

# **Türkiye Cumhuriyeti Ziraat Bankası**

## **Anonim Şirketi**

**Consolidated Financial Statements**  
**As of and For the Year Ended 31 December 2018**  
**With Independent Auditors' Report Thereon**  
*(Convenience Translation of consolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

27 February 2019

*This report contains "Independent Auditors' Report" comprising 6 pages and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 176 pages.*

Convenience Translation of the Independent Auditor's Report Originally Prepared and Issued in Turkish to English (See Note I in 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 1.475.000 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 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

<b>Key audit matter</b>	<b>How the matter is addressed in our audit</b>
<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"> <li>- significant increase in credit risk;</li> <li>- incorporating the forward looking macroeconomic information in calculation of credit risk; and</li> <li>- design and implementation of expected credit loss model.</li> </ul>	<p>Our procedures for testing the impairment of loans included below:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>

<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>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.</li> <li>• We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk.</li> <li>• Additionally, we also evaluated the adequacy of the consolidated financial statement disclosures related to impairment provisions.</li> </ul>
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## 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.

<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<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"><li>• We have involved our own actuarial specialist to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary.</li><li>• 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.</li><li>• Additionally, the adequacy of consolidated financial statement disclosures, including disclosures of key assumptions and judgments have been evaluated.</li><li>• We have evaluated whether the TZHEMSAN plan assets are adequate to cover the Pension Plan liabilities, under the methods and assumptions used.</li></ul>

## *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.

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**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.

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Dr. Ahmet GENÇ  
Chairman of the Board

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Hüseyin AYDIN  
Member of the Board,  
CEO

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

---

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

**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.

**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**

<b>Name</b>	<b>Administrative Function</b>
<b>Members of the Board of Directors</b>	
Dr. Ahmet GENÇ	Chairman
Hüseyin AYDIN	CEO and Member
Yusuf DAGCAN	Vice Chairman and Member
Cemalettin BAŞLI	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Mahmut KAÇAR	Member
Salim ALKAN	Member
Yusuf BİLMEZ	Member
<b>Audit Committee Members</b>	
Yusuf BİLMEZ	Member
Feyzi ÇUTUR	Member
<b>Executive Vice Presidents</b>	
Ali KIRBAŞ	Banking Operations and Communication
Alpaslan ÇAKAR	Retail Branch Banking-2
Bilgehan KURU	Treasury and International Banking
Mehmet Cengiz GÖGEBAKAN	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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

**SECTION ONE (Continued)**

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

**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, Taşkinköy, Karaoğlu 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).

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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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**SECTION ONE (Continued)**

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

**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.

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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”).)

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**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
- 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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

I.	CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION) ASSETS	Note (Section Five I)	Current Period 31 December 2018		
			TL	FC	Total
<b>I.</b>	<b>FINANCIAL ASSETS (NET)</b>		<b>71.859.970</b>	<b>79.256.668</b>	<b>151.116.638</b>
<b>I.1</b>	<b>Cash and Cash Equivalents</b>		<b>7.815.408</b>	<b>44.414.292</b>	<b>52.229.700</b>
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
<b>I.2</b>	<b>Financial Assets Measured at Fair Value Through Profit or Loss</b>	<b>(2)</b>	<b>536.584</b>	<b>6.246.194</b>	<b>6.782.778</b>
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
<b>I.3</b>	<b>Financial Assets Measured at Fair Value Through Other Comprehensive Income</b>	<b>(5),(6)</b>	<b>56.610.615</b>	<b>23.222.432</b>	<b>79.833.047</b>
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
<b>I.4</b>	<b>Financial Assets Measured at Amortised Cost</b>	<b>(8)</b>	<b>5.404.610</b>	<b>4.877.935</b>	<b>10.282.545</b>
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
<b>I.5</b>	<b>Derivative Financial Assets</b>	<b>(3)</b>	<b>1.548.540</b>	<b>510.238</b>	<b>2.058.778</b>
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		-	-	-
<b>I.6</b>	<b>Non-Performing Financial Assets</b>		-	-	-
<b>I.7</b>	<b>Expected Credit Loss (-)</b>	<b>(21)</b>	<b>55.787</b>	<b>14.423</b>	<b>70.210</b>
<b>II.</b>	<b>LOANS (NET)</b>	<b>(7)</b>	<b>263.463.461</b>	<b>135.594.418</b>	<b>399.057.879</b>
<b>2.1</b>	<b>Loans</b>		<b>262.903.728</b>	<b>132.869.206</b>	<b>395.772.934</b>
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		-	-	-
<b>2.2</b>	<b>Lease Receivables</b>	<b>(12)</b>	<b>1.449.276</b>	<b>2.529.404</b>	<b>3.978.680</b>
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
<b>2.3</b>	<b>Factoring Receivables</b>		-	<b>2.147</b>	<b>2.147</b>
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		-	-	-
<b>2.4</b>	<b>Non-Performing Loans</b>		<b>7.750.674</b>	<b>1.005.323</b>	<b>8.755.997</b>
<b>2.5</b>	<b>Expected Credit Loss (-)</b>		<b>8.640.217</b>	<b>811.662</b>	<b>9.451.879</b>
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
<b>III.</b>	<b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>(15)</b>	<b>1.230.611</b>	<b>68</b>	<b>1.230.679</b>
3.1	Held for Sale Purpose		1.230.611	68	1.230.679
<b>3.2</b>	<b>Related to Discontinued Operations</b>		-	-	-
<b>IV.</b>	<b>EQUITY INVESTMENTS</b>		<b>147.786</b>	<b>89.787</b>	<b>237.573</b>
<b>4.1</b>	<b>Investments in Associates (Net)</b>	<b>(9)</b>	<b>139.811</b>	<b>2.337</b>	<b>142.148</b>
4.1.1	Associates Valued Based on Equity Method		133.745	-	133.745
4.1.2	Unconsolidated Associates		6.066	2.337	8.403
<b>4.2</b>	<b>Subsidiaries (Net)</b>	<b>(10)</b>	<b>7.975</b>	-	<b>7.975</b>
4.2.1	Unconsolidated Financial Subsidiaries		1.738	-	1.738
4.2.2	Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237
<b>4.3</b>	<b>Joint Ventures (Net)</b>	<b>(11)</b>	-	<b>87.450</b>	<b>87.450</b>
4.3.1	Joint Ventures Valued Based on Equity Method		-	87.450	87.450
4.3.2	Unconsolidated Joint Ventures		-	-	-
<b>V.</b>	<b>PROPERTY AND EQUIPMENT (Net)</b>	<b>(16)</b>	<b>6.600.795</b>	<b>202.960</b>	<b>6.803.755</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>	<b>(19)</b>	<b>683.280</b>	<b>48.426</b>	<b>731.706</b>
6.1	Goodwill		-	-	-
6.2	Other		683.280	48.426	731.706
<b>VII.</b>	<b>INVESTMENT PROPERTY (Net)</b>	<b>(14)</b>	-	-	-
<b>VIII.</b>	<b>CURRENT TAX ASSET</b>		<b>53.287</b>	<b>7.336</b>	<b>60.623</b>
<b>IX.</b>	<b>DEFERRED TAX ASSET</b>	<b>(20)</b>	<b>1.639.462</b>	<b>96</b>	<b>1.639.558</b>
<b>X.</b>	<b>OTHER ASSETS</b>	<b>(22)</b>	<b>4.287.712</b>	<b>3.220.873</b>	<b>7.508.585</b>
<b>TOTAL ASSETS</b>			<b>349.966.364</b>	<b>218.420.632</b>	<b>568.386.996</b>

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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

II. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	Current Period 31 December 2018		
		TL	FC	Total
<b>LIABILITIES AND EQUITY</b>				
<b>I. DEPOSITS</b>	(1)	184.601.759	169.773.489	354.375.248
<b>II. FUNDS BORROWED</b>	(3)	1.196.347	33.652.422	34.848.769
<b>III. MONEY MARKETS</b>	(4)	56.213.158	12.390.480	68.603.638
<b>IV. SECURITIES ISSUED (Net)</b>	(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
<b>V. FUNDS</b>		6.073.748	-	6.073.748
5.1 Borrower Funds		-	-	-
5.2 Other		6.073.748	-	6.073.748
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	(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		-	-	-
<b>VIII. FACTORING LIABILITIES</b>		-	-	-
<b>IX. LEASE LIABILITIES (Net)</b>	(7)	-	-	-
9.1 Financial Lease		-	-	-
9.2 Operating Lease		-	-	-
9.3 Other		-	-	-
9.4 Deferred Financial Lease Expenses ( - )		-	-	-
<b>X. PROVISIONS</b>	(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
<b>XI. CURRENT TAX LIABILITY</b>	(10)	1.607.656	19.295	1.626.951
<b>XII. DEFERRED TAX LIABILITY</b>	(11)	-	8.669	8.669
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(12)	-	-	-
13.1 Held for Sale Purpose		-	-	-
13.2 Related to Discontinued Operations		-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(13)	-	-	-
14.1 Loans		-	-	-
14.2 Other Debt Instruments		-	-	-
<b>XV. OTHER LIABILITIES</b>	(6)	8.547.463	10.810.430	19.357.893
<b>XVI. SHAREHOLDERS' EQUITY</b>	(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
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>331.205.600</b>	<b>237.181.396</b>	<b>568.386.996</b>

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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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”).)

III.	CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period 31 December 2018		
			TL	FC	Total
<b>A</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>100.186.509</b>	<b>221.199.122</b>	<b>321.385.631</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	(1),(3)	<b>42.358.851</b>	<b>89.288.857</b>	<b>131.647.708</b>
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
<b>II.</b>	<b>COMMITMENTS</b>	(1),(3)	<b>36.323.782</b>	<b>14.578.481</b>	<b>50.902.263</b>
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
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	<b>21.503.876</b>	<b>117.331.784</b>	<b>138.835.660</b>
3.1	Hedging Derivative Financial Instruments		-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-
3.2	Trading Transactions		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
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>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>1.351.947.272</b>	<b>250.674.668</b>	<b>1.602.621.940</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>484.862.074</b>	<b>29.618.131</b>	<b>514.480.205</b>
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
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>865.830.685</b>	<b>218.134.914</b>	<b>1.083.965.599</b>
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
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>1.254.513</b>	<b>2.921.623</b>	<b>4.176.136</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>			<b>1.452.133.781</b>	<b>471.873.790</b>	<b>1.924.007.571</b>

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

<b>IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>			
<b>INCOME AND EXPENSE ITEMS</b>		<b>Note (Section Five IV)</b>	<b>Current Period 1 January-31 December 2018</b>
<b>I. INTEREST INCOME</b>		<b>(1)</b>	<b>56.134.708</b>
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
<b>II. INTEREST EXPENSE (-)</b>		<b>(2)</b>	<b>32.269.251</b>
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
<b>III. NET INTEREST INCOME (I - II)</b>			<b>23.865.457</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>			<b>2.694.706</b>
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
<b>V. PERSONNEL EXPENSE (-)</b>			<b>3.175.068</b>
<b>VI. DIVIDEND INCOME</b>		<b>(3)</b>	<b>4.808</b>
<b>VII. TRADING INCOME /(LOSS) (Net)</b>		<b>(4)</b>	<b>(3.801.156)</b>
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
<b>VIII. OTHER OPERATING INCOME</b>		<b>(5)</b>	<b>3.450.126</b>
<b>IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>			<b>23.038.873</b>
<b>X. EXPECTED CREDIT LOSS (-)</b>		<b>(6)</b>	<b>5.225.689</b>
<b>XI. OTHER OPERATING EXPENSES (-)</b>		<b>(7)</b>	<b>5.983.608</b>
<b>XII. NET OPERATING INCOME/(LOSS) (IX-X-XI)</b>			<b>11.829.576</b>
<b>XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>			<b>46.756</b>
<b>XV. INCOME/(LOSS) ON NET MONETARY POSITION</b>			<b>-</b>
<b>XVI. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>		<b>(8)</b>	<b>11.876.332</b>
<b>XVII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>		<b>(9)</b>	<b>(2.532.212)</b>
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
<b>XVIII. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)</b>		<b>(10)</b>	<b>9.344.120</b>
<b>XIX. INCOME FROM DISCONTINUED OPERATIONS</b>			<b>-</b>
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			-
<b>XX. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>			<b>-</b>
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			-
<b>XXI. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)</b>			<b>-</b>
<b>XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>			<b>-</b>
22.1 Current Tax Provision			-
22.2 Deferred Tax Expense Effect (+)			-
22.3 Deferred Tax Income Effect (-)			-
<b>XXIII. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>			<b>-</b>
<b>XXIV. NET PROFIT/(LOSS) (XVIII+XXIII)</b>		<b>(11)</b>	<b>9.344.120</b>
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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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

<b>V. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>Current Period 1 January-31 December 2018</b>
<b>I. CURRENT PERIOD PROFIT/LOSS</b>	<b>9,344,120</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(3,401,517)</b>
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
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>5,942,603</b>

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

VI. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Paid-in Capital	Share Premium	Share certificate Cancel profits	Other capital reserves	Other Accumulated Comprehensive Income			Other Accumulated Comprehensive Income			Profit Reserves	Prior period net profit/(loss)	Current period net profit /(loss)	Shareholders' equity before minority interest	Minority Shares	Total Shareholders' Equity
					Other Accumulated Comprehensive Income			Other Accumulated Comprehensive Income								
					That Will Not Be Reclassified to Profit or Loss			That Will Be Reclassified to Profit or Loss								
					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)	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)						
Current Period 31 December 2018																
I. Balance at the beginning of the period	5.600.000	-	-	(252)	4.064.351	(95.521)	831.263	2.120.621	(1.767.831)	-	29.660.259	8.068.601	-	48.481.491	1.665	48.483.156
II. Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	-	2.402	-	-	5.401.136	-	5.403.538	-	5.403.538
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	2.402	-	-	5.401.136	-	5.403.538	-	5.403.538
III. New balance (I+II)	5.600.000	-	-	(252)	4.064.351	(95.521)	831.263	2.120.621	(1.765.429)	-	29.660.259	13.469.737	-	53.885.029	1.665	53.886.694
IV. Total comprehensive income (loss)	-	-	-	-	(98.150)	62.985	556.612	523.104	(4.446.378)	-	-	-	9.343.637	5.941.810	793	5.942.603
V. Capital increase in cash	500.000	-	-	-	-	-	-	-	-	-	-	-	-	500.000	-	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)	-	4.774	-	-	1.219.121	-	79.678	-	79.678
XI. Profit distribution	-	-	-	-	-	-	-	-	-	-	7.660.121	(7.940.121)	-	(280.000)	-	(280.000)
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	(280.000)	-	(280.000)	-	(280.000)
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	7.582.399	(7.582.399)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	77.722	(77.722)	-	-	-	-
Balance at the End of the Year (III+IV+.....+X+XI)	6.100.000	-	-	(483)	3.966.201	(32.536)	243.889	2.643.725	(6.207.033)	-	37.320.380	6.748.737	9.343.637	60.126.517	2.458	60.128.975

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

<b>VII. CONSOLIDATED STATEMENT OF CASH FLOWS</b>		<b>Note (Section Five VI)</b>	<b>Current Period 1 January-31 December 2018</b>
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
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
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>23.066.340</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>		<b>(15.687.718)</b>
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
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>		<b>2.061.980</b>
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		-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>(1)</b>	<b>5.015.333</b>
<b>V.</b>	<b>Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>14.455.935</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>(1)</b>	<b>13.839.511</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	<b>(1)</b>	<b>28.295.446</b>

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

<b>VIII. PROFIT DISTRIBUTION STATEMENT <sup>(*)</sup></b>		<b>Current Period 31 December 2018</b>
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 Current Year Income		10.033.684
1.2 Taxes And Duties Payable (-) <sup>(*)</sup>		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		-
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>		<b>7.791.082</b>
1.3 Prior Year Losses (-)		-
1.4 First Legal Reserves (-)		-
1.5 Other Statutory Reserves (-)		-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]</b>		<b>7.791.082</b>
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		-
<b>II. DISTRIBUTION OF RESERVES</b>		
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 (-)		-
<b>III. EARNINGS PER SHARE</b>		
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 ( % )		-
<b>IV. DIVIDEND PER SHARE</b>		
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 ( % )		-

<sup>(\*)</sup> 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.

<sup>(\*\*)</sup> The deferred tax benefit amounted TL 169.856 is not taken into account in profit distribution.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

I.	CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	Prior Period 31 December 2017		
			TL	FC	Total
	<b>ASSETS</b>				
<b>I.</b>	<b>CASH BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	(23)	<b>5.277.535</b>	<b>40.942.802</b>	<b>46.220.337</b>
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)</b>	(24)	<b>904.588</b>	<b>563.275</b>	<b>1.467.863</b>
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		-	-	-
<b>III.</b>	<b>BANKS</b>	(26)	<b>2.373.229</b>	<b>3.258.911</b>	<b>5.632.140</b>
<b>IV.</b>	<b>MONEY MARKET PLACEMENTS</b>		<b>40.122</b>	<b>92.263</b>	<b>132.385</b>
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
<b>V.</b>	<b>FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(27),(28)	<b>45.961.580</b>	<b>17.676.651</b>	<b>63.638.231</b>
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
<b>VI.</b>	<b>LOANS AND RECEIVABLES</b>	(29)	<b>231.413.967</b>	<b>85.606.521</b>	<b>317.020.488</b>
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
<b>VII.</b>	<b>FACTORING RECEIVABLES</b>		-	<b>1.614</b>	<b>1.614</b>
<b>VIII.</b>	<b>INVESTMENTS HELD TO MATURITY (Net)</b>	(30)	<b>2.863.604</b>	<b>4.762.159</b>	<b>7.625.763</b>
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
<b>IX.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	(31)	<b>127.251</b>	<b>1.168</b>	<b>128.419</b>
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
<b>X.</b>	<b>INVESTMENTS IN SUBSIDIARIES (Net)</b>	(32)	<b>7.583</b>	-	<b>7.583</b>
10.1	Unconsolidated Financial Subsidiaries		1.346	-	1.346
10.2	Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237
<b>XI.</b>	<b>ENTITIES UNDER COMMON CONTROL (Net)</b>	(33)	-	<b>52.036</b>	<b>52.036</b>
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		-	-	-
<b>XII.</b>	<b>RECEIVABLES FROM LEASING TRANSACTIONS</b>	(34)	<b>852.715</b>	<b>2.028.804</b>	<b>2.881.519</b>
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
<b>XIII.</b>	<b>DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(35)	-	-	-
13.1	Fair Value Hedges		-	-	-
13.2	Cash Flow Hedges		-	-	-
13.3	Hedges for Investments Made in Foreign Countries		-	-	-
<b>XIV.</b>	<b>TANGIBLE ASSETS (Net)</b>	(39)	<b>6.535.523</b>	<b>144.109</b>	<b>6.679.632</b>
<b>XV.</b>	<b>INTANGIBLE ASSETS (Net)</b>	(42)	<b>494.932</b>	<b>37.156</b>	<b>532.088</b>
15.1	Goodwill		-	-	-
15.2	Other		494.932	37.156	532.088
<b>XVI.</b>	<b>REAL ESTATES FOR INVESTMENT PURPOSE (Net)</b>	(36)	-	-	-
<b>XVII.</b>	<b>TAX ASSET</b>		<b>32.197</b>	<b>8.858</b>	<b>41.055</b>
17.1	Current Tax Asset		5.741	5.520	11.261
17.2	Deferred Tax Asset	(37)	26.456	3.338	29.794
<b>XVIII.</b>	<b>ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(38)	<b>674.731</b>	<b>88</b>	<b>674.819</b>
18.1	Held for Sale		674.731	88	674.819
18.2	Held from Discontinued Operations		-	-	-
<b>XIX.</b>	<b>OTHER ASSETS</b>	(43)	<b>2.858.008</b>	<b>1.332.149</b>	<b>4.190.157</b>
	<b>TOTAL ASSETS</b>		<b>300.417.565</b>	<b>156.508.564</b>	<b>456.926.129</b>

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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

II.	CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	Prior Period 31 December 2017		
			TL	FC	Total
	<b>LIABILITIES AND EQUITY</b>				
<b>I.</b>	<b>DEPOSITS</b>	(15)	<b>167.014.412</b>	<b>115.555.201</b>	<b>282.569.613</b>
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
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(16)	<b>235.506</b>	<b>313.404</b>	<b>548.910</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	(17)	<b>1.763.056</b>	<b>29.355.197</b>	<b>31.118.253</b>
<b>IV.</b>	<b>MONEY MARKET BALANCES</b>		<b>43.189.819</b>	<b>13.119.704</b>	<b>56.309.523</b>
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
<b>V.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>	(19)	<b>4.298.047</b>	<b>9.176.233</b>	<b>13.474.280</b>
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
<b>VI.</b>	<b>FUNDS</b>		<b>6.030.575</b>	-	<b>6.030.575</b>
6.1	Borrower Funds		-	-	-
6.2	Other		6.030.575	-	6.030.575
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>2.474.671</b>	<b>1.668.719</b>	<b>4.143.390</b>
<b>VIII.</b>	<b>OTHER LIABILITIES</b>	(20)	<b>1.947.850</b>	<b>628.104</b>	<b>2.575.954</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		-	-	-
<b>X.</b>	<b>PAYABLES FROM LEASING TRANSACTIONS (Net)</b>	(21)	-	-	-
10.1	Finance Lease Payables		-	-	-
10.2	Operating Lease Payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred Finance Lease Expenses ( - )		-	-	-
<b>XI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	(22)	-	-	-
11.1	Fair Value Hedges		-	-	-
11.2	Cash Flow Hedges		-	-	-
11.3	Hedges for Investments Made in Foreign Countries		-	-	-
<b>XII.</b>	<b>PROVISIONS</b>	(23)	<b>10.170.466</b>	<b>191.571</b>	<b>10.362.037</b>
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
<b>XIII.</b>	<b>TAX LIABILITY</b>	(24)	<b>1.304.963</b>	<b>5.475</b>	<b>1.310.438</b>
13.1	Current Tax Liability		999.597	3.741	1.003.338
13.2	Deferred Tax Liability		305.366	1.734	307.100
<b>XIV.</b>	<b>LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(25)	-	-	-
14.1	Held for Sale		-	-	-
14.2	Held from Discontinued Operations		-	-	-
<b>XV.</b>	<b>SUBORDINATED LOANS</b>	(26)	-	-	-
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>	(27)	<b>47.619.530</b>	<b>863.626</b>	<b>48.483.156</b>
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
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>286.048.895</b>	<b>170.877.234</b>	<b>456.926.129</b>

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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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”).)

III.	CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period 31 December 2017		
			TL	FC	Total
<b>A</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I-II+III)</b>		<b>73.022.242</b>	<b>160.157.172</b>	<b>233.179.414</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	(5),(7)	<b>36.067.838</b>	<b>66.258.784</b>	<b>102.326.622</b>
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
<b>II.</b>	<b>COMMITMENTS</b>	(5),(7)	<b>23.846.740</b>	<b>11.162.799</b>	<b>35.009.539</b>
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
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	(6)	<b>13.107.664</b>	<b>82.735.589</b>	<b>95.843.253</b>
3.1	Hedging Derivative Financial Instruments		-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-
3.2	Trading Transactions		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
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>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>1.132.404.895</b>	<b>169.456.560</b>	<b>1.301.861.455</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>367.086.784</b>	<b>19.908.153</b>	<b>386.994.937</b>
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
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>764.354.880</b>	<b>147.468.325</b>	<b>911.823.205</b>
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
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>963.231</b>	<b>2.080.082</b>	<b>3.043.313</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>			<b>1.205.427.137</b>	<b>329.613.732</b>	<b>1.535.040.869</b>

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.

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS  
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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

<b>IV CONSOLIDATED STATEMENT OF INCOME</b>			
<b>INCOME AND EXPENSE ITEMS</b>		<b>Note (Section Five IV)</b>	<b>Prior Period 1 January-31 December 2017</b>
<b>I. INTEREST INCOME</b>		<b>(13)</b>	<b>37.104.621</b>
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
<b>II. INTEREST EXPENSES</b>		<b>(14)</b>	<b>18.990.284</b>
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
<b>III. NET INTEREST INCOME/EXPENSES (I - II)</b>			<b>18.114.337</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>			<b>1.943.504</b>
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
<b>V. DIVIDEND INCOME</b>		<b>(15)</b>	<b>7.749</b>
<b>VI. TRADING PROFIT/LOSS (Net)</b>		<b>(16)</b>	<b>(845.653)</b>
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)
<b>VII. OTHER OPERATING INCOME</b>		<b>(17)</b>	<b>3.737.922</b>
<b>VIII. TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>			<b>22.957.859</b>
<b>IX. PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)</b>			<b>3.493.344</b>
<b>X. OTHER OPERATING EXPENSES(-)</b>		<b>(18)</b>	<b>7.969.003</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>			<b>11.495.512</b>
<b>XII. GAINS RECORDED AFTER MERGER</b>			<b>-</b>
<b>XIII. PROFIT/LOSS ON EQUITY METHOD APPLIED SUBSIDIARIES</b>			<b>20.359</b>
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>			<b>-</b>
<b>XV. INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>		<b>(19)</b>	<b>11.515.871</b>
<b>XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>		<b>(20)</b>	<b>(2.631.539)</b>
16.1 Current Tax Provision			(2.601.014)
16.2 Deferred Tax Provision			(30.525)
<b>XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>		<b>(21)</b>	<b>8.884.332</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>			<b>-</b>
18.1 Income from Non-current Assets Held for Sale			-
18.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)			-
18.3 Other Income from Discontinued Operations			-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>			<b>-</b>
19.1 Expenses for Non-current Assets Held for Sale			-
19.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)			-
19.3 Other Expenses from Discontinued Operations			-
<b>XX. PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-X)</b>			<b>-</b>
<b>XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>			<b>-</b>
21.1 Current tax provision			-
21.2 Deferred tax provision			-
<b>XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>			<b>-</b>
<b>XXIII. NET PROFIT/LOSSES (XVII+XXII)</b>		<b>(22)</b>	<b>8.884.332</b>
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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

<b>V. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		
<b>PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		<b>Prior Period 1 January-31 December 2017</b>
<b>I.</b>	<b>ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>564.179</b>
<b>II.</b>	<b>TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>93.433</b>
<b>III.</b>	<b>INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>
<b>IV.</b>	<b>CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	<b>424.682</b>
<b>V.</b>	<b>PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)</b>	<b>-</b>
<b>VI.</b>	<b>PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	<b>-</b>
<b>VII.</b>	<b>EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS</b>	<b>-</b>
<b>VIII</b>		
<b>.</b>	<b>OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS</b>	<b>(51.321)</b>
<b>IX.</b>	<b>DEFERRED TAXES RELATED TO VALUATION DIFFERENCES</b>	<b>(330.677)</b>
<b>X.</b>	<b>NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>700.296</b>
<b>XI.</b>	<b>CURRENT YEAR PROFIT/LOSS</b>	<b>8.884.332</b>
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
<b>XII.</b>	<b>TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)</b>	<b>9.584.628</b>

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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

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	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
<b>I. the Beginning of the Period</b>		5.100.000	-	-	-	3.393.778	-	18.052.605	1.345.642	-	8.207.208	(1.394.015)	4.187.740	17.388	-	-	1.451	38.911.797
Changes During the Period																		
<b>II. Increase/Decrease Related to Merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Marketable Securities Valuation Differences</b>		-	-	-	-	-	-	-	-	-	-	440.059	-	-	-	-	1	440.060
<b>IV. Hedging Funds (Active Part)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Revaluation Differences of Tangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	(123.389)	-	-	-	-	(123.389)
<b>VI. Revaluation Differences of Intangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Foreign Exchange Differences</b>		-	-	-	-	-	-	-	424.682	-	-	-	-	-	-	-	-	424.682
<b>IX. Changes Resulted from Disposal of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Changes Resulted from Reclassification of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity</b>		-	-	-	-	-	-	-	(16.966)	-	7.448	-	-	-	-	-	-	(9.518)
<b>XII. Increase in Capital</b>		500.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500.000
12.1 Cash		500.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500.000
12.2 From Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Issuance of Share Certificates</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Share Cancellation Profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Adjustment to Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Other</b>		-	-	-	-	-	-	-	(41.057)	-	-	-	-	-	-	-	-	(41.057)
<b>XVII. Net Profit or Losses</b>		-	-	-	-	-	-	-	-	8.884.119	-	-	-	-	-	-	213	8.884.332
<b>XVIII. Profit Distribution</b>		-	-	-	-	431.090	-	6.783.805	(151.794)	-	(7.566.852)	-	-	-	-	-	-	(503.751)
18.1 Dividend Distributed		-	-	-	-	-	-	-	-	-	(503.751)	-	-	-	-	-	-	(503.751)
18.2 Transfers to Legal Reserves		-	-	-	-	431.090	-	6.783.805	(151.794)	-	(7.063.101)	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at the end of the period (I+II+III+.....+ XVI+XVII+XVIII)</b>		5.600.000	-	-	-	3.824.868	-	24.836.410	1.560.507	8.884.119	647.804	(953.956)	4.064.351	17.388	-	-	1.665	48.483.156

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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

<b>VII. CONSOLIDATED STATEMENT OF CASH FLOWS</b>		
	<b>Note (Section Five VI)</b>	<b>Prior Period 1 January-31 December 2017</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
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
<b>I. Net Cash Provided from Banking Operations</b>		<b>(4.808.535)</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>II. Net Cash Provided from Investing Activities</b>		<b>(5.098.534)</b>
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)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net Cash Provided from Financing Activities</b>		<b>6.442.188</b>
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
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>(1)</b>	<b>1.404.479</b>
<b>V. Net (Decrease)/ Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>(2.060.402)</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>	<b>(1)</b>	<b>15.899.913</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>	<b>(1)</b>	<b>13.839.511</b>

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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

VIII. PROFIT DISTRIBUTION STATEMENT <sup>(*)</sup>	Prior Period 31 December 2017
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>	
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
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>7.940.121</b>
1.3 Prior Year Losses (-)	-
1.4 First Legal Reserves (-)	397.006
1.5 Other Statutory Reserves (-)	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]</b>	<b>7.543.115</b>
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	7.160.393
1.13 Other Reserves	-
1.14 Special Funds	77.722
<b>II. DISTRIBUTION OF RESERVES</b>	
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 (-)	-
<b>III. EARNINGS PER SHARE</b>	
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 ( % )	-
<b>IV. DIVIDEND PER SHARE</b>	
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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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”).)

**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.

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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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 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 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.

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.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**III. INFORMATION ON CONSOLIDATED SUBSIDIARIES (Continued)**

**1.1. Consolidation Principles for Subsidiaries(Continued)**

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.	İstanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Sigorta A.Ş.	İstanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Finansal Kiralama A.Ş.	İstanbul/Turkey	Leasing	100,00	100,00	100,00	100,00
Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	Brokerage Houses	99,60	99,60	99,60	99,60
Ziraat Portföy Yönetimi A.Ş.	İstanbul/Turkey	Portfolio Management	99,70	99,80	99,70	99,80
Ziraat Katılım Bankası A.Ş.	İstanbul/Turkey	Banking	100,00	100,00	100,00	100,00
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	Real Estate	100,00	100,00	100,00	100,00
Ziraat Girişim Sermayesi Ortaklığı A.Ş.	İstanbul/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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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**III. INFORMATION ON CONSOLIDATED SUBSIDIARIES (Continued)**

**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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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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.

Commision 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.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**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.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**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.

**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.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT FINANCIAL ASSETS (Continued)**

**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.

***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

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT FINANCIAL ASSETS (Continued)**

**Impairment (Continued)**

***Credit-Impaired Losses (Stage 3 / Specific Provision) (Continued)***

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.

**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 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.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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.

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

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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



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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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".

**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.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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).

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

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS (Continued)**

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

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

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

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS (Continued)**

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

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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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**Current Tax (Continued)**

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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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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.

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

<b>ASSETS</b>	<b>31 December 2017</b>	<b>TFRS-9 Reclassification impact</b>	<b>TFRS-9 Remeasurement impact</b>	<b>1 January 2018</b>
<b>FINANCIAL ASSETS (Net)</b>	<b>124.716.719</b>	<b>(118.686)</b>	<b>100.148</b>	<b>124.698.181</b>
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
<b>LOANS (Net)</b>	<b>319.903.621</b>	<b>(4.917.056)</b>	<b>4.900.932</b>	<b>319.887.497</b>
<b>Loans</b>	<b>316.795.002</b>	<b>-</b>	<b>-</b>	<b>316.795.002</b>
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
<b>NON-CURRENTS ASSETS OR DISPOSAL GROUPS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS (Net)</b>	<b>674.819</b>	<b>-</b>	<b>-</b>	<b>674.819</b>
<b>JOINT VENTURES</b>	<b>188.038</b>	<b>-</b>	<b>-</b>	<b>188.038</b>
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
<b>TANGIBLE ASSETS (Net)</b>	<b>6.679.632</b>	<b>-</b>	<b>-</b>	<b>6.679.632</b>
<b>INTANGIBLE ASSETS AND GOODWILL (Net)</b>	<b>532.088</b>	<b>-</b>	<b>-</b>	<b>532.088</b>
<b>INVESTMENT PROPERTIES (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CURRENT TAX ASSET</b>	<b>11.261</b>	<b>-</b>	<b>-</b>	<b>11.261</b>
<b>DEFERRED TAX ASSETS</b>	<b>29.794</b>	<b>-</b>	<b>-</b>	<b>29.794</b>
<b>OTHER ASSETS</b>	<b>4.190.157</b>	<b>-</b>	<b>-</b>	<b>4.190.157</b>
<b>TOTAL ASSETS</b>	<b>456.926.129</b>	<b>(5.035.742)</b>	<b>5.001.080</b>	<b>456.891.467</b>



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

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXV. EXPLANATIONS ON OTHER MATTERS (Continued)**

**Reconciliation of statement of financial position balances to TFRS 9 (Continued)**

LIABILITIES AND EQUITY	31 December 2017	TFRS-9 Reclassification impact	TFRS-9 Remeasurement impact	1 January 2018
<b>DEPOSITS</b>	<b>282.569.613</b>	-	-	<b>282.569.613</b>
<b>FUNDS BORROWED</b>	<b>31.118.253</b>	-	-	<b>31.118.253</b>
<b>MONEY MARKETS</b>	<b>56.309.523</b>	-	-	<b>56.309.523</b>
<b>SECURITIES ISSUED (Net)</b>	<b>13.474.280</b>	-	-	<b>13.474.280</b>
<b>FUNDS</b>	<b>6.030.575</b>	-	-	<b>6.030.575</b>
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	-	-	-	-
<b>DERIVATIVE FINANCIAL LIABILITIES</b>	<b>548.910</b>	-	-	<b>548.910</b>
<b>FACTORING LIABILITIES</b>	-	-	-	-
<b>PROVISIONS</b>	<b>10.362.037</b>	<b>(5.038.318)</b>	<b>(428.230)</b>	<b>4.895.489</b>
<i>General Provision</i>	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
<b>CURRENT TAX LIABILITY</b>	<b>1.003.338</b>	-	<b>209.250</b>	<b>1.212.588</b>
<b>DEFERRED TAX LIABILITY</b>	<b>307.100</b>	-	<b>(180.901)</b>	<b>126.199</b>
<b>OTHER LIABILITIES</b>	<b>6.719.344</b>	-	-	<b>6.719.344</b>
<b>SHAREHOLDER'S EQUITY</b>	<b>48.483.156</b>	<b>2.576</b>	<b>5.400.961</b>	<b>53.886.693</b>
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)
<i>Marketable Securities Valuation Differences</i>	(953.956)	953.956	-	-
<i>Tangible Assets Revaluation Reserves</i>	4.064.351	(4.064.351)	-	-
<i>Bonus Shares of Subsidiaries, Associates and Entities Under Common Control</i>	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
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>456.926.129</b>	<b>(5.035.742)</b>	<b>5.001.080</b>	<b>456.891.467</b>

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

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXV. EXPLANATIONS ON OTHER MATTERS (Continued)**

**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
<b>Loans Provision</b>	<b>9.914.916</b>	(4.900.932)	5.013.984
Stage 1 <sup>(1)</sup>	4.680.739	(4.092.769)	587.970
Stage 2 <sup>(1)</sup>	236.317	(90.124)	146.193
Stage 3	4.997.860	(718.039)	4.279.821
<b>Financial Assets <sup>(2)</sup></b>	<b>121.262</b>	<b>(100.323)</b>	<b>20.939</b>
<b>Non-Cash Loans <sup>(3)</sup></b>	<b>735.115</b>	(428.230)	306.885
Stage 1 and 2	596.880	(460.448)	136.432
Stage 3	138.235	32.218	170.453
<b>Total</b>	<b>10.771.293</b>	<b>(5.429.485)</b>	<b>5.341.808</b>

<sup>(1)</sup> Represents general provisions for stage 1 and 2 loans before TFRS 9.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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:

***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.

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**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXVI. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT AVAILABLE FOR THE CURRENT PERIOD (Continued)**

***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.

***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.

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**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.

**1. Information Related to The Components of Shareholders' Equity**

	<b>Current Period</b>	<b>Amount as per the regulation before 1/1/2014*</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
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	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>66.366.858</b>	<b>-</b>
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	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	-	-

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

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**SECTION FOUR (Continued)**

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

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

**1. Information Related To The Components Of Shareholders' Equity (Continued)**

	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	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>7.033.876</b>	<b>-</b>
<b>Total Common Equity Tier I Capital</b>	<b>59.332.982</b>	<b>-</b>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Third parties' share in the Additional Tier I capital	-	-
Third parties' share in the Additional Tier I capital (Covered by Temporary Article 3)	-	-
<b>Additional Tier I Capital before Deductions</b>		
<b>Deductions from Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items to be defined by the BRSA (-)	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>59.332.982</b>	<b>-</b>
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	4.552.906	-
<b>Tier II Capital Before Deductions</b>	<b>4.552.906</b>	<b>-</b>
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>4.552.906</b>	<b>-</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>63.885.888</b>	<b>-</b>

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

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**SECTION FOUR (Continued)**

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

**I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY**

**1. Information Related To The Components Of Shareholders' Equity (Continued)**

	Current Period	Amount as per the regulation before 1/1/2014*
<b>Total Tier I Capital and Tier II Capital (Total Equity)</b>	<b>63.885.888</b>	-
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	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	63.884.017	-
Total Risk Weighted Assets	448.874.719	-
<b>CAPITAL ADEQUACY RATIOS</b>		
CET 1 Capital Ratio (%)	13,22	-
Tier I Capital Ratio (%)	13,22	-
Capital Adequacy Ratio (%)	14,23	-
<b>BUFFERS</b>		
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	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand	4.552.906	-
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	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(\*) Amounts considered within transition provisions

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**SECTION FOUR (Continued)**

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

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

**1. Information Related To The Components Of Shareholders' Equity (Continued)**

	<b>Prior Period 31 December 2017</b>	<b>Amount as per the regulation before 1/1/2014*</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
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	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>50.378.828</b>	-
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1.897.159	-
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	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>2.406.269</b>	-
<b>Total Common Equity Tier I Capital</b>	<b>47.972.559</b>	-
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Third parties' share in the Additional Tier I capital	-	-
Third parties' share in the Additional Tier I capital (Covered by Temporary Article 3)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-



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**SECTION FOUR (Continued)**

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

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

**1. Information Related To The Components Of Shareholders' Equity (Continued)**

	Prior Period 31 December 2017	Amount as per the regulation before 1/1/2014*
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>	-	-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items to be defined by the BRSA (-)	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	106.418	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>47.866.141</b>	-
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	3.879.292	-
<b>Tier II Capital Before Deductions</b>	<b>3.879.292</b>	-
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>3.879.292</b>	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>51.745.433</b>	-
<b>Deductions from Total Capital</b>	<b>51.745.433</b>	-
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	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

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**SECTION FOUR (Continued)**

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

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

**1. Information Related To The Components Of Shareholders' Equity (Continued)**

	Prior Period 31 December 2017	Amount as per the regulation before 1/1/2014*
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	51.743.724	-
Total Risk Weighted Assets	354.454.906	-
<b>CAPITAL ADEQUACY RATIOS</b>		
CET I Capital Ratio (%)	13,53	-
Tier I Capital Ratio (%)	13,50	-
Capital Adequacy Ratio (%)	14,60	-
<b>BUFFERS</b>		
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 I Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,53	-
<b>Amounts Lower than Excesses as per Deduction Rules</b>		
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	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand)	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	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(\*) Amounts considered within transition provisions

(\*\*) 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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**SECTION FOUR (Continued)**

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

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

**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 <sup>(1)</sup>	-	7.033.876	7.033.876
Minority Shares	-	289	289
<b>Common Equity Tier 1 capital</b>	<b>60.128.975</b>	<b>-</b>	<b>59.332.982</b>
Tier 1 capital	-	-	56.752.366
Provisions	-	-	4.552.906
<b>Tier 2 capital <sup>(2)</sup></b>	<b>-</b>	<b>4.552.906</b>	<b>4.552.906</b>
Shareholders' Equity Adjustments <sup>(3)</sup>	-	1.871	1.871
<b>Total Shareholders' Equity</b>	<b>60.128.975</b>	<b>3.755.042</b>	<b>63.884.017</b>

<sup>(1)</sup> The regulations cover Common Equity Tier 1 capital adjustments within the framework of paragraphs 9-1-b and c.

<sup>(2)</sup> The regulations cover general loan provisions included in Tier 2 capital within the framework of paragraphs 8-1-a.

<sup>(3)</sup> The regulations cover Shareholders' Equity adjustments within the framework of paragraphs 9-8-ç.

**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.

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**SECTION FOUR (Continued)**

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

**II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)**

**1. Information on Credit Risk (Continued)**

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".

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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**SECTION FOUR (Continued)**

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

**II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)**

**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	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
<b>Current Period</b>																		
Domestic	105.971.128	682.786	542.144	-	-	21.394.107	256.336.366	136.363.786	54.822.568	2.325.682	226.182	-	-	-	1.146.549	124.424	23.190.242	603.125.964
European Union Countries	64.087	-	-	-	-	26.636.834	2.063.237	132.114	-	1.727	803	-	-	-	-	9	76.638	28.975.449
OECD Countries <sup>(1)</sup>	-	-	-	-	-	988.063	281.482	-	-	-	-	-	-	-	-	-	-	1.269.545
Off-shore Banking Regions	-	-	-	-	-	142.333	-	-	-	-	-	-	-	-	-	-	-	142.333
USA, Canada	-	-	-	-	-	4.019.793	1.090.168	842	-	-	-	-	-	-	-	-	-	5.110.803
Other Countries	2.200.674	2.049	63	-	-	1.345.902	3.654.763	1.943.517	32.140	287	2.213.318	-	-	-	-	24.001	131.793	11.548.507
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	196.602	756.309	6.067	-	-	-	-	-	-	-	-	-	958.978
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>108.235.889</b>	<b>684.835</b>	<b>542.207</b>	<b>-</b>	<b>-</b>	<b>54.723.634</b>	<b>264.182.325</b>	<b>138.446.326</b>	<b>54.854.708</b>	<b>2.327.696</b>	<b>2.440.303</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.146.549</b>	<b>148.434</b>	<b>23.398.673</b>	<b>651.131.579</b>

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

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada.

<sup>(2)</sup> Assets and liabilities that could not be distributed on a consistent basis.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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”).)

**SECTION FOUR (Continued)**

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

**II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)**

**2. The Profile of Important Risks of Important Regions (Continued)**

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Investments in Equity Instruments	Other Receivables (3)	Total
<b>Prior Period</b>																		
Domestic	75.265.929	644.283	652.406	-	-	7.401.426	181.255.187	121.526.030	47.607.741	-	552.922	-	-	-	1.199.276	116.361	20.567.359	456.788.920
European Union Countries	27.917	-	-	-	-	24.055.991	1.952.422	119.532	-	-	-	-	-	-	-	1.582	67.943	26.225.387
OECD Countries <sup>(1)</sup>	-	-	-	-	-	679.480	51.003	-	-	-	-	-	-	-	-	-	-	730.483
Off-shore Banking Regions	-	-	-	-	-	221.401	283.110	-	-	-	-	-	-	-	-	-	-	504.511
USA, Canada	-	-	-	-	-	2.108.446	1.473.286	491	-	-	-	-	-	-	-	-	-	3.582.223
Other Countries	553.705	7.995	23	-	-	810.351	3.850.086	149.524	14.155	-	900.844	-	-	-	-	26.266	87.964	6.400.913
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	1.018.461	6.522	6.066	-	-	-	-	-	-	-	-	-	1.031.049
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>75.847.551</b>	<b>652.278</b>	<b>652.429</b>	<b>-</b>	<b>-</b>	<b>36.295.556</b>	<b>188.871.616</b>	<b>121.801.643</b>	<b>47.621.896</b>	<b>-</b>	<b>1.453.766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.199.276</b>	<b>144.209</b>	<b>20.723.266</b>	<b>495.263.486</b>

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

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada

<sup>(2)</sup> Assets and liabilities that could not be distributed on a consistent basis

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

SECTION FOUR (Continued)

EXPLANATIONS RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

3. Risk Profile by Sectors or Counterparties

Current Period Sectors/Counter Parties	Risk Classes																		TL	FC	Total
	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 banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSB	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				
Agriculture	119	473	11.578	-	-	-	3.148.963	5.123.165	975.337	87.723	16.503	-	-	-	-	-	-	328.551	8.735.465	956.947	9.692.412
Farming and Stockbreeding	37	473	11.578	-	-	-	2.393.782	4.730.831	937.275	83.913	16.265	-	-	-	-	-	-	327.433	8.166.538	335.049	8.501.587
Forestry	82	-	-	-	-	-	542.020	170.433	18.774	2.409	43	-	-	-	-	-	-	931	253.963	480.729	734.692
Fishing	-	-	-	-	-	-	213.161	221.901	19.288	1.401	195	-	-	-	-	-	-	187	314.964	141.169	456.133
Manufacturing	74.812	6.082	31.472	-	-	-	102.697.768	9.095.843	1.735.009	380.890	220.415	-	-	-	-	-	-	171.546	40.480.949	73.932.888	114.413.837
Mining and Quarrying	-	-	-	-	-	-	5.261.839	161.125	24.311	4.515	485	-	-	-	-	-	-	79	937.494	4.514.860	5.452.354
Production	74.806	19	2.115	-	-	-	71.032.920	8.839.852	1.690.740	373.774	20.114	-	-	-	-	-	-	171.325	33.755.760	48.449.905	82.205.665
Electric, Gas and Water	6	6.063	29.357	-	-	-	26.403.009	94.866	19.958	2.601	199.816	-	-	-	-	-	-	142	5.787.695	20.968.123	26.755.818
Construction	-	-	61.108	-	-	-	51.499.361	4.688.200	1.386.610	183.195	290.793	-	-	-	-	166.360	-	27.020	20.345.449	37.957.198	58.302.647
Services	44.587.748	3.861	306.953	-	-	54.721.656	85.456.430	27.782.163	5.297.105	590.937	161.304	-	-	-	-	980.189	148.434	355.031	89.799.084	130.592.727	220.391.811
Wholesale and Retail Trade	18	1.435	6.357	-	-	-	25.022.115	19.717.803	2.935.788	383.933	28.162	-	-	-	-	-	-	60.819	36.161.310	11.995.120	48.156.430
Hotel Food and Beverage Services	302	13	1.237	-	-	-	4.823.337	1.602.016	796.019	41.884	64.060	-	-	-	-	-	-	6.718	2.565.455	4.770.131	7.335.586
Transportation and Telecommunication	4.786	249	152.113	-	-	-	16.003.428	2.733.835	513.700	25.224	4.333	-	-	-	-	-	-	20.173	4.562.539	14.895.302	19.457.841
Financial Institutions	44.342.749	934	18.112	-	-	49.270.612	14.988.333	540.608	2.429	41	-	-	-	-	-	655.514	148.007	262.364	29.901.297	80.328.406	110.229.703
Real Estate and Leasing Services	138.682	248	792	-	-	5.451.044	23.315.891	2.455.183	849.168	131.275	63.276	-	-	-	-	324.675	-	4.493	14.728.635	18.006.092	32.734.727
Self Employment Services	-	-	-	-	-	-	-	261	-	-	-	-	-	-	-	-	-	-	-	261	261
Education Services	100.492	-	115.705	-	-	-	457.251	263.689	80.586	5.926	170	-	-	-	-	-	-	194	751.956	272.057	1.024.013
Health and Social Services	719	982	12.637	-	-	-	846.075	468.768	119.415	2.654	1.303	-	-	-	-	-	427	270	1.127.892	325.358	1.453.250
Other	63.573.210	674.419	131.096	-	-	1.978	21.379.803	91.756.955	45.460.647	1.084.951	1.751.288	-	-	-	-	-	-	22.516.525	177.571.572	70.759.300	248.330.872
Total	108.235.889	684.835	542.207	-	-	54.723.634	264.182.325	138.446.325	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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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

SECTION FOUR (Continued)

EXPLANATIONS RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

3. Risk Profile by Sectors or Counterparties(Continued)

Prior Period	Risk Classes																					
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	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		
Sectors/Counter Parties																						
Agriculture	955	873	12.484	-	-	-	2.535.564	4.897.362	923.014	-	15.941	-	-	-	-	-	354.858	8.233.364	507.687	8.741.051		
Farming and Stockbreeding	359	529	8.789	-	-	-	2.083.448	4.087.431	781.167	-	15.298	-	-	-	-	-	350.881	7.135.750	192.152	7.327.902		
Forestry	596	9	17	-	-	-	292.976	161.127	16.607	-	202	-	-	-	-	-	1.040	235.186	237.388	472.574		
Fishing	-	335	3.678	-	-	-	159.140	648.804	125.240	-	441	-	-	-	-	-	2.937	862.428	78.147	940.575		
Manufacturing	59.644	4.306	24.574	-	-	-	72.711.951	7.624.224	1.282.114	-	40.886	-	-	-	-	-	180.431	34.217.961	47.710.169	81.928.130		
Mining and Quarrying	-	28	20	-	-	-	5.281.465	136.470	10.155	-	706	-	-	-	-	-	33	1.129.681	4.299.196	5.428.877		
Production	59.644	513	17.903	-	-	-	50.429.522	7.414.515	1.210.388	-	40.151	-	-	-	-	-	180.238	28.498.568	30.854.306	59.352.874		
Electric, Gas and Water	-	3.765	6.651	-	-	-	17.000.964	73.239	61.571	-	29	-	-	-	-	-	160	4.589.712	12.556.667	17.146.379		
Construction	-	19	32.953	-	-	-	32.414.489	4.164.129	823.346	-	26.716	-	-	-	-	52.385	36.474	14.526.065	23.024.446	37.550.511		
Services	6.170.310	5.861	409.066	-	-	-	26.334.184	64.696.030	3.909.971	-	303.154	-	-	-	-	1.146.891	144.209	287.228	63.148.306	63.882.618	127.030.924	
Wholesale and Retail Trade	113	1.315	4.005	-	-	-	19.728.420	16.449.171	2.189.105	-	182.064	-	-	-	-	-	58.802	31.423.049	7.189.946	38.612.995		
Hotel Food and Beverage Services	671	95	3.878	-	-	-	3.818.691	1.414.294	422.841	-	115.343	-	-	-	-	-	5.933	2.243.004	3.538.742	5.781.746		
Transportation and Telecommunication	1.213	636	262.693	-	-	-	8.145.651	2.558.014	431.149	-	1.521	-	-	-	-	-	19.566	4.223.912	7.196.531	11.420.443		
Financial Institutions	5.983.839	760	23.238	-	-	-	25.053.482	13.710.545	399.463	-	2.005	-	-	-	-	268.569	143.781	197.735	13.075.382	32.708.035	45.783.417	
Real Estate and Leasing Services	113.624	934	1.022	-	-	-	1.280.702	18.395.693	2.187.180	-	3.686	-	-	-	-	878.322	-	4.576	10.638.060	12.970.905	23.608.965	
Self Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Education Services	68.494	14	98.139	-	-	-	336.916	214.021	29.998	-	166	-	-	-	-	-	169	587.950	159.967	747.917		
Health and Social Services	2.356	2.107	16.091	-	-	-	560.114	401.877	91.647	-	374	-	-	-	-	428	447	956.949	118.492	1.075.441		
Other	69.616.642	641.219	173.352	-	-	-	9.961.372	16.513.582	81.491.908	-	40.683.451	-	1.067.069	-	-	-	19.864.275	171.174.231	68.838.639	240.012.870		
Total	75.847.551	652.278	652.429	-	-	-	36.295.556	188.871.616	121.801.643	-	47.621.896	-	1.453.766	-	-	-	1.199.276	144.209	20.723.266	291.299.927	203.963.559	495.263.486

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



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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

**SECTION FOUR (Continued)**

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

**II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)**

**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
<b>Exposure Classifications:</b>					
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
<b>Grand Total</b>	<b>52.172.238</b>	<b>16.737.292</b>	<b>8.662.917</b>	<b>80.088.904</b>	<b>470.071.555</b>

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

Prior Period	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
<b>Exposure Classifications:</b>					
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
<b>Grand Total</b>	<b>22.528.074</b>	<b>12.196.958</b>	<b>7.449.145</b>	<b>91.081.330</b>	<b>341.284.713</b>

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018**

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

**SECTION FOUR (Continued)**

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

**II EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)**

**4. Analysis of maturity-bearing exposures according to remaining maturities (Continued)**

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.

**5. Exposures by risk weights:**

**Current Period**

	<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>1250%</b>	<b>Deductions from Equity</b>
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**

	<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>1250%</b>	<b>Deductions from Equity</b>
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.*

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

**SECTION FOUR (Continued)**

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

**II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)**

**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.

***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)	
<b>Agriculture</b>	<b>2.285.479</b>	<b>1.235.943</b>	<b>691.978</b>
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
<b>Manufacturing</b>	<b>1.745.324</b>	<b>1.610.824</b>	<b>1.196.262</b>
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
<b>Construction</b>	<b>2.610.197</b>	<b>641.562</b>	<b>483.811</b>
<b>Services</b>	<b>10.989.288</b>	<b>3.113.760</b>	<b>4.440.277</b>
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
<b>Other</b>	<b>1.848.121</b>	<b>2.153.908</b>	<b>1.643.336</b>
<b>Total</b>	<b>19.478.409</b>	<b>8.755.997</b>	<b>8.455.664</b>

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

**SECTION FOUR (Continued)**

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

**II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)**

**6 Information in terms of major sectors and type of counterparties: (Continued)**

*Past Due Credits (Continued)*

Prior Period	Credits		Value Adjustments <sup>(1)</sup>	Provisions
	Impaired Credits	Past Due Credits		
<b>Agriculture</b>	<b>685.172</b>	<b>1.192.641</b>	<b>44.518</b>	<b>466.542</b>
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
<b>Manufacturing</b>	<b>961.019</b>	<b>806.177</b>	<b>29.740</b>	<b>961.019</b>
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
<b>Construction</b>	<b>997.569</b>	<b>461.872</b>	<b>17.061</b>	<b>990.908</b>
<b>Services</b>	<b>1.195.192</b>	<b>2.046.428</b>	<b>70.890</b>	<b>1.195.192</b>
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
<b>Other</b>	<b>1.190.015</b>	<b>994.037</b>	<b>74.108</b>	<b>1.189.820</b>
<b>Total</b>	<b>5.028.967</b>	<b>5.501.155</b>	<b>236.317</b>	<b>4.803.481</b>

<sup>(1)</sup> Valuation adjustments represent general provisions reserved for overdue loans.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

**SECTION FOUR (Continued)**

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

**II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)**

**7. Information about Value Adjustment and Change in Provisions**

	<b>Current Period</b>	<b>Opening Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments</b>	<b>Closing Balance</b>
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

	<b>Prior Period</b>	<b>Opening Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments</b>	<b>Closing Balance</b>
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

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

	<b>Current Period</b>	<b>Prior Period</b>
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
<b>Total credit risk exposure of balance sheet items</b>	<b>510.655.878</b>	<b>397.703.765</b>
Financial Guarantees	131.647.708	102.326.622
Commitments	50.902.263	35.009.539
<b>Total credit risk exposure of off-balance sheet items</b>	<b>182.549.971</b>	<b>137.336.161</b>
<b>Total credit risk exposure</b>	<b>693.205.849</b>	<b>535.039.926</b>

	<b>Current Period</b>			<b>Prior Period</b>		
<b>Financial Assets</b>	<b>Neither past due nor impaired</b>	<b>Past due but not impaired</b>	<b>Total</b>	<b>Neither past due nor impaired</b>	<b>Past due but not impaired</b>	<b>Total</b>
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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

**SECTION FOUR (Continued)**

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

**II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)**

**7. Information about Value Adjustment and Change in Provisions (Continued)**

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 <sup>(1)</sup>	10.552.812	11.442.115
Corporate/Entrepreneurial Loans	5.901.981	4.385.615
Consumer Loans	1.091.982	1.560.437
Specialized Loans	3.558.849	5.496.063
Other	-	-
Available-for-sale Financial Assets	-	-
Held-to-maturity Investments	-	-

<sup>(1)</sup> 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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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").)

**SECTION FOUR (Continued)**

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

**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

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

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**SECTION FOUR (Continued)**

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

**III. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (Continued)**

**6. Information on the foreign currency risk of the Group**

	EUR	USD	Other FC <sup>(1)</sup>	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	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 <sup>(2)</sup>	57.505.938	76.914.874	3.028.946	137.449.758
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(4)</sup>	-	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 <sup>(6)</sup>	1.999.088	1.045.875	145.963	3.190.926
<b>Total Assets<sup>(5) (7)</sup></b>	<b>85.603.723</b>	<b>118.676.944</b>	<b>15.448.382</b>	<b>219.729.049</b>
<b>Liabilities</b>				
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
<b>Total Liabilities</b>	<b>113.929.235</b>	<b>110.510.911</b>	<b>14.945.313</b>	<b>239.385.459</b>
<b>Net Balance Sheet Position</b>	<b>(28.325.512)</b>	<b>8.166.033</b>	<b>503.069</b>	<b>(19.656.410)</b>
<b>Net Off-Balance Sheet Position<sup>(3)</sup></b>	<b>27.761.346</b>	<b>(11.215.345)</b>	<b>1.959.819</b>	<b>18.505.820</b>
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
<b>Non-Cash Loans</b>	<b>36.646.822</b>	<b>45.965.469</b>	<b>6.676.566</b>	<b>89.288.857</b>
<b>Prior Period</b>				
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
<b>Net Balance Sheet Position</b>	<b>(21.547.027)</b>	<b>6.794.138</b>	<b>5.206.800</b>	<b>(9.546.089)</b>
<b>Net Off-Balance Sheet Position<sup>(3)</sup></b>	<b>22.012.420</b>	<b>(9.288.810)</b>	<b>(3.168.835)</b>	<b>9.554.775</b>
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
<b>Non-Cash Loans</b>	<b>26.178.914</b>	<b>35.515.822</b>	<b>4.564.048</b>	<b>66.258.784</b>

<sup>1)</sup> 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)

<sup>2)</sup> Indicates the net balance of receivables and payables on derivative financial instruments.

<sup>3)</sup> 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.

<sup>4)</sup> Derivative financial assets held for trading and liabilities are not included in the table.

<sup>5)</sup> Prepaid expenses in other assets amounting to TL 36.685 are not included in the table.

<sup>6)</sup> Expected loss provisions for financial assets and other assets are reflected in related items.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018**

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

**SECTION FOUR (Continued)**

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

**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
<b>Assets</b>							
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 <sup>(3)</sup>	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 <sup>(2)</sup>	550.141	1.304.545	504.152	95.773	20.037	17.742.509	20.217.157
<b>Total Assets <sup>(1) (5)</sup></b>	<b>167.494.224</b>	<b>46.791.854</b>	<b>95.741.145</b>	<b>155.827.170</b>	<b>51.747.792</b>	<b>50.784.811</b>	<b>568.386.996</b>
<b>Liabilities</b>							
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 <sup>(4)</sup>	3.508.399	908.612	1.465.331	903.168	4.859.282	76.420.270	88.065.062
<b>Total Liabilities <sup>(1)</sup></b>	<b>239.371.268</b>	<b>67.936.249</b>	<b>61.378.161</b>	<b>20.978.664</b>	<b>6.205.151</b>	<b>172.517.503</b>	<b>568.386.996</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>-</b>	<b>34.362.984</b>	<b>134.848.506</b>	<b>45.542.641</b>	<b>-</b>	<b>214.754.131</b>
<b>Balance Sheet Short Position</b>	<b>(71.877.044)</b>	<b>(21.144.395)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(121.732.692)</b>	<b>(214.754.131)</b>
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
<b>Total Position</b>	<b>(70.897.906)</b>	<b>(18.117.066)</b>	<b>34.287.998</b>	<b>134.654.581</b>	<b>45.542.641</b>	<b>(121.657.181)</b>	<b>3.813.067</b>

<sup>(1)</sup> Balances without fixed maturity are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.

<sup>(2)</sup> Deferred tax asset is shown under the "Non-Interest Bearing" column.

<sup>(3)</sup> Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in loans given.

<sup>(4)</sup> Total shareholders' equity is shown under the "Non-Interest Bearing" column.

<sup>(5)</sup> Allowance for expected losses for financial assets and other assets are reflected in the related items.

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**SECTION FOUR (Continued)**

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

**IV. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK (Continued)**

**1. Information Related to Interest Rate Sensitivity of Assets, Liabilities and Off-Balance Sheet Items (Continued)**

(Based on days to repricing dates)

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
<b>Assets</b>							
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 <sup>(4)</sup>	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 <sup>(3)</sup>	202.210	222.845	637.881	1.478.947	313.647	12.333.392	15.188.922
<b>Total Assets <sup>(1)</sup></b>	<b>126.129.979</b>	<b>30.741.058</b>	<b>94.787.804</b>	<b>129.461.482</b>	<b>49.121.855</b>	<b>26.683.951</b>	<b>456.926.129</b>
<b>Liabilities</b>							
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 <sup>(2) (5)</sup>	1.377.415	297.811	430.455	6.571.837	19.889	60.613.663	69.311.070
<b>Total Liabilities <sup>(1)</sup></b>	<b>204.233.168</b>	<b>39.708.179</b>	<b>53.705.384</b>	<b>19.899.958</b>	<b>3.044.911</b>	<b>136.334.529</b>	<b>456.926.129</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>-</b>	<b>41.082.420</b>	<b>109.561.524</b>	<b>46.076.944</b>	<b>-</b>	<b>196.720.888</b>
<b>Balance Sheet Short Position</b>	<b>(78.103.189)</b>	<b>(8.967.121)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(109.650.578)</b>	<b>(196.720.888)</b>
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)
<b>Total Position</b>	<b>(76.989.812)</b>	<b>(6.939.456)</b>	<b>41.072.794</b>	<b>108.447.991</b>	<b>46.076.944</b>	<b>(109.650.578)</b>	<b>2.017.883</b>

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

<sup>(2)</sup> 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.

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

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

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

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

**IV EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK (Continued)**

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

	EUR	USD	JPY	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	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 <sup>(2)</sup>	4,95	7,28	4,85	15,54
Investments Held-to-Maturity	6,63	7,32	-	17,06
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0,52	2,32	-	23,33
Other Deposits <sup>(4)</sup>	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

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

<sup>(2)</sup> Credit card loan balances are not included.

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

<sup>(4)</sup> Rates include also demand deposit data.

	EUR	USD	JPY	TL
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	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 <sup>(2)</sup>	4,51	6,02	-	13,44
Investments Held-to-Maturity	6,63	7,20	-	11,05
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0,48	1,57	-	12,47
Other Deposits <sup>(4)</sup>	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

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

<sup>(2)</sup> Credit card loans balances are not included.

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

<sup>(4)</sup> Rates include also demand deposit data.

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**SECTION FOUR (Continued)**

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

**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 <sup>(*)</sup>	148.434	148.434	-

<sup>(\*)</sup> 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 <sup>(*)</sup>	144.209	144.209	-

<sup>(\*)</sup> 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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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT(Continued)**

**VI. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)**

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

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

**1. Liquidity Coverage Ratio (Continued)**

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 montly 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% repectively)

	Total Unweighted Value (Average) <sup>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>	
Current Period	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
High Quality Liquid Assets			60.776.637	41.550.730
<b>CASH OUTFLOWS</b>				
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
<b>TOTAL CASH OUTFLOWS</b>			<b>101.117.040</b>	<b>54.551.168</b>
<b>CASH INFLOWS</b>				
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
<b>Total Cash Inflows</b>	<b>38.807.339</b>	<b>24.617.497</b>	<b>25.957.463</b>	<b>20.105.293</b>
			<b>Upper Limit Applied Amounts</b>	
<b>TOTAL HQLA STOCK</b>			<b>60.776.637</b>	<b>41.550.730</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>75.159.577</b>	<b>34.445.875</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>80,86</b>	<b>120,63</b>

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

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**VI. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)**

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

Prior Period	Total Unweighted Value (Average) <sup>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			51.969.108	42.724.037
<b>Cash Outflows</b>				
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
<b>Total Cash Outflows</b>			<b>75.072.336</b>	<b>36.832.334</b>
<b>Cash Inflows</b>				
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
<b>Total Cash Inflows</b>	<b>26.100.032</b>	<b>16.475.824</b>	<b>18.500.565</b>	<b>15.036.358</b>
<b>Total HQLA Stock</b>			<b>51.969.108</b>	<b>42.724.037</b>
<b>Total Net Cash Outflows</b>			<b>56.571.771</b>	<b>21.795.976</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>91,86</b>	<b>196,02</b>

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

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

**VI EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)**

**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.

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.



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**SECTION FOUR (Continued)**

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

**VI. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)**

**3. Minimum Statements Concerning Liquidity Coverage Ratio by Banks (Continued)**

*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.

**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
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	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
<b>Total Assets</b>	<b>31.142.785</b>	<b>49.280.824</b>	<b>31.263.258</b>	<b>168.369.498</b>	<b>197.658.653</b>	<b>71.226.370</b>	<b>19.445.608</b>	<b>568.386.996</b>
<b>Liabilities</b>								
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 <sup>(3)</sup>	20.639.607	1.872.062	1.908.697	1.356.994	903.169	6.171.802	55.212.731	88.065.062
<b>Total Liabilities</b>	<b>114.627.753</b>	<b>236.995.776</b>	<b>62.998.947</b>	<b>61.748.955</b>	<b>26.809.968</b>	<b>9.908.287</b>	<b>55.297.310</b>	<b>568.386.996</b>
<b>Liquidity Gap</b>	<b>(83.484.968)</b>	<b>(187.714.952)</b>	<b>(31.735.689)</b>	<b>106.620.543</b>	<b>170.848.685</b>	<b>61.318.083</b>	<b>(35.851.702)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(291.050)</b>	<b>(967.025)</b>	<b>122.547</b>	<b>672.964</b>	<b>-</b>	<b>(44)</b>	<b>(462.608)</b>
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
<b>Prior Period</b>								
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
<b>Liquidity Gap</b>	<b>(29.135.129)</b>	<b>(183.413.169)</b>	<b>(13.711.578)</b>	<b>62.051.307</b>	<b>141.830.157</b>	<b>65.062.793</b>	<b>(42.684.381)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>289.511</b>	<b>(50.634)</b>	<b>(18.587)</b>	<b>520.911</b>	<b>-</b>	<b>-</b>	<b>741.201</b>
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

<sup>(1)</sup> 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.

<sup>(2)</sup> Deferred tax asset is included under the "Undistributed" column.

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

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

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

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

**5 Presentation of Liabilities According to Their Remaining Maturities**

<b>Current Period <sup>(*)</sup></b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
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
<b>Total</b>	<b>319.683.998</b>	<b>60.160.998</b>	<b>58.065.706</b>	<b>18.150.508</b>	<b>5.275.005</b>	<b>461.336.215</b>
<b>Prior Period <sup>(*)</sup></b>						
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
<b>Total</b>	<b>270.930.907</b>	<b>34.888.596</b>	<b>53.975.620</b>	<b>10.015.613</b>	<b>4.127.187</b>	<b>373.937.923</b>

<sup>(\*)</sup> 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%.

<b>Balance sheet assets</b>	<b>Current Period <sup>(*)</sup></b>	<b>Prior Period <sup>(*)</sup></b>
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
<b>Derivative financial instruments and credit derivatives</b>		
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
<b>Securities or commodity financing transactions (SCFT)</b>		
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
<b>Other off-balance sheet transactions</b>		
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
<b>Capital and total risks</b>		
Tier 1 capital	57.496.516	47.185.249
Total risks	750.694.520	591.420.214
<b>Leverage ratio</b>		
Leverage ratio %	7,66	7,98

<sup>(\*)</sup> Three month average of the amounts in the table are taken.

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**SECTION FOUR (Continued)**

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

**VII EXPLANATIONS ON CONSOLIDATED LEVERAGE**

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

	<b>Current Period<sup>(*)</sup></b>	<b>Prior Period<sup>(*)</sup></b>
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards <sup>(**)</sup>	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)
<b>Total Risk Amount</b>	<b>750.661.186</b>	<b>591.420.214</b>

<sup>(\*)</sup> The amounts shown in the table are 3 month averages.

<sup>(\*\*)</sup> 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.

**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT**

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

**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.

SECTION FOUR (Continued)

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

VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)

1. Explanations on Risk Management and Risk Weighted Amount (Continued)

1.1 Parent Bank's Risk Management Approach (Continued)

*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.

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

**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**1. Explanations on Risk Management and Risk Weighted Amount (Continued)**

**1.1 Parent Bank's Risk Management Approach (Continued)**

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.

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.

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**SECTION FOUR (Continued)**

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

**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**1. Explanations on Risk Management and Risk Weighted Amount (Continued)**

**1.1 Parent Bank's Risk Management Approach (Continued)**

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.

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.

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

**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**1. Explanations on Risk Management and Risk Weighted Amount (Continued)**

**1.1 Parent Bank's Risk Management Approach (Continued)**

*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.

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.

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**SECTION FOUR (Continued)**

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

**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**1. Explanations on Risk Management and Risk Weighted Amounts**

**1.1 Parent Bank's Risk Management Approach (Continued)**

*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	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>448.874.719</b>	<b>354.454.906</b>	<b>35.909.978</b>



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

**VIII EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**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 as reported in published financial statements <sup>(*)</sup>	Valued amount according to TAS within legal consolidation <sup>(*)</sup>	Carrying values of items					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 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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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT(Continued)**

**VIII**

**EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**3**

**Connections Between Financial Statements and the Risk Amounts**

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

			Carrying values of items in accordance with TAS					
	Carrying values as reported in published financial statements <sup>(*)</sup>	Valued amount according to TAS within legal consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital	
Prior Period								
Assets								
Cash and balances at central bank	46.220.337	46.220.337	46.220.337	-	-	-	-	
Financial assets held for trading	1.467.863	1.467.863	-	1.396.767	-	71.096	-	
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	
Banks	5.632.140	5.632.140	5.632.140	-	-	-	-	
Receivables from money markets	132.385	132.385	62.214	70.171	-	-	-	
Available for sale financial assets (net)	63.638.231	63.638.231	18.613.864	2.179.191	-	42.845.176	-	
Loans and receivables	317.020.488	317.020.488	317.018.779	-	-	-	1.709	
Factoring receivables	1.614	1.614	1.614	-	-	-	-	
Held to maturity investments (net)	7.625.763	7.625.763	5.315.124	2.310.639	-	-	-	
Investments in associates (net)	146.075	128.419	128.419	-	-	-	-	
Investments in subsidiaries (net)	1.346	7.583	7.583	-	-	-	-	
Investments in joint ventures (net)	52.036	52.036	52.036	-	-	-	-	
Leasing receivables	2.881.519	2.881.519	2.881.519	-	-	-	-	
Derivative financial assets held for hedges	-	-	-	-	-	-	-	
Tangible assets (net)	6.682.102	6.679.632	6.596.192	-	-	-	83.440	
Intangible assets (net)	548.753	532.088	-	-	-	-	532.088	
Investment properties (net)	-	-	-	-	-	-	-	
Tax assets	41.055	41.055	41.055	-	-	-	-	
Non-current assets and disposal groups classified as held for sale (net)	674.819	674.819	674.819	-	-	-	-	
Other assets	4.213.364	4.190.157	4.190.157	-	-	-	-	
Total assets	456.979.890	456.926.129	407.435.852	5.956.768	-	42.916.272	617.237	
Liabilities								
Deposits	282.549.116	282.569.613	-	-	-	-	-	
Derivative financial liabilities held for trading	548.910	548.910	-	-	-	-	-	
Loans	31.118.253	31.118.253	-	2.726.897	-	-	-	
Debt to money markets	56.309.523	56.309.523	-	14.440.188	-	-	-	
Debt securities in issue	13.474.280	13.474.280	-	-	-	-	-	
Funds	6.030.575	6.030.575	-	-	-	-	-	
Various debts	4.179.377	4.143.390	-	-	-	-	-	
Other liabilities	2.575.954	2.575.954	-	-	-	-	-	
Factoring debts	-	-	-	-	-	-	-	
Debts from leasing transactions	-	-	-	-	-	-	-	
Derivative financial liabilities held for hedges	-	-	-	-	-	-	-	
Provisions	10.375.563	10.362.037	-	-	-	-	-	
Tax liability	1.310.438	1.310.438	-	-	-	-	-	
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-	-	
Subordinated debts	-	-	-	-	-	-	-	
Equity	48.507.901	48.483.156	-	-	-	-	-	
Total liabilities	456.979.890	456.926.129	-	17.167.085	-	-	-	

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

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**SECTION FOUR (Continued)**

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

**VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**2. Connections Between Financial Statements and the Risk Amounts**

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

<b>Current Period</b>	<b>Total</b>	<b>Subject to credit risk framework</b>	<b>Subject to counterparty credit risk framework</b>	<b>Subject to the market risk framework</b>
<b>Asset carrying value amount under scope of regulatory consolidation</b>	<b>568.386.996</b>	<b>533.757.038</b>	<b>32.290.910</b>	<b>35.106.644</b>
Liabilities carrying value amount under regulatory scope of consolidation	-	-	28.810.456	-
<b>Total net amount under regulatory scope of consolidation</b>	<b>568.386.996</b>	<b>533.757.038</b>	<b>3.480.454</b>	<b>35.106.644</b>
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	-	-	-	-
<b>Amount of Risk</b>	<b>812.861.184</b>	<b>612.789.718</b>	<b>72.666.980</b>	<b>35.106.644</b>

<b>Prior Period</b>	<b>Total</b>	<b>Subject to credit risk framework</b>	<b>Subject to counterparty credit risk framework</b>	<b>Subject to the market risk framework</b>
<b>Asset carrying value amount under scope of regulatory consolidation</b>	<b>456.926.129</b>	<b>407.435.852</b>	<b>5.956.768</b>	<b>42.916.272</b>
Liabilities carrying value amount under regulatory scope of consolidation	-	-	17.167.085	-
<b>Total net amount under regulatory scope of consolidation</b>	<b>456.926.129</b>	<b>407.435.852</b>	<b>(11.210.317)</b>	<b>42.916.272</b>
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	-	-	-	-
<b>Amount of Risk</b>	<b>637.724.861</b>	<b>466.027.112</b>	<b>37.081.910</b>	<b>42.916.272</b>

**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.

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.

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

**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**3 Credit Risk Explanations (Continued)**

**3.1. Transformation of bank's business model into components in credit risk profile (Continued)**

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

**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**3. Credit Risk Explanations (Continued)**

**1.3. Relationship between credit risk management, risk control, legal compliance and internal audit functions (Continued)**

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**

<b>Current Period</b>	<b>Defaulted</b>	<b>Non-defaulted</b>	<b>Allowances/Amortisation and impairments</b>	<b>Net values</b>
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
<b>Total</b>	<b>9.035.903</b>	<b>682.678.271</b>	<b>16.178.601</b>	<b>675.535.573</b>

<b>Prior Period</b>	<b>Defaulted</b>	<b>Non-defaulted</b>	<b>Allowances/Amortisation and impairments</b>	<b>Net values</b>
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
<b>Total</b>	<b>5.167.024</b>	<b>526.252.298</b>	<b>7.269.541</b>	<b>524.149.781</b>

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

**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**3. Credit Risk Explanations (Continued)**

**3.7 Changes in the Defaulted Receivables and Debt Instruments**

**Current Period**

<b>1</b>	Defaulted loans and debt securities at end of the previous reporting period	<b>5.028.967</b>
<b>2</b>	Loans and debt securities that have defaulted since the last reporting period	4.989.088
<b>3</b>	Returned to non-defaulted status	85.686
<b>4</b>	Amounts written off	-
<b>5</b>	Other changes	(1.176.372)
<b>6</b>	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) (*) definitions</b>	<b>8.755.997</b>

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

**Prior Period**

<b>1</b>	Defaulted loans and debt securities at end of the previous reporting period	<b>4.380.490</b>
<b>2</b>	Loans and debt securities that have defaulted since the last reporting period	2.168.537
<b>3</b>	Returned to non-defaulted status	37.244
<b>4</b>	Amounts written off	-
<b>5</b>	Other changes	(1.482.816)
<b>6</b>	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) (*) definitions</b>	<b>5.028.967</b>

(\*)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.

***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 priory imply failure, to make their loan repayment in a timely manner due to temporary liquidity problems.

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**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**3. Credit Risk Explanations (Continued)**

**3.8. Additional Explanations on Credit Quality of Assets (Continued)**

*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
<b>Total</b>	<b>395.772.934</b>	<b>8.755.997</b>	<b>9.451.879</b>	<b>395.077.052</b>

<sup>(1)</sup> 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
<b>Total</b>	<b>395.772.934</b>	<b>8.755.997</b>	<b>9.451.879</b>	<b>395.077.052</b>

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	<b>399.057.879</b>

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	<b>317.020.488</b>

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**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**3 Credit Risk Explanations (Continued)**

**3.9. Additional Explanations on Credit Quality of Assets (Continued)**

*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;

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-2 months</b>	<b>2-3 months</b>	<b>Total</b>
Loans and Receivables <sup>(1)</sup>				
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
<b>Total</b>	<b>1.168.439</b>	<b>397.086</b>	<b>1.868.564</b>	<b>3.434.089</b>

<sup>(1)</sup> 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 intallmant results with a grand total of TL 16.044.320

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-2 months</b>	<b>2-3 months</b>	<b>Total</b>
Loans and Receivables <sup>(1)</sup>				
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
<b>Total</b>	<b>881.056</b>	<b>162.956</b>	<b>143.854</b>	<b>1.187.866</b>

<sup>(1)</sup> 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 intallmant 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.

**3.10. Credit risk mitigation techniques – Overview**

<b>Current Period</b>	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	338.343.135	12.205.965	1.587.257	47.788.901	19.917.358	-	-
Debt Securities	96.898.370	-	-	-	-	-	-
<b>Total</b>	<b>435.241.505</b>	<b>12.205.965</b>	<b>1.587.257</b>	<b>47.788.901</b>	<b>19.917.358</b>	<b>-</b>	<b>-</b>
Of which defaulted	8.084.352	1.274	134	670.371	330.907	-	-



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**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**3. Credit Risk Explanations (Continued)**

**3.10. Credit risk if standard approach is used (Continued)**

Prior Period	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	279.574.611	9.363.583	1.229.502	28.082.294	22.633.132	-	-
Debt Securities	72.731.857	-	-	-	-	-	-
<b>Total</b>	<b>352.306.468</b>	<b>9.363.583</b>	<b>1.229.502</b>	<b>28.082.294</b>	<b>22.633.132</b>	-	-
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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**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**3 Credit Risk Explanations (Continued)**

**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
<b>Risk Classes</b>						
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%
<b>Total</b>	<b>572.098.899</b>	<b>175.064.232</b>	<b>572.098.899</b>	<b>79.032.680</b>	<b>401.520.481</b>	<b>61,7%</b>

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**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**3 Credit Risk Explanations (Continued)**

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

Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Risk Classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount
Exposures to sovereigns and their central banks	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%
<b>Total</b>	<b>436.672.225</b>	<b>132.368.449</b>	<b>436.672.226</b>	<b>58.591.260</b>	<b>310.343.340</b>	<b>62,7%</b>

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**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**3. Credit Risk Explanations (Continued)**

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

Current Period Risk Classes/ Risk Weight	0%	10%	20%	35% secured by property mortgage	50% secured by property mortgage	50% <sup>(*)</sup>	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
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
<b>Total</b>	<b>144.615.328</b>	<b>-</b>	<b>14.046.093</b>	<b>47.341.458</b>	<b>6.910.422</b>	<b>60.893.715</b>	<b>121.074.727</b>	<b>253.882.231</b>	<b>2.367.605</b>	<b>-</b>	<b>-</b>	<b>651.131.579</b>

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

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**VIII. EXPLANATIONS ON RISK MANAGEMENT (Continued)**

**4. Credit Risk Explanations (Continued)**

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

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
<b>Total</b>	<b>98.399.031</b>	<b>-</b>	<b>10.790.410</b>	<b>40.264.374</b>	<b>6.834.865</b>	<b>43.999.074</b>	<b>108.105.150</b>	<b>185.417.955</b>	<b>1.452.627</b>	<b>-</b>	<b>-</b>	<b>495.263.486</b>

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

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**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**3. Credit Risk Explanations (Continued)**

**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.

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.

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**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**3. Credit Risk Explanations (Continued)**

**3.15. Counter Party Credit Risk Explanations (Continued)**

***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.

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

	Current Period	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) <sup>(*)</sup>	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
	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	<b>Total</b>						<b>3.691.324</b>

<sup>(\*)</sup> Effective Expected Positive Exposure

	Prior Period	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) <sup>(*)</sup>	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
	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	<b>Total</b>						<b>3.401.517</b>

<sup>(\*)</sup> Effective Expected Positive Exposure

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**VIII. EXPLANATIONS ON RISK MANAGEMENT (Continued)**

**3. Credit Risk Explanations (Continued)**

**3.17. Capital Requirement for Loan Valuation Adjustments**

	<b>Current Period</b>	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	<b>Total subject to the CVA capital charge</b>	<b>2.431.575</b>	<b>56.045</b>

	<b>Prior Period</b>	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	<b>Total subject to the CVA capital charge</b>	<b>1.694.623</b>	<b>33.136</b>



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**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**3. Credit Risk Explanations (Continued)**

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

<b>Current Period Risk Weight /Regulatory portfolio</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Other</b>	<b>Total credit exposure <sup>(*)</sup></b>
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 <sup>(**)</sup>	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>27.318.787</b>	<b>-</b>	<b>6.442.448</b>	<b>4.127.845</b>	<b>5.149</b>	<b>391.095</b>	<b>-</b>	<b>-</b>	<b>38.285.324</b>

<sup>(\*)</sup> Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

<sup>(\*\*)</sup> 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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**EXPLANATIONS ON RISK MANAGEMENT (Continued)**

**4. Credit Risk Explanations (Continued)**

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

Prior Period Risk Weight /Regulatory portfolio	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure <sup>(*)</sup>
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 <sup>(**)</sup>	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>14.859.502</b>	<b>-</b>	<b>5.417.224</b>	<b>4.288.280</b>	<b>2.846</b>	<b>204.933</b>	<b>-</b>	<b>-</b>	<b>24.772.785</b>

<sup>(\*)</sup> Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

<sup>(\*\*)</sup> 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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VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)

3. Credit Risk Explanations (Continued)

3.19. Risk classes and counterparty credit risk explanations

None.

*Collaterals for CCR*

Current Period	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
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	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>29.575.823</b>	-

Prior Period	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	2.213.213	-
Cash-foreign currency	-	-	-	-	14.791.915	-
Domestic sovereign debts	-	-	-	-	1.961	-
Other sovereign debts	-	-	-	-	68.040	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>17.075.129</b>	-

*Credit Derivatives*

None.

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

None.

*Risks Related with Other Parts of the Center*

		Exposure at default (post-CRM)	RWA
1	<b>Exposure to Qualified Central Counterparties (QCCPs) (total)</b>	<b>709.305</b>	<b>17.957</b>
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	<b>Exposures to non-QCCPs (total)</b>	-	-
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	-	-

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**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**3 Credit Risk Explanations (Continued)**

**3.19. Risk classes and counterparty credit risk explanations (Continued)**

*Explanations on Securitization Disclosures*

None.

**4. Explanations on Market Risk (Continued)**

**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.

**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.

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VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)

4.3. Structure and scope of risk reporting and/or measurement systems (Continued)

<i>Standard approach-Current Period</i>		<b>RWA</b>
	<b>Outright products</b>	
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	-
	<b>Options</b>	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
<b>9</b>	<b>Total</b>	<b>15.630.514</b>

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

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**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**4 Explanations on Market Risk (Continued)**

**4.3. Structure and scope of risk reporting and/or measurement systems (Continued)**

<i>Standard approach-Period Period</i>		<b>RWA</b>
	<b>Outright products</b>	
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	-
	<b>Options</b>	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	<b>Total</b>	<b>18.965.749</b>

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.

<b>Current Period</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>Total/Number of Positive GI years</b>	<b>Ratio (%)</b>	<b>Total</b>
Gross Income	12.794.636	17.048.849	20.914.474	16.919.320	15	<b>2.537.898</b>
Amount Subject to Operational Risk (Total * 12,5)						<b>31.723.724</b>
<b>Prior Period</b>	<b>31.12.2014</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>Total/Number of Positive GI years</b>	<b>Ratio (%)</b>	<b>Total</b>
Gross Income	10.389.823	12.794.636	17.048.849	13.411.103	15	<b>2.011.665</b>
Amount Subject to Operational Risk (Total * 12,5)						<b>25.145.817</b>

**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.

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**SECTION FOUR (Continued)**

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

**VIII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)**

**6. Explanations on the Interest Rate Risk for Banking Book (Continued)**

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.

<b>Type of Currency -Current Period</b>	<b>Shock Applied (+/- x basis point)</b>	<b>Gains/ (Losses)</b>	<b>Gains/Equity- (Losses)/Equity</b>
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%
<b>Total (of negative shocks)</b>		<b>9.838.307</b>	<b>16,38%</b>
<b>Total (of positive shocks)</b>		<b>(9.483.477)</b>	<b>(15,79%)</b>

<b>Type of Currency-Prior Period</b>	<b>Shock Applied (+/- x basis point)</b>	<b>Gains/ (Losses)</b>	<b>Gains/Equity- (Losses)/Equity</b>
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%
<b>Total (of negative shocks)</b>		<b>9.183.140</b>	<b>18,33%</b>
<b>Total (of positive shocks)</b>		<b>(8.807.836)</b>	<b>(17,58%)</b>

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

**SECTION FOUR (Continued)**

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

**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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**SECTION FOUR (Continued)**

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

**IX. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)**

**1 Table for Segment Reporting**

Current Period	Retail Banking	Corporate/ Entrepreneurial banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Corrections	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>							
<b>Interest Income</b>	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
<b>Interest Expense</b>	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
<b>Net Interest Income/Expense</b>	(1.615.345)	14.957.099	6.933.515	3.346.236	-	243.952	23.865.457
<b>Net Fees and Commission Income/Expense</b>	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
<b>Personnel Expenses</b>	-	-	-	-	-	3.175.068	3.175.068
<b>Dividend Income</b>	-	-	-	292.310	(287.502)	-	4.808
<b>Trading Income/Loss (Net)</b>	-	-	-	(3.761.230)	-	(39.926)	(3.801.156)
<b>Other Operating Income</b>	36.047	191.351	30.671	4.260	-	3.187.797	3.450.126
<b>Provision for Expected Loss (-)</b>	1.170.972	3.152.377	805.633	1.096	-	95.611	5.225.689
<b>Other Operating Expense</b>	1.723.739	85.283	53.863	-	-	4.120.723	5.983.608
<b>Income Before Tax</b>	(2.655.218)	13.451.593	6.204.093	(914.626)	(287.502)	(3.968.764)	11.829.576
<b>Profit/Loss on Equity Method Applied Subsidiaries</b>	-	-	-	-	46.756	-	46.756
<b>Tax Provision</b>	-	-	-	-	-	(2.532.212)	(2.532.212)
<b>Net Profit/Loss</b>	(2.655.218)	13.451.593	6.204.093	(914.626)	(240.746)	(6.500.976)	9.344.120
<b>SEGMENT ASSETS</b>							
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
<b>TOTAL SEGMENT ASSETS</b>	94.703.180	219.844.242	64.158.050	133.028.037	(7.413.533)	64.067.020	568.386.996
<b>SEGMENT LIABILITIES</b>							
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
<b>TOTAL SEGMENT LIABILITIES</b>	257.260.769	63.164.030	-	148.643.166	(7.413.533)	106.732.564	568.386.996
<b>OTHER SEGMENT ITEMS</b>							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	361.204	361.204
Restructuring Costs	-	-	-	-	-	-	-

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**SECTION FOUR (Continued)**

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

**IX. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)**

**1. Table for Segment Reporting (Continued)**

Prior Period	Retail Banking	Corporate/ Entrepreneurial banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Corrections	Other /Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>							
<b>Interest Income</b>	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
<b>Interest Expense</b>	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
<b>Net Interest Income/Expense</b>	1.371.806	10.086.743	5.666.738	679.752	-	309.298	18.114.337
<b>Net Fees and Commission Income/Expense</b>	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
<b>Dividend Income</b>	-	-	-	284.531	(282.201)	5.419	7.749
<b>Trading Income/Loss (Net)</b>	-	-	-	(774.694)	(52.863)	(18.096)	(845.653)
<b>Other Operating Income</b>	39.539	347.455	22.212	1.807	(158.008)	3.484.917	3.737.922
<b>Provision for Loans or Other Receivables</b>							
Losses	769.220	1.479.692	491.575	254	2.466	750.137	3.493.344
<b>Other Operating Expense</b>	117.315	808.918	51.861	-	(101)	6.991.010	7.969.003
<b>Income Before Tax</b>	1.948.398	8.733.604	5.253.899	(154.380)	(495.437)	(3.790.572)	11.495.512
<b>Profit/Loss on Equity Method Applied Subsidiaries</b>	-	-	-	-	20.359	-	20.359
<b>Tax Provision</b>	-	-	-	-	-	(2.631.539)	(2.631.539)
<b>Net Profit/Loss</b>	1.948.398	8.733.604	5.253.899	(154.380)	(475.078)	(6.422.111)	8.884.332
<b>SEGMENT ASSETS</b>							
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
<b>TOTAL SEGMENT ASSETS</b>	86.409.546	164.623.963	54.642.948	93.384.358	(5.264.109)	63.129.423	456.926.129
<b>SEGMENT LIABILITIES</b>							
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
<b>TOTAL SEGMENT LIABILITIES</b>	199.692.047	61.906.376	-	117.454.463	(5.264.110)	83.137.353	456.926.129
<b>OTHER SEGMENT ITEMS</b>							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	341.282	341.282
Restructuring Costs	-	-	-	-	-	-	-

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

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

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

<b>Current Period</b>	<b>Book Value</b>	<b>Fair Value</b>
<b>Financial Assets</b>	<b>498.520.678</b>	<b>498.548.800</b>
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
<b>Financial Liabilities</b>	<b>411.718.296</b>	<b>411.718.296</b>
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

<b>Prior Period</b>	<b>Book Value</b>	<b>Fair Value</b>
<b>Financial Assets</b>	<b>394.049.007</b>	<b>394.457.489</b>
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
<b>Financial Liabilities</b>	<b>331.305.536</b>	<b>331.305.536</b>
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.

**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:

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

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

**2. Information on Fair Value Measurements Recognized in the Financial Statements (Continued)**

<b>Current Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	<b>6.782.778</b>	-	-	<b>6.782.778</b>
Government Debt Securities	6.400.882	-	-	6.400.882
Equity Securities	8	-	-	8
Other Marketable Securities	381.888	-	-	381.888
<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>79.377.439</b>	<b>310.530</b>	<b>117.650</b>	<b>79.805.619</b>
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
<b>Derivative Financial Assets</b>	<b>28.910</b>	<b>2.029.868</b>	-	<b>2.058.778</b>
<b>Loans at Fair Value Through Profit or Loss</b>	-	-	<b>40.852</b>	<b>40.852</b>
<b>Subsidiaries and Joint Ventures<sup>(2)</sup></b>	-	-	<b>87.450</b>	<b>87.450</b>
<b>Total Assets</b>	<b>86.189.127</b>	<b>2.340.398</b>	<b>245.952</b>	<b>88.775.477</b>
Derivative Financial Liabilities	31.241	1.636.928	-	1.668.169
<b>Total Liabilities</b>	<b>31.241</b>	<b>1.636.928</b>	-	<b>1.668.169</b>

<sup>(1)</sup> 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. <sup>1)</sup>

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

<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	<b>71.096</b>	<b>1.396.767</b>	-	<b>1.467.863</b>
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
<b>Available-for-Sale Financial Assets</b>	<b>62.890.403</b>	<b>610.423</b>	<b>114.219</b>	<b>63.615.045</b>
Equity Securities <sup>(1)</sup>	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
<b>Subsidiaries and Joint Ventures<sup>(2)</sup></b>	-	-	<b>52.036</b>	<b>52.036</b>
<b>Total Assets</b>	<b>62.961.499</b>	<b>2.007.190</b>	<b>166.255</b>	<b>65.134.944</b>
Trading Derivative Financial Liabilities	-	548.910	-	548.910
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	-	<b>548.910</b>	-	<b>548.910</b>

<sup>(1)</sup> 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.

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

**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.

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**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
<b>Total</b>	<b>5.159.473</b>	<b>37.723.020</b>

**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.

**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 <sup>(1)</sup>	335.597	23.310.294
<b>Total</b>	<b>3.059.195</b>	<b>35.869.303</b>

<sup>(1)</sup> 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.

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**SECTION FIVE (Continued)**

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

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

**2. Information on Financial Assets at Fair Value Through Profit and Loss Given or Blocked as Collateral or Subject to Repurchase Agreements**

None.

**3. Positive Differences Related to The Derivative Financial Assets Held-for-Trading**

Derivative financial assets held-for-trading	Current Period	
	TL	FC
Forward Transactions	243.173	28.128
Swap Transactions	1.305.367	481.402
Futures Transactions	-	-
Options	-	708
Other	-	-
<b>Total</b>	<b>1.548.540</b>	<b>510.238</b>

**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	-	-
<b>Total</b>	<b>2.594.530</b>	<b>6.502.590</b>

**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
<b>Total</b>	<b>6.583.004</b>	<b>899</b>

(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
<b>Total</b>	<b>74.771.493</b>

**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
<b>Total</b>	<b>79.833.047</b>

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**SECTION FIVE (Continued)**

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

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

**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
<b>Direct Loans Granted to Group Shareholders</b>	-	-
Legal Entities	-	-
Individuals	-	-
<b>Indirect Loans Granted to Group Shareholders</b>	-	-
<b>Loans Granted to Group Employees <sup>(1) (2)</sup></b>	403.046	-
<b>Total</b>	<b>403.046</b>	<b>-</b>

(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.

**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 <sup>(1) (2)</sup>	58.636.554	1.518.720	534.642	-
Other Receivables	-	-	-	-
Interest Income Accruals <sup>(2)</sup>	8.074.441	1.841.776	116.328	-
<b>Total</b>	<b>376.294.525</b>	<b>16.635.846</b>	<b>2.842.563</b>	<b>-</b>

(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

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**SECTION FIVE (Continued)**

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

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

**7. Information Related to Loans (Continued)**

**7.2 Information on the First and Second Group Loans Including Restructured or Rescheduled Loans (Continued)**

<b>No. of extensions</b>	<b>Performing Loans</b>	<b>Loans under Follow-up</b>
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

<b>Extension Periods</b>	<b>Performing Loans</b>	<b>Loans under Follow-up</b>
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
<b>Total</b>	<b>6.159.797</b>	<b>4.393.015</b>

**7.3. Loans According to Maturity Structure**

	<b>Performing Loans</b>	<b>Loans under Follow-up</b>	
		<b>Non-restructured</b>	<b>Restructured</b>
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

<sup>(1)</sup> Rediscounts are not included.



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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Current Period)(Continued)

7. Information Related to Loans (Continued)

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

	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans-TL</b>	<b>785.136</b>	<b>84.977.991</b>	<b>85.763.127</b>
Real Estate Loans <sup>(2)</sup>	13.436	53.180.598	53.194.034
Vehicle Loans	5.719	266.645	272.364
Consumer Loans <sup>(2)</sup>	765.981	31.530.748	32.296.729
Other	-	-	-
<b>Consumer Loans- Indexed to FC</b>	<b>1.231</b>	<b>554.870</b>	<b>556.101</b>
Real Estate Loans	-	52.703	52.703
Vehicle Loans	-	523	523
Consumer Loans	954	270.718	271.672
Other	277	230.926	231.203
<b>Consumer Loans-FC</b>	<b>7.083</b>	<b>189.717</b>	<b>196.800</b>
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
<b>Individual Credit Cards-TL</b>	<b>4.541.131</b>	<b>118.449</b>	<b>4.659.580</b>
With Installment	1.300.562	114.937	1.415.499
Without Installment	3.240.569	3.512	3.244.081
<b>Individual Credit Cards-FC</b>	<b>504</b>	<b>-</b>	<b>504</b>
With Installment	-	-	-
Without Installment	504	-	504
<b>Personnel Loans-TL</b>	<b>11.102</b>	<b>234.224</b>	<b>245.326</b>
Real Estate Loans	-	2.265	2.265
Vehicle Loans	-	102	102
Consumer Loans	11.102	231.857	242.959
Other	-	-	-
<b>Personnel Loans-Indexed to FC</b>	<b>7.316</b>	<b>23.916</b>	<b>31.232</b>
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
<b>Personnel Loans-FC</b>	<b>6</b>	<b>2.779</b>	<b>2.785</b>
Real Estate Loans	-	1.001	1.001
Vehicle Loans	-	-	-
Consumer Loans	-	863	863
Other	6	915	921
<b>Personnel Credit Cards-TL</b>	<b>120.677</b>	<b>2.141</b>	<b>122.818</b>
With Installment	39.914	2.048	41.962
Without Installment	80.763	93	80.856
<b>Personnel Credit Cards-FC</b>	<b>885</b>	<b>-</b>	<b>885</b>
With Installment	-	-	-
Without Installment	885	-	885
<b>Overdraft Accounts-TL (Real Person)</b>	<b>1.550.710</b>	<b>-</b>	<b>1.550.710</b>
<b>Overdraft Accounts-FC (Real Person)</b>	<b>17.254</b>	<b>18</b>	<b>17.272</b>
<b>Total <sup>(1)</sup></b>	<b>7.043.035</b>	<b>86.104.105</b>	<b>93.147.140</b>

<sup>(1)</sup> TL 678.267 of interest income accrual is not included in the table above.

<sup>(2)</sup> Consumer loans originated from funds amounting to TL 3.839.218 of are included in the table above.

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

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

**7. Information Related to Loans (Continued)**

**7.5. Information on Commercial Installment Loans and Corporate Credit Cards**

Current Period	Short-Term	Medium and Long-Term	Total
<b>Commercial Installment Loans-TL</b>	<b>1.662.607</b>	<b>32.448.158</b>	<b>34.110.765</b>
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
<b>Commercial Installment Loans- Indexed to FC</b>	<b>219.289</b>	<b>938.792</b>	<b>1.158.081</b>
Business Loans	788	59.578	60.366
Vehicle Loans	-	46.410	46.410
Consumer Loans	-	-	-
Other	218.501	832.804	1.051.305
<b>Commercial Installment Loans - FC</b>	<b>311.912</b>	<b>28.941.566</b>	<b>29.253.478</b>
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
<b>Corporate Credit Cards-TL</b>	<b>1.167.050</b>	<b>14.704</b>	<b>1.181.754</b>
With Installment	353.950	14.640	368.590
Without Installment	813.100	64	813.164
<b>Corporate Credit Cards-FC</b>	<b>1.033</b>	<b>2</b>	<b>1.035</b>
With Installment	902	-	902
Without Installment	131	2	133
<b>Overdraft Account-TL (Legal Entity)</b>	<b>663.279</b>	<b>-</b>	<b>663.279</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>18.754</b>	<b>-</b>	<b>18.754</b>
<b>Total <sup>(1)</sup></b>	<b>4.043.924</b>	<b>62.343.222</b>	<b>66.387.146</b>

<sup>(1)</sup> 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
<b>Total</b>	<b>395.772.934</b>

**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
<b>Total</b>	<b>395.772.934</b>

**7.8. Loans Granted to Subsidiaries and Associates**

None

**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
<b>Total</b>	<b>6.190.930</b>

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Current Period)(Continued)

7. Information related to loans (Continued)

7.10. Information On Non-Performing Receivables (Net)

7.10.1. Information on Non-Performing Receivables which are Restructured

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Current Period</b>	<b>53.834</b>	<b>77.194</b>	<b>152.866</b>
(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	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Prior Period Ending Balance</b>	<b>395.153</b>	<b>559.151</b>	<b>4.074.663</b>
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 (-) <sup>(1)</sup>	31.399	2.485	44.332
Debt Sale (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance</b>	<b>1.889.105</b>	<b>1.418.246</b>	<b>5.448.646</b>
Specific Provision (-)	726.013	760.225	4.704.692
<b>Net Balance on Balance Sheet</b>	<b>1.163.092</b>	<b>658.021</b>	<b>743.954</b>

<sup>(1)</sup> Consist of amount transferred to the Stage I and Stage II loans.

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

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

**7. Information Related to Loans (Continued)**

**7.10. Information On Non-Performing Receivables (Net) (Continued)**

**7.10.3. Information on Foreign Currency Non-Performing Loans**

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
<b>Current Period:</b>			
<b>Period Ending Balance</b>	<b>583.308</b>	<b>63.507</b>	<b>358.508</b>
Provision (-)	267.579	46.440	351.392
<b>Net Balance on Balance Sheet</b>	<b>315.729</b>	<b>17.067</b>	<b>7.116</b>

**7.10.4. Gross and Net Amounts of Non-Performing Receivables According to User Groups**

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
<b>Current Period (Net)</b>	<b>1.163.092</b>	<b>658.021</b>	<b>743.954</b>
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**

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
<b>Current Period (Net)</b>	<b>67.001</b>	<b>29.159</b>	<b>9.399</b>
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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**SECTION FIVE (Continued)**

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

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

**7.10.8. Other Explanations and Disclosures**

<b>Current Period</b>	<b>Corporate/SME</b>	<b>Consumer</b>	<b>Specialized</b>	<b>Total</b>
Neither Past Due nor Impaired Loans <sup>(1)</sup>	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
<b>Total</b>	<b>244.722.849</b>	<b>94.807.066</b>	<b>64.999.016</b>	<b>404.528.931</b>
Specific Provisions of Impaired Loans (-)	4.887.148	739.444	564.338	6.190.930
<b>Net Loan Amount</b>	<b>239.835.701</b>	<b>94.067.622</b>	<b>64.434.678</b>	<b>398.338.001</b>

<sup>(1)</sup> 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*

	<b>Current Period</b>	
	<b>TL</b>	<b>FC</b>
Government Bonds	177.923	1.819.056
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-
Asset Backed Securities	-	-
Other	-	-
<b>Total</b>	<b>177.923</b>	<b>1.819.056</b>

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Current Period)(Continued)

8. Information on Held-To-Maturity Investments (Continued)

8.1. Information on Comparative Net Values of Held-to-Maturity Investments Subject to Repo Transactions and Given as a Collateral/Blocked

*Invesments 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	-	-
<b>Total</b>	<b>3.790.424</b>	<b>3.019.229</b>

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
<b>Total</b>	<b>10.084.450</b>

8.3 Information on Invesments 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
<b>Total</b>	<b>10.282.545</b>

8.4 Movements of Invesments Measured at Amortised Cost

	Current Period
<b>Beginning Balance</b>	<b>7.625.763</b>
Foreign Currency Differences on Monetary Assets	1.772.252
Purchases During the Year (*)	3.515.803
Disposals through Sales and Redemptions	(2.631.165)
Provision for Impairment (-)	108
<b>Period End Balance</b>	<b>10.282.545</b>

(\*) Accruals are shown in “Purchases During the Year”.

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**SECTION FIVE (Continued)**

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

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

**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 <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)(3)</sup>	Interest Income ( <sup>2</sup> )	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss ( <sup>2</sup> )	Prior Period Profit / Loss ( <sup>2</sup> )	Fair Value ( <sup>1</sup> )
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.

**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.	Istanbul/Turkey	25,00	15,43

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income ( <sup>2</sup> )	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss ( <sup>2</sup> )	Prior Period Profit / Loss ( <sup>2</sup> )	Fair Value ( <sup>1</sup> )
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
<b>Balance at the Beginning of the Period</b>	<b>121.185</b>
<b>Movement During the Period</b>	<b>12.560</b>
Additions	-
Bonus Share Certificates	-
Shares of Current Year Profits	15.581
Transfer	-
Sales	-
Revaluation Increase	374
Impairment Provision	3.395
<b>Balance at the End of the Period</b>	<b>133.745</b>
Capital Commitments	-
Period Ending Share of Capital Participation (%)	15,43

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

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

**9. Information about Associates Accounts (Net)**

**9.4. Sectoral Information and Related Amounts of Associates**

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

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

**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 <sup>(2)</sup>	Shareholder s’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	58.593	16.730	4.800	1.620	286	3.635	2.460	-

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

<sup>(2)</sup> 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. <sup>(*)</sup>	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 Azerbaijan 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

<sup>(\*)</sup> 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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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**10. Information on Subsidiaries (Net) (Continued)**

**10.2. Information on Consolidated Subsidiaries (Continued)**

	<b>Total Assets<sup>(4)</sup></b>	<b>Shareholders' Equity<sup>(4)</sup></b>	<b>Total Non-Current Assets<sup>(4)</sup></b>	<b>Interest Income<sup>(3) (4)</sup></b>	<b>Income from Marketable Securities<sup>(2) (4)</sup></b>	<b>Current Period Profit / Loss<sup>(4)</sup></b>	<b>Prior Period Profit / Loss<sup>(4)</sup></b>	<b>Fair Value<sup>(1)</sup></b>	<b>Shareholders equity amount needed</b>
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)**

	<b>Current Period</b>
<b>Balance at the Beginning of the Period</b>	<b>5.138.250</b>
<b>Movements During the Period</b>	<b>2.256.158</b>
Additions to Scope of Consolidation	-
Purchases <sup>(*)</sup>	1.521.015
Bonus Shares Obtained	-
Dividends from current year income	-
Sales	-
Revaluation Increase	807.408
Impairment Provision (-)	72.265
<b>Balance at the End of the Period</b>	<b>7.394.408</b>
Capital Commitments	-
Share percentage at the end of the period (%)	-

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

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

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

**10.3. Sectoral Information and Related Amounts of Subsidiaries**

*(Represents Values Belonging To the Parent Bank)*

	<b>Current Period</b>
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 an a Stock Exchange**

None (31 December 2017: None).

**11. Information on Entities Under Common Control (Joint Ventures)**

<b>Entities under Common Control (Joint Ventures) (*)</b>	<b>Parent Bank’s Share (**)</b>	<b>Group’s Share</b>	<b>Current Assets</b>	<b>Non- Current Assets</b>	<b>Long Term Liabilities</b>	<b>Income</b>	<b>Expense</b>
Turkmen Turkish Joint Stock Commercial Bank	174.905	174.905	3.798.310	14.917	19.868	86.875	55.699
<b>Total</b>	<b>174.905</b>	<b>174.905</b>	<b>3.798.310</b>	<b>14.917</b>	<b>19.868</b>	<b>86.875</b>	<b>55.699</b>

(\*) 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:

	<b>Current Period</b>	
	<b>Gross</b>	<b>Gross</b>
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
<b>Total</b>	<b>5.026.865</b>	<b>3.978.680</b>

**13. Information on Derivative Financial Assets for Hedging Purposes**

None.

**14. Information on Investment Property**

None.

**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.

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

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

**16. Explanations on Property And Equipment**

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
<b>Prior Period End</b>						
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
<b>Net Book Value</b>	<b>6.064.954</b>	<b>9.358</b>	<b>15.745</b>	<b>83.440</b>	<b>506.135</b>	<b>6.679.632</b>
<b>Current Period End</b>						
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
<b>Closing Net Book Value</b>	<b>6.252.971</b>	<b>8.710</b>	<b>9.647</b>	<b>62.118</b>	<b>470.309</b>	<b>6.803.755</b>

**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
<b>Total</b>	<b>1.073.321</b>	<b>341.615</b>	<b>731.706</b>

**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.

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

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

**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:

	<b>Current Period</b>
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

	<b>Current Period</b>
Reserve for Employment Termination Benefits	168.754
Short Term Employee Benefits	106.705
Financial Assets Valuation	1.336.360
Other	19.070
<b>Net Deferred Tax Assets/(Liabilities)</b>	<b>1.630.889</b>

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**

	<b>Current Period</b>
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
<b>Total:</b>	<b>70.210</b>

**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.

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

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

**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
<b>Total</b>	<b>5.277.535</b>	<b>40.942.802</b>

**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.

**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 <sup>(1)</sup>	185.630	34.809.375
<b>Total</b>	<b>2.964.799</b>	<b>39.313.476</b>

<sup>(1)</sup> 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

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

**EXPLANATIONS AND NOTES RELATED TO ASSETS (Prior Period)(Continued)**

**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	-	-
<b>Total</b>	<b>880.049</b>	<b>516.718</b>

**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	-	-
<b>Total</b>	<b>2.373.229</b>	<b>3.258.911</b>

**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 <sup>(1)</sup>	71.977	-
Off-shore Banking Regions	-	-
Other	608.923	-
<b>Total</b>	<b>2.051.804</b>	<b>-</b>

<sup>(1)</sup> 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
<b>Total</b>	<b>61.102.150</b>

**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
<b>Total</b>	<b>63.638.231</b>

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Prior Period) (Continued)

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
<b>Direct Loans Granted to Group Shareholders</b>	-	-
Legal Entities	-	-
Individuals	-	-
<b>Indirect Loans Granted to Group Shareholders</b>	-	188
<b>Loans Granted to Group Employees <sup>(1) (2)</sup></b>	343.693	213
<b>Total</b>	343.693	401

<sup>(1)</sup> Interest rediscount and interest accrual amounting TL 2.911, are not included in the table above.

<sup>(2)</sup> 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.

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	Standard Loans and Other Receivables			Loans under Follow-up		
	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 <sup>(1)</sup>	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 <sup>(1) (2)</sup>	45.829.370	4.943.655	-	564.931	552.408	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals <sup>(2)</sup>	5.854.409	269.474	-	115.301	240.051	-
<b>Total</b>	<b>302.440.404</b>	<b>8.853.443</b>	<b>-</b>	<b>2.402.958</b>	<b>3.098.197</b>	<b>-</b>

<sup>(1)</sup> Agricultural loans of funds originated are shown in specialized lendings.

<sup>(2)</sup> 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



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

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

**29. Information Related to Loans as of 31 December 2017 (Continued)**

**29.2 Information on the First and Second Group Loans and Other Receivables Including Restructured or Rescheduled Loans as of 31 December 2017 (Continued)**

<b>Extension Periods</b>	<b>Standard Loans and Other Receivables<sup>(1)</sup></b>	<b>Loans and Other Receivables Under Close Monitoring</b>
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
<b>Total</b>	<b>8.853.443</b>	<b>3.098.197</b>

**29.3 Loans According to Maturity Structure**

	<b>Standard Loans and Other Receivables<sup>(1)</sup></b>		<b>Loans under Follow-up<sup>(1)</sup></b>	
	<b>Loans and Other Receivables</b>	<b>Restructured or Rescheduled</b>	<b>Loans and Other Receivables</b>	<b>Restructured or Rescheduled</b>
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 <sup>(2)</sup>	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 <sup>(2)</sup>	38.042.554	2.810.119	467.076	320.086
Other Receivables	-	-	-	-

<sup>(1)</sup> Rediscounts are not included.

<sup>(2)</sup> Agricultural loans originated from funds are shown under Specialized Lending.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Prior Period)(Continued)

29. Information Related to Loans as of 31 December 2017 (Continued)

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
<b>Consumer Loans-TL</b>	<b>571.124</b>	<b>80.018.469</b>	<b>80.589.593</b>
Real Estate Loans <sup>(2)</sup>	11.764	48.557.484	48.569.248
Vehicle Loans	4.453	239.864	244.317
Consumer Loans <sup>(2)</sup>	550.269	30.657.460	31.207.729
Abroad	3.936	376.587	380.523
Other	702	187.074	187.776
<b>Consumer Loans- Indexed to FC</b>	<b>296</b>	<b>210.364</b>	<b>210.660</b>
Real Estate Loans	-	23.594	23.594
Vehicle Loans	-	132	132
Consumer Loans	-	-	-
Other	296	186.638	186.934
<b>Consumer Loans-FC</b>	<b>2.272</b>	<b>114.682</b>	<b>116.954</b>
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
<b>Individual Credit Cards-TL</b>	<b>3.336.692</b>	<b>65.152</b>	<b>3.401.844</b>
With Installment	1.153.521	62.085	1.215.606
Without Installment	2.183.171	3.067	2.186.238
<b>Individual Credit Cards-FC</b>	<b>430</b>	<b>-</b>	<b>430</b>
With Installment	-	-	-
Without Installment	430	-	430
<b>Personnel Loans-TL</b>	<b>9.482</b>	<b>219.295</b>	<b>228.777</b>
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
<b>Personnel Loans-Indexed to FC</b>	<b>30</b>	<b>12.652</b>	<b>12.682</b>
Real Estate Loans	-	3.235	3.235
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	30	9.417	9.447
<b>Personnel Loans-FC</b>	<b>144</b>	<b>2.516</b>	<b>2.660</b>
Real Estate Loans	-	1.134	1.134
Vehicle Loans	-	-	-
Consumer Loans	130	1.092	1.222
Other	14	290	304
<b>Personnel Credit Cards-TL</b>	<b>98.438</b>	<b>1.118</b>	<b>99.556</b>
With Installment	39.313	1.038	40.351
Without Installment	59.125	80	59.205
<b>Personnel Credit Cards-FC</b>	<b>18</b>	<b>-</b>	<b>18</b>
With Installment	-	-	-
Without Installment	18	-	18
<b>Overdraft Accounts-TL (Real Person)</b>	<b>1.186.402</b>	<b>-</b>	<b>1.186.402</b>
<b>Overdraft Accounts-FC (Real Person)</b>	<b>57</b>	<b>-</b>	<b>57</b>
<b>Total <sup>(1)</sup></b>	<b>5.205.385</b>	<b>80.644.248</b>	<b>85.849.633</b>

<sup>(1)</sup> TL 520.675 of interest income accrual is not included in the table above.

<sup>(2)</sup> Consumer loans originated from funds amounting to TL 3.730.985 of are included in the table above.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Prior Period)(Continued)

29. Information Related to Loans as of 31 December 2017 (Continued)

29.5 Information on Commercial Installment Loans and Corporate Credit Cards as of 31 December 2017

	Short-Term	Medium and Long-Term	Total
<b>Commercial Installment Loans-TL</b>	<b>1.615.341</b>	<b>30.542.566</b>	<b>32.157.907</b>
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
<b>Commercial Installment Loans- Indexed to FC</b>	<b>158.703</b>	<b>580.624</b>	<b>739.327</b>
Business Loans	-	-	-
Vehicle Loans	7.847	43.694	51.541
Consumer Loans	-	-	-
Other	150.856	536.930	687.786
<b>Commercial Installment Loans - FC</b>	<b>223.400</b>	<b>19.014.867</b>	<b>19.238.267</b>
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	109.167	18.561.648	18.670.815
Other	114.233	453.219	567.452
<b>Corporate Credit Cards-TL</b>	<b>658.188</b>	<b>10.522</b>	<b>668.710</b>
With Installment	235.346	10.474	245.820
Without Installment	422.842	48	422.890
<b>Corporate Credit Cards-FC</b>	<b>138</b>	<b>-</b>	<b>138</b>
With Installment	-	-	-
Without Installment	138	-	138
<b>Overdraft Account-TL (Legal Entity)</b>	<b>182.646</b>	<b>-</b>	<b>182.646</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total <sup>(1)</sup></b>	<b>2.838.416</b>	<b>50.148.579</b>	<b>52.986.995</b>

<sup>(1)</sup> 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
<b>Total</b>	<b>316.795.002</b>

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
<b>Total</b>	<b>316.795.002</b>

29.8 Loans Granted to Subsidiaries and Associates as of 31 December 2017

None.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Prior Period)(Continued)

29. Information Related to Loans as of 31 December 2017 (Continued)

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
<b>Total</b>	<b>4.803.481</b>

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
<b>Prior Period</b>	<b>8.215</b>	<b>29.876</b>	<b>151.817</b>
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
<b>Prior Period</b>			
<b>Prior Period Ending Balance</b>	<b>379.416</b>	<b>993.140</b>	<b>3.007.934</b>
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 (-) <sup>(1)</sup>	175.691	194.171	1.150.198
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance</b>	<b>395.153</b>	<b>559.151</b>	<b>4.074.663</b>
Specific Provision (-)	394.823	556.534	3.852.124
<b>Net Balance on Balance Sheet</b>	<b>330</b>	<b>2.617</b>	<b>222.539</b>

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
<b>Current Period:</b>			
<b>Period Ending Balance</b>	<b>32.700</b>	<b>60.049</b>	<b>146.151</b>
Specific Provision (-)	32.700	60.049	146.151
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

**29 Information Related to Loans as of 31 December 2017 (Continued)**

**29.10.4 Gross and Net Amounts of Non-Performing Receivables According to User Groups as of 31 December 2017**

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and other receivables with limited collectability</b>	<b>Loans and other receivables with doubtful collectability</b>	<b>Uncollectible loans and other receivables</b>
<b>Current Period (Net)</b>	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)	<b>330</b>	<b>2.617</b>	<b>222.539</b>
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.

**29.10.7 Other Explanations and Disclosures**

<b>Prior Period</b>	<b>Corporate and Entrepreneurial</b>	<b>Consumer</b>	<b>Specialized</b>	<b>Total</b>
Neither Past Due nor Impaired Loans <sup>(1)</sup>	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
<b>Total</b>	<b>179.388.875</b>	<b>87.328.836</b>	<b>55.106.258</b>	<b>321.823.969</b>
Specific Provisions of Impaired Loans(-)	3.426.124	914.046	463.311	4.803.481
<b>Net Loan Amount</b>	<b>175.962.751</b>	<b>86.414.790</b>	<b>54.642.947</b>	<b>317.020.488</b>

<sup>(1)</sup>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**

	<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>
Government Bonds	174.799	2.103.464
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-
Asset Backed Securities	-	-
Other	-	-
<b>Total</b>	<b>174.799</b>	<b>2.103.464</b>

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

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

**30 Information on Held-To-Maturity Investments as of 31 December 2017 (Continued)**

**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 (Condineud)**

*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	-	-
<b>Total</b>	<b>2.369.824</b>	<b>2.651.289</b>

**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	-
<b>Total</b>	<b>7.518.530</b>

**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 (-)	-
<b>Total</b>	<b>7.625.763</b>

**30.4 Movements of Held-to-Maturity Investments as of 31 December 2017**

	Prior Period
<b>Beginning Balance</b>	<b>8.794.915</b>
Foreign Currency Differences on Monetary Assets	326.988
Purchases During the Year <sup>(*)</sup>	434.046
Disposals through Sales and Redemptions	(1.930.186)
Provision for Impairment (-)	-
<b>Period End Balance</b>	<b>7.625.763</b>

(\*) 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

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

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

**31. Information on Held-To-Maturity Investments as of 31 December 2017 (Continued)**

**31.1 Information about Associates as of 31 December 2017 (Continued)**

	<b>Total Assets<sup>(2)</sup></b>	<b>Shareholders' Equity<sup>(2)</sup></b>	<b>Total Non-Current Assets<sup>(2)(3)</sup></b>	<b>Interest Income<sup>(2)</sup></b>	<b>Income from Marketable Securities<sup>(2)</sup></b>	<b>Current Period Profit / Loss<sup>(2)</sup></b>	<b>Prior Period Profit / Loss<sup>(2)</sup></b>	<b>Fair Value<sup>(1)</sup></b>
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**

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

	<b>Total Assets<sup>(2)</sup></b>	<b>Shareholders' Equity<sup>(2)</sup></b>	<b>Total Non-Current Assets<sup>(2)</sup></b>	<b>Interest Income<sup>(2)</sup></b>	<b>Income from Marketable Securities<sup>(2)</sup></b>	<b>Current Period Profit / Loss<sup>(2)</sup></b>	<b>Prior Period Profit / Loss<sup>(2)</sup></b>	<b>Fair Value<sup>(1)</sup></b>
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

**31.3. Information about Consolidated Associates as of 31 December 2017 (Net)**

	<b>Prior Period</b>
<b>Balance at the Beginning of the Period</b>	<b>98.869</b>
<b>Movement During the Period</b>	<b>22.316</b>
Additions	-
Bonus Share Certificates	-
Shares of Current Year Profits	12.385
Transfer	-
Sales	-
Revaluation Increase	13.326
Impairment Provision (*)	3.395
<b>Balance at the End of the Period</b>	<b>121.185</b>
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**

	<b>Prior Period</b>
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.

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

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

**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 <sup>(2)</sup>	Shareholder s' Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	62.950	13.444	19.131	961	150	2.823	2.467	-

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

<sup>(2)</sup> 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.

**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 <sup>(*)</sup>	Tbilisi/Georgia	100,00	100,00
15	Ziraat Bank Uzbekistan JSC <sup>(**)</sup>	Tashkent/ Uzbekistan	100,00	100,00

<sup>(\*)</sup> 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.

<sup>(\*\*)</sup> 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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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**32 Information on Subsidiaries as of 31 December 2017 (Net)**

**32.2. Information on Consolidated Subsidiaries as of 31 December 2017**

	<b>Total Assets<sup>(3)</sup></b>	<b>Shareholders' Equity<sup>(3)</sup></b>	<b>Total Non-Current Assets<sup>(3)</sup></b>	<b>Interest Income<sup>(3) (4)</sup></b>	<b>Income from Marketable Securities<sup>(2) (3)</sup></b>	<b>Current Period Profit / Loss<sup>(3)</sup></b>	<b>Prior Period Profit / Loss<sup>(3)</sup></b>	<b>Fair Value<sup>(1)</sup></b>	<b>Shareholders equity amount needed</b>
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)**

	<b>Prior Period</b>
<b>Balance at the Beginning of the Period</b>	<b>4.101.352</b>
<b>Movements During the Period</b>	<b>1.036.898</b>
Additions to Scope of Consolidation	-
Purchases <sup>(*) (**)</sup>	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
<b>Balance at the End of the Period</b>	<b>5.138.250</b>
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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**I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Prior Period)(Continued)**

**32 Information on Subsidiaries as of 31 December 2017 (Net)(Continued)**

**32.3. Sectoral Information and Related Amounts of Subsidiaries as of 31 December 2017**

*(Represents Values Belonging To the Parent Bank)*

	<b>Prior Period</b>
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**

<b>Entities under Common Control (Joint Ventures) (*)</b>	<b>Parent Bank's Share (**)</b>	<b>Group's Share</b>	<b>Current Assets</b>	<b>Non- Current Assets</b>	<b>Long Term Liabilities</b>	<b>Income</b>	<b>Expense</b>
Turkmen Turkish Joint Stock Commercial Bank	51.730	51.730	2.303.598	12.166	12.266	46.932	31.595
<b>Total</b>	<b>51.730</b>	<b>51.730</b>	<b>2.303.598</b>	<b>12.166</b>	<b>12.266</b>	<b>46.932</b>	<b>31.595</b>

(\*) 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.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS Continued)**

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

**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
<b>Total</b>	<b>3.351.212</b>	<b>2.881.519</b>

**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.

**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
<b>Prior Period End</b>						
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
<b>Net Book Value</b>	<b>5.304.634</b>	<b>9.040</b>	<b>19.519</b>	<b>100.306</b>	<b>438.510</b>	<b>5.872.009</b>
<b>Current Period End</b>						
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
<b>Closing Net Book Value</b>	<b>6.064.954</b>	<b>9.358</b>	<b>15.745</b>	<b>83.440</b>	<b>506.135</b>	<b>6.679.632</b>

**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

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS Continued)**

**II. EXPLANATIONS AND NOTES RELATED TO ASSETS (Prior Period)(Continued)**

**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
<b>Total</b>	<b>777.793</b>	<b>245.705</b>	<b>532.088</b>

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

**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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>90.693.070</b>	<b>-</b>	<b>37.441.003</b>	<b>146.748.499</b>	<b>24.672.257</b>	<b>21.448.581</b>	<b>33.202.591</b>	<b>169.247</b>	<b>354.375.248</b>

**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 <sup>(1)</sup>	77.125.284	41.715.586
Foreign Currency Saving Deposits <sup>(1)</sup>	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 <sup>(2)</sup>	1.106.656	161.259
Deposits at Off-Shore Banking Regions’ and under Foreign Authorities’ Insurance	-	-

<sup>(1)</sup> Related deposit balances do not include foreign branches.

<sup>(2)</sup> In Bulgaria and Greece, since both real person and legal entity’s saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 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.

**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.

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

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

**1. Information on Deposits/Funds Collected (Continued)**

**1.4. Saving Deposits of Real Persons Not Covered by the Deposit Insurance Fund**

	<b>Current Period</b>
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 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-

**2. Negative Differences Related to the Derivative Financial Liabilities Held for Trading**

	<b>Current Period</b>	
	<b>TL</b>	<b>FC</b>
Forward Transactions	272.091	27.360
Swap Transactions	882.868	484.487
Futures Transactions	-	-
Options	1.363	-
Other	-	-
<b>Total</b>	<b>1.156.322</b>	<b>511.847</b>

**3. Information on Banks and Other Financial Institutions**

**3.1. General Information on Banks and Other Financial Institutions**

	<b>Current Period</b>	
	<b>TL</b>	<b>FC</b>
Borrowings from CBRT	-	-
Domestic Banks and Institutions	615.820	5.735.551
Foreign Banks, Institutions and Funds	580.527	27.916.871
<b>Total</b>	<b>1.196.347</b>	<b>33.652.422</b>

**3.2. Maturity Structure of Funds Borrowed**

	<b>Current Period</b>	
	<b>TL</b>	<b>FC</b>
Short-Term	615.434	6.314.775
Medium and Long-Term	580.913	27.337.647
<b>Total</b>	<b>1.196.347</b>	<b>33.652.422</b>

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

**3. Information on Banks and Other Financial Institutions (Continued)**

**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
<b>From Domestic Transactions</b>	<b>56.213.158</b>	<b>-</b>
Financial Institutions and Organizations	56.007.340	-
Other Institutions and Organizations	203.162	-
Real Person	2.656	-
<b>From Overseas Operations</b>	<b>-</b>	<b>12.390.480</b>
Financial Institutions and Organizations	-	12.390.480
Other Institutions and Organizations	-	-
Real Person	-	-
<b>Total</b>	<b>56.213.158</b>	<b>12.390.480</b>

**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
<b>Total</b>	<b>4.326.776</b>	<b>12.617.088</b>

**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.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Current Period) (Continued)

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

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 1.475.000 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, 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

<sup>(1)</sup> 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.



**SECTION FIVE (Continued)**

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

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

**9. Explanations on Provisions (Continued)**

**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.).

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%

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

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

**9. Explanations on Provisions (Continued)**

**9.4. Liabilities on Reserve for Employee Termination Benefits (Continued)**

**9.4.3. Pension Rights (Continued)**

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

Plan assets are comprised as follows:

	<b>Current Period</b>
Bank Placements	1.834.427
Property and Equipment	379.187
Marketable Securities	308.779
Other	36.331
<b>Total</b>	<b>2.558.724</b>

**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**

	<b>Current Period</b>
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
<b>Total</b>	<b>1.591.930</b>

**10.1.3. Information on Premiums**

	<b>Current Period</b>
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	-
<b>Total</b>	<b>35.021</b>

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

**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**

	<b>Current Period</b>
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.

<b>Date of Capital Increase</b>	<b>Amount of increase</b>	<b>Cash</b>	<b>Profit reserves subject to capital increase</b>	<b>Capital reserves subject to capital increase</b>
22.10.2018	500.000	500.000	-	-

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

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

**14. Information on Shareholders’ Equity (Continued)**

**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
<b>Total</b>	<b>(3.334.711)</b>	<b>(2.754.831)</b>

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

**II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Prior Period)**

**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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>71.609.512</b>	<b>-</b>	<b>30.804.893</b>	<b>121.896.654</b>	<b>15.018.361</b>	<b>19.275.917</b>	<b>23.867.256</b>	<b>97.020</b>	<b>282.569.613</b>

**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 <sup>(1)</sup>	68.870.575	34.813.148
Foreign Currency Saving Deposits <sup>(1)</sup>	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 <sup>(2)</sup>	858.357	101.979
Deposits at Off-Shore Banking Regions' and under Foreign Authorities' Insurance	-	-

<sup>(1)</sup> Related deposit balances do not include foreign branches.

<sup>(2)</sup> In Bulgaria and Greece, since both real person and legal entity's saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 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.

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

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

**15. Information on Deposits/Funds Collected(Continued)**

**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 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-

**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	-	-
<b>Total</b>	<b>235.506</b>	<b>313.404</b>

**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
<b>Total</b>	<b>1.763.056</b>	<b>29.355.197</b>

**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
<b>Total</b>	<b>1.763.056</b>	<b>29.355.197</b>

**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.

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

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

**18. Information on Funds Supplied from Repurchase Agreements**

	Prior Period	
	TL	FC
<b>From Domestic Transactions</b>	<b>1.339.819</b>	<b>-</b>
Financial Institutions and Organizations	1.243.480	-
Other Institutions and Organizations	90.588	-
Real Person	5.751	-
<b>From Overseas Operations</b>	<b>-</b>	<b>13.100.369</b>
Financial Institutions and Organizations	-	13.100.369
Other Institutions and Organizations	-	-
Real Person	-	-
<b>Total</b>	<b>1.339.819</b>	<b>13.100.369</b>

**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
<b>Total</b>	<b>4.298.047</b>	<b>9.176.233</b>

**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.

**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.

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

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

**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**

	<b>Prior Period</b>
<b>General Provisions</b>	<b>5.635.198</b>
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.

	<b>Prior Period</b>
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.

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.



**SECTION FIVE (Continued)**

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

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

**23.5.2. Additional Bonus Provision Paid to Personnel(Continued)**

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

	<b>Prior Period</b>
Fund Assets	2.038.024
Actual and Technique Deficit/Surplus Amount	3.442.106

The principal actuarial assumptions used are as follows:

	<b>Prior Period</b>
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:

	<b>Prior Period</b>
Bank Placements	1.612.918
Property and Equipment	127.096
Marketable Securities	125.000
Other	173.010
<b>Total</b>	<b>2.038.024</b>

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

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

**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**

	<b>Prior Period</b>
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
<b>Total</b>	<b>975.034</b>

**24.1.3 Information on Premiums**

	<b>Prior Period</b>
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	-
<b>Total</b>	<b>28.304</b>

**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.

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:

	<b>Prior Period</b>
Deferred Tax Assets	29.794
Deferred Tax Liabilities	307.100
Net Deferred Tax (Assets)/Liabilities	(277.306)
Net Deferred Tax Income / Expense	(30.525)

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**SECTION FIVE (Continued)**

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

**III. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Prior Period) (Continued)**

**24. Information on Tax Liability (Continued)**

**24.2 Information on Deferred Tax Liabilities, if any (Continued)**

	<b>Prior Period</b>
Reserve for Employment Termination Benefits	163.176
Short Term Employee Benefits	50.538
Financial Assets Valuation	(182.639)
Other	(308.381)
<b>Net Deferred Tax Assets/Liabilities</b>	<b>(277.306)</b>

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**

	<b>Prior Period</b>
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.

**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.

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

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

**27. Information on Shareholders’ Equity(Continued)**

**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	-	-
<b>Total</b>	<b>(1.798.011)</b>	<b>844.055</b>

**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	-
<b>Total</b>	<b>46.339.735</b>

**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
<b>Total</b>	<b>131.647.708</b>

**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
<b>Total</b>	<b>103.715.207</b>

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Information on Off-Balance Sheet Liabilities(Continued)

1.3. Explanations on Non-Cash Loans

1.3.1. Total Non-Cash Loans

	Current Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>4.173.468</b>
With Original Maturity of One Year or Less	1.752.900
With Original Maturity of More than One Year	2.420.568
<b>Other Non-Cash Loans</b>	<b>127.474.240</b>
<b>Total</b>	<b>131.647.708</b>

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
<b>Total</b>	<b>42.358.851</b>	<b>100,00</b>	<b>89.288.857</b>	<b>100,00</b>

1.3.3. Information on the Non-Cash Loans Classified Under Group I and Group II

	Group I:		Group II:	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>41.695.054</b>	<b>87.592.050</b>	<b>490.688</b>	<b>1.590.010</b>
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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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Explanations on Derivative Transactions

	Current Period
<b>Types of Trading Transactions</b>	
<b>Foreign Currency Related Derivative Transactions: (I)</b>	110.290.000
Forward Transactions	5.747.547
Swap Transactions	104.496.879
Futures Transactions	-
Option Transactions	45.574
<b>Interest Related Derivative Transactions (II)</b>	28.545.660
Forward Interest Rate Agreements	-
Interest Rate Swaps	28.545.660
Interest Rate Options	-
Interest Rate Futures	-
<b>Other Trading Derivative Transactions: (III)</b>	-
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>138.835.660</b>
<b>Types of Hedging Derivative Transactions</b>	
Fair Value Hedges	-
Cash Flow Hedges	-
Foreign Currency Investment Hedges	-
<b>B. Total Hedging Derivative Transactions</b>	-
<b>Total Derivative Transactions (A+B)</b>	<b>138.835.660</b>

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
<b>Derivatives held for trading</b>						
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)
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total Inflow</b>	<b>35.380.662</b>	<b>14.731.389</b>	<b>3.008.371</b>	<b>2.406.211</b>	<b>13.659.893</b>	<b>69.186.526</b>
<b>Total Outflow</b>	<b>(35.661.787)</b>	<b>(15.708.387)</b>	<b>(2.885.822)</b>	<b>(1.733.245)</b>	<b>(13.659.893)</b>	<b>(69.649.134)</b>

**SECTION FIVE (Continued)**

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

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

**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.

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**SECTION FIVE (Continued)**

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

**III. EXPLANATIONS AND NOTES TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS(Prior Period)**

**5. Information on Off-Balance Sheet Liabilities**

**5.1. Nature and Amount Of Irrevocable Loan Commitments**

	<b>Prior Period</b>
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	-
<b>Total</b>	<b>32.667.694</b>

**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**

	<b>Prior Period</b>
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
<b>Total</b>	<b>102.326.622</b>

**5.2.2. Certain Guarantees, Temporary Guarantees, Surety Ships and Similar Transactions**

	<b>Prior Period</b>
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
<b>Total</b>	<b>81.154.998</b>

**5.3. Explanations on Non-Cash Loans**

**5.3.1. Total Non-Cash Loans**

	<b>Prior Period</b>
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>2.422.713</b>
With Original Maturity of One Year or Less	806.113
With Original Maturity of More than One Year	1.616.600
<b>Other Non-Cash Loans</b>	<b>99.903.909</b>
<b>Total</b>	<b>102.326.622</b>



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

**III. EXPLANATIONS AND NOTES TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS (Prior Period)**

**5. Information on Off-Balance Sheet Liabilities (Continued)**

**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
<b>Total</b>	<b>36.067.838</b>	<b>100,00</b>	<b>66.258.784</b>	<b>100,00</b>

**5.3.3. Information on the Non-Cash Loans Classified Under Group I and Group II**

	Group I:		Group II:	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>35.813.607</b>	<b>65.849.943</b>	<b>254.231</b>	<b>408.841</b>
Letters of Guarantee	35.546.408	44.951.554	254.231	402.805
Bank Acceptances	30.004	6.277.094	-	-
Letters of Credit	233.745	14.285.679	-	6.036
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	1.635	-	-
Other Commitments and Contingencies	3.450	333.981	-	-

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SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. EXPLANATIONS AND NOTES TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS (Prior Period)

6. Explanations on Derivative Transactions

	Prior Period
<b>Types of Trading Transactions</b>	
<b>Foreign Currency Related Derivative Transactions: (I)</b>	85.346.631
Forward Transactions	9.280.272
Swap Transactions	75.342.881
Futures Transactions	-
Option Transactions	723.478
<b>Interest Related Derivative Transactions (II)</b>	10.496.622
Forward Interest Rate Agreements	-
Interest Rate Swaps	10.496.622
Interest Rate Options	-
Interest Rate Futures	-
<b>Other Trading Derivative Transactions: (III)</b>	-
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>95.843.253</b>
<b>Types of Hedging Derivative Transactions</b>	
Fair Value Hedges	-
Cash Flow Hedges	-
Foreign Currency Investment Hedges	-
<b>B. Total Hedging Derivative Transactions</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>95.843.253</b>

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
<b>Derivatives held for trading</b>						
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)
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total Inflow</b>	<b>30.175.251</b>	<b>6.335.887</b>	<b>4.045.596</b>	<b>2.688.504</b>	<b>5.046.989</b>	<b>48.292.227</b>
<b>Total Outflow</b>	<b>(29.881.333)</b>	<b>(6.390.928)</b>	<b>(4.064.183)</b>	<b>(2.167.593)</b>	<b>(5.046.989)</b>	<b>(47.551.026)</b>

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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**SECTION FIVE (Continued)**

**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
<b>Interest on Loans <sup>(1)</sup></b>	<b>35.961.179</b>	<b>7.392.436</b>
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	-	-

<sup>(1)</sup> 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	-	-
<b>Total</b>	<b>449.692</b>	<b>44.045</b>

**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
<b>Total</b>	<b>9.430.552</b>	<b>1.690.945</b>

**1.4. Information on Interest Income from Subsidiaries and Associates**

The Group has no interest income from its subsidiaries and affiliates.

**2. Within the Scope of Interest Expense**

**2.1. Information on Interest Expense on Borrowings**

	Current Period	
	TL	FC
<b>Banks <sup>(1)</sup></b>	<b>236.002</b>	<b>1.246.290</b>
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
<b>Total</b>	<b>236.002</b>	<b>1.265.839</b>

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**  
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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**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	-	-	-	-	-	-	-	-
<b>Total</b>	<b>691</b>	<b>3.580.806</b>	<b>12.046.473</b>	<b>1.200.880</b>	<b>1.220.740</b>	<b>254.624</b>	<b>5.941</b>	<b>18.310.155</b>
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
<b>Total</b>	<b>4.563</b>	<b>428.228</b>	<b>1.066.315</b>	<b>130.599</b>	<b>165.139</b>	<b>430.592</b>	<b>-</b>	<b>2.225.436</b>
<b>Grand Total</b>	<b>5.254</b>	<b>4.009.034</b>	<b>13.112.788</b>	<b>1.331.479</b>	<b>1.385.879</b>	<b>685.216</b>	<b>5.941</b>	<b>20.535.591</b>

**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 <sup>(1)</sup>	1.590
<b>Total</b>	<b>4.808</b>

<sup>(1)</sup> Shows the Bank's dividend income from subsidiaries, associates and entities under common control.

**4. Information on Trading Profit/Loss (Net)**

	Current Period
<b>Profit</b>	<b>117.400.870</b>
Foreign Exchange Gains	115.241.382
Profit on Derivative Financial Instruments	2.139.338
Profit from the Capital Market Transactions	20.150
<b>Loss (-)</b>	<b>121.202.026</b>
Foreign Exchange Loss	114.985.130
Loss on Derivative Financial Instruments	6.207.605
Loss from the Capital Market Transactions	9.291

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**SECTION FIVE (Continued)**

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

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

**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

**6. Provision for Impairment on Loans and Other Receivables of Banks**

**Expected Loss Provisions According to TFRS 9**

	<b>Current Period</b>
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
<b>Total</b>	<b>5.225.689</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**  
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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**7. Information on Other Operating Expenses**

	<b>Current Period</b>
Personnel Expenses <sup>(2)</sup>	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 <sup>(1)</sup>	2.233.336
<b>Total</b>	<b>9.158.676</b>

<sup>(1)</sup> 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

<sup>(2)</sup> This table also includes “Personnel Expenses” which is not in the “Other operating expenses”, but is a separate item.

**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:

	<b>Current Period</b>
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
<b>Profit / (Loss) From Continuing Operations</b>	<b>11.876.332</b>

**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.

**SECTION FIVE (Continued)**

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

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

**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

**12. If Other Items in the Income Statement Exceed 10% of the Income Statement Total, Sub-Accounts Constituting At Least 20% of These Items are Shown Below**

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

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

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

**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
<b>Interest on Loans <sup>(1)</sup></b>	<b>25.380.131</b>	<b>4.179.331</b>
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	-	-

<sup>(1)</sup> 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	-	-
<b>Total</b>	<b>254.911</b>	<b>16.441</b>

**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
<b>Total</b>	<b>5.083.280</b>	<b>1.166.962</b>

**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
<b>Banks <sup>(1)</sup></b>	<b>114.876</b>	<b>586.961</b>
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
<b>Total</b>	<b>114.876</b>	<b>607.061</b>

<sup>(1)</sup> 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



**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**  
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**SECTION FIVE (Continued)**

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

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

**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

**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	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1.196</b>	<b>1.861.030</b>	<b>7.891.886</b>	<b>775.608</b>	<b>809.102</b>	<b>182.337</b>	<b>2.542</b>	<b>11.523.701</b>
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
<b>Total</b>	<b>1.130</b>	<b>191.984</b>	<b>476.380</b>	<b>71.857</b>	<b>69.597</b>	<b>271.332</b>	<b>4</b>	<b>1.082.284</b>
<b>Grand Total</b>	<b>2.326</b>	<b>2.053.014</b>	<b>8.368.266</b>	<b>847.465</b>	<b>878.699</b>	<b>453.669</b>	<b>2.546</b>	<b>12.605.985</b>

**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 <sup>(1)</sup>	2.989
<b>Total</b>	<b>7.749</b>

<sup>(1)</sup> 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
<b>Profit</b>	<b>40.052.320</b>
Foreign Exchange Gains	38.704.602
Profit on Derivative Financial Instruments	1.302.240
Profit from the Capital Market Transactions	45.478
<b>Loss (-)</b>	<b>40.897.973</b>
Foreign Exchange Loss	38.729.296
Loss on Derivative Financial Instruments	2.167.363
Loss from the Capital Market Transactions	1.314

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
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**SECTION FIVE (Continued)**

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

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

**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**

	<b>Prior Period</b>
Specific Provisions for Loans and Other Receivables <sup>(1)</sup>	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
<b>Total</b>	<b>3.493.344</b>

<sup>(1)</sup> The related amount represents the period expense and the provision reversal amounting to TL 569.527 is included in other operating income.

**19. Information on Other Operating Expenses for the Period Ended 31 December 2017**

	<b>Prior Period</b>
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 <sup>(1)</sup>	2.705.343
<b>Total</b>	<b>7.969.003</b>

<sup>(1)</sup> 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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**  
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**SECTION FIVE (Continued)**

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

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

**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:

	<b>Prior Period</b>
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
<b>Profit / (Loss) From Continuing Operations</b>	<b>11.515.871</b>

**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.

**SECTION FIVE (Continued)**

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

**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.

**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.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
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**SECTION FIVE (Continued)**

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

**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***

<b>Period Opening</b>	<b>Current Period</b>	<b>Prior Period</b>
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
<b>Total Cash and Cash Equivalents</b>	<b>13.839.511</b>	<b>15.899.913</b>

<b>Period End</b>	<b>Current Period</b>	<b>Prior Period</b>
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
<b>Total Cash and Cash Equivalents</b>	<b>28.295.446</b>	<b>13.839.511</b>

**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**

<b>Risk Group of the Parent Bank</b>	<b>Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)</b>		<b>Direct or Indirect Shareholders of the Parent Bank</b>		<b>Other Real and Legal Persons in the Risk Group</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>
Loans						
Opening Balance	-	37.252	-	-	-	78.923
Closing Balance	-	45.815	-	-	-	648.530
<b>Interest and Commissions Income</b>	-	-	-	-	-	-

**Prior Period**

<b>Risk Group of the Parent Bank</b>	<b>Subsidiaries, Associates and Entities Under Common Control (Joint Venture)</b>		<b>Direct or Indirect Shareholders of the Parent Bank</b>		<b>Other Real and Legal Persons in the Risk Group</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>
Loans						
Opening Balance	22.397	25.951	-	-	-	59.823
Closing Balance	-	37.252	-	-	-	78.923
<b>Interest and Commissions Income <sup>(1)</sup></b>	-	-	-	-	-	-

<sup>(1)</sup> Represent the amount of interest and commissions income as of 31 December 2017.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE TRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
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**SECTION FIVE (Continued)**

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

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

**2. Deposits Held By The Bank’s Risk Group**

**Current Period**

<b>Risk Group of the Parent Bank</b>	<b>Subsidiaries, Associates and Entities Under Common Control (Joint Venture)</b>	<b>Direct or Indirect Shareholders of the Parent Bank</b>	<b>Other Real and Legal Persons in the Risk Group</b>
<b>Deposits</b>			
Opening Balance	26.398	-	17.708
Closing Balance	27.657	-	13.974
<b>Interest Expense on Deposits</b>	<b>2.184</b>	<b>-</b>	<b>14.504</b>

**Prior Period**

<b>Risk Group of the Parent Bank</b>	<b>Subsidiaries, Associates and Entities Under Common Control (Joint Venture)</b>	<b>Direct or Indirect Shareholders of the Parent Bank</b>	<b>Other Real and Legal Persons in the Risk Group</b>
<b>Deposits</b>			
Opening Balance	30.244	-	22.247
Closing Balance	26.398	-	17.708
<b>Interest Expense on Deposits <sup>(1)</sup></b>	<b>1.109</b>	<b>-</b>	<b>3.429</b>

<sup>(1)</sup> 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**

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).

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE T RKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
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**SECTION FIVE (Continued)**

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

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

None.

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

**1. Information on the Bank’s Domestic and Foreign Branches and Foreign Representatives of The Bank**

	Number	Number of Employees			
Domestic Branch <sup>(1)</sup>	1.750	24.559			
			<b>Country of Incorporation</b>		
Foreign Representative Office <sup>(2)</sup>	1	-	1- Iran		
				<b>Total Assets</b>	<b>Statutory Share Capital</b>
Foreign Branch <sup>(2)</sup>	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	-	-	-	-	-

<sup>(1)</sup> The number of Head Office and Regional Directorates employees are included in the number of employees in the Domestic Branches.

<sup>(2)</sup> 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.

## 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

<b>Outlook</b>	<b>Negative</b>
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
<b>Basic Credit Note</b>	<b>b2</b>
<b>Adjusted Basic Credit Note</b>	<b>b2</b>

##### 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
<b>Support</b>	<b>4</b>
<b>Support Rating Base</b>	<b>B+</b>
<b>Financial Capability Grade</b>	<b>b+</b>

##### JCR Eurasia: October 2018

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

#### 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.