ⁽²⁾	Prior Period Profit/Loss ⁽²⁾	Fair Value ⁽¹⁾
1	124.867	68.647	56.073	4.658	-	19.635	9.198	-
2	310.575	176.864	165.369	9.559	-	30.615	44.798	-

⁽¹⁾ There is no fair value due to the fact that associates are not traded in the stock exchange⁽²⁾ Current period information of associates has been provided from limited reviewed financial statements as of 31 December 2018. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 December 2017.⁽³⁾ Total fixed assets include tangible and intangible assets.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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	25,00	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	5.995.076	866.788	117.413	271.724	38.065	100.978	80.268	-

⁽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 2018. Prior period profit/loss information of Arap Türk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2017.

9.3. Information about Consolidated Associates (Net)

	Current Period
Balance at the Beginning of the Period	121.185
Movement During the Period	12.560
Additions	-
Bonus Share Certificates	-
Shares of Current Year Profits	15.581
Transfer	-
Sales	-
Revaluation Increase	374
Impairment Provision	3.395
Balance at the End of the Period	133.745
Capital Commitments	-
Period Ending Share of Capital Participation (%)	15,43

9.4. Sectoral Information and Related Amounts of Associates

	Current Period
Banks	133.745
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Associates	-

9.5. Associates Quoted to a Stock Exchange

None (31 December 2017: None).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

10. Information on Subsidiaries (Net)

10.1. Information on 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	58.593	16.730	4.800	1.620	286	3.635	2.460	-

⁽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 2018. Prior period profit/loss information has been provided from audited financial statements as of 31 December 2017.

10.2. Information on Consolidated Subsidiaries

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

	Description	Address (City/Country)	The Bank's Share Percentage-if different Voting Percentage (%)	The Bank's Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	Istanbul/Turkey	100,00	100,00
2	Ziraat Sigorta A.Ş.	Istanbul/Turkey	100,00	100,00
3	Ziraat Finansal Kiralama A.Ş.	Istanbul/Turkey	100,00	100,00
4	Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	100,00	99,60
5	Ziraat Portföy Yönetimi A.Ş.	Istanbul/Turkey	100,00	99,80
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 Girişim Sermayesi Yatırım Ortaklığı A.Ş. ⁽¹⁾	Istanbul/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 and 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 Bank Uzbekistan JSC	Tashkent/Uzbekistan	100,00	100,00

⁽¹⁾ Establishment procedures of Ziraat Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi, as a subsidiary of the Parent Bank, are completed by a registration in the Turkish Trade Registry Gazette on 14 November 2018

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

	Total Assets ⁽⁴⁾	Shareholders' Equity ⁽⁴⁾	Total Non- Current Assets ⁽⁴⁾	Interest Income ^{(3) (4)}	Income from Marketable Securities ^{(2) (4)}	Current Period Profit/Loss ⁽⁴⁾	Prior Period Profit/Loss ⁽⁴⁾	Fair Value ⁽¹⁾	Shareholders equity amount needed
1	7.934.269	1.035.806	2.318	323.057	-	549.108	447.839	-	-
2	1.588.415	644.324	5.438	155.264	-	294.914	221.883	-	-
3	3.340.955	375.887	1.320	7.041	-	40.930	68.279	-	-
4	261.424	182.010	378	-	1.115.445	68.147	40.740	-	-
5	64.084	60.171	364	9.670	31.796	20.902	15.843	-	-
6	22.188.803	2.218.584	132.512	1.953.615	136.942	322.665	158.902	-	-
7	1.915.039	1.684.115	1.511.320	-	-	133.176	236.712	-	-
8	751.498	751.420	-	1.901	-	1.420	-	-	-
9	9.077.947	1.407.742	22.318	330.944	3.097	108.242	77.864	1.355.100	-
10	3.123.497	528.750	105.018	123.012	327	(106.929)	6.050	610.350	-
11	527.474	205.466	10.127	47.824	327	19.911	11.415	209.829	-
12	973.678	372.132	18.547	62.531	-	34.663	24.381	382.795	-
13	699.343	200.830	53.697	42.922	622	4.257	9.054	202.831	-
14	397.194	83.430	4.320	11.805	891	(3.885)	(3.915)	77.207	-
15	226.931	102.525	8.533	5.705	3.418	4.455	1.252	110.598	-
16	322.099	135.444	4.494	28.631	-	3.023	12.967	166.462	-

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

⁽⁴⁾ Information on Ziraat Katılım Bankası A.Ş. has been provided from audited financial statements as of 31 December 2018, the prior period profit/loss balances have been provided from audited financial statements as of 31 December 2017. Information on other subsidiaries shown in the table above has been provided from audited financial statements as of 31 December 2018, the prior period profit/loss balances have been provided from audited financial statements as of 31 December 2017.

Information on Consolidated Subsidiaries (Represents Values Belonging To the Parent Bank)

	Current Period
Balance at the Beginning of the Period	5.138.250
Movements During the Period	2.256.158
Additions to Scope of Consolidation	-
Purchases ⁽¹⁾	1.521.015
Bonus Shares Obtained	-
Dividends from current year income	-
Sales	-
Revaluation Increase	807.408
Impairment Provision (-)	72.265
Balance at the End of the Period	7.394.408
Capital Commitments	-
Share percentage at the end of the period (%)	-

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

10.3. Sectoral Information and Related Amounts of Subsidiaries

(Represents Values Belonging To the Parent Bank)

	Current Period
Banks	4.865.172
Insurance Companies	129.972
Factoring Companies	-
Leasing Companies	282.839
Financing Companies	-
Other Financial Subsidiaries	2.116.425

10.4. Subsidiaries which are Quoted on a Stock Exchange

None (31 December 2017: None).

11. Information on Entities Under Common Control (Joint Ventures)

Entities under Common Control (Joint Ventures) ^(*)	Parent Bank's Share ^(**)	Group's Share	Current Assets	Non-Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	174.905	174.905	3.798.310	14.917	19.868	86.875	55.699
Total	174.905	174.905	3.798.310	14.917	19.868	86.875	55.699

^(*) Information on entity under joint control is provided from the unaudited financial statements as of 31 December 2018.^(**) Represents the Parent 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 in the Parent Bank's consolidated financial statement 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	
	Gross	Gross
Less than 1 Year	1.709.543	1.429.167
1-5 Years	2.778.781	2.136.398
More than 5 Years	538.541	413.115
Total	5.026.865	3.978.680

13. Information on Derivative Financial Assets for Hedging Purposes

None.

14. Information on Investment Property

None.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

15. Information on Assets Held For Sale And Tangibles Corresponding Discontinuing Operations

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 Bank.

The Group's immovables acquired amount to TL 1.227.120 consisting of TL 17.591 due to consumer loans, TL 1.109.214 on its commercial loans and TL 100.315 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 3.559.

16. Explanations on Property And Equipment

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End						
Cost	7.030.213	14.184	47.297	279.218	1.163.308	8.534.220
Accumulated Depreciation (-)	962.491	4.826	31.552	195.778	656.711	1.851.358
Impairment (-)	2.768	-	-	-	462	3.230
Net Book Value	6.064.954	9.358	15.745	83.440	506.135	6.679.632
Current Period End						
Net Book Value at the Beginning of the Period	6.064.954	9.358	15.745	83.440	506.135	6.679.632
Change During the Period (Net)	152.432	(648)	(6.315)	(21.851)	(41.756)	81.862
- Cost	169.881	840	(370)	15.058	88.894	274.303
- Depreciation - net (-)	17.412	1.488	5.945	36.909	129.451	191.205
- Impairment (-)	37	-	-	-	1.199	1.236
Net Currency Translation from Foreign Subsidiaries	35.585	-	217	529	5.930	42.261
Cost at Period End	7.235.679	15.024	47.144	294.805	1.258.132	8.850.784
Accumulated Depreciation at Period End (-)	979.903	6.314	37.497	232.687	786.162	2.042.563
Impairment (-)	2.805	-	-	-	1.661	4.466
Closing Net Book Value	6.252.971	8.710	9.647	62.118	470.309	6.803.755

17. The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this:

None.

18. Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets:

None.

19. Explanations on Intangible Assets

	Current Period		
	Book Value	Accumulated Depreciation	Net Value
Establishment Costs	5.326	4.800	526
Goodwill	-	-	-
Intangible Rights	1.067.995	336.815	731.180
Total	1.073.321	341.615	731.706

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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.

20. Information on Deferred Tax Asset

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

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

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

	Current Period
Deferred Tax Assets	3.043.972
Deferred Tax Liabilities	(1.413.083)
Net Deferred Tax Assets/(Liabilities)	1.630.889
Net Deferred Tax Income/Expense	189.772

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

	Current Period
Reserve for Employment Termination Benefits	168.754
Short Term Employee Benefits	106.705
Financial Assets Valuation	1.336.360
Other	19.070
Net Deferred Tax Assets/(Liabilities)	1.630.889

As of 31 December 2018, deferred tax income amounting to TL 189.772 was classified on profit or loss table and deferred tax income amounting TL 853.759 was classified under shareholders' equity.

21. Information on expected credit loss for financial investments

	Current Period
Cash values and central bank	463
Receivables from banks and money markets	14.112
Financial assets appraised over their amortised cost	1535
Other asset	54.100
Total:	70.210

22. Information on Other Assets

As of 31 December 2018, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

23. Information on Cash and Balances with Central Bank of the Republic of Turkey as of 31 December 2017

	Prior Period	
	TL	FC
Cash in TL/Foreign Currency	2.312.736	1.475.343
Central Bank of the Republic of Turkey	2.964.799	39.313.476
Other	-	153.983
Total	5.277.535	40.942.802

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%.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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.

Information on Required Reserves

	Prior Period	
	TL	FC
Unrestricted Demand Deposit	2.779.169	4.497.785
Unrestricted Time Deposit	-	-
Restricted Time Deposit	-	6.316
Other ⁽¹⁾	185.630	34.809.375
Total	2.964.799	39.313.476

⁽¹⁾ Includes required reserves and CBRT Restricted Electronic Money Funds amounting to TL 8.541. Required reserve of branches abroad amounting to TL 108.320 is presented in this line. 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.

24. Information on Financial Assets at Fair Value Through Profit and Loss Given or Blocked as Collateral or Subject to Repurchase Agreements as of 31 December 2017

None

25. Positive Differences Related to the Derivative Financial Assets Held-for-Trading as of 31 December 2017

	Prior Period	
	TL	FC
Forward Transactions	75.527	27.444
Swap Transactions	803.137	485.432
Futures Transactions	-	-
Options	1.385	3.842
Other	-	-
Total	880.049	516.718

26. Information on Banks and Other Financial Institutions as of 31 December 2017

26.1 Information on Bank Balances as of 31 December 2017

	Prior Period	
	TL	FC
Banks		
Domestic Banks	2.246.529	1.333.807
Foreign Banks	126.700	1.925.104
Foreign Head Office and Branches	-	-
Total	2.373.229	3.258.911

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

26.2. Information on Foreign Bank Accounts

	Unrestricted Amount	Restricted Amount
	Prior Period	Prior Period
European Union Countries	1.261.645	-
USA, Canada	109.259	-
OECD Countries ⁽¹⁾	71.977	-
Off-shore Banking Regions	-	-
Other	608.923	-
Total		-

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

27. Explanation Regarding to the Comparison of Net Values of Financial Assets Available-For-Sale Given or Blocked as Collateral and Subject to Repurchase Agreements as of 31 December 2017

	Prior Period
Assets Subject to Repurchase Agreements	15.399.490
Assets Blocked/Given as Collateral	45.702.660
Total	61.102.150

28. Information on Financial Assets Available For Sale as of 31 December 2017

	Prior Period
Debt Securities	64.386.278
Quoted in Stock Exchange	64.275.184
Not Quoted in Stock Exchange	111.094
Share Certificates	982.967
Quoted in Stock Exchange	824.280
Not Quoted in Stock Exchange	158.687
Provision for Impairment (-)	1.731.014
Total	63.638.231

29. Information Related to Loans as of 31 December 2017

29.1 Information on All Types of Loans and Advances Given to Shareholders and Employees of The Group as of 31

December 2017

	Prior Period	
	Cash	Non-Cash
Direct Loans Granted to Group Shareholders	-	-
Legal Entities	-	-
Individuals	-	-
Indirect Loans Granted to Group Shareholders	-	188
Loans Granted to Group Employees ^{(1) (2)}	343.693	213
Total	343.693	

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

29.2 Information on the First and Second Group Loans and Other Receivables Including Restructured or Rescheduled Loans as of 31 December 2017

Prior Period Cash Loans	Standard Loans and Other Receivables			Loans under Follow-up		
	Restructured or Rescheduled			Restructured or Rescheduled		
	Loans and Other Receivables	Loans and other receivables with revised contract terms	Other	Loans and Other Receivables	Loans and other receivables with revised contract terms ⁽¹⁾	Other
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⁾ 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	8.300.250	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 ⁽¹⁾	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	7.554.937	1.954.951
6 - 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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

29.3 Loans According to Maturity Structure

	Standard Loans and Other Receivables ⁽¹⁾		Loans under Follow-up ⁽¹⁾	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans	55.143.463	2.246.316	464.131	341.183
Non-specialized Loans	47.356.647	112.780	366.276	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	241.442.532	6.337.653	1.823.526	2.516.963
Non-specialized Loans	203.399.978	3.527.534	1.356.450	2.196.877
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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

29.4 Information on Consumer Loans, Individual Credit Cards and Personnel Loans and Personnel Credit Cards as of 31 December 2017

Prior Period	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 of are included in the table above.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

29.5 Information on Commercial Installment Loans and Corporate Credit Cards as of 31 December 2017

	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.

29.6 Loans According to Types Of Borrowers

	Prior Period
Public	4.084.344
Private	306.231.423
Interest Income Accruals of Loans	6.479.235
Total	316.795.002

29.7 Breakdown of Domestic and International Loans as of 31 December 2017

	Prior Period
Domestic Loans	299.929.540
Foreign Loans	10.386.227
Interest Income Accruals of Loans	6.479.235
Total	316.795.002

29.8 Loans Granted to Subsidiaries and Associates as of 31 December 2017

None.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

29.9 Specific provisions provided against loans as of 31 December 2017

	Prior Period
Loans and other receivables with limited collectability	394.823
Loans and other receivables with doubtful collectability	556.534
Uncollectible loans and other receivables	3.852.124
Total	4.803.481

29.10 Information On Non-Performing Receivables as of 31 December 2017 (Net)

29.10.1 Information on Loans and Other Receivables Included In Non-Performing Receivables which are Restructured or Rescheduled as of 31 December 2017

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Prior Period	8.215	29.876	151.817
Gross amounts before the provisions	-	-	-
Restructured loans	8.215	29.876	151.817

29.10.2 Information on the Movement of Non-Performing Receivables as of 31 December 2017

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Prior Period			
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 Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance	395.153	559.151	4.074.663
Specific Provision (-)	394.823	556.534	3.852.124
Net Balance on Balance Sheet	330	2.617	222.539

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

29.10.3 Information on the Movement of Non-Performing Receivables as of 31 December 2017

	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	-	-	-

29.10.4 Gross and Net Amounts of Non-Performing Receivables According to User Groups as of 31 December 2017

	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)	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)	-	-	-

29.10.5 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 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.

29.10.6 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

29.10.7 Other Explanations and Disclosures

Prior Period	Corporate and Entrepreneurial	Consumer	Specialized	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⁾This line also shows the individual loan amount of TL 3.730.985, agricultural value amounting to TL 2.016.203 and corporate/entrepreneurial loan amounting to TL 18 of which is not related to the Bank

30 Information on Held-To-Maturity Investments as of 31 December 2017

30.1 Information on Comparative Net Values of Held-to-Maturity Investments Subject to Repo Transactions and Given as a Collateral/ Blocked as of 31 December 2017

	Prior Period	
	TL	FC
Government Bonds	174.799	2.103.464
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-
Asset Backed Securities	-	-
Other	-	-
Total	174.799	2.103.464

Held-to-maturity investments given as collateral or blocked

	Prior Period	
	TL	FC
Bills	-	-
Bonds and Similar Investment Securities	2.369.824	2.651.289
Other	-	-
Total	2.369.824	2.651.289

30.2 Information on Held-to-Maturity Government Bonds and Treasury Bills as of 31 December 2017

	Prior Period
Government Bonds	7.518.530
Treasury Bills	-
Other Public Sector Debt Securities	-
Total	7.518.530

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

30.3 Information on Held-to-Maturity Investments as of 31 December 2017

	Prior Period
Debt securities	7.625.763
Quoted in a Stock Exchange	7.518.530
Not Quoted in a Stock Exchange	107.233
Provision for Impairment (-)	-
Total	7.625.763

30.4 Movements of Held-to-Maturity Investments as of 31 December 2017

	Prior Period
Beginning Balance	8.794.915
Foreign Currency Differences on Monetary Assets	326.988
Purchases During the Year ⁽¹⁾	434.046
Disposals through Sales and Redemptions	(1.930.186)
Provision for Impairment (-)	-
Period End Balance	7.625.763

⁽¹⁾ Accruals are shown in "Purchases During the Year".

31. Information about Associates Accounts as of 31 December 2017 (Net)

31.1 Information about Unconsolidated Associates as of 31 December 2017

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

	Total Assets ⁽²⁾	Shareholders' Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾⁽³⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit/Loss ⁽²⁾	Prior Period Profit/Loss ⁽²⁾	Fair Value ⁽¹⁾
1	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 the associates are not traded on the stock exchange, they do not have fair value.⁽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.

31.2. Explanation Regarding Consolidated Associates as of 31 December 2017

	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.	Istanbul/Turkey	22,22	15,43

	Total Assets ⁽²⁾	Shareholders' Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit/Loss ⁽²⁾	Prior Period Profit/Loss ⁽²⁾	Fair Value ⁽¹⁾
1	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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

31.3. Information about Consolidated Associates as of 31 December 2017 (Net)

	Prior Period
Balance at the Beginning of the Period	98.869
Movement During the Period	22.316
Additions	-
Bonus Share Certificates	-
Shares of Current Year Profits	12.385
Transfer	-
Sales	-
Revaluation Increase	13.326
Impairment Provision ^(*)	3.395
Balance at the End of the Period	121.185
Capital Commitments	-
Period Ending Share of Capital Participation (%)	15,43

(*) Dividend amount received from Arap Türk Bankası A.Ş.

31.4. Sectoral Information and Related Amounts of Associates as of 31 December 2017

	Prior Period
Banks	121.185
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Associates	-

31.5. Associates Quoted to a Stock Exchange as of 31 December 2017

None.

32 Information on Subsidiaries as of 31 December 2017 (Net)

32.1. Information about Unconsolidated Subsidiaries as of 31 December 2017

	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.	İstanbul/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	-

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

(*) 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

32.2. Information on Consolidated Subsidiaries as of 31 December 2017

Investments related to subsidiaries and joint ventures operating in the Parent Bank's consolidated financial statements 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 Bank International A.G.	Frankfurt/Germany	100,00	100,00
9	Ziraat Bank BH d.d.	Sarajevo/Bosnia and 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, Batumi and Marneuli branches of the Parent Bank which were operating in Georgia have been gathered under the Parent 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

	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	7.894.189	979.381	18.750	221.983	2.440	74.888	48.173	971.937	-
9	2.409.237	371.514	81.996	89.695	253	10.973	319	337.820	-
10	412.101	164.371	11.889	35.441	252	11.162	7.271	150.954	-
11	648.822	289.377	15.193	38.218	8.078	23.486	21.508	286.462	-
12	410.543	140.611	26.999	24.712	433	8.676	10.149	162.098	-
13	238.128	32.067	4.074	7.525	258	(3.759)	(3.736)	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⁾ Information on Ziraat Katılım Bankası A.Ş. has been provided from limited reviewed financial statements as of 31 December 2017, the prior period profit/loss balances have been provided from limited reviewed financial statements as of 31 December 2016. Information on other subsidiaries shown in the table above has been provided from unaudited 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.

(Represents Values Belonging To the Parent Bank)

	Prior Period
Balance at the Beginning of the Period	4.101.352
Movements During the Period	1.036.898
Additions to Scope of Consolidation	-
Purchases ^(*) ^(**)	668.492
Bonus Shares Obtained	3.000
Dividends from current year income	-
Transfers to available for sale assets	-
Sales	-
Revaluation Increase	376.366
Impairment Provision (-)	10.960
Balance at the End of the Period	5.138.250
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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

32.3. Sectoral Information and Related Amounts of Subsidiaries as of 31 December 2017

(Represents Values Belonging To the Parent Bank)

	Prior Period
Banks	3.359.014
Insurance Companies	129.972
Factoring Companies	-
Leasing Companies	282.839
Financing Companies	-
Other Financial Subsidiaries	1.366.425

32.4. Subsidiaries which are Quoted on a Stock Exchange as of 31 December 2017

None

33. Information on Entities Under Common Control (Joint Ventures) as of 31 December 2017

Entities under Common Control (Joint Ventures) ^(*)	Parent Bank's Share ^(**)	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

^(*) Information on entity under joint control is provided from the unaudited financial statements as of 31 December 2017^(**) Represents the Parent 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.

34. Information on Finance Lease Receivables as of 31 December 2017 (Net)

Information on finance lease receivables are as below:

	Current Period	
	Gross	Gross
Less than 1 Year	1.131.066	997.962
1-5 Years	1.710.323	1.479.545
More than 5 Years	509.823	404.012
Total	3.351.212	2.881.519

35. Information on Derivative Financial Assets for Hedging Purposes as of 31 December 2017

None.

36. Information on Derivative Financial Assets for Hedging Purposes as of 31 December 2017

None.

37. Information on Deferred Tax Asset as of 31 December 2017

The Group has deferred tax assets amounting to TL 29.794.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

38. Information on Derivative Financial Assets for Hedging Purposes as of 31 December 2017

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

The Group's immovables acquired amount to TL 591.901 consisting of TL 14.819 due to consumer loans, TL 672.899 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.

39. Explanations on Property And Equipment as of 31 December 2017

	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

40. 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 as of 31 December 2017

None

41. 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 as of 31 December 2017

None

42. Explanations on Intangible Assets as of 31 December 2017

	Prior Period		
	Book Value	Accumulated Depreciation	Net Value
Establishment Costs	8.447	7.723	724
Goodwill	-	-	-
Intangible Rights	769.346	237.982	531.364
Total	777.793	245.705	532.088

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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.

43 Explanations on Other Assets

As of 31 December 2017, other assets does not exceed 10% of the total assets excluding off-balance sheet commitments.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES(CURRENT PERIOD)

1. Information on Deposits/Funds Collected

1.1 Information on Maturity Structure of Deposits

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	26.085.178	-	2.970.274	75.339.363	8.225.640	3.109.733	3.552.919	163.671	119.446.778
Foreign Currency Deposits	35.462.060	-	12.077.492	48.125.965	9.418.307	9.012.470	27.868.733	5.576	141.970.603
Residents in Turkey	28.739.734	-	10.822.850	37.227.261	5.531.411	3.528.918	7.765.042	4.070	93.619.286
Residents Abroad	6.722.326	-	1.254.642	10.898.704	3.886.896	5.483.552	20.103.691	1.506	48.351.317
Public Sector Deposits	7.082.239	-	3.192.485	5.244.373	2.018.212	3.470.269	101.658	-	21.109.236
Commercial Inst. Deposits	9.223.407	-	5.176.246	8.157.297	829.440	3.681.582	242.536	-	27.310.508
Other Inst. Deposits	1.978.024	-	1.806.775	4.543.593	1.179.194	864.518	538.096	-	10.910.200
Precious Metals	6.710.515	-	67.100	1.194.009	101.328	51.184	71.877	-	8.196.013
Interbank Deposits	4.151.647	-	12.150.631	4.143.899	2.900.136	1.258.825	826.772	-	25.431.910
CBRT	1.038	-	-	-	-	-	-	-	1.038
Domestic Banks	288.147	-	9.295.725	97.998	11.406	2.088	2.085	-	9.697.449
Foreign Banks	2.970.112	-	2.854.906	3.774.861	2.888.730	1.256.737	553.647	-	14.298.993
Participation Banks	892.350	-	-	271.040	-	-	271.040	-	1.434.430
Other	-	-	-	-	-	-	-	-	-
Total	90.693.070	-	37.441.003	146.748.499	24.672.257	21.448.581	33.202.591	169.247	354.375.248

1.2. Saving Deposits Under the Guarantee of Deposit Insurance and Exceeding the Deposit Insurance Limit

Current Period	Under the Guarantee of Deposit Insurance	Exceeding Deposit Insurance Limit
Saving Deposits ⁽¹⁾	77.125.284	41.715.586
Foreign Currency Saving Deposits ⁽¹⁾	36.632.643	74.091.093
Other Deposits in the form of Saving Deposits	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance ⁽²⁾	1.106.656	161.259
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 140.007 and TL 24.266 respectively, cannot be decomposed by type and are therefore included in the table above

Based on the Council of Minister's decree dated 29 December 2003 and numbered 2003/6668, TL 649 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 1.570.390 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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
Deposits and other Accounts in Branches Abroad	59.444
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	9.247
Deposits Obtained through Illegal Acts Defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-

2. Negative Differences Related to the Derivative Financial Liabilities Held for Trading

	Current Period	
	TL	FC
Forward Transactions	272.091	27.360
Swap Transactions	882.868	484.487
Futures Transactions	-	-
Options	1.363	-
Other	-	-
Total	1.156.322	511.847

3. Information on Banks and Other Financial Institutions

3.1. General Information on Banks and Other Financial Institutions

	Current Period	
	TL	FC
Borrowings from CBRT	-	-
Domestic Banks and Institutions	615.820	5.735.551
Foreign Banks, Institutions and Funds	580.527	27.916.871
Total	1.196.347	33.652.422

3.2. Maturity Structure of Funds Borrowed

	Current Period	
	TL	FC
Short-Term	615.434	6.314.775
Medium and Long-Term	580.913	27.337.647
Total	1.196.347	33.652.422

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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

62,35% 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.

4. Information on Funds Supplied from Repurchase Agreements

	Current Period	
	TL	FC
From Domestic Transactions	56.213.158	-
Financial Institutions and Organizations	56.007.340	-
Other Institutions and Organizations	203.162	-
Real Person	2.656	-
From Overseas Operations	-	12.390.480
Financial Institutions and Organizations	-	12.390.480
Other Institutions and Organizations	-	-
Real Person	-	-
Total	56.213.158	12.390.480

5. Information on Securities Issued

	Current Period	
	TL	FC
Bank Bonds	1.761.094	106.896
Asset-Backed Securities	1.375.097	-
Treasury Bills	1.190.585	12.510.192
Total	4.326.776	12.617.088

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 financial leasing transactions. (31 December 2017: None.)

8. Information on Derivative Financial Liabilities for Hedging Purposes

There are no derivative financial liabilities for hedging purposes of Group.

9. Explanations on Provisions

9.1 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 of Group is TL 228

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

9.2. Specific Provisions for Unindemnified Non-Cash Loans

The expected loss provision for unindemnified non-cash loans of Group (stage three) is TL 227.151.

9.3. Information on Other Provisions

9.3.1. 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 982.000, of which TL 1.425.000 thousand was recognised in prior years, TL 30.000 thousand have been recognised in current year and 523.000 thousands have been reversed in the current period, provided by the Group 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 30.500 and other provision of TL 217 exist for cash transfers made by Bank officials.

	Current Period
Free provisions for possible risks	1.012.717

⁽¹⁾ Includes TL 30.000 free provision, which is set aside by the Ziraat Katılım Bankası A.Ş.

9.3.2. 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 54.287 provision has been provided in financial statements for the lawsuits against the Bank which are not finalized yet amounting to TL 120.850.

The Group also provided provisions amounting to TL 227.150 for unindemnified non-cash loans, and TL 239.747 (Stage 1 and Stage 2) and TL 130.795 for other provisions. As a result of the provisions mentioned above, the other provision balance on the Bank's balance sheet amounts to TL 1.664.696.

9.4. Liabilities on Reserve for Employee Termination Benefits

9.4.1. 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 2018, unpaid vacation liability amounted to TL 207.658, and employment termination amounted to TL 836.363 are presented under the "Employee Benefits Provision" in the financial statements.

9.4.2. Additional Bonus Provision Paid to Personnel

The Group provided provisions amounting to TL 303.000 of additional bonus provision with the decision of General Assembly.

9.4.3. 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 2018 and 31 December 2017.

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.).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

According to related Actuary Report, the Fund's surplus is TL 4.256.114 as of 31 December 2018 (31 December 2017: TL 3.442.106).

	Current Period
Non Medical Assets	2.558.724
Actual and Technical Overrun	4.256.114

The principal actuarial assumptions used are as follows:

	Current Period
Discount rate	
- Pension benefits transferable to SSI	9,80%
- Post employment medical benefits transferable to SSI	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
Bank Placements	1.834.427
Property and Equipment	379.187
Marketable Securities	308.779
Other	36.331
Total	2.558.724

10. Information on Tax Liability

10.1. Information on Current Tax Liability

10.1.1. Information on Tax Provisions

As of 31 December 2018, the remaining corporate tax liability after deducting temporary taxes paid for the period of the Group is TL 1.001.148.

10.1.2. Information on Current Taxes Payable

	Current Period
Corporate Tax Payable	1.001.148
Taxation on Income From Securities	208.090
Property Tax	2.890
Banking Insurance Transactions Tax (BITT)	246.205
Foreign Exchange Transactions Tax	58
Value Added Tax Payable	16.288
Other	117.251
Total	1.591.930

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

10.1.3. Information on Premiums

	Current Period
Social Security Premiums - Employee	260
Social Security Premiums - Employer	376
Bank Social Aid Pension Fund Premium - Employee	11.988
Bank Social Aid Pension Fund Premium - Employer	16.712
Pension Fund Membership Fees and Provisions - Employee	1
Pension Fund Membership Fees and Provisions - Employer	-
Unemployment Insurance - Employee	1.894
Unemployment Insurance - Employer	3.790
Other	-
Total	35.021

11. Information on Deferred Tax Liabilities, if any

The Group's deferred tax liability, for the current term, amounts to TL 8.669

12. 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.

13. Explanations on Subordinated Debts

The Group does not have any subordinated debts.

14. Information on Shareholders' Equity

14.1. Presentation on Paid-In Capital

	Current Period
Common stock	6.100.000
Preferred stock	-

14.2. Paid-In Capital Amount, Explanation Whether the Registered Capital System is Applicable by The Parent Bank, if so the Registered Capital Ceiling Amount

The Parent Bank does not have a registered capital system.

14.3. 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 Parent Bank by TL 6.100.000 is approved in General Assembly in 13 August 2018. Increase of capital and amendments according to the relevant materials of the Articles of Association was registered on 22 October 2018. It has been announced in the Trade Registry Gazette numbered 9367 dated 22 October 2018. The offsetting transactions of the mentioned capital increase was accounted on 9 November 2019 accordance with the permission from the Banking Regulation and Supervision Agency.

Date of Capital Increase	Amount of increase	Cash	Profit reserves subject to capital increase	Capital reserves subject to capital increase
22.10.2018	500.000	500.000	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

14.4. Information on Additions from Capital Reserves to Capital in the Current Period

There is no share capital amount included in capital.

14.5. 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.

14.6. Indicators of The Parent Bank's Income, Profitability And Liquidity for The Previous Periods and Possible Effects of Future Assumptions Based on The Uncertainty of These Indicators on The Bank's Equity

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

14.7. Information on Preferred Shares Representing The Capital

The Bank has no preferred shares.

14.8. Information on Marketable Securities Value Increase Fund

	Current Period	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	89.269	28.222
Revaluation Difference	(4.133)	28.222
Foreign Exchange Difference	93.402	-
From Available for Sale Marketable Securities	(3.423.980)	(2.783.053)
Revaluation Difference	(5.174.693)	(2.783.095)
Deferred Tax Effect	1.750.713	(12)
Foreign Exchange Difference	-	54
Total	(3.334.711)	(2.754.831)

15. Information on Deposits/Funds Collected

15.1. Information on Maturity Structure of Deposits Collected

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	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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

15.2. Saving Deposits Under the Guarantee of Deposit Insurance and Exceeding the Deposit Insurance Limit

Prior Period	Under the Guarantee of Deposit Insurance	Exceeding Deposit Insurance Limit
Saving Deposits ⁽¹⁾	68.870.575	34.813.148
Foreign Currency Saving Deposits ⁽¹⁾	28.077.369	41.270.577
Other Deposits in the form of Saving Deposits	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance ⁽²⁾	858.357	101.979
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.

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 Parent 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.

15.3. 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.

15.4. Saving Deposits of Real Persons Not Covered by the Deposit Insurance Fund

	Prior Period
Deposits and other Accounts in Branches Abroad	65.522
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	7.476
Deposits Obtained through Illegal Acts Defined in the 282nd 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	-

16. Negative Differences Related to the Derivative Financial Liabilities Held for Trading

	Prior Period	
	TL	FC
Forward Transactions	71.896	25.208
Swap Transactions	161.436	286.392
Futures Transactions	-	-
Options	2.174	1.804
Other	-	-
Total	235.506	313.404

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

17. Information on Banks and Other Financial Institutions

17.1. General Information on Banks and Other Financial Institutions

	Prior Period	
	TL	FC
Borrowings from CBRT	410.436	-
Domestic Banks and Institutions	426.996	1.843.701
Foreign Banks, Institutions and Funds	925.624	27.511.496
Total	1.763.056	29.355.197

17.2. Maturity Structure of Funds Borrowed

	Prior Period	
	TL	FC
Short-Term	826.393	8.772.026
Medium and Long-Term	936.663	20.583.171
Total	1.763.056	29.355.197

17.3. Further Information is Disclosed for the Areas Of Liability Concentrations. Main Liability Concentration Areas are Fund Suppliers, Sector Groups or other Risk Concentration Criteria

61,84% 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.

18. Information on Funds Supplied from Repurchase Agreements

	Prior Period	
	TL	FC
From Domestic Transactions	1.339.819	-
Financial Institutions and Organizations	1.243.480	-
Other Institutions and Organizations	90.588	-
Real Person	5.751	-
From Overseas Operations	-	13.100.369
Financial Institutions and Organizations	-	13.100.369
Other Institutions and Organizations	-	-
Real Person	-	-
Total	1.339.819	13.100.369

19. Information on Securities Issued

	Prior Period	
	TL	FC
Bank Bonds	3.562.491	-
Asset-Backed Securities	557.804	-
Treasury Bills	177.752	9.176.233
Total	4.298.047	9.176.233

20. 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

21. 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 financial leasing transactions.

22. Information on Derivative Financial Liabilities for Hedging Purposes

There are no derivative financial liabilities of the Group for hedging purposes

23. Explanations on Provisions

23.1. Information on General Provisions

	Prior Period
General Provisions	5.635.198
Allocated for Group-I Loans and Receivables	4.680.739
Additional Provision for Loans and Receivables with Extended Maturities	311.350
Allocated for Group-II Loans and Receivables	236.317
Additional Provision for Loans and Receivables with Extended Maturities	79.190
Allocated for Non-cash Loans	596.880
Other	121.262

23.2. 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 12.990

23.3. Specific Provisions for Unindemnified Non-Cash Loans

Specific provisions for unindemnified non-cash loans amount to TL 138.235

23.4. Information on Other Provisions

23.4.1. 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 Group 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 217 exist for cash transfers made by Bank officials.

	Prior Period
Free provisions for possible risks	1.500.384

23.4.2. 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 Parent 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

The Group also provided provisions amounting to TL 138.235 for unindemnified non-cash loans, and TL 142.464 (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

23.5. Liabilities on Reserve for Employee Termination Benefits

23.5.1. 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 258.763, and employment termination amounted to TL 820.157 are presented under the "Employee Benefits Provision" in the financial statements.

The Group provided provisions amounting to TL 250.000 of additional bonus provision with the decision of General Assembly.

23.5.3. 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.

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 2017

	Prior Period
Fund Assets	2.038.024
Actual and Technique Deficit/Surplus Amount	3.442.106

The principal actuarial assumptions used are as follows:

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

	Prior Period
Bank Placements	1.612.918
Property and Equipment	127.096
Marketable Securities	125.000
Other	173.010
Total	2.038.024

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

24. Information on Tax Liability

24.1. Information on Current Tax Liability

24.1.1. Information on Tax Provisions

As of 31 December 2017, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 474.434.

24.1.2. Information on Current Taxes Payable

	Prior Period
Corporate Tax Payable	474.434
Taxation on Income From Securities	193.987
Property Tax	2.570
Banking Insurance Transactions Tax (BITT)	164.067
Foreign Exchange Transactions Tax	106
Value Added Tax Payable	7.289
Other	132.581
Total	975.034

24.1.3 Information on Premiums

	Prior Period
Social Security Premiums - Employee	37
Social Security Premiums - Employer	52
Bank Social Aid Pension Fund Premium - Employee	9.779
Bank Social Aid Pension Fund Premium - Employer	13.629
Pension Fund Membership Fees and Provisions - Employee	2
Pension Fund Membership Fees and Provisions - Employer	6
Unemployment Insurance - Employee	1.599
Unemployment Insurance - Employer	3.200
Other	-
Total	28.304

24.2 Information on Deferred Tax Liabilities, if any

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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

The Bank's deferred tax liability tax amounts to TL 277.306 .Information on calculated deferred tax including deductible temporary differences, financial losses, tax deductibles and tax exemptions is shown below:

	Prior Period
Deferred Tax Assets	29.794
Deferred Tax Liabilities	307.100
Net Deferred Tax (Assets)/Liabilities	(277.306)
Net Deferred Tax Income/Expense	(30.525)
	Prior Period
Reserve for Employment Termination Benefits	163.176
Short Term Employee Benefits	50.538
Financial Assets Valuation	(182.639)
Other	(308.381)
Net Deferred Tax Assets/Liabilities	(277.306)

As of 31 December 2017, deferred tax expense amounting to TL 30.525 was classified on profit or loss table and deferred tax expense amounting TL 330.677 was classified under shareholders' equity.

25. Information on Payables for Assets Held For Sale and Discontinued Operations

The Group does not have a registered capital system.

26. Explanations on Subordinated Debts

The Group does not have any subordinated debts.

27. Information on Shareholders' Equity

	Prior Period
Common stock	5.600.000
Preferred stock	-

27.2. Paid-In Capital Amount, Explanation Whether the Registered Capital System is Applicable by The Bank, if so the Registered Capital Ceiling Amount

The Group does not have a registered capital system.

27.3. Information on Share Capital Increases and Their Sources; Other Information on Increased Capital Shares in the Current Period

There are no capital increases in the current period in Parent Bank.

27.4. Information on Additions from Capital Reserves to Capital in the Current Period

There is no share capital amount included in capital.

27.5. 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

27.6. 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 Parent 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.

27.7. Information on Preferred Shares Representing The Capital

The Bank has no preferred shares.

27.8. Information on Marketable Securities Value Increase Fund

	Prior Period	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	3.375	-
Revaluation Difference	-	-
Foreign Exchange Difference	3.375	-
From Available for Sale Marketable Securities	(1.801.386)	844.055
Revaluation Difference	(2.091.729)	844.213
Deferred Tax Effect	290.343	(158)
Foreign Exchange Difference	-	-
Total	(1.798.011)	844.055

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

1. Information on Off-Balance Sheet Liabilities(Current Period)

1.1. Nature and Amount Of Irrevocable Loan Commitments

	Current Period
Commitments for Credit Card Expenditure Limits	13.363.899
Other Irrevocable Commitments	14.238.136
Loan Granting Commitments	8.568.744
Payment Commitments for Cheques	2.876.102
Asset Purchase Commitments	7.262.309
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	23.620
Tax and Fund Obligations Resulting from Export Commitments	6.925
Subsidiaries and Associates Capital Contribution Commitments	-
Total	46.339.735

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

1.2. Nature and Amount of Possible Losses and Commitments Arising From The Off-Balance Sheet Items Including The Below Mentioned

The Group has provided provision amounting to TL 466.897 for possible losses arising from the off-balance sheet items in the current year.

1.2.1. Non-Cash Loans Including Guarantees, Acceptances, Financial Guarantees and Other Letter Of Credits

	Current Period
Guarantee Letters	103.715.207
Letter of Credits	18.388.533
Bank Acceptances	8.317.026
Endorsement	202.092
Factoring Guarantees	2.172
Other Guarantees	1.010.273
Other Warrantes	12.405
Total	131.647.708

1.2.2. Certain Guarantees, Temporary Guarantees, Surety Ships and Similar Transactions

	Current Period
Letters of Certain Guarantees	69.436.954
Letters of Advance Guarantees	21.139.028
Letters of Temporary Guarantees	3.572.721
Letters of Guarantees Given to Customs Offices	1.519.782
Other Letters of Guarantees	8.046.722
Total	103.715.207

1.3. Explanations on Non-Cash Loans

1.3.1. Total Non-Cash Loans

	Current Period
Non-Cash Loans for Providing Cash Loans	4.173.468
With Original Maturity of One Year or Less	1.752.900
With Original Maturity of More than One Year	2.420.568
Other Non-Cash Loans	127.474.240
Total	131.647.708

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

1.3.2. Information on Sectoral Risk Concentrations Of Non-Cash Loans

	Current Period			
	TL	(%)	FC	(%)
Agricultural	495.417	1,17	153.897	0,17
Farming and Raising Livestock	375.354	0,89	56.539	0,06
Forestry	109.984	0,26	19.879	0,02
Fishing	10.079	0,02	77.479	0,09
Manufacturing	9.879.558	23,32	43.387.535	48,59
Mining and Quarrying	319.854	0,76	539.594	0,60
Production	6.300.370	14,87	39.630.275	44,38
Electric, Gas and Water	3.259.334	7,69	3.217.666	3,60
Construction	13.119.115	30,97	23.737.253	26,58
Services	18.203.823	42,98	20.901.588	23,41
Wholesale and Retail Trade	8.116.952	19,16	7.775.028	8,71
Hotel, Food and Beverage Services	230.019	0,54	729.738	0,82
Transportation and Telecommunication	1.734.910	4,10	5.003.296	5,60
Financial Institutions	6.135.365	14,48	5.791.813	6,49
Real Estate and Leasing Services	1.700.920	4,02	1.346.458	1,51
Self-employment Services	-	-	-	-
Education Services	165.214	0,39	161.174	0,18
Health and Social Services	120.443	0,28	94.081	0,11
Other	660.938	1,56	1.108.584	1,24
Total	42.358.851	100,00	89.288.857	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	41.695.054	87.592.050	490.688	1.590.010
Letters of Guarantee	41.388.917	59.993.150	490.688	1.567.282
Bank Acceptances	26.238	8.272.663	-	17.913
Letters of Credit	274.137	18.108.265	-	1.608
Endorsements	-	202.092	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	2.172	-	-
Other Commitments and Contingencies	5.762	1.013.708	-	3.207

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2. Explanations on Derivative Transactions

	Current Period
Types of Trading Transactions	
Foreign Currency Related Derivative Transactions: (I)	110.290.000
Forward Transactions	5.747.547
Swap Transactions	104.496.879
Futures Transactions	-
Option Transactions	45.574
Interest Related Derivative Transactions (II)	28.545.660
Forward Interest Rate Agreements	-
Interest Rate Swaps	28.545.660
Interest Rate Options	-
Interest Rate Futures	-
Other Trading Derivative Transactions: (III)	-
A. Total Trading Derivative Transactions (I+II+III)	138.835.660
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)	138.835.660

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.

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	(281.125)	(976.998)	122.549	672.966	-	(462.608)
- Inflow	35.380.662	14.731.389	3.008.371	1.793.274	-	54.913.696
- Outflow	(35.661.787)	(15.708.387)	(2.885.822)	(1.120.308)	-	(55.376.304)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	612.937	13.659.893	14.272.830
- Outflow	-	-	-	(612.937)	(13.659.893)	(14.272.830)
Derivatives held for hedging						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total Inflow	35.380.662	14.731.389	3.008.371	2.406.211	13.659.893	69.186.526
Total Outflow	(35.661.787)	(15.708.387)	(2.885.822)	(1.733.245)	(13.659.893)	(69.649.134)

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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 Group's liability resulting from the cheques given to its customers amounts TL 2.876.102 TL.

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 Group 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 Group does not provide consultancy and management services.

5. Information on Off-Balance Sheet Liabilities

5.1. Nature and Amount Of Irrevocable Loan Commitments

	Prior Period
Commitments for Credit Card Expenditure Limits	8.665.648
Other Irrevocable Commitments	10.318.492
Loan Granting Commitments	5.063.861
Payment Commitments for Cheques	3.761.934
Asset Purchase Commitments	4.829.656
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	26.137
Tax and Fund Obligations Resulting from Export Commitments	1.966
Subsidiaries and Associates Capital Contribution Commitments	-
Total	32.667.694

5.2. Nature and Amount of Possible Losses and Commitments Arising From The Off-Balance Sheet Items Including The Below Mentioned

In the current period, the Group has recorded a provision amounting to TL 138.235 for possible losses arising from off-balance sheet items.

5.2.1. Non-Cash Loans Including Guarantees, Acceptances, Financial Guarantees and Other Letter Of Credits

	Prior Period
Guarantee Letters	81.154.998
Letter of Credits	14.525.459
Bank Acceptances	6.307.098
Factoring Guarantees	1.635
Other Guarantees	333.412
Other Warrantees	4.020
Total	102.326.622

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

5.2.2. Certain Guarantees, Temporary Guarantees, Surety Ships and Similar Transactions

	Prior Period
Letters of Certain Guarantees	52.790.337
Letters of Advance Guarantees	18.527.924
Letters of Temporary Guarantees	3.653.864
Letters of Guarantees Given to Customs Offices	1.332.481
Other Letters of Guarantees	4.850.392
Total	81.154.998

5.3. Explanations on Non-Cash Loans

5.3.1. Total Non-Cash Loans

	Prior Period
Non-Cash Loans for Providing Cash Loans	2.422.713
With Original Maturity of One Year or Less	806.113
With Original Maturity of More than One Year	1.616.600
Other Non-Cash Loans	99.903.909
Total	102.326.622

5.3.2. Information on Sectoral Risk Concentrations Of Non-Cash Loans

	Prior Period			
	TL	(%)	FC	(%)
Agricultural	91.690	0,25	25.014	0,04
Farming and Raising Livestock	28.383	0,08	-	-
Forestry	63.242	0,18	25.014	0,04
Fishing	65	0,00	-	-
Manufacturing	9.409.111	26,09	35.555.808	53,66
Mining and Quarrying	282.631	0,78	344.901	0,52
Production	5.453.249	15,12	32.920.814	49,69
Electric, Gas and Water	3.673.231	10,18	2.290.093	3,46
Construction	11.108.609	30,80	17.002.602	25,66
Services	14.371.943	39,85	12.612.077	19,03
Wholesale and Retail Trade	6.973.636	19,33	5.049.343	7,62
Hotel, Food and Beverage Services	200.820	0,56	403.658	0,61
Transportation and Telecommunication	1.492.421	4,14	2.425.130	3,66
Financial Institutions	4.122.232	11,43	3.542.223	5,35
Real Estate and Leasing Services	1.408.682	3,91	1.072.110	1,62
Self-employment Services	-	-	6.163	0,01
Education Services	99.825	0,28	39.886	0,06
Health and Social Services	74.327	0,21	73.564	0,11
Other	1.086.485	3,01	1.063.283	1,60
Total	36.067.838	100,00	66.258.784	100,00

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

5.3.3. 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	-	-

6. Explanations on Derivative Transactions

	Prior Period
Types of Trading Transactions	
Foreign Currency Related Derivative Transactions: (I)	85.346.631
Forward Transactions	9.280.272
Swap Transactions	75.342.881
Futures Transactions	-
Option Transactions	723.478
Interest Related Derivative Transactions (II)	10.496.622
Forward Interest Rate Agreements	-
Interest Rate Swaps	10.496.622
Interest Rate Options	-
Interest Rate Futures	-
Other Trading Derivative Transactions: (III)	-
A. Total Trading Derivative Transactions (I+II+III)	95.843.253
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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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.

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	293.918	(55.041)	(18.587)	520.911	-	741.201
- Inflow	30.175.251	6.335.887	4.045.596	2.487.182	-	43.043.916
- Outflow	(29.881.333)	(6.390.928)	(4.064.183)	(1.966.271)	-	(42.302.715)
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	30.175.251	6.335.887	4.045.596	2.688.504	5.046.989	48.292.227
Total Outflow	(29.881.333)	(6.390.928)	(4.064.183)	(2.167.593)	(5.046.989)	(47.551.026)

7. 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 Group's liability resulting from the cheques given to its customers amounts TL 3.761.934. As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

8. Explanations on Services in the Name of Others

The Group 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 Group does not provide consultancy and management services.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT(CURRENT PERIOD)

1. Within The Scope of Interest Income

1.1. Information on Interest Income from Loans

	Current Period	
	TL	FC
Interest on Loans ⁽¹⁾	35.961.179	7.392.436
Short Term Loans	10.622.841	737.489
Medium and Long Term Loans	24.925.013	6.648.395
Interest on Non-Performing Loans	413.325	6.552
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	
	TL	FC
Central Bank of the Republic of Turkey	64.265	-
Domestic Banks	365.912	7.810
Foreign Banks	19.515	36.235
Foreign Head Office and Branches	-	-
Total	449.692	44.045

1.3. Information on Interest Income on Marketable Securities

	Current Period	
	TL	FC
Financial Assets Held for Trading ⁽¹⁾	5.041	1.652
Financial Assets at Fair Value through Profit or Loss	8.686.303	1.326.736
Investments Held-to-Maturity	739.208	362.557
Total	9.430.552	

1.4 Information on Interest Income from Subsidiaries and Associates

The Group has no interest income from its subsidiaries and affiliates.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

2. Within the Scope of Interest Expense

2.1. Information on Interest Expense on Borrowings

	Current Period	
	TL	FC
Banks ⁽¹⁾	236.002	1.246.290
Central Bank of the Republic of Turkey	6.488	-
Domestic Banks	140.054	130.030
Foreign Banks	89.460	1.116.260
Foreign Head Office and Branches	-	-
Other Institutions	-	19.549
Total	236.002	1.265.839

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

2.2 Information on Interest Expenses Given to Subsidiaries and Associates

	Current Period
Interest Expenses Given to Subsidiaries and Associates	2.184

2.3 Information on Interest Given on Securities Issued

	Current Period	
	TL	FC
Interest Given on Securities Issued	686.853	574.783

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	-	1.626.763	7.434	-	88	311	-	1.634.596
Saving Deposit	16	376.260	9.703.455	738.891	183.588	200.648	5.941	11.208.799
Public Sector Deposit	501	618.761	730.264	170.790	673.676	8.867	-	2.202.859
Commercial Deposit	167	766.721	1.100.516	178.632	227.880	4.994	-	2.278.910
Other Deposit	7	192.301	504.804	112.567	135.508	39.804	-	984.991
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Total	691	3.580.806	12.046.473	1.200.880	1.220.740	254.624	5.941	18.310.155
FC								
Foreign Currency Deposit	1.894	254.328	1.050.820	127.552	158.910	426.526	-	2.020.030
Bank Deposit	2.669	169.638	10.233	2.569	5.928	3.682	-	194.719
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	4.262	5.262	478	301	384	-	10.687
Total	4.563	428.228	1.066.315	130.599	165.139	430.592	-	2.225.436
Grand Total	5.254	4.009.034	13.112.788	1.331.479	1.385.879	685.216	5.941	20.535.591

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

3. Explanations on Dividend Income

	Current Period
Financial Assets at Fair Value Through Profit or Loss	-
Financial Assets at Fair Value Through Other Comprehensive Income	3.218
Other ⁽¹⁾	1.590
Total	4.808

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

4. Information on Trading Profit/Loss (Net)

	Current Period
Profit	117.400.870
Foreign Exchange Gains	115.241.382
Profit on Derivative Financial Instruments	2.139.338
Profit from the Capital Market Transactions	20.150
Loss (-)	121.202.026
Foreign Exchange Loss	114.985.130
Loss on Derivative Financial Instruments	6.207.605
Loss from the Capital Market Transactions	9.291

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 Group's income. Besides, of the Bank's other operating income consists of reversals from prior period provisions amounting to TL 1.099.238, income from sales of assets amounting to TL 40.334 and revenue from insurance transactions of amount to TL 2.123.180

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

6. Provision for Impairment on Loans and Other Receivables of Banks

Expected Loss Provisions According to TFRS 9

	Current Period
Expected Credit Loss Provisions	5.154.583
12 month expected credit loss (stage 1)	596.737
Significant increase in credit risk (stage 2)	2.142.747
Non-performing loans (stage 3)	2.415.099
Marketable Securities Impairment Expense	1.095
Financial Assets at Fair Value through Profit or Loss	101
Financial Assets at Fair Value Through Other Comprehensive Income	994
Subsidiaries, Associates and Entities under Common Control Provision Expenses for Impairment	-
Associates	-
Subsidiaries	-
Joint Ventures	-
Other	70.011
Total	5.225.689

7. Information on Other Operating Expenses

	Current Period
Personnel Expenses ⁽²⁾	3.175.068
Reserve for Employee Termination Benefits	111.169
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	101
Depreciation Expenses of Tangible Fixed Assets	263.335
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	97.869
Impairment Expense for Equity Shares Subject to the Equity Method	-
Impairment Expense for Investment Securities that will be Disposed	-
Amortization Expenses of Investment Securities that will be Disposed	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	63
Other Operating Expenses	3.276.722
Operational Leasing Expenses	342.172
Maintenance Expenses	114.339
Advertisement Expenses	218.806
Other Expenses	2.601.405
Loss on Sales of Assets	1.013
Other ⁽¹⁾	2.233.336
Total	9.158.676

⁽¹⁾ TL 693.822 of other items consists of Saving Deposit Insurance Fund accrual expense while TL 684.282 consists of taxes, duties and charges expense⁽²⁾ This table also includes "Personnel Expenses" which is not in the "Other operating expenses", but is a separate item.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

(Convenience Translation of Publicly Announced Consolidated 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 Group does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period
Net Interest Income	23.865.457
Net Fees and Commissions Income	2.694.706
Other Operating Income	3.450.126
Dividend Income	4.808
Trading Income/Expense (Net)	(3.801.156)
Personnel Expenses	3.175.068
Expected Loss Provisions (-)	5.225.689
Other Operating Expenses (-)	5.983.608
Income/Loss from Subsidiaries Consolidated with Equity Pick-up	46.756
Profit/(Loss) From Continuing Operations	11.876.332

9. Information on Tax Provision for Continuing and Discontinuing Operations

As of 31 December 2018, TL 2.532.212 of the Bank's total tax provision expense consists of amounting to TL 2.721.984 current tax expense while remaining balances amounting to TL 189.772 consists of deferred tax income.

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 9.344.120

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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.

13. Interest Income for the Period Ended 31 December 2017

13.1. Information on interest income received from loans for the period ended 31 December 2017

	Prior Period	
	TL	FC
Interest on Loans ⁽¹⁾	25.380.131	4.179.331
Short Term Loans	6.475.997	279.080
Medium and Long Term Loans	18.780.028	3.900.109
Interest on Non-Performing Loans	124.106	142
Premiums from Resource Utilization Support Fund	-	-

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

13.2. Information on Interest Income Received from Banks for the Period Ended 31 December 2017

	Prior Period	
	TL	FC
Central Bank of the Republic of Turkey	22.831	-
Domestic Banks	226.587	5.180
Foreign Banks	5.493	11.261
Foreign Head Office and Branches	-	-
Total	254.911	16.441

13.3. Information on Interest Received from Marketable Securities for the Period Ended 31 December 2017

	Prior Period	
	TL	FC
Financial Assets Held for Trading	1.037	5.101
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets Available-for-Sale	4.734.678	844.327
Investments Held-to-Maturity	347.565	317.534
Total	5.083.280	1.166.962

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

13.4. Information on interest income received from associates and subsidiaries for the period ended 31 December 2017

None

14. Interest Expense for the Period Ended 31 December 2017

14.1. Information Related to the Loans Given for the Period Ended 31 December 2017

	Prior Period	
	TL	FC
Banks ⁽¹⁾	114.876	586.961
Central Bank of the Republic of Turkey	2.345	-
Domestic Banks	20.321	23.771
Foreign Banks	92.210	563.190
Foreign Head Office and Branches	-	-
Other Institutions	-	20.100
Total	114.876	607.061

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

14.2. Information on Interest Expense Given to Associates and Subsidiaries for the Period Ended 31 December 2017

	Prior Period
Interest Expenses Given to Subsidiaries and Associates	1.109

14.3. Information on the Obligations Issued to the Securities Issued for the Period Ended 31 December 2017

	Prior Period	
	TL	FC
Interest Given on Securities Issued	405.944	318.980

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

14.4. Indication of Interest Paid to the Deposits for the Period Ended 31 December 2017 by Maturity Structure

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

15. Explanations on Dividend Income for the Period Ended 31 December 2017

	Prior Period
Trading Financial Assets	-
Financial Assets at Fair Value Through Profit or Loss	-
Available-for-Sale Financial Assets	4.760
Other ⁽¹⁾	2.989
Total	7.749

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

16. Explanations on Commercial Profit/Loss for the Year Ended 31 December 2017 (Net)

	Prior Period
Profit	40.052.320
Foreign Exchange Gains	38.704.602
Profit on Derivative Financial Instruments	1.302.240
Profit from the Capital Market Transactions	45.478
Loss (-)	40.897.973
Foreign Exchange Loss	38.729.296
Loss on Derivative Financial Instruments	2.167.363
Loss from the Capital Market Transactions	1.314

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

17. Explanations on Other Operating Income for the Period Ended 31 December 2017

There are no significant matters covering the recent developments which have significant effect on the Group's income. Besides, of the Bank's other operating income consists of reversals from prior period provisions amounting to TL 697.240 and income from sales of assets amounting to TL 211.106

18. Provision for Impairment Losses on Loans and Other Receivables of the Banks for the Period Ended 31 December 2017

	Prior Period
Specific Provisions for Loans and Other Receivables ⁽¹⁾	1.236.318
Group III Loans and Receivables	446.771
Group IV Loans and Receivables	416.732
Group V Loans and Receivables	372.815
General Provision Expenses	1.582.806
Provision Expenses for the Possible Losses	549.065
Marketable Securities Impairment Expense	419
Financial Assets at Fair Value through Profit and Loss	-
Financial Assets Available for Sale	419
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
Total	

⁽¹⁾The related amount represents the period expense and the provision reversal amounting to TL 569.527 is included in other operating income.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

19. Information on Other Operating Expenses for the Period Ended 31 December 2017

	Prior Period
Personnel Expenses	2.744.161
Reserve for Employee Termination Benefits	93.119
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	-
Depreciation Expenses of Tangible Fixed Assets	266.586
Intangible Assets Impairment Expense	1.068
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	74.696
Impairment Expense for Equity Shares Subject to the Equity Method	-
Impairment Expense for Investment Securities that will be Disposed	-
Amortization Expenses of Investment Securities that will be Disposed	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	931
Other Operating Expenses	2.082.380
Operational Leasing Expenses	290.352
Maintenance Expenses	71.888
Advertisement Expenses	140.886
Other Expenses	1.579.254
Loss on Sales of Assets	719
Other ⁽¹⁾	2.705.343
Total	7.969.003

⁽¹⁾ TL 549.373 of other items consists of Saving Deposit Insurance Fund accrual expense while TL 529.343 consists of taxes, duties and charges expense

20. Information on profit/loss before taxes and losses for continuing operations and discontinued operations for the year ended 31 December 2017

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

	Prior Period
Net Interest Income	18.114.337
Net Fees and Commissions Income	1.943.504
Other Operating Income	3.737.922
Dividend Income	7.749
Trading Income/Expense (Net)	(845.653)
Provision for Loan or Other Receivables Losses (-)	3.493.344
Other Operating Expenses (-)	7.969.003
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	20.359
Profit/(Loss) From Continuing Operations	11.515.871

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

21. Information on Tax Provision for Discontinued Operations and Discontinued Operations for the Period Ended 31 December 2017

As of 31 December 2017, TL 2.631.539 of the Group's total tax provision expense amounting to TL 2.601.014 consists of current tax expense while remaining balances amounting to TL 30.525 consists of deferred tax expense.

22. Statement of Net Income/Loss for the Period Ended 31 December 2017 and Discontinued Operations

The Group's net operating income after tax amounts to TL 8.884.332

23. Explanation on net profit/loss for the period ended 31 December 2017

23.1. Explanation of Quality, Size and Repetition Rate of Income and Expense Items Due to Ordinary Banking Transactions for the Period Ended on December 31, 2017

The Group, 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.

23.2. The Effects of the Amendment to the Income Statement for the Period Ended 31 December 2017 on Profit/Loss Effects

As of December 31, 2017, there are no changes in the estimates made in relation to the financial statement items.

24. In case the other items in the income statement exceed the 10% of the income statement, the sub-accounts constituting at least 20% of these items are shown for the Period Ended 31 December 2017.

The "Others" item under the "Commissions and fees" in the income statement is composed of commissions and fees from major credit card transactions and banking transactions.

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

Pursuant to the decision taken at the 2017 Ordinary General Assembly Meeting held on August 13, 2018, the first legal reserves from 7.940.121 TL period net profit, of TL 397.006, the first legal reserve of TL 397.006 and the second legal reserve of TL 25.000 The Company decided to allocate TL 280.000 as a first dividend and TL 250.000 as additional payment to the personnel. 50% of the sales revenue of the real estates sold in 2017 was transferred to Other Reserves for TL 77.722 thousand, which will be monitored in a special fund account. Within this framework, it has been decided to leave the Bank amounting to TL 7.160.393 within the Bank. 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

3. Profit Reserves

As of the balance sheet date, profit reserves amount to TL 37.320.380, legal reserves amount to TL 4.026.361 extraordinary reserves amount to TL 31.732.384 and other profit reserves amount to TL 1.561.635.

VI. EXPLANATIONS ON CONSOLIDATED 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 1.892.753 is composed mainly from interest received from loans and securities amounting to TL 50.363.075 and interest paid to deposit and money market operations which is amounting to TL 30.573.694 Other earnings consists primarily net fee, commission income and other operation revenue/expenses.

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 5.015.333 as of 31 December 2017 (31 December 2017: TL 1.404.479).

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	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
Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	5.159.473	3.942.062
Central Bank of the Republic of Turkey and Other Banks	22.885.886	9.765.064
Money Market Operations	250.087	132.385
Total Cash and Cash Equivalents	28.295.446	13.839.511

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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

1. Information on the Deposits of the Parent Bank's Risk Group

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						
Opening Balance	-	37.252	-	-	-	78.923
Closing Balance	-	45.815	-	-	-	648.530
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						
Opening Balance	22.397	25.951	-	-	-	59.823
Closing Balance	-	37.252	-	-	-	78.923
Interest and Commissions Income ⁽¹⁾	-	-	-	-	-	-

⁽¹⁾ Represent the amount of interest and commissions income as of 31 December 2017.

2. Deposits Held By The Bank's Risk Group

Current 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
Deposits						
Opening Balance		26.398		-		17.708
Closing Balance		27.657		-		13.974
Interest Expense on Deposits		2.184		-		14.504

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
Deposits						
Opening Balance		30.244		-		22.247
Closing Balance		26.398		-		17.708
Interest Expense on Deposits ⁽¹⁾		1.109		-		3.429

⁽¹⁾ The prior period balance of the deposit interest expense represents the amount at 31 December 2017

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

(Convenience Translation of Publicly Announced Consolidated 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

None. (31 December 2017:None).

4. Information about Fees Paid to the Bank's Key Management

Fees paid to the Bank's key management amount to TL 31.434 (31 December 2017:27.357TL).

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	Country of Incorporation	Total Assets	Statutory Share Capital
Domestic Branch ⁽¹⁾	1.750	24.559			
Foreign Representative Office ⁽²⁾	1	-	1- Iran		
Foreign Branch ⁽²⁾	1	4	1- England	8.127.929	275.574
	4	3	2- Bulgaria	453.668	85.239
	2	4	3- Iraq	1.063.775	262.110
	3	4	4- Greece	561.578	197.782
	1	3	5- Saudi Arabia	1.827.563	78.633
	3	-	6- Kosovo	273.508	59.934
	8	33	7- T.R. of Northern Cyprus	2.089.848	190.488
	1	3	8- Bahrain	16.047.579	26.211
Off-Shore Banking Region Branches	-	-	-	-	-

⁽¹⁾ The number of Head Office and Regional Directorates employees are included in the number of employees in the Domestic Branches.⁽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 2018, 2 new branches were opened, 11 branches were closed in Turkey. Prizren and Peja branches in Kosovo are opened abroad.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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: September 2018

Outlook	Negative
Long term Foreign Currency Deposit	B2
Short term Foreign Currency Deposit	Not-Prime
Long term Turkish Liras Deposit	B1
Short term Turkish Liras Deposit	Not-Prime
Long term Foreign Currency Bond	B1
Long term Turkish Lira Bond	B1
Basic Credit Note	b2
Adjusted Basic Credit Note	b2

Fitch Ratings: October 2018

FC Long Term	B+/Negative
FC Short Term	B
TL Long Term	BB/Negative
TL Short Term	B
National Long Term	AA (tur)/Stable
Support	4
Support Rating Base	B+
Financial Capability Grade	b+

JCR Eurasia: October 2018

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

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

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 2018, 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 date 27 February 2019 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

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TRNC BRANCHES

TRNC Directorate

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Girne/TRNC Branch

Atatürk Caddesi Phelecia Court Sitesi Kordonboyu No: 37 Girne
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Gazimağusa/TRNC Branch

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Güzelyurt/TRNC Branch

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İskele/TRNC Branch

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