

The most valuable bank brand of Turkey



Ziraat Bank

More than a bank

2018 ANNUAL REPORT

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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.

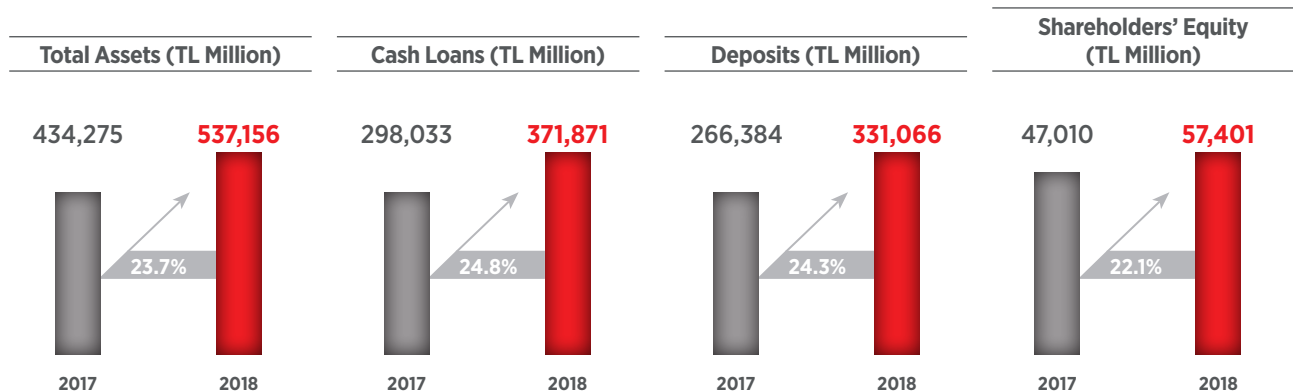
| (TL Million) | 2017 | 2018 | (%) Change |
|-------------------------|----------------|----------------|-------------|
| Liquid Assets and Banks | 48,571 | 46,238 | -4.8 |
| Securities Portfolio* | 70,628 | 88,681 | 25.6 |
| Cash Loans** | 298,033 | 371,871 | 24.8 |
| Deposits | 266,384 | 331,066 | 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.

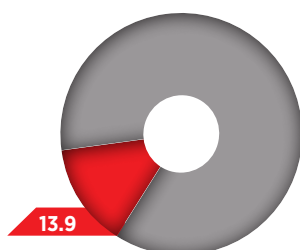
Ziraat Bank's Market Shares

| 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 |

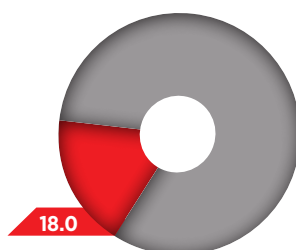


Ziraat Bank's Market Shares

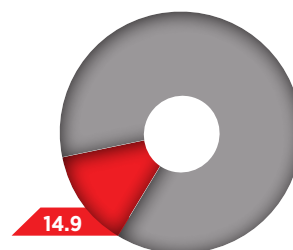
Total Assets (%)



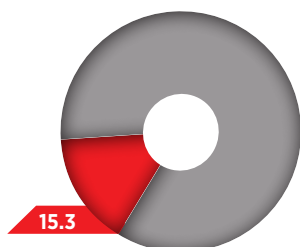
Securities Portfolio (%)



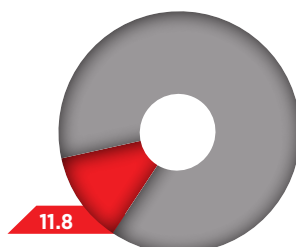
Cash Loans (%)



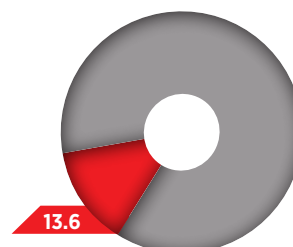
Deposits (%)



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.



**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.

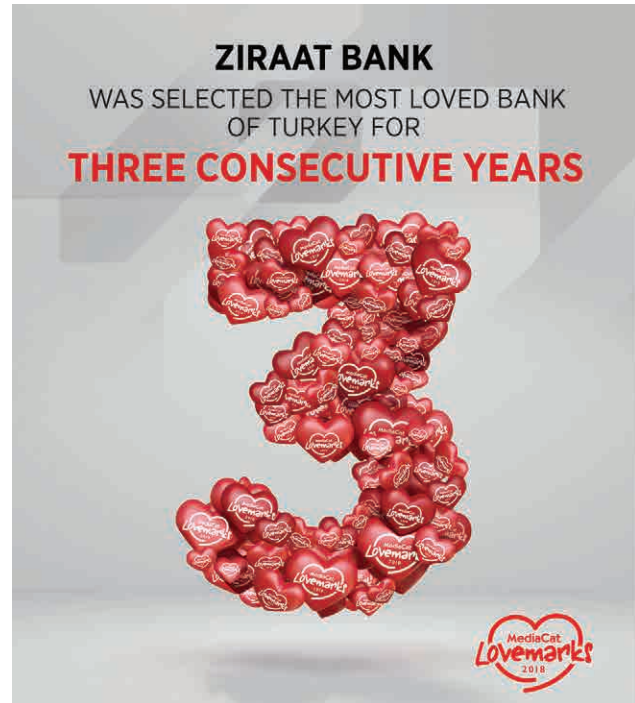
Many different areas, primarily culture, arts, education and sports are at the center of the Bank's social responsibility activities which are conducted with a systematic and organized approach. In particular, the Bank carries out projects that will contribute to cultural background of the society and 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 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. | Capital 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 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 Taahhüt 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

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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 |

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.

| 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 | (I) | 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 | (I) | 13.015.679 |
| VII. | Cash and Cash Equivalents at the End of the Period | (I) | 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 |

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 2017**

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

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

| II. 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 |

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 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 |
|-------------------------|--|------------------------------|--|
| I. | 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 |

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 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 |

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 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 | - |

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.

| | 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").)

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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 translated 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 translated into Turkish Lira with the Bank's prevailing counter currency buying rates at the balance sheet date.

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

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

Investments related to subsidiaries and joint ventures operating abroad in foreign currency are followed by their fair values. For these subsidiaries, fair value is determined by valuation reports, 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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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 |

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| 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 |

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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.

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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.

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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.

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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 | - | - |

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| | 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 | - |

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| | 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".

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| | 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 | - | - |

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| | 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 (-) | - | - |

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| | 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".

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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.).

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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%).

TFRS 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)

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2. The Profile of Important Risks of Important Regions

| | Conditional and unconditional receivables from central governments or central banks | Conditional and unconditional receivables from regional or local governments | Conditional and unconditional receivables from administrative units and non-commercial enterprises | Conditional and unconditional receivables from multilateral development banks | Conditional and unconditional receivables from international organisations | Conditional and unconditional receivables from banks and brokerage houses | Conditional and unconditional corporate receivables |
|---|---|--|--|---|--|---|---|
| Current Period | | | | | | | |
| Domestic | 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 |

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(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 |

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

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| Prior Period | Risk Classes | | | | | | | |
|--------------------------------------|---|--|--|---|--|---|---|--|
| | Conditional and unconditional receivables from central governments or central banks | Conditional and unconditional receivables from regional or local governments | Conditional and unconditional receivables from administrative units and non-commercial enterprises | Conditional and unconditional receivables from multilateral development banks | Conditional and unconditional receivables from international organisations | Conditional and unconditional receivables from banks and brokerage houses | Conditional and unconditional corporate receivables | Conditional and unconditional retail receivables |
| 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 |

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

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

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 |

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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.

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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.

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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) | | |
| Current Period | Significant Increase in Credit Risk (Stage 2) | Non-performing loans (Stage 3) | Provisions for Expected 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 |

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| 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 |

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

| | Current Period | Prior Period |
|--|--------------------|--------------------|
| Financial Assets at Fair Value Through Profit/Loss | 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 |

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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 |

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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 |

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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.

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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)

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| 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.

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2. Average Interest Rate Applied to the Monetary Financial Instruments (%)

| | EUR | USD | JPY | TL |
|---|------|------|------|-------|
| Current Period | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾ | - | 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.

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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.

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1. Liquidity Risk

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

The 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".

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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.

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| Prior Period | Total Unweighted Value (Average) ^(*) | | Total Weighted Value (Average) ^(*) | |
|---|--|-------------------|--|-------------------|
| | TL+FC | FC | TL+FC | FC |
| High Quality Liquid Assets | | | | |
| High Quality Liquid Assets | | | 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.

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As a warrant of increasing repo transactions in time, bond and bill has been used which issuance by the Republic of Turkey Prime Ministry Undersecretariat of Treasury. 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.

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4. Presentation of Assets and Liabilities According to Their Remaining Maturities

| | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Undistributed (1) (2) | Total |
|--|---------------------|----------------------|---------------------|--------------------|--------------------|---------------------|--------------------------|--------------------|
| Current Period 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 | | | | | | | | |
| Financial Derivative Assets | - | (296.539) | (910.708) | 239.414 | 672.964 | - | - | (294.869) |
| Financial Derivative Liabilities | - | 35.631.390 | 15.398.589 | 3.000.559 | 1.793.273 | - | - | 55.823.811 |
| 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 | | | | | | | | |
| Financial Derivative Assets | - | 291.086 | (48.566) | (9.626) | 520.911 | - | - | 753.805 |
| Financial Derivative Liabilities | - | 31.403.786 | 5.393.817 | 3.674.751 | 2.487.182 | - | - | 42.959.536 |
| Non-cash Loans | - | 31.112.700 | 5.442.383 | 3.684.377 | 1.966.271 | - | - | 42.205.731 |
| | 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.

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5 Presentation of Liabilities According to Their Remaining Maturities

| Current Period ^(*) | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Total |
|--|--------------------|-------------------|-------------------|-------------------|------------------|--------------------|
| Bank deposits | 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.

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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.

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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.

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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.

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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.

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Overview of Risk Weighted Amounts

| | | Risk Weighted Amount | | Minimum capital requirement |
|----|--|----------------------|--------------|-----------------------------|
| | | Current Period | Prior Period | Current Period |
| 1 | Credit Risk (excluding counterparty credit risk) | 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 |

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2 Connections Between Financial Statements and the Risk Amounts

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

| Current Period | Carrying values of items | | | | | 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.

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| 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.

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

| | | 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 | 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 | | | |
| 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).

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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.

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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 |

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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.

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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 Preforming 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 Preforming 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 |

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| 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.

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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.

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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% |

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| 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% |

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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 | - | - | - | - | 1.101.076 | - | - | - | - | 1.175.692 |
| 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".

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| 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.

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

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

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

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

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

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

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

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

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

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

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

Rules for countertrend risk

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

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

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

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3.16 Evaluation of Counterparty Credit Risk in Accordance with the Measurement Methods

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

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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

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| Prior Period | | | | | | | | | Total credit exposure ^(*) |
|--|-------------------|----------|------------------|------------------|--------------|----------------|----------|----------|--------------------------------------|
| Risk Weight/Regulatory portfolio | 0% | 10% | 20% | 50% | 75% | 100% | 150% | Other | |
| Exposures to sovereigns and their central banks | 1.200.685 | - | - | - | - | - | - | - | 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.

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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.

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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.

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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.

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| <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.

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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

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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 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".

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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 | - | - | - | - | - | - |

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| | | 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 | - | - | - | - | - | - |

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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.

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2. Information on Fair Value Measurements Recognized in the Financial Statements

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

| Current Period | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|------------------|------------------|-------------------|
| Financial Assets at Fair Value Through Profit or (Loss) | 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.

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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.

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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 |

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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.

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

| | | | Loans and Other Receivables Under Close Monitoring | |
|---|-----------------------|------------------------------------|--|-------------|
| | | | Restructured or Rescheduled | Refinancing |
| Cash Loans | Standard Loans | Loans and Other Receivables | | |
| 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 |

| | Standard Loans and Other Receivables | Loans and Other Receivables Under Close Monitoring |
|---------------------------|--------------------------------------|--|
| No. of extensions | | |
| 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 |

| | Standard Loans and Other Receivables | Loans and Other Receivables Under Close Monitoring |
|--------------------------|--------------------------------------|--|
| Extension Periods | | |
| 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.

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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.

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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 |

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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.

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7.10.3. Information on Foreign Currency Non-Performing Loans

| | Group III Loans and other receivables with limited collectability | Group IV Loans and other receivables with doubtful collectability | Group V Uncollectible loans and other receivables |
|-------------------------------------|--|--|---|
| Current Period: | | | |
| Period Ending Balance | 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.

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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 |

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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.

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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).

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10. Information on Subsidiaries (Net)

10.1. Information on Subsidiaries

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

| | Description | Address (City/Country) | The Bank's Share Percentage-if different Voting Percentage (%) | The Bank's Risk Group Share Percentage (%) |
|----|--|---------------------------|--|---|
| 1 | Ziraat Hayat ve Emeklilik A.Ş. | İstanbul/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

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| | 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.

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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.

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16. Explanations on Property And Equipment

| | Immovables | Tangibles- Financial Leasing | Vehicles | Operational Leasing Development Costs | Other Tangibles | Total |
|--|------------------|------------------------------------|---------------|--|--------------------|------------------|
| Prior Period End | | | | | | |
| Cost | 5.702.197 | 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.

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The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition :

None.

The book value of intangible fixed assets that are pledged or restricted for use:

None.

Amount of purchase commitments for intangible fixed assets:

None

Information on revalued intangible assets according to their types:

None.

Amount of total research and development expenses recorded in income statement within the period if any:

None.

Positive or negative consolidation goodwill on entity basis:

Not applicable for the unconsolidated financial statements

Information on Goodwill:

None.

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 |

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| | 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.

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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 |

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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.

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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 |

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| 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.

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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.

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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 |

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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 |

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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.

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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 |

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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.

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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.

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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.

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| | Total Assets ⁽³⁾ | Shareholders' Equity ⁽³⁾ | Total Non- Current Assets ⁽³⁾ | Interest Income ^{(3) (4)} | Income from Marketable Securities ^{(2) (3)} | Current Period Profit/ Loss ⁽³⁾ | Prior Period Profit/Loss ⁽³⁾ | Fair Value ⁽¹⁾ | Shareholders equity amount needed |
|----|--------------------------------|--|--|---------------------------------------|--|--|--|------------------------------|--|
| 1 | 5.785.955 | 663.224 | 2.457 | 200.552 | - | 449.105 | 231.541 | - | - |
| 2 | 1.152.752 | 439.579 | 1.450 | 94.377 | - | 226.794 | 128.912 | - | - |
| 3 | 2.637.889 | 331.959 | 1.498 | 1.720 | - | 65.203 | 30.003 | - | - |
| 4 | 185.304 | 127.203 | 494 | 78.960 | 856.821 | 51.053 | 24.935 | - | - |
| 5 | 44.966 | 39.205 | 618 | 3.800 | 28.198 | 15.820 | 8.582 | - | - |
| 6 | 12.043.556 | 1.352.853 | 74.261 | 625.722 | 32.865 | 98.592 | 12.437 | - | - |
| 7 | 1.551.822 | 1.550.783 | 1.253.180 | 168 | - | 236.712 | 13.585 | - | - |
| 8 | 62.950 | 13.444 | 19.131 | 961 | 150 | 2.823 | 2.467 | - | - |
| 9 | 7.894.189 | 979.381 | 18.750 | 221.983 | 2.440 | 74.888 | 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.

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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.

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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 | | |
|---------------------|----------------|--------------------------|----------------|
| | Book Value | Accumulated Depreciation | Net Value |
| 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

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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.

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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.

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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 |

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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

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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).

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| | 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 |

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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 | - | - |

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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 |

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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 |

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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.

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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 |

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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.

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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.

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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.

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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 |

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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 |

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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 | - | - | - | - |

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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) |

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3. Explanations on Contingent Assets and Liabilities

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

The Bank's liability resulting from the cheques given to its customers amounts 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 |

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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 | - | - | - | - |

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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) |

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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 |

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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 |

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2.4 Maturity Structure of the Interest Expense on Deposits

| Account Name | Demand Deposit | Time Deposit | | | | | Cumulative Deposit | Total |
|----------------------------------|----------------|------------------|-------------------|------------------|------------------|------------------|--------------------|-------------------|
| | | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | More Than 1 year | | |
| TL | | | | | | | | |
| Bank Deposit | - | 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

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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.

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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.

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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 |

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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 |

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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.

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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.

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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.



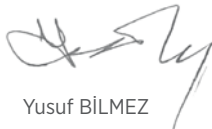
Dr. Ahmet GENÇ
Chairman of the Board



Hüseyin AYDIN
Member of the Board,
CEO



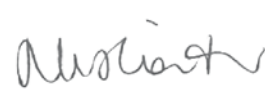
Feyzi ÇUTUR
Member of the Board,
Member of the Audit Committee



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

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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) | | 100.186.509 | 221.199.122 | 321.385.631 |
| I. | GUARANTEES AND WARRANTIES | (1),(3) | 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 |

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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 |

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 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 | | | | | | |
|---|--|---|------------------|---|------------------------------|---|---|---|
| | | | | | | | | |
| VI. CONSOLIDATED 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 | 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) |
| Current Period 31 December 2018 | | | | | | | | |
| I. | Balance at the beginning of the period | 5.600.000 | - | - | (252) | 4.064.351 | (95.521) | 831.263 |
| 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) | 4.064.351 | (95.521) | 831.263 |
| IV. | Total comprehensive income (loss) | - | - | - | - | (98.150) | 62.985 | 556.612 |
| 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) | 3.966.201 | (32.536) | 243.889 |

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.

| 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 |

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 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 |

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 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 |

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 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 |

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 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 | - |

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.

| | 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 |

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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.

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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.

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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 translated 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 translated into 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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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

The 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".

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Operational Lease

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

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).

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| | 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.

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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).

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Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warranters' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax. (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to 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.

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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.

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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.

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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 |

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| 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 |

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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:

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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.

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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.

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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 | - | - |

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| | 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 | - |

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| | 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

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| | 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 | - | - |

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| | 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 I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | 106.418 | - |
| Net deferred tax asset/liability which is not deducted from Common Equity Tier I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - | - |
| Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-) | - | - |
| Total Deductions from Additional Tier I Capital | - | - |
| Total Additional Tier I Capital | - | - |
| Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital) | 47.866.141 | - |
| TIER II CAPITAL | | |
| Debt instruments and 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 (-) | - | - |

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| | 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 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 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".

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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.

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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".

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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)

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2. The Profile of Important Risks of Important Regions

| | Conditional and unconditional receivables from central governments or central banks | Conditional and unconditional receivables from regional or local governments | Conditional and unconditional receivables from administrative units and non-commercial enterprises | Conditional and unconditional receivables from multilateral development banks | Conditional and unconditional receivables from international organisations | Conditional and unconditional receivables from banks and brokerage houses | Conditional and unconditional corporate receivables | 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 |

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3. Risk Profile by Sectors or Counterparties

| Current Period Sectors/Counter Parties | Risk Classes | | | | | | | |
|---|---|--|--|---|--|---|---|--|
| | Conditional and unconditional receivables from central governments or central banks | Conditional and unconditional receivables from regional or local governments | Conditional and unconditional receivables from administrative units and non-commercial enterprises | Conditional and unconditional receivables from multilateral development banks | Conditional and unconditional receivables from international organisations | Conditional and unconditional receivables from banks and brokerage houses | Conditional and unconditional corporate receivables | Conditional and unconditional retail receivables |
| 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 |

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

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| Prior Period Sectors/Counter Parties | Risk Classes | | | | | | | |
|---|---|--|--|---|--|---|---|--|
| | Conditional and unconditional receivables from central governments or central banks | Conditional and unconditional receivables from regional or local governments | Conditional and unconditional receivables from administrative units and non-commercial enterprises | Conditional and unconditional receivables from multilateral development banks | Conditional and unconditional receivables from international organisations | Conditional and unconditional receivables from banks and brokerage houses | Conditional and unconditional corporate receivables | Conditional and unconditional retail receivables |
| 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 uncondi- tional receivables secured by mortgages | Past due recei- vables | Receivables defined in high risk category by BRSA | Securities collate- ralised by mortgages | Securit- isation positions | Short- term from banks, brokerage houses and corporate | Invest- ments 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 |

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

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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.

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| 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.

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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 "TFRS 9 expected loss provisions (Stage 3)" calculation is made within the scope of Regulation on Provisions.

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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 |

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| 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 |

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

| | Current Period | Prior Period |
|--|--------------------|--------------------|
| Financial Assets at Fair Value Through Profit/Loss | 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 |

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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 |

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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 |

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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.

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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)

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| 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.

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2. Average Interest Rate Applied to the Monetary Financial Instruments (Represents the Values Belonging to the Parent Bank) (%)

| | EUR | USD | JPY | TL |
|---|------|------|------|-------|
| Current Period | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾ | - | 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.

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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.

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1. Liquidity Risk

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

The Parent Bank's risk capacity, risk appetite, responsibilities and tasks of liquidity risk management and share issues of points related liquidity risk management with bank network are explained in "Regulations of Risk Management, Stress Test Program and 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".

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2. Liquidity Coverage Ratio

Within the framework of "Regulation on Calculation of Liquidity Covered Rate of Banks" published in the Official Gazette dated 21 March 2014 and numbered 28948 by the BRSA, the 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.

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| Prior Period | Total Unweighted Value (Average) ^(*) | | Total Weighted Value (Average) ^(*) | |
|---|--|-------------------|--|-------------------|
| | TL+FC | FC | TL+FC | FC |
| High Quality Liquid Assets | | | | |
| High Quality Liquid Assets | | | 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.

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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.

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4. Presentation of Assets and Liabilities According to Their Remaining Maturities

| | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Undistributed (1) (2) (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.

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5 Presentation of Liabilities According to Their Remaining Maturities

| Current Period ^(*) | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Total |
|--|--------------------|-------------------|-------------------|-------------------|------------------|--------------------|
| Bank deposits | 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.

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2. An Extract Comparison Table of Total Risks Placed in Consolidated Financial Statements Coordinated in Accordance With TAS

| | Current Period ^(*) | Prior Period ^(*) |
|---|-------------------------------|-----------------------------|
| Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ^(*) | 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.

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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.

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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.

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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.

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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 |

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2. Connections Between Financial Statements and the Risk Amounts

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

| | 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.

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| Prior Period | Carrying values as reported in published financial statements ^(*) | Valued amount according to TAS within legal consolidation | 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 securitization framework | Subject to the market risk framework | |
| 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.

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

| | | 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.

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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.

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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 |

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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.

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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 |

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| 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.

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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.

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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% |

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| 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% |

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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".

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| 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.

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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.

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3.16 Evaluation of Counterparty Credit Risk in Accordance with the Measurement Methods

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

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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 | 0% | 10% | 20% | 50% | 75% | 100% | 150% | Other | Total credit exposure ^(*) |
|---|-------------------|----------|------------------|------------------|--------------|----------------|----------|----------|---|
| Risk Weight/Regulatory portfolio | | | | | | | | | |
| 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.

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| 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.

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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.

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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.

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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.

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| <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 |

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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

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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".

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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 | - | - | - | - | - | - | - |

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| 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 | - | - | - | - | - | - | - |

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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.

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2. Information on Fair Value Measurements Recognized in the Financial Statements

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

| Current Period | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|------------------|----------------|-------------------|
| Financial Assets at Fair Value Through Profit or (Loss) | 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.

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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.

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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 |

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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.

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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.

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

| | Short-Term | Medium and Long-Term | Total |
|--|------------------|----------------------|-------------------|
| Consumer Loans-TL | 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.

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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

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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.

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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.

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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 |

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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.

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9.2. Explanation Regarding Consolidated Associates

| | Description | Address (City/Country) | The Parent Bank's Share Percentage, if Different, Voting Percentage (%) | The Parent Bank's Risk Group Share Percentage (%) |
|---|------------------------|---------------------------|---|--|
| 1 | Arap Türk Bankası A.Ş. | İstanbul/Turkey | 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).

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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

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| | 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.

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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.

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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 |

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Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements:

None.

Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition:

None.

The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition :

None.

The book value of intangible fixed assets that are pledged or restricted for use:

None.

Amount of purchase commitments for intangible fixed assets:

None

Information on revalued intangible assets according to their types:

None.

Amount of total research and development expenses recorded in income statement within the period if any:

None.

Positive or negative consolidation goodwill on entity basis:

Not applicable for the consolidated financial statements

Information on Goodwill:

None.

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 |

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| | 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%.

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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 |

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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.

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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 |

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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.

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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.

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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.

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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 |

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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.

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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 |

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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

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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.

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

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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.

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| | Total Assets ⁽³⁾ | Shareholders' Equity ⁽³⁾ | Total Non- Current Assets ⁽³⁾ | Interest Income ^{(3) (4)} | Income from Marketable Securities ^{(2) (3)} | Current Period Profit/Loss ⁽³⁾ | Prior Period Profit/Loss ⁽³⁾ | Fair Value ⁽¹⁾ | Shareholders equity amount needed |
|----|--------------------------------|--|--|---------------------------------------|--|--|--|------------------------------|---|
| 1 | 5.785.955 | 663.224 | 2.457 | 200.552 | - | 449.105 | 231.541 | - | - |
| 2 | 1.152.752 | 439.579 | 1.450 | 94.377 | - | 226.794 | 128.912 | - | - |
| 3 | 2.637.889 | 331.959 | 1.498 | 1.720 | - | 65.203 | 30.003 | - | - |
| 4 | 185.304 | 127.203 | 494 | 78.960 | 856.821 | 51.053 | 24.935 | - | - |
| 5 | 44.966 | 39.205 | 618 | 3.800 | 28.198 | 15.820 | 8.582 | - | - |
| 6 | 12.043.556 | 1.352.853 | 74.261 | 625.722 | 32.865 | 98.592 | 12.437 | - | - |
| 7 | 1.551.822 | 1.550.783 | 1.253.180 | 168 | - | 236.712 | 13.585 | - | - |
| 8 | 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.

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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.

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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 |

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Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements:

None

Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition:

None

The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition :

None

The book value of intangible fixed assets that are pledged or restricted for use:

None

Amount of purchase commitments for intangible fixed assets:

None

Information on revalued intangible assets according to their types:

None.

Amount of total research and development expenses recorded in income statement within the period if any:

None.

Positive or negative consolidation goodwill on entity basis:

Not applicable for the consolidated financial statements

Information on Goodwill:

None.

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.

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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.

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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 |

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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

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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.).

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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 |

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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 | - | - |

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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 |

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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 |

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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. TheGroup'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.

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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.

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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 |

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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.

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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.

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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 |

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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 Warrantees | 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 |

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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 |

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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) |

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3. Explanations on Contingent Assets and Liabilities

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

The 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 |

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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 |

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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 |

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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.

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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 | 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.

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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 |

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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

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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.

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8. Information on Profit/Loss Before Tax from Continuing and Discontinuing Operations

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

| | Current Period |
|--|-------------------|
| 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

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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 |

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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 |

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(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 |

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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.

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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.

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

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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.

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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").)

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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

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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.

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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 |

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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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