

(Convenience Translation of Unconsolidated Interim Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Section Three)

Ziraat Katılım Bankası Anonim Şirketi

**Unconsolidated Interim Financial Statements
As at and For Three-Month Period Ended
31 March 2017**

With Auditors' Review Report Thereon

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

10 May 2017

*This report includes "Auditors' Review Report"
comprising 2 pages and; "Unconsolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 77 pages.*



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REVIEW REPORT ON INTERIM UNCONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors of Ziraat Katılım Bankası A.Ş.

Introduction

We have reviewed the accompanying unconsolidated balance sheet of Ziraat Katılım Bankası A.Ş. ("the Bank") at 31 March 2017 and the accompanying unconsolidated statements of income, income and expense items under shareholders' equity, changes in shareholders' equity, cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the three-month period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with 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 Agency and circulars and interpretations published by Banking Regulation and Supervision Authority and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation (together referred as "BRSA Accounting and Financial Reporting Legislation"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.



Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Ziraat Katılım Bankası A.Ş. at 31 March 2017 and of the results of its operations and its cash flows for the three-month-period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Other Matter

The unconsolidated financial statements of the Bank as at and for the year ended 31 December 2016 and as at and for the three-month period ended 31 March 2016 were audited and reviewed by another auditor who expressed an unmodified opinion and an unmodified conclusion on 17 February 2017 and 16 May 2016, respectively.

Report on other legal and regulatory requirements

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section Eight, is not consistent with the unconsolidated financial statements and disclosures in all material respects.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of KPMG International Cooperative



Erdal Tıkmak
Partner

10 May 2017
İstanbul, Turkey

**THE UNCONSOLIDATED INTERIM FINANCIAL REPORT OF
ZİRAAT KATILIM BANKASI A.Ş. AS OF 31 MARCH 2017**

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi
Hayri Efendi Cad. Bahçekapı No: 12 34112 Fatih / İSTANBUL
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The unconsolidated financial report for three months includes the following sections in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- EXPLANATIONS ON REVIEW REPORT

The accompanying unconsolidated financial statements for three months 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 reviewed.

Hüseyin AYDIN
Chairman of the Board

Osman ARSLAN
Member of the Board,
CEO

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

Metin ÖZDEMİR
Member of the Board,
Member of the Audit Committee

Hakan AYDOĞAN
Financial Coordination and
Human Resources Deputy
General Manager

Osman ÇETİNER
Vice President
of Financial Reporting, Budget

Contact information of the personnel in charge of the addressing of questions about this financial report:

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SECTION ONE
General Information about the Bank

		Page No
I.	History of the Bank including its incorporation date, initial legal status and amendments to legal status	1
II.	Shareholding, shareholders jointly or individually having direct or indirect, control over the management and supervisions of the Bank and the disclosures on any related changes in the current period, if any and information about the Group that the Bank belongs to	1
III.	Explanations on the titles of chairman and members of the board of directors, members of audit committee, general managers and assistant general managers and their shareholdings in the Bank	2
IV.	Information about the persons and institutions that have qualified shares attributable to the bank	2
V.	Explanations of the Bank's services and field of operations	3
VI.	Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent Bank and its subsidiaries	3

SECTION TWO
The Bank's Unconsolidated Financial Statements

I.	Balance Sheet (Statement of Financial Position)	4
II.	Statement of Off-Balance Sheet Commitments	6
III.	Income Statement	7
IV.	Statement of Profit and Loss Accounted for Under Equity	8
V.	Statement of Changes in Shareholders' Equity	9
VI.	Statement of Cash Flows	11

SECTION THREE
Accounting Principles

I.	Basis of presentation	12
II.	Explanations on usage strategy of financial assets and foreign currency transactions	13
III.	Explanations on investments in associates and subsidiaries	13
IV.	Explanations on forward and option contracts and derivative instruments	13
V.	Explanations on profit share income and expense	14
VI.	Explanations on fees and commission income and expenses	14
VII.	Explanations on financial assets	14
VIII.	Explanations on impairment of financial assets	16
IX.	Explanations on offsetting of financial assets and liabilities	16
X.	Explanations on sale and repurchase agreements and lending of securities	16
XI.	Explanations on assets held for sale and discontinued operations and related liabilities	17
XII.	Explanations on goodwill and other intangible assets	17
XIII.	Explanations on tangible assets	18
XIV.	Explanations on leasing transactions	18
XV.	Explanations on provisions and contingent liabilities	19
XVI.	Explanations on obligations related to employee rights	19
XVII.	Explanations on taxation	21
XVIII.	Explanations on additional disclosures on borrowings	23
XIX.	Explanations on share certificates issued	23
XX.	Explanations on acceptances	23
XXI.	Explanations on government incentives	23
XXII.	Explanations on cash and cash equivalents	23
XXIII.	Explanations on segment reporting	23
XXIV.	Explanations on other matters	23

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

I.	Explanations on shareholders' equity	24
II.	Explanations on the currency risk	30
III.	Equity share position risk on banking accounts	32
IV.	Explanations related to liquidity risk management and liquidity coverage ratio	32
V.	Explanations on leverage ratio	38
VI.	Explanations on securitization positions	38
VII.	Explanations on risk management	38
VIII.	Explanations on hedge transactions	40
IX.	Explanations on operating segments	41

SECTION FIVE
Explanations and notes related to unconsolidated financial statements

I.	Explanations and notes related to assets	43
II.	Explanations and notes related to liabilities	55
III.	Explanations and notes related to off-balance sheet accounts	62
IV.	Explanations and notes related to the income statement	63
V.	Explanations and notes related to the risk group of the Bank	68
VI.	Significant events and matters arising subsequent to balance sheet date	69

SECTION SIX
Other Explanations and Notes

I.	Other explanations on the Bank's operations	69
II.	Explanations on the Bank's credit notes from credit rating agencies	69

SECTION SEVEN
Explanations on Review Report

I.	Explanations on the limited review report	69
II.	Notes and notes prepared by the independent auditors	69

SECTION EIGHT
Explanations on Interim Period Annual Report

I.	Chairman's assessment	70
II.	Assessment of general manager	72
III.	Shareholding structure	73
IV.	Changes in the articles of association	73
V.	Main financial indicators	73
VI.	2017 interim period operations	75
VII.	2017 expectations after the interim period	76

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

SECTION ONE GENERAL INFORMATION ABOUT THE BANK

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

Ziraat Participation Bank is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 November 2014 which was published in the Official Gazette numbered as 29146 at 15 November 2014 with a capital of TL 675,000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 14 May 2015. The Bank has begun its operations by opening its first branch in 29 May 2015. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 29 April 2016, the paid-in capital of the Bank has been raised from TL 675,000 to TL 747,000 increasing by cash amount to TL 72,000 and registered on 18 May 2016. Governance body of the bank is in Istanbul.

Main operation field of the Bank is gathering funds by the accounts named as "Private Current Accounts" and "Participation Accounts to Profit and Loss" from domestic and abroad additional to its own capital and lending these funds to the economy, carrying up every kind of financing operations within the scope of legal legislation, promoting investment operations of real and corporate bodies that are making agricultural, industrial and commercial operations, participating in these operations, making up joint ventures and carrying out all these services and operations within the scope of participation banking fundamentals.

The Bank can carry out every kind of banking, economic, trade and financial operation within the limits of permissions given by the Banking Regulation and Supervision Agency within the scope of Participation Banking fundamentals.

All of the shares of the Parent of the Bank, T.C Ziraat Bankası A.Ş has been transferred to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

II. SHAREHOLDING STRUCTURE, SHAREHOLDERS JOINTLY OR INDIVIDUALLY HAVING DIRECT OR INDIRECT, CONTROL OVER THE MANAGEMENT AND SUPERVISION OF THE BANK AND THE DISCLOSURES ON ANY RELATED CHANGES IN THE CURRENT PERIOD, IF ANY AND INFORMATION ABOUT THE GROUP THAT THE BANK BELONGS TO

As of 31 March 2017 and 31 December 2016, main shareholders and capital amounts as follows:

Name of Shareholders	31 March 2017		31 December 2016	
	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş. (*)	746,999,996	99.9999996	746,999,996	99.9999996
Ziraat Sigorta A.Ş.	1	0.0000001	1	0.0000001
Ziraat Hayat ve Emeklilik A.Ş.	1	0.0000001	1	0.0000001
Ziraat Teknoloji A.Ş.	1	0.0000001	1	0.0000001
Ziraat Yatırım Menkul Değerler A.Ş.	1	0.0000001	1	0.0000001
Total	747,000,000	100.00	747,000,000	100.00

(*) All of the shares of the Parent of the Bank, T.C Ziraat Bankası A.Ş has been transferred to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

GENERAL INFORMATION ABOUT THE BANK (Continued)

III. EXPLANATIONS ON THE TITLES OF CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, GENERAL MANAGERS AND ASSISTANT GENERAL MANAGERS AND THEIR SHAREHOLDINGS IN THE BANK

Name	Title
Board of Directors	
Hüseyin AYDIN	Chairman
Osman ARSLAN	General Manager and Member of the BOD
Yusuf DAĞCAN	Executive Vice President and Member of the BOD
Cemalettin BAŞLI	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Salim ALKAN	Member
Member of Audit Committee	
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Assistant General Manager	
Hakan AYDOĞAN(*)	Financial Coordination and Human Resources
Tahir DEMİRKİRAN(**)	Loan Allocation and Management

(*) As of 19 April 2016 was transferred to Financial Coordination and Human Resources Assistant General Manager.

(**) As of 27 January 2016 was transferred to Loan Allocation and Management Assistant General Manager.

Chairman and members of the Board of Directors have no Bank's share capital.

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

Name / Trade Name	Share Amount (Nominal)	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C. Ziraat Bankası A.Ş. (*)	746,999,996	99.9999996	746,999,996	-
Ziraat Sigorta A.Ş.	1	0.0000001	1	-
Ziraat Hayat ve Emeklilik A.Ş.	1	0.0000001	1	-
Ziraat Teknoloji A.Ş.	1	0.0000001	1	-
Ziraat Yatırım Menkul Değerler A.Ş.	1	0.0000001	1	-
Total	747,000,000	100.00	747,000,000	-

(*) All of the shares of the Parent of the Bank, T.C Ziraat Bankası A.Ş has been transferred to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

GENERAL INFORMATION ABOUT THE BANK (Continued)

V. EXPLANATIONS OF THE BANK'S SERVICES AND FIELD OF OPERATIONS

Operation field of Bank was declared in the prime contract within the scope of Banking Law and other legislation codes. The bank collects funds with the scope of non-interest Banking Principles and provide all type of cash, non-cash funds within the scope of Islamic banking principles in any case. Moreover, the Bank operates its participation banking operations to the extent permitted by the Legal Code, for the benefit of the society within the principles of the participation banking such as for the purpose of society.

Bank sorts out participation accounts discretely from the other accounts in its account records in terms of their maturity. Participation accounts are opened in 5 maturity groups as maturity to one month, maturity to three months (three months included), maturity to six months (six months included), maturity to one year (one year included) and maturity to one year or more (with dividend payment of one month, 3 months, six months and annually).

Bank can determine the rates of participating in profit and loss by operating participation accounts discretely as of currency type, amount and maturity groups but participation rate to loss cannot be less than 50% of participation rate to profit.

Bank branches provides Islamic insurance within the principles of participation banking (takaful insurance) as an agent of Ziraat Hayat ve Emeklilik A.Ş. and Ziraat Sigorta A.Ş. to their client.

As of 31 March 2017, Bank operates with its 48 branches (31 December 2016: 44 branches) and 720 (31 December 2016: 655) workers domestically. Bank has no branches abroad.

VI. CURRENT OR LIKELY ACTUAL LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN PARENT BANK AND ITS SUBSIDIARIES

None.

ZİRAAT KATILIM BANKASI A.Ş.

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

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

SECTION TWO

THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)		Note (Section Five I)	THOUSAND OF TURKISH LIRA					
			Current Period (31/03/2017)			Prior Period (31/12/2016)		
			TL	FC	Total	TL	FC	Total
ASSETS								
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	250,752	692,406	943,158	633,389	567,909	1,201,298
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	17	4	21	7	1,152	1,159
2.1	Financial Assets Held for Trading		17	4	21	7	1,152	1,159
2.1.1	Public Sector Debt Securities		-	-	-	-	-	-
2.1.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.1.3	Derivative Financial Assets Held for Trading		17	4	21	7	1,152	1,159
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1	Public Sector Debt Securities		-	-	-	-	-	-
2.2.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	(3)	203,551	641,480	845,031	6,561	461,893	468,454
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	385,663	7,548	393,211	407,515	7,168	414,683
5.1	Securities Representing a Share in Capital		4,719	-	4,719	4,719	-	4,719
5.2	Public Sector Debt Securities		-	-	-	-	-	-
5.3	Other Marketable Securities		380,944	7,548	388,492	402,796	7,168	409,964
VI.	LOANS AND RECEIVABLES	(5)	5,790,541	714,335	6,504,876	4,949,028	608,914	5,557,942
6.1	Loans and receivables		5,776,330	714,335	6,490,665	4,942,377	608,914	5,551,291
6.1.1	Loans to Risk Group of the Bank		216,574	54,744	271,318	505,998	52,926	558,924
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		5,559,756	659,591	6,219,347	4,436,379	555,988	4,992,367
6.2	Non-performing loans		19,602	-	19,602	10,483	-	10,483
6.3	Specific provisions (-)		5,391	-	5,391	3,832	-	3,832
VII.	INVESTMENTS HELD TO MATURITY (Net)	(6)	-	-	-	-	-	-
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(7)	-	-	-	-	-	-
8.1	Accounted with Equity Method		-	-	-	-	-	-
8.2	Unconsolidated Associates		-	-	-	-	-	-
8.2.1	Financial investments		-	-	-	-	-	-
8.2.2	Non-financial investments		-	-	-	-	-	-
IX.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	50	-	50	50	-	50
9.1	Unconsolidated financial subsidiaries		50	-	50	50	-	50
9.2	Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
X.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	-	-	-	-	-	-
10.1	Consolidated under equity method		-	-	-	-	-	-
10.2	Unconsolidated		-	-	-	-	-	-
10.2.1	Financial subsidiaries		-	-	-	-	-	-
10.2.2	Non-financial subsidiaries		-	-	-	-	-	-
XI.	RECEIVABLES FROM LEASING TRANSACTIONS	(10)	270,105	-	270,105	221,373	-	221,373
11.1	Finance Lease Receivables		349,437	-	349,437	265,785	-	265,785
11.2	Operating Lease Receivables		-	-	-	-	-	-
11.3	Other		-	-	-	-	-	-
11.4	Unearned Income (-)		79,332	-	79,332	44,412	-	44,412
XII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSE	(11)	-	-	-	-	-	-
12.1	Fair Value Hedges		-	-	-	-	-	-
12.2	Cash Flow Hedges		-	-	-	-	-	-
12.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIII.	TANGIBLE ASSETS (Net)	(14)	43,269	-	43,269	43,643	-	43,643
XIV.	INTANGIBLE ASSETS (Net)	(15)	23,159	-	23,159	22,905	-	22,905
14.1	Goodwill		-	-	-	-	-	-
14.2	Other		23,159	-	23,159	22,905	-	22,905
XV.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-	-	-	-
XVI.	TAX ASSET	(16)	7,674	-	7,674	4,876	-	4,876
16.1	Current Tax Asset		-	-	-	-	-	-
16.2	Deferred Tax Asset		7,674	-	7,674	4,876	-	4,876
XVII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	-	-	-	-	-	-
17.1	Held for Sale		-	-	-	-	-	-
17.2	Held from Discontinued Operations		-	-	-	-	-	-
XVIII.	OTHER ASSETS	(17)	34,561	145	34,706	22,981	143	23,124
TOTAL ASSETS			7,009,342	2,055,918	9,065,260	6,312,328	1,647,179	7,959,507

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

ZİRAAT KATILIM BANKASI A.Ş.

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	THOUSAND OF TURKISH LIRA					
		Current Period (31/03/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
LIABILITIES AND EQUITY							
I. FUND COLLECTED	(1)	4,184,667	2,247,741	6,432,408	3,776,793	1,859,209	5,636,002
1.1 Fund Collected Held By the Risk Group of the Bank		2,638	65	2,703	1,785	11	1,796
1.2 Other		4,182,029	2,247,676	6,429,705	3,775,008	1,859,198	5,634,206
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	-	825	825	-	-	-
III. FUNDS BORROWED	(3)	101,524	1,335,458	1,436,982	101,459	1,185,762	1,287,221
IV. MONEY MARKET BALANCES	(3)	-	-	-	133,668	-	133,668
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
VI. MISCELLANEOUS PAYABLES		224,741	5,374	230,115	13,218	3,809	17,027
VII. OTHER LIABILITIES	(4)	75,407	460	75,867	45,594	932	46,526
VIII. FINANCE LEASE PAYABLES	(5)	-	-	-	-	-	-
8.1 Finance Lease Payables		-	-	-	-	-	-
8.2 Operating Lease Payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(6)	-	-	-	-	-	-
9.1 Fair Value Hedges		-	-	-	-	-	-
9.2 Cash Flow Hedges		-	-	-	-	-	-
9.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
X. PROVISIONS	(7)	84,918	2,894	87,812	62,750	1,824	64,574
10.1 General Provisions		69,096	-	69,096	52,263	-	52,263
10.2 Restructuring Provisions		-	-	-	-	-	-
10.3 Employee Benefits Provisions		2,940	-	2,940	2,169	-	2,169
10.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
10.5 Other Provisions		12,882	2,894	15,776	8,318	1,824	10,142
XI. TAX LIABILITY	(8)	15,160	-	15,160	9,868	-	9,868
11.1 Current Tax Liability		15,160	-	15,160	9,868	-	9,868
11.2 Deferred Tax Liability		-	-	-	-	-	-
XII. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(9)	-	-	-	-	-	-
12.1 Held for Sale		-	-	-	-	-	-
12.2 Held from Discontinued Operations		-	-	-	-	-	-
XIII. SUBORDINATED LOANS	(10)	-	-	-	-	-	-
XIV. SHAREHOLDERS' EQUITY	(11)	786,126	(35)	786,091	764,728	(107)	764,621
14.1 Paid-in Capital		747,000	-	747,000	747,000	-	747,000
14.2 Capital Reserves		(4,685)	(35)	(4,720)	(963)	(107)	(1,070)
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Marketable Securities Valuation Differences		(4,685)	(35)	(4,720)	(963)	(107)	(1,070)
14.2.4 Tangible Assets Revaluation Reserves		-	-	-	-	-	-
14.2.5 Intangible Assets Revaluation Reserves		-	-	-	-	-	-
14.2.6 Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
14.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-
14.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
14.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
14.2.10 Other Capital Reserves		-	-	-	-	-	-
14.3 Profit Reserves		-	-	-	-	-	-
14.3.1 Legal Reserves		-	-	-	-	-	-
14.3.2 Statutory Reserves		-	-	-	-	-	-
14.3.3 Extraordinary Reserves		-	-	-	-	-	-
14.3.4 Other Profit Reserves		-	-	-	-	-	-
14.4 Profit or Loss		43,811	-	43,811	18,691	-	18,691
14.4.1 Prior Years Profit/Loss		18,691	-	18,691	(11,982)	-	(11,982)
14.4.2 Net Period Profit/Loss		25,120	-	25,120	30,673	-	30,673
TOTAL LIABILITIES AND EQUITY		5,472,543	3,592,717	9,065,260	4,908,078	3,051,429	7,959,507

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

ZİRAAT KATILIM BANKASI A.Ş.

**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS OF 31 MARCH 2017**

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

II.	STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	THOUSAND OF TURKISH LIRA					
			Current Period (31/03/2017)			Prior Period (31/12/2016)		
			TL	FC	Total	TL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)	(I)	1,858,173	2,738,459	4,596,632	1,380,632	2,435,507	3,816,139
I.	GUARANTEES AND WARRANTIES		1,804,212	2,531,788	4,336,000	1,341,334	2,166,635	3,507,969
1.1	Letters of Guarantee		1,792,770	1,790,144	3,582,914	1,329,163	1,443,571	2,772,734
1.1.1	Guarantees Subject to State Tender Law		65,962	798,570	864,532	7,214	603,083	610,297
1.1.2	Guarantees Given for Foreign Trade Operations		1,598,939	-	1,598,939	1,208,028	-	1,208,028
1.1.3	Other Letters of Guarantee		127,869	991,574	1,119,443	113,921	840,488	954,409
1.2	Bank Acceptances		-	11,721	11,721	-	7,484	7,484
1.2.1	Import Letter of Acceptance		-	11,721	11,721	-	7,484	7,484
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		196	271,279	271,475	-	188,475	188,475
1.3.1	Documentary Letters of Credit		196	271,279	271,475	-	188,475	188,475
1.3.2	Other Letters of Credit		-	-	-	-	-	-
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	Other Guarantees		11,075	452,027	463,102	12,000	520,131	532,131
1.7	Other Collaterals		171	6,617	6,788	171	6,974	7,145
II.	COMMITMENTS	(I)	53,961	13,119	67,080	39,298	9,200	48,498
2.1	Irrevocable Commitments		53,961	13,119	67,080	39,298	9,200	48,498
2.1.1	Forward asset purchase commitments		10,042	13,119	23,161	4,023	9,200	13,223
2.1.2	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3	Loan Granting Commitments		-	-	-	-	-	-
2.1.4	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.5	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6	Payment commitment for checks		43,187	-	43,187	34,817	-	34,817
2.1.7	Tax and Fund Liabilities from Export Commitments		732	-	732	458	-	458
2.1.8	Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.9	Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.10	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Other Irrevocable Commitments		-	-	-	-	-	-
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		-	193,552	193,552	-	259,672	259,672
3.1	Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1	Fair value hedge		-	-	-	-	-	-
3.1.2	Cash flow hedge		-	-	-	-	-	-
3.1.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2	Held for trading transactions		-	193,552	193,552	-	259,672	259,672
3.2.1	Forward Foreign Currency Buy-Sell Transactions		-	193,552	193,552	-	259,672	259,672
3.2.1.1	Forward Foreign Currency Transactions-Buy		-	96,414	96,414	-	130,412	130,412
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	97,138	97,138	-	129,260	129,260
3.2.2	Other Forward Buy-Sell Transaction		-	-	-	-	-	-
3.3	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		7,950,403	421,129	8,371,532	6,580,645	334,443	6,915,088
IV.	ITEMS HELD IN CUSTODY		206,524	162,505	369,029	197,945	103,513	301,458
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		1,508	-	1,508	1,167	-	1,167
4.3	Checks Received for Collection		187,803	3,540	191,343	185,546	2,162	187,708
4.4	Commercial Notes Received for Collection		17,213	111	17,324	11,232	190	11,422
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	89,020	89,020	-	47,704	47,704
4.8	Custodians		-	69,834	69,834	-	53,457	53,457
V.	PLEDGES RECEIVED		7,743,879	258,624	8,002,503	6,382,700	230,930	6,613,630
5.1	Marketable Securities		15,909	2,815	18,724	6,979	-	6,979
5.2	Guarantee Notes		672,509	32,958	705,467	572,824	22,136	594,960
5.3	Commodity		578,257	-	578,257	419,001	-	419,001
5.4	Warranty		-	-	-	-	-	-
5.5	Properties		6,008,439	-	6,008,439	4,855,316	-	4,855,316
5.6	Other Pledged Items		468,765	222,851	691,616	528,580	208,794	737,374
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			9,808,576	3,159,588	12,968,164	7,961,277	2,769,950	10,731,227

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

ZİRAAT KATILIM BANKASI A.Ş.

**UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD
OF 1 JANUARY - 31 MARCH 2017**

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

III. INCOME AND EXPENSE ITEMS	Note (Section Five IV)	THOUSAND OF TURKISH LIRA	
		Current Period 01/01/2017-31/03/2017	Prior Period 01/01/2016-31/03/2016
I. PROFIT SHARE INCOME	(1)	180,552	53,886
1.1 Profit share on loans		159,918	49,168
1.2 Profit share on reserve deposits		2,940	678
1.3 Profit share on banks		-	353
1.4 Profit share on money market placements		-	-
1.5 Profit share on marketable securities portfolio		10,614	3,439
1.5.1 Held-for-trading financial assets		-	-
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		10,614	3,439
1.5.4 Investments held-to-maturity		-	-
1.6 Finance lease income		6,924	248
1.7 Other profit share income		156	-
II. PROFIT SHARE EXPENSE	(2)	92,773	19,903
2.1 Expense on profit sharing accounts		82,886	16,560
2.2 Profit share expense on funds borrowed		9,509	2,450
2.3 Profit share expense on money market borrowings		378	893
2.4 Expense on securities issued		-	-
2.5 Other profit share expense		-	-
III. NET PROFIT SHARE INCOME (I - II)		87,779	33,983
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		6,059	2,695
4.1 Fees and commissions received		8,594	3,111
4.1.1 Non-cash loans		6,629	2,114
4.1.2 Other		1,965	997
4.2 Fees and commissions paid		2,535	416
4.2.1 Non-cash loans		-	-
4.2.2 Other		2,535	416
V. DIVIDEND INCOME	(3)	-	-
VI. NET TRADING INCOME		3,694	1,632
6.1 Capital market transaction gains / (losses)		-	-
6.2 Gains / (losses) from derivative financial instruments	(4)	(788)	694
6.3 Foreign exchange gains / (losses)		4,482	938
VII. OTHER OPERATING INCOME	(5)	1,663	777
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		99,195	39,087
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	24,304	13,890
X. OTHER OPERATING EXPENSES (-)	(7)	42,454	26,337
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		32,437	(1,140)
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. GAIN / (LOSS) ON EQUITY METHOD		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) BEFORE TAXES FROM CONTINUED OPERATIONS (XI+...+XIV)	(8)	32,437	(1,140)
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(7,317)	(1,617)
16.1 Current Tax Provision		(9,608)	(2,387)
16.2 Deferred Tax Provision		2,291	770
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	25,120	(2,757)
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
18.3 Income on other discontinued operations		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XX. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)	25,120	(2,757)
Earnings per share income/ loss (full TL)		0.0336	(0.0041)

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

ZİRAAT KATILIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY		
STATEMENT OF INCOME AND EXPENSES ACCOUNTED UNDER EQUITY	Current Period 01/01/2017- 31/03/2017	Prior Period 01/01/2016- 31/03/2016
I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FOR AVAILABLE SALE FINANCIAL ASSETS	(4,157)	(69)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS I	-	-
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-	-
VII. THE EFFECT OF CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	-	-
IX. DEFERRED TAX OF VALUATION DIFFERENCES	507	14
X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	(3,650)	(55)
XI. PROFIT/LOSS	25,120	(2,757)
11.1 Change in fair value of marketable securities (transfer to profit/loss)	-	-
11.2 Reclassification of derivatives accounted for cash flow hedge purposes to income statement	-	-
11.3 Reclassification of hedge of net investments in foreign operations to income statement	-	-
11.4 Other	25,120	(2,757)
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	21,470	(2,812)

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

ZİRAAT KATILIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																	
THOUSAND OF TURKISH LIRA	(Note Section V)	Paid-in capital	Effect of inflation accounting on paid-in capital and other reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordii reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund.	Total equity
Prior Period 1 January -31 March 2016		675,000	-	-	-	-	-	-	-	(11,982)	-	1,512	-	-	-	-	664,530
Balances at the beginning of period																	
Corrections according to Turkish Accounting Standard No.8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance (1 + II)		675,000	-	-	-	-	-	-	-	(11,982)	-	1,512	-	-	-	-	664,530
Changes in the period																	
Increase / decrease related to mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation difference of available-for-sale securities		-	-	-	-	-	-	-	-	-	-	(55)	-	-	-	-	(55)
Hedging transactions (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hedging of a net investment in foreign subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation fund on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation fund on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital bonus of associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes related to sale of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes related to reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of changes in equities of associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Domestic sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of share certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abolition profit of share certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current period net profit / loss		-	-	-	-	-	-	-	-	(2,757)	-	-	-	-	-	-	(2,757)
Profit distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transferred to reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of period (III+IV+V+.....+XVII+XIX+XX)		675,000	-	-	-	-	-	-	-	(14,739)	-	1,457	-	-	-	-	661,718

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

ZİRAAT KATILIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																	
THOUSAND OF TURKISH LIRA	(Note Section V)	Paid-in capital	Effect of inflation accounting on paid-in capital and other reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordi reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund.	Total equity
I. Balances at the beginning of period		747,000	-	-	-	-	-	-	-	-	18,691	(1,070)	-	-	-	-	764,621
II. Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Increase / decrease related to mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Valuation difference of available-for-sale securities		-	-	-	-	-	-	-	-	-	-	(3,650)	-	-	-	-	(3,650)
IV. Hedging transactions (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedging of a net investment in foreign subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation fund on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation fund on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital bonus of associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes related to sale of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes related to reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of changes in equities of associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Domestic sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuances of share certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Abolition profit of share certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Current period net profit / loss		-	-	-	-	-	-	-	-	25,120	-	-	-	-	-	-	25,120
XVIII. Profit distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transferred to reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of period (I+II+III+...+XVI+XVII+XVIII)		747,000	-	-	-	-	-	-	-	25,120	18,691	(4,720)	-	-	-	-	786,091

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

ZİRAAT KATILIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

VI. STATEMENT OF CASH FLOWS	Note (Section Five)	BİN TÜRK LİRASI	
		Current Period 01/01/2017 - 31/03/2017	Prior Period 01/01/2016 - 31/03/2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities)		28,428	7,467
1.1.1 Profit share income received		163,334	42,708
1.1.2 Profit share expense paid		(84,612)	(16,028)
1.1.3 Dividend received		-	-
1.1.4 Fees and commissions received		8,594	3,111
1.1.5 Other income		260	4,285
1.1.6 Collections from previously written off loans		128	-
1.1.7 Payments to personnel and service suppliers		(19,851)	(14,536)
1.1.8 Taxes paid		(16,133)	(2,197)
1.1.9 Others		(23,292)	(9,876)
1.2 Changes in operating assets and liabilities		(78,253)	231,254
1.2.1 Net (increase)/decrease in held for trading financial assets		1,134	-
1.2.2 Net (increase) decrease in fair value through profit/loss financial assets		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(125,004)	(68,552)
1.2.4 Net (increase) decrease in loans		(981,878)	(922,317)
1.2.5 Net (increase) decrease in other assets		(11,582)	(942)
1.2.6 Net increase (decrease) in bank deposits		55,817	-
1.2.7 Net increase (decrease) in other deposits		733,410	641,804
1.2.8 Net increase (decrease) in funds borrowed		148,663	570,758
1.2.9 Net increase (decrease) in due payables		-	-
1.2.10 Net increase (decrease) in other liabilities		101,187	10,503
I. Net cash provided from banking operations		(49,825)	238,721
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		18,160	(67,021)
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries		-	(50)
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(3,312)	(2,790)
2.4 Fixed assets sales		-	-
2.5 Cash paid for purchase of financial assets available for sale		-	(63,552)
2.6 Cash obtained from sale of financial assets available for sale		21,472	-
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		-	(629)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities		-	-
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Marketable Securities Issued		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		24,013	(2,681)
V. Net increase (decrease) in cash and cash equivalents (I+II+III+IV)		(7,652)	169,019
VI. Cash and cash equivalents at the beginning of the period		1,114,258	145,137
VII. Cash and cash equivalents at the end of the period		1,106,606	314,156

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017**

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

SECTION THREE

ACCOUNTING PRINCIPLES

I. BASIS OF PRESENTATION

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no. 26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (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 interim reporting Turkish Accounting Standards 34 and Turkish Financial Reporting Standards (“IFRS”) and related appendices and interpretations (referred as “Turkish Accounting Standards” or “TAS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) (“all referred as BRSA Principles”).

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

As of the date of 31 March 2017, balance sheet and off-balance sheet liabilities tables are comparatively given with 31 December 2016 balances and income statement, profit and loss accounted for under equity, cash flows and changes in shareholders’ equity tables are comparatively given with the accounting period ending on 31 March 2016.

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

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

The amendments of TAS and IFRS which have entered into force as of 1 January 2017 have no material impact on the Group’s accounting policies, financial position and performance. The amendments of TAS and IFRS will be effective as of 1 January 2018, except IFRS 9 Financial Instruments, will have no impact on the accounting policies, financial condition and performance of the Bank. The Bank has started works in order to comply with IFRS 9 Financial Instruments Standard which will be effective as of 1 January 2018.

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

Additional paragraph for convenience translation into English:

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

ACCOUNTING PRINCIPLES (Continued)

II. EXPLANATIONS ON USAGE STRATEGY OF FINANCIAL ASSETS AND FOREIGN CURRENCY TRANSACTIONS

The Bank's main field of operations are; to provide all kinds of domestic and foreign currency cash, non-cash loans, make transactions in domestic and foreign capital markets, collect current and participation accounts. As of reporting date, an important part of Bank resources consists of shareholders equity. Bank evaluates its resources with commodity transactions, lease certificates and credits in high-yield and short-term. Bank's liquidity position considered as defraying all the maturing liabilities.

The procedures including foreign currency were recorded based on the buying rate of the counter ruling at the transaction date. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates announced by the Central Bank of Turkey converting them into Turkish Lira and valuation differences of foreign currencies have been recognized in the income statement under the net foreign exchange income/expense account.

Bank is monitoring risks of liquidated receivables, doubtful fees, commission and other receivables with loans have the characteristics of loss and participation accounts make loan available risk belong to bank that are monitored in other receivables accounts with equities and make loans available special current accounts that are foreign currency and balance receivables, on the date of transition exchange to TL. Foreign currency credits make loans that are participation accounts and foreign exchange loans, risk that is belong to participation accounts appreciate with current accounts to exchange differences monitoring on the foreign exchange transactions profit or loss.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial instruments are reflected in the income statement. There are no foreign currency differences capitalized by the Bank.

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

Based on the TAS 27 "Turkish Accounting Standard for Consolidated and Separate Financial Statements", Turkish Lira denominated investments in associates and subsidiaries are accounted at cost value and are reflected to the unconsolidated financial statements after deducting the provision for impairment, if any. As of 22 January 2016, Ziraat Katılım Varlık Kiralama A.Ş joint stock company was established by bank as subsidiaries.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

The Bank's derivative financial instruments consist of forward foreign currency buy/sell agreements.

The Bank's derivative transactions mostly include currency and precious metal swaps and foreign currency forward contracts in line with TAS 39 "Financial Instruments: Recognition and Measurement". The Bank has no embedded derivative instruments separated from the articles of association.

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

The payables and receivables arising from derivative transactions are recorded in off-balance sheet accounts at their agreement amounts.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

ACCOUNTING PRINCIPLES (Continued)

V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE

Profit share income and expenses are recognized on an accrual basis using the internal rate of return method in conformity with TAS 39 "Financial Instruments: Recognition and Measurement". In accordance with the Communiqué on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions" came into force after being published in the Official Gazette numbered 26333 dated 1 November 2006, no profit share income accrual is calculated for non-performing loans. Realized profit share accruals calculated for non-performing loans and recognized as income are reversed and profit share income related to these loans is recognized as profit only when collected.

The Bank calculates expense accrual in accordance with the unit value calculation method on sharing accounts and reflects these amounts in "Funds Collected" account on the balance sheet.

VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES

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

Commissions and fees received from cash loans and relating to the future periods are recorded to the "Unearned Revenues" account under "Other Liabilities" on the balance sheet.

VII. EXPLANATIONS ON FINANCIAL ASSETS

Financial instruments comprise financial assets and liabilities and derivative instruments. Financial assets mainly constitute the Bank's commercial activities and operations. Financial assets are classified as investments held-to-maturity, bank loans and receivables, financial assets available for sale or held-for-trading at initial recognition.

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

Financial assets at fair value through profit or loss have two sub categories: "trading financial assets" and "financial assets through at fair value through profit/loss at initial recognition".

Trading financial assets either acquired for generating profit from short-term fluctuations in the price or dealer's margin, are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Financial assets held for trading are initially recognized at transaction prices which are assumed to reflect the fair value and subsequently measured at fair value. Gain or loss resulted from valuation of these financial assets are transferred to profit or loss accounts.

The Bank has no financial assets at fair value through profit or loss other than trading financial assets.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

ACCOUNTING PRINCIPLES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

b. Financial assets available for sale:

Available-for-sale financial assets refer to financial assets other than the ones classified as "loans and receivables", "held-to-maturity assets" or "financial assets at fair value through profit or loss".

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

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

The difference between fair value and cost of available for sale financial assets is booked as profit share income accrual or impairment provision. Furthermore, amortized cost using the internal rate of return method and cost value is compared and the difference is booked as profit share income or impairment expense. Fair value and amortized 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 amortized cost using the internal rate of return method or appropriate valuation methods.

c. Loans and receivables:

Bank loans and receivables represent financial other than those held for trading or held for sale in a short period are not derivative financial instruments.

Loans and receivables are initially recognized at cost, and subsequently recognized at the amortized cost calculated using the internal rate of return method. Individual and corporate loans tracked in cash loans are recognized at their original amounts according to Uniform Chart of Accounts and accounts determined in its prospects in line with their content.

Foreign currency indexed retail and commercial loans are converted to Turkish Lira at the rate on the lending date and they are followed under Turkish Lira ("TL") accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the profit/loss accounts.

d. Held to maturity financial assets:

Investments held to maturity are composed of financial assets that holding with keeping intention until maturity with the fulfilled relevant conditions and have fixed or determinable payments and fixed maturity other than loans and receivables.

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 profit share income.

Held to maturity assets are initially recognized at cost value.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

ACCOUNTING PRINCIPLES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

The provisions released in the same year are accounted by crediting the provision expenses account and the released parts of the previous years' provisions are recorded to the "collections from prior years expense" account.

IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

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

As of the balance sheet date, there are no securities lending transactions. Central Bank of the Republic of Turkey ("CBRT") made some changes on orders for open market transactions ("OMT") and prepared an additional frame contract for participation banks in order to present lease certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase lease certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for lease certificates that are reported as assets in balance sheet in order to raise funds.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

ACCOUNTING PRINCIPLES (Continued)

XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES

Tangible assets acquired in consideration of receivables are accounted in accordance with the requirements of the Communiqué on "Methods, Principles for Purchase and Sale of Precious Metal and Sale of Goods and Immovables obtained in Return of Receivables" published in the Official Gazette numbered 26333 and dated 1 November 2006 and these assets are subject to revaluation by no means. Fixed assets resulted from the Bank's receivables reflected in the held for sale account if they have concrete selling plan.

Assets which meet the criteria to be classified as held for sale are measured by the book value or the fair value from which the cost of sales is deducted, whichever is lower and no more amortization is made for such assets; and these assets are shown separately on the balance sheet. In order to classify an asset as a held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions.

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

As of 31 March 2017, the bank has no held for sale and discontinued operations. (31 December 2016: None).

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

Other intangible assets are amortized by using the straight line method based on their useful life. Useful life 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.

The Bank recognizes its software costs incurred under the intangible assets - intangible rights account and the qualifying expenses are added to software's initial costs and amortized over 3-15 years considering the useful life.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

ACCOUNTING PRINCIPLES (Continued)

XIII. EXPLANATIONS ON TANGIBLE ASSETS

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement.

Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and impairment loss, if any. Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives.

Applied depreciation rates are as follows;

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

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

There is no tangible assets that are held for sale.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Transactions as a Lessee

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of these amounts is the lower of fair value of the leased asset or the present value of the lease payments. The direct costs incurred during a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period.

Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets and if a diminution in recoverable value of the leased asset is identified, a provision for impairment is recognized. As of 31 March 2017, there is no financial leasing transaction.

Bank records financial lease payments made for branches as equal expense amounts within the lease period.

Transactions as a Lessor

The Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Bank presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

ACCOUNTING PRINCIPLES (Continued)

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

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

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

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

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment Termination and Vacation Benefits

Liabilities related to severance pay and right to leave calculated according to the regulations of the TAS 19 "Accounting Standard of Employee Benefits", and liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value.

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

The bank benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. These assumptions are reviewed yearly. As of 31 March 2017, the Bank's employee termination benefit is TL 951. (31 December 2016: TL 780).

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. As of 31 March 2017 unused vacation liability of the Bank is TL 1,989 (31 December 2016: TL 1,389).

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

ACCOUNTING PRINCIPLES (Continued)

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

b. T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations (TZHEMSAN) Liability

Some of the Bank's personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees' Pension Fund ("Fund") which was established by 20th provisional article of Social Security Law Act numbered 506. As of 31 March 2017 the number of beneficiaries of the Fund from the Bank (except the dependents), is 710.

Provisional article 23 of the Banking Act No: 5411 requires the Bank's pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers' decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension fund foundations would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 "Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws" ("Renewed Law"), which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect.

The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9.8%. Moreover, after the transfer to SSI, 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.

According to the 58th And the temporary 7th Article of the Banking Law, the sentence which states that the banks cannot transfer funds in order to fulfill the deficit of the Funds from 1 January 2008, has been postponed up to five years.

However related transfer period has been prolonged for the banks, insurance and reinsurance companies, chamber of commerce, chamber of industries, stock exchanges or their Funds founded for their organization's personnel and monthly payment or income earners and their rightful owners, as a part of the temporary 20th Statute of the law numbered 506, to transfer to the Social Security Institution (SSI) for 2 years by the Cabinet decision, which was published on the Official Gazette dated 9 April 2011 and numbered 27900.

In addition, by the Law numbered 6283 "Emendating Social Security and General Health Insurance Act", which was published on the Official Gazette dated 8 March 2012 and numbered 28227, this period of 2 years has been raised to 4 years.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

ACCOUNTING PRINCIPLES (Continued)

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

b. T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations (TZHEMSAN) Liability (Continued)

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

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

The technical balance sheet report as of 31 December 2016 which is prepared in accordance with the new law and the allowance determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

XVII. EXPLANATIONS ON TAXATION

a. Current Tax

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

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

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital in accordance with Corporate Tax Law or held in a special account under shareholders' equity for five years.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

ACCOUNTING PRINCIPLES (Continued)

XVII. EXPLANATIONS ON TAXATION (Continued)

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 finding.

b. Deferred Tax

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

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

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

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

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

ACCOUNTING PRINCIPLES (Continued)

XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS

The Bank records borrowings in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". Borrowings, are recognized using the effective internal rate of return method in the following periods after the initial recognition. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings. There are no debt securities issued by the Bank. The Bank has issued borrowings as sukuk issuances, this through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş., these sukuk issuances are provided to the qualified investors without being released through an IPO and the bank takes place during this operation as a fund user.

XIX. EXPLANATIONS ON SHARE CERTIFICATES ISSUED

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

XX. EXPLANATIONS ON ACCEPTANCES

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

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

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

XXII. EXPLANATION ON 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, gold, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and "Cash equivalents" include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

XXIII. EXPLANATION ON SEGMENT REPORTING

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

XXIV. EXPLANATIONS ON OTHER MATTERS

With the decision of the Banking Regulation and Supervision Agency dated 24 March 2017 and numbered 4968, the amount of TL 200,000 transferred to the Bank accounts for capital increase has been taken into consideration in the tier II capital account until the completion of the capital increase procedure.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

SECTION FOUR

EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY

As of 31 March 2017 current period capital amount of the Bank is TL 912,698 (31 December 2016: TL 706,161), and capital adequacy standard ratio is 13.32% (31 December 2016: %12.46).

Information Related To The Components of Shareholders' Equity:

	Current Period 31 March 2017	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	747,000	
Share issue premiums	-	
Reserves	-	
Gains recognized in equity as per TAS	-	
Profit	43,811	
Current Period Profit	25,120	
Prior Period Profit	18,691	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Common Equity Tier I Capital Before Deductions	790,811	
Deductions from Common Equity Tier I Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	4,720	
Improvement costs for operating leasing	16,160	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	18,527	
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	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier I Capital	39,407	
Total Common Equity Tier I Capital	751,404	

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Current Period 31 March 2017	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums		
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)		
	-	
Additional Tier I Capital before Deductions		
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital		
	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.		
	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital		
	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital		
	-	
Other items to be defined by the BRSA		
	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	4,632	
Net deferred tax asset/liability which is not deducted from Common Equity Tier I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)		
	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)		
	-	
Total Deductions From Additional Tier I Capital	4,632	
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	746,772	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	200,000	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)		
	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	21,713	
Tier II Capital Before Deductions	221,713	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)		
	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.		
	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)		
	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank		
	-	
Other items to be defined by the BRSA (-)		
	-	
Total Deductions from Tier II Capital		
Total Tier II Capital	221,713	
Total Capital (The sum of Tier I Capital and Tier II Capital)	968,485	

* With the decision of the Banking Regulation and Supervision Agency dated 24 March 2017 and numbered 4968, the amount of TL 200,000 transferred to the Bank accounts for capital increase has been taken into consideration in the tier II account until the completion of the capital increase procedure.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Current Period 31 March 2017	Amounts related to treatment before 1/1/2014(*)
Total of Original Capital and Supplementary Capital (Total Capital)		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	55,787	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
TOTAL CAPITAL		
Total Capital	912,698	
Total risk weighted amounts	6,851,509	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	10.97	
Tier I Capital Adequacy Ratio	10.90	
Capital Adequacy Ratio	13.32	
BUFFERS		
Total Tier I Capital Ratio (%)	1.25	
Capital conservation buffer requirement	1.25	
Bank specific counter-cyclical buffer requirement	0.00	
The ratio of Additional Common Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	6.47	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	21,713	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	21,713	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Prior Period 31.12.2016	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	747,000	
Share issue premiums	-	
Reserves	-	
Gains recognized in equity as per TAS	-	
Profit	30,673	
Current Period Profit	30,673	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	777,673	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	13,052	
Improvement costs for operating leasing	16,001	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	13,742	
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	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	42,795	
Total Common Equity Tier 1 Capital	734,878	

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Prior Period 31.12.2016	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	9,162	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	9,162	
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	725,716	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	17,287	
Tier II Capital Before Deductions	17,287	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	17,287	
Total Capital (The sum of Tier I Capital and Tier II Capital)	743,003	

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Prior Period 31.12.2016	Amounts related to treatment before 1/1/2014(*)
Total of Original Capital and Supplementary Capital (Total Capital)		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovable 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 (-)	36,842	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
TOTAL CAPITAL		
Total Capital	706,161	
Total risk weighted amounts	5,666,714	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	12.97	
Tier I Capital Adequacy Ratio (%)	12.81	
Capital Adequacy Ratio (%)	12.46	
BUFFERS		
Total Tier I Capital Ratio (%)	3.13	
Capital conservation buffer requirement (%)	0.63	
Bank specific counter-cyclical buffer requirement (%)	2.50	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	8.47	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Mortgage Servicing Rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	17,287	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	17,287	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

II. EXPLANATIONS ON THE CURRENCY RISK

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

The Bank's policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, VAR is calculated for foreign exchange position and reported to the related departments. VAR based currency risk limit is also 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.

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

None.

- c) Management policy for foreign currency risk:

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100JPY
27 March 2017	3.6096	3.9266	2.7197	0.5228	0.4073	3.6341	2.6698	0.4215	4.5198	0.9528	3.2350
28 March 2017	3.6146	3.9263	2.7321	0.5227	0.4076	3.6380	2.6741	0.4211	4.5131	0.9542	3.2460
29 March 2017	3.6475	3.9183	2.7642	0.5217	0.4062	3.6211	2.6980	0.4230	4.5088	0.9629	3.2520
30 March 2017	3.6225	3.8865	2.7510	0.5176	0.4025	3.5996	2.6981	0.4196	4.5082	0.9562	3.221
31 March 2017	3.6355	3.8855	2.7447	0.5176	0.4033	3.5941	2.6995	0.4190	4.5266	0.9597	3.2300

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100JPY
3.6631	3.9123	2.7625	0.5212	0.4067	3.6192	2.7087	0.4262	4.4992	0.9668	3.2075

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

II. EXPLANATIONS ON THE CURRENCY RISK (Continued)

Information on the foreign currency risk of the Bank:

Current Period	EUR	USD	Other FC ⁽⁴⁾	Total
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	191,389	500,959	58	692,406
Banks	368,421	198,173	74,886	641,480
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	7,548	-	7,548
Loans	1,311,896	937,322	-	2,249,218
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures)	-	-	-	-
Investments Held-to-Maturity	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	-	-	-	-
Intangible Assets	4	141	-	145
Other Assets	1,871,710	1,644,143	74,944	3,590,797
Liabilities				
Current account and funds collected from Banks via participation accounts	77,790	473	-	78,263
Current and profit sharing accounts FC	1,099,431	998,223	71,824	2,169,478
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	605,971	729,487	-	1,335,458
Marketable securities issued	-	-	-	-
Miscellaneous payables	188	4,659	527	5,374
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	931	2,423	-	3,354
Total liabilities	1,784,311	1,735,265	72,351	3,591,927
Net balance sheet position	87,399	(91,122)	2,593	(1,130)
Net off-balance sheet position	(97,138)	96,414	-	(724)
Financial derivative assets	-	96,414	-	96,414
Financial derivative liabilities	(97,138)	-	-	(97,138)
Non-cash Loans	1,127,220	1,333,563	71,005	2,531,788
Prior Period				
Total Assets	1,473,863	1,513,755	56,584	3,044,202
Total Liabilities	1,422,716	1,573,932	54,888	3,051,536
Net Balance Sheet Position	51,147	(60,177)	1,696	(7,334)
Net Off-Balance Sheet Position	(129,260)	130,412	-	1,152
Financial Derivative Assets	-	130,412	-	130,412
Financial Derivative Liabilities	129,260	-	-	129,260
Non-cash Loans	930,417	1,200,728	35,490	2,166,635

(1) TL 500,882 equivalent of USD loans, and TL 1,034,001 equivalent of EUR loans are originated as foreign currency indexed loans.

(2) Indicates the net balance of receivables and payables on derivative financial instruments.

(3) Derivative Financial Assets held for trading and liabilities are not included in the table

(4) Of the foreign currencies presented in the other foreign currency column of assets 93% is Gold, 3% is GBP, and remaining 4% is other foreign currencies. Of the foreign currencies presented in the other foreign currency column of liabilities 94% is Gold, 3% is GBP and the remaining 3% is other foreign currencies.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

III. EQUITY SHARE POSITION RISK ON BANKING ACCOUNTS

Carrying value of share investments, for fair value and quoted securities, comparison with market value if market value is significantly different from fair value:

The breakdown of the amount of capital liabilities on the basis of the relevant share investments, depending on the method of calculating the capital obligation selected by the bank from among the approaches allowed to be used in the Communiqué on Credit Risk Standard Method or Communiqué Related to Calculation of Credit Risk Based Approach Based on Internal Grading:

According to the standard method of credit risk, equity investments in banking accounts are TL 4,719 all of which are 100% risk weighted.

IV. EXPLANATIONS RELATED TO 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".

Generally participation accounts concentration weighted for 1 month in both banking and participation banking sectors, collecting funds are longer than maturity perceived as an element of risk, in order to reduce the risk, attention showed to the liquidity of maturity group which is due for one month.

The Bank performs "Remaining Maturity Analysis" for the observation of the maturity structure of the balance sheet, "Liquidity Gap" and "Structural Liquidity Gap Analysis" for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank's liquidity and in the worst case scenario and the loss associated with it. Besides, in order to compare the Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

The Bank calculates and reports the liquidity adequacy ratio to BRSA on weekly unconsolidated basis in accordance with "Regulation for Regulation on Banks' Liquidity Coverage Ratio Calculation" issued in Official Gazette numbered 28948 and dated 21 March 2014. The liquidity coverage of the Bank is over the limit values specified in the mentioned regulation.

Also on the purpose of the liquidity risk management, risk limits and threshold determined as a part of risk appetite and daily monitored.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017**

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

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

IV. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

1) LIQUIDITY RISK:

- a) Basis for the current liquidity risk of the Bank and whether the necessary measures taken, limitations imposed by the Bank's Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:**

The Banks fund resources consist of mainly participation funds. The bank is gathering funds in the name of participation accounts that the principal and predetermined yield are not guaranteed to paid back to the holder of account, and participation rates to profit or loss that results from funds to be operated are reflected to the related accounts.

The bank, TL and FC liquidity meets its needs mostly from the funds collected, internal and external sources that can be used in an emergencies in order to meet the liquidity requirements are monitored periodically, borrowing limits of the markets organized by the Bank and other banks, liquidity levels that can be met. The Bank manages liquidity risk within the regulations of Liquidity Risk and Liquidity and Financial Emergency Management.

- b) Payments, whether assets and liabilities are compatible with the rate of profit, whether the measurement of the probable effects of the actual inconsistency on profitability is done or not:**

Payments, assets and liabilities and profit rates are monitored regularly by the management to track whether it is compatible or not and there is no dissonance whatsoever.

- c) The banks internal and external sources to meet the short and long-term liquidity needs, unused significant liquidity sources:**

Although Bank's assets average maturity is longer than collected funds, most of the securities, available for sale and held to maturity, make periodic coupon payment which is no longer than six months and monthly credit receivables payments provide cash flow to the Bank.

- d) Evaluation of the banks cash flow rates and its sources:**

The banks main source is the participation funds, these funds are evaluated at other participation banks and loan placements. The banks most important cash inflows are receivables from banks and financial institutions and regular cash inflows from these institutions are seen as a factor that reduce the liquidity risk. Also monthly installment payments for loans are used to meet the Bank's resource needs.

2) Liquidity Coverage Ratio:

Liquidity coverage ratio, established in order to hold and provide premium liquidity asset stock which is adequately fulfill the Bank's net cash outflow, calculated within the scope of "Calculation of The Liquidity Coverage Ratio" regulation that was published by BRSA. Liquidity coverage ratio directly affected by Bank's asset, liability and potential cash inflow and outflow which is derived from off-balance sheet transactions with the level of liquid assets that can be realizable at any time and not mentioned to any collaterals.

Bank's premium liquidity asset stock; consists of debt securities which is not subjected to any collateral or repurchase agreement transaction and basically export from the Republic of Turkey's Treasury along with cash assets and care of Central Bank of the Republic of Turkey's accounts.

Bank's principal funding source represented by participation funds. Repurchase agreement transaction provided by funds and debts which comes from financial institutions take a part within the external participation fund debt items.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

IV. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

2) Liquidity Coverage Ratio (Continued):

Managing liquidity risk effectively can be possible with preventing the concentrated liquidity asset and liability items. Participation fund, constitutes Bank's main fund source, is provided from numerous customers.

Derivative transactions are included in calculation of the liquidity coverage ratio over the cash flows within the 30 day basis time slots.

Current Period	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	1,202,790	644,531	1,005,952	448,385
High quality liquid assets			1,005,952	448,385
CASH OUTFLOWS	8,061,114	3,012,383	1,933,122	788,199
Real person deposits and retail deposits	2,935,006	1,018,240	280,503	101,824
Stable deposit	259,947	-	12,997	-
Deposit with low stability	2,675,059	1,018,240	267,506	101,824
Unsecured debts except real person deposits and retail deposits	2,602,232	983,353	1,443,475	564,200
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	2,602,232	983,353	1,443,475	564,200
Secured debts				
Other cash outflows	2,523,877	1,010,789	209,144	122,175
Derivative liabilities and margin obligations	67,455	55,885	67,455	55,885
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	75,472	74,181	22,641	22,254
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	2,380,950	880,723	119,048	44,036
TOTAL CASH OUTFLOW	-	-	1,933,122	788,199
CASH INFLOWS	1,416,347	616,120	1,203,077	609,230
Secured receivables	-	-	-	-
Unsecured claims	1,348,881	554,931	1,135,612	548,041
Other cash inflows	67,466	61,189	67,466	61,189
TOTAL CASH INFLOWS	1,416,347	616,120	1,203,077	609,230
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	1,005,952	448,385
TOTAL NET CASH OUTFLOWS	-	-	768,322	223,505
LIQUIDITY COVERAGE RATIO (%)	-	-	137	212

(*) The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

IV. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

2) Liquidity Coverage Ratio (Continued):

Prior Period	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	880,253	559,751	705,398	385,323
High quality liquid assets			705,398	385,323
CASH OUTFLOWS	6,260,670	2,337,819	1,527,873	635,354
Real person deposits and retail deposits	2,293,909	791,038	222,430	79,104
Stable deposit	139,215	-	6,961	-
Deposit with low stability	2,154,694	791,038	215,469	79,104
Unsecured debts except real person deposits and retail deposits	2,028,558	788,795	1,129,676	446,343
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	2,028,558	788,795	1,129,676	446,343
Secured debts				
Other cash outflows	1,938,203	757,986	175,767	109,907
Derivative liabilities and margin obligations	69,556	62,399	69,556	62,399
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	51,114	50,912	15,334	15,274
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	1,817,533	644,675	90,877	32,234
TOTAL CASH OUTFLOW	-	-	1,527,873	635,354
CASH INFLOWS	1,271,674	396,524	1,079,211	392,799
Secured receivables	-	-	-	-
Unsecured claims	1,200,669	336,832	1,008,206	333,107
Other cash inflows	71,005	59,692	71,005	59,692
TOTAL CASH INFLOWS	1,271,674	396,524	1,079,211	392,799
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	705,398	385,323
TOTAL NET CASH OUTFLOWS	-	-	493,665	257,730
LIQUIDITY COVERAGE RATIO (%)	-	-	153	186

(*) The monthly simple arithmetic average calculated consolidated liquidity coverage ratio of the last three months average, the weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

IV. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed *	Total
Current Period								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	943,158	-	-	-	-	-	-	943,158
Banks	845,031	-	-	-	-	-	-	845,031
Financial Assets at Fair Value Through Profit and Loss	-	21	-	-	-	-	-	21
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	4,719	-	-	152,649	235,843	-	-	393,211
Loans Given	-	348,810	306,676	1,909,680	3,270,380	669,330	-	6,504,876
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets	-	2,675	-	4,358	171,545	91,527	108,858	378,963
Total Assets	1,792,908	351,506	306,676	2,066,687	3,677,768	760,857	108,858	9,065,260
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	553	58,312	19,428	-	-	-	-	78,293
Current and Participation Accounts	702,264	4,069,793	1,329,850	240,760	11,448	-	-	6,354,115
Funds Provided from Other Financial Instruments	-	117,295	952,490	213,355	153,842	-	-	1,436,982
Money Market Borrowings	-	-	-	-	-	-	-	-
Issued Marketable Securities	-	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	-	230,115	230,115
Other Liabilities *	-	-	-	-	-	-	965,755	965,755
Total Liabilities	702,817	4,245,400	2,301,768	454,115	165,290	-	1,195,870	9,065,260
Liquidity Gap	1,090,091	(3,893,894)	(1,995,092)	1,612,572	3,512,478	760,857	(1,087,012)	-

(*) Fixed assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions

(**) Includes the amount of TL 200,000 transferred to the Bank accounts for capital increase with the decision of the Banking Regulation and Supervision Agency dated 24 March 2017 and numbered 4968.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

IV. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

Breakdown of assets and liabilities according to their outstanding maturities:

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed *	Total
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	1,201,298	-	-	-	-	-	-	1,201,298
Banks	468,454	-	-	-	-	-	-	468,454
Financial Assets at Fair Value Through Profit and Loss	-	401	758	-	-	-	-	1,159
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	4,719	-	38,459	88,862	282,643	-	-	414,683
Loans Given	-	660,696	303,334	1,354,397	2,733,895	505,620	-	5,557,942
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets	-	5,246	-	2,061	88,803	118,614	101,247	315,971
Total Assets	1,674,471	666,343	342,551	1,445,320	3,105,341	624,234	101,247	7,959,507
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	3,946	18,531	-	-	-	-	-	22,477
Current and Participation Accounts	829,114	3,749,936	715,251	317,985	1,239	-	-	5,613,525
Funds Provided from Other Financial Instruments	-	72,429	393,745	664,570	156,477	-	-	1,287,221
Money Market Borrowings	-	133,668	-	-	-	-	-	133,668
Issued Marketable Securities	-	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	-	17,027	17,027
Other Liabilities *	-	-	-	-	-	-	885,589	885,589
Total Liabilities	833,060	3,974,564	1,108,996	982,555	157,716	-	902,616	7,959,507
Liquidity Gap	841,411	(3,308,221)	(766,445)	462,765	2,947,625	624,234	(801,369)	-

(*) Fixed assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

V. EXPLANATIONS ON LEVERAGE RATIO

As of 31 March 2017, leverage ratio of the Bank calculated from the arithmetic average of the last three months is 5.8% (31 December 2016: %6.9). This ratio is above the required minimum rate.

Leverage ratio disclosure as follows:

	Current Period (*)	Prior Period
Balance sheet assets		
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	8,659,984	7,131,442
(Assets deducted from main capital)	(35,675)	(50,794)
Total risk amount of the balance sheet assets	8,624,309	7,080,648
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	23	1,737
Potential credit risk amount of derivative financial instruments and credit derivatives	1,168	1,191
Total risk amount of derivative financial instruments and credit derivative	1,191	2,928
Security or secured financing transactions		
Risk amount of security or secured financing transactions (Except balance sheet)	-	65,628
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	-	65,628
Off-balance sheet transactions		
Gross nominal amount of off-balance sheet transactions	4,161,065	3,340,325
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	4,161,065	3,340,325
Equity and total risk		
Main capital	738,860	720,194
Total risk amount	12,786,565	10,489,529
Leverage ratio		
Leverage ratio	5.8	6.9

(*)Amounts in the table are obtained on the basis of three-month weighted average.

VI. EXPLANATIONS ON SECURITIZATION POSITIONS

None.

VII. EXPLANATIONS ON RISK MANAGEMENT

Notes and explanations in this section have been prepared in accordance with the "Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks" that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for the calculation of capital adequacy by the Bank, tables that need to be prepared within the scope of Internal Ratings Based (IRB) have not been presented.

Within the scope of risk management, there are many risks that affect our bank's financial performance significantly. These risks include the risk of credit risk, market risk, operational risk, liquidity risk and profit share ratio arising from banking accounts. Our risk management strategy is based on the mission and vision of our bank and is aimed to respond to our customers' financial needs in the most appropriate way and to support their financial success. In this context, our business practices and our working model support prudent risk management practices.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

Internal bank risk appetite has been established and is periodically shared with top management in order to follow the specified risks. In addition, detailed risk management reports, including stress tests and scenario analyzes, where all risks are analyzed in detail, are reported to the Audit Committee.

Scenarios such as sudden changes in the curriculum, changes in country grades, changes in the loan portfolio are taken into account in the stress tests conducted.

The capital adequacy ratio is followed up by the simulation method on a daily basis although it is followed up within the monthly period which is the legal submission period. The liquidity coverage ratio of the bank is monitored daily by the risk management and is shared with the top management of the bank and the treasury unit.

In order to create a common risk culture in our bank, our bank employees are given risk management training and strategically important units have detailed explanations about the importance of risk management. Risk management policies and procedures, banking regulations based on significant risks, are available to all employees working in our bank.

Our bank is developing a system for risk measurement methods. In the present case, standard methods are generally used in the calculations and preparations are made for advanced methods with the growth of our bank. All risk processes are closely monitored.

1. Explanations on Risk Management and Risk-weighted Assets:

a) Overview of Risk-weighted Assets

	Overview of RWA	Risk Weighted Amount		Minimum capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	6,543,279	5,513,251	523,462
2	Standardized approach (SA)	6,543,279	5,513,251	523,462
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	532	1,290	43
5	Standardized approach for counterparty credit risk (SA-CCR)	532	1,290	43
6	Internal model method (IMM)	-	-	-
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	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	RB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	22,488	20,700	1,799
17	Standardized approach (SA)	22,488	20,700	1,799
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk (*)	285,210	131,473	22,817
20	Basic Indicator Approach	285,210	131,473	22,817
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	6,851,509	5,666,714	548,121

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

VIII. EXPLANATIONS ON HEDGE TRANSACTIONS

It is essential to be bordered with limits compatible with risk profile of risk levels and risk toleration so as to prevent to considerably affect from the negativeness that can occur while Bank conducts its operations.

Risk limits are determined and approved by the Board of Directors by taking CEO, Audit Committee and Executives’ offers.

Risk limits are determined compatible with risk levels, operations, size of products and services and complexity of the Bank. Limits are reviewed regularly, adapted according to changes in market conditions, Bank strategy and risk appetite and monitored cyclically.

In addition, derivative transactions are made by the Bank, TL and FC liquidity risks are limited due to the committed transactions.

Credit Risks under the IRB (based on internal ratings)

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been prepared by BRSA and published in Official Gazette numbered 29511 dated 23 October 2015 and became effective as of 31 March 2017. The following tables which have to be presented on a quarterly basis have not been presented since the Bank does not use the standard approach for the calculation of credit risks:

Qualitative information presented to the public disclosure regarding the IRBs

IRB – Credit risk amounts on the basis of Portfolio and Default Probability (DP)

IRB – The effect of the credit derivatives used as Credit Risk Reduction (CRR) on the Risk Weighted Amounts (RWA)

The conversion table of the RWA under the approach of IRB

IRB – Backtesting every Default Probability (DP) on every risk class

IRB (Directed loans and the stock investments under simple risk weighted approach

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

IX. EXPLANATIONS ON OPERATING SEGMENTS

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

The Bank has operations in retail banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

Table for Segment Reporting:

Current Period	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/Undistributed	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	24,313	135,605	13,554	7,080	180,552
Profit Shares from Loans	24,313	135,605	-	-	159,918
Profit Shares from Banks	-	-	-	-	-
Profit Shares from Securities	-	-	10,614	-	10,614
Other Profit Shares	-	-	2,940	7,080	10,020
Profit Shares Expense	40,016	42,870	9,887	-	92,773
Profit Shares Expense on Participation Funds	40,016	42,870	-	-	82,886
Profit Shares Expense on Funds Borrowed	-	-	9,509	-	9,509
Profit Shares Expense on Money Market Transactions	-	-	378	-	378
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	-	-
Net Profit Shares Income/Expense	(15,703)	92,735	3,667	7,080	87,779
Net Fees and Commission Income/Expense	817	6,629	-	(1,387)	6,059
Fees and Commissions Received	817	6,629	-	1,148	8,594
Fees and Commissions Paid	-	-	-	2,535	2,535
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	3,694	-	3,694
Other Operating Income	-	-	-	1,663	1,663
Provision for Loans or Other Receivables Losses	2,733	15,997	-	5,574	24,304
Other Operating Expense	-	-	-	42,454	42,454
Income Before Tax	(17,619)	83,367	7,361	(40,672)	32,437
Tax Provision	-	-	-	(7,317)	(7,317)
Net Profit/Loss	(17,619)	83,367	7,361	(47,989)	25,120
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	21	-	21
Banks and Other Financial Institutions	-	-	845,031	-	845,031
Financial Assets Available for Sale (Net)	-	-	393,211	-	393,211
Loans	921,228	5,391,820	191,828	-	6,504,876
Held to Maturity Investments (Net)	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	50	-	50
Other Assets	-	-	-	1,322,071	1,322,071
Total Segment Assets	921,228	5,391,820	1,430,141	1,322,071	9,065,260
SEGMENT LIABILITIES					
Funds Collected	4,176,942	2,255,466	-	-	6,432,408
Derivative Financial Liabilities Held for Trading	-	-	825	-	825
Funds Borrowed	-	-	1,436,982	-	1,436,982
Money Market Funds	-	-	-	-	-
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	87,812	87,812
Other Liabilities	-	-	-	321,142	321,142
Shareholders' Equity	-	-	-	786,091	786,091
Total Segment Liabilities	4,176,942	2,255,466	1,437,807	1,195,045	9,065,260
OTHER SEGMENT ITEMS					
Capital Investment	-	-	-	-	-
Amortization Expense	-	-	-	3,431	3,431
Restructuring Costs	-	-	-	-	-

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

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

IX. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

Table for Segment Reporting:

Prior Period	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/Undistributed	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	5,519	43,649	4,470	248	53,886
Profit Shares from Loans	5,519	43,649	-	-	49,168
Profit Shares from Banks	-	-	353	-	353
Profit Shares from Securities	-	-	3,439	-	3,439
Other Profit Shares	-	-	678	248	926
Profit Shares Expense	10,649	5,911	3,343	-	19,903
Profit Shares Expense on Participation Funds	10,649	5,911	-	-	16,560
Profit Shares Expense on Funds Borrowed	-	-	2,450	-	2,450
Profit Shares Expense on Money Market Transactions	-	-	893	-	893
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	-	-
Net Profit Shares Income/Expense	(5,130)	37,739	1,126	248	33,983
Net Fees and Commission Income/Expense	-	2,115	-	580	2,695
Fees and Commissions Received	-	2,115	-	996	3,111
Fees and Commissions Paid	-	-	-	416	416
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	1,632	-	1,632
Other Operating Income	-	-	-	777	777
Provision for Loans or Other Receivables Losses	618	11,593	-	1,679	13,890
Other Operating Expense	-	10	-	26,327	26,337
Income Before Tax	(5,748)	28,251	2,758	(26,401)	(1,140)
Tax Provision	-	-	-	(1,617)	(1,617)
Net Profit/Loss	(5,748)	28,251	2,758	(28,018)	(2,757)
SEGMENT ASSETS 31 December 2016					
Financial Assets at FV Through P/L	-	-	1,159	-	1,159
Banks and Other Financial Institutions	-	-	468,454	-	468,454
Financial Assets Available for Sale (Net)	-	-	414,683	-	414,683
Loans	411,111	4,661,275	485,556	-	5,557,942
Held to Maturity Investments (Net)	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	50	-	50
Other Assets	-	-	-	1,517,219	1,517,219
Total Segment Assets	411,111	4,661,275	1,369,902	1,517,219	7,959,507
SEGMENT LIABILITIES 31 December 2016					
Funds Collected	3,501,012	2,134,990	-	-	5,636,002
Derivative Financial Liabilities Held for Trading	-	-	-	-	-
Funds Borrowed	-	-	1,287,221	-	1,287,221
Money Market Funds	-	-	133,668	-	133,668
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	64,574	64,574
Other Liabilities	-	-	-	73,421	73,421
Shareholders' Equity	-	-	-	764,621	764,621
Total Segment Liabilities	3,501,012	2,134,990	1,420,889	902,616	7,959,507
OTHER SEGMENT ITEMS					
Capital Investment	-	-	-	-	-
Amortization Expense	-	-	-	11,998	11,998
Restructuring Costs	-	-	-	-	-

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO ASSETS

1.a) Information on cash and balances with Central Bank of the Republic of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	20,627	13,747	18,396	14,154
Central Bank of the Republic of Turkey	230,125	678,659	614,993	553,755
Other	-	-	-	-
Total	250,752	692,406	633,389	567,909

1.a.1) Information on required reserves:

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	227,185	16	613,239	15
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves (1)	2,940	678,643	1,754	553,740
Total	230,125	678,659	614,993	553,755

(1) TL 276,806 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2016: TL 197,419).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

2. a) Information on financial assets at fair value through profit and loss given or blocked as collateral or subject to repurchase agreements:

As of 31 March 2017, there is no information on financial assets at fair value through profit and loss given or blocked as collateral or subject to repurchase agreements.

b) Positive differences related to the derivative financial assets held-for-trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Assets Held-for-Trading				
Forward Transactions	17	4	7	1,152
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	17	4	7	1,152

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

	Current Period		Current Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	203,551	632,825	6,561	227,676
Foreign Banks	-	8,655	-	234,217
Foreign Head Office and Branches	-	-	-	-
Total	203,551	641,480	6,561	461,893

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	-	173,569
Assets Blocked/Given as Collateral	52,245	13,311
Total	52,245	186,880

b) Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	391,727	410,212
Quoted in Stock Exchange	384,179	403,044
Not Quoted in Stock Exchange	7,548	7,168
Share Certificates	4,719	4,719
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	4,719	4,719
Provision for Impairment (-)	3,235	248
Total	393,211	414,683

(*) As of 31 March 2017, not quoted in stock exchange includes Credit Guarantee fund amounting to TL 4,719.

ZİRAAT KATILIM BANKASI A.Ş.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017**

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

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

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans:

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

	Current Period		Current Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	180,056	-	480,455	-
Legal Entities	180,056	-	480,455	-
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	535	-	441	-
Total (*)	180,591	-	480,896	-

(*) Include accrual amounts.

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

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms	Other		Loans and other receivables with revised contract terms	Other
Cash Loans						
Loans						
Exports Loan	265,070	-	-	-	-	-
Imports Loans	341,697	-	-	-	-	-
Enterprise Loans	4,317,738	-	-	44,179	-	-
Consumer Loans	916,032	-	-	1,064	-	-
Credit Cards	-	-	-	-	-	-
Loans Given to Financial Sector	191,899	-	-	-	-	-
Other	167,701	-	-	2,950	-	-
Directed Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Profit Share Income Accruals and Rediscount	240,505	-	-	1,830	-	-
Total	6,440,642	-	-	50,023	-	-

As of 31 March 2017, there are no loans and other receivables with revised contract terms. (31 December 2016: None).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	-	-
6 Months - 12 Months	-	-
1 - 2 Years	-	-
2 - 5 Years	-	-
5 Years and Over	-	-
Total	-	-

ZİRAAT KATILIM BANKASI A.Ş.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017**

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

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

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	6,287	910,274	916,561
Real Estate Loans	3,527	843,098	846,625
Vehicle Loans	1,375	34,910	36,285
Consumer Loans	1,385	32,266	33,651
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	64	471	535
Housing Loans	-	-	-
Vehicle Loans	8	16	24
Consumer Loans	56	455	511
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total ⁽¹⁾	6,351	910,745	917,096

⁽¹⁾ Dividend rediscount amounting to TL 4,132 not included in the table.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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

	<i>Short-Term</i>	<i>Medium and Long-Term</i>	<i>Total</i>
Commercial Installment Loans-TL	8,143	113,018	121,161
Business Loans	-	22,526	22,526
Vehicle Loans	8,143	90,492	98,635
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	16,924	16,924
Business Loans	-	-	-
Vehicle Loans	-	16,924	16,924
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total ⁽¹⁾	8,143	129,942	138,085

(1) Dividend rediscount amounting to TL 2,314 included in the table.

d) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	6,248,330	5,344,762
Foreign Loans	-	-
Interest Income Accruals of Loans	242,335	206,529
Total	6,490,665	5,551,291

e) Loans Granted to Subsidiaries and Participations:

As of 31 March 2017, the bank has no loans granted to subsidiaries and participations. (31 December 2016: None).

f) Specific Provisions Provided Against Loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	982	82
Loans and receivables with doubtful collectability	3,292	2,635
Uncollectible loans and receivables	1,117	1,115
Total	5,391	3,832

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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

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

As of 31 March 2017 the bank has no loans and other receivables included in non-performing receivables which are restructured or rescheduled (31 December 2016: None).

g.2) Information on the movement of total non-performing loans:

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
Ending balance of prior period	408	8,960	1,115
Additions in the current period (+)	9,233	12	2
Transfers from other categories of non-performing loans (+)	-	1,206	-
Transfers to other categories of non-performing loans (-)	1,206	-	-
Collections in the current period (-)	128	-	-
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	8,307	10,178	1,117
Specific provisions (-)	982	3,292	1,117
Net balance at the balance sheet	7,325	6,886	-

g.3) Information on foreign currency non-performing loans:

As of 31 March 2017, the Bank has no receivable from foreign currency non-performing loans. (31 December 2016: None).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Group III:	Group IV:	Group V:
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (Net)	7,325	6,886	-
Loans to Real Persons and Legal Entities (Gross)	8,307	10,084	1,117
Specific Provisions (-)	982	3,198	1,117
Loans to Real Persons and Legal Entities (Net)	7,325	6,886	-
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	94	-
Specific Provisions (-)	-	94	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	326	6,325	-
Loans to Real Persons and Legal Entities (Gross)	408	8,929	1,115
Specific Provisions (-)	82	2,604	1,115
Loans to Real Persons and Legal Entities (Net)	326	6,325	-
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	31	-
Specific Provisions (-)	-	31	-
Other Loans and Receivables (Net)	-	-	-

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

Execution proceedings are carried out for the collection of receivables from loan services of the Bank's. During this process, tangible guarantees constituting guarantees of receivables of the Bank and assets of the debtor(s) are realized while receivables of the Bank are also tried to be collected and liquidated by means of administrative procedures.

j) Explanations on write-off policy:

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

6. Information on held-to-maturity investments:

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

As of 31 March 2017, the Bank has no comparative net values of held-to-maturity investments subject to repo transactions and given as a collateral/blocked. (31 December 2016: None).

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

As of 31 March 2017, the Bank has no held-to-maturity government bonds and treasury bills. (31 December 2016: None).

c) Information on held-to-maturity investments:

As of 31 March 2017, the Bank has no held-to-maturity investment. (31 December 2016: None).

d) Movements of held-to-maturity investments:

	Current Period	Prior Period
Beginning Balance	-	-
Foreign Currency Differences on Monetary Assets	-	-
Purchases During the Year	-	7,896
Disposals through Sales and Redemptions	-	7,896
Provision for Impairment (-)	-	-
Period End Balance	-	-

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

7. Information on subsidiaries (Net):

As of 31 March 2017, there are no subsidiary of the bank. (31 December 2016: None).

8. Information on joint ventures (net):

a) Information on unconsolidated associates:

As of 31 March 2017, there are no unconsolidated associates. (31 December 2016: None).

b) Information on consolidated subsidiaries:

	Name	Address (City/Country)	Bank's share percentage – if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	100	100

Ziraat Katılım Varlık Kiralama A.Ş. was established as of 22 January 2016 by approval of Banking Regulations and Supervision Agency and Capital Market Board on purpose of issuing lease certificate according to no. 28760 Gazette, Lease Certificate Announcement of Capital Market Board (III-61.1) dated 7 June 2013.

	Total Assets ⁽¹⁾	Sharehold ers Equity ⁽¹⁾	Total Fixed Assets ⁽¹⁾	Dividend or profit share income ⁽¹⁾	Income from marketable securities ⁽¹⁾	Current Period Income/ Loss ⁽¹⁾	Prior period income/loss ⁽¹⁾	Fair Value ⁽¹⁾	Needed shareholders Equity
1	101,591	52		2,598	-	1	-	-	-

(1) Unaudited financial statements used.

c) Information on consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the year	50	-
Movements during the year	-	50
Included in the scope of consolidation	-	50
Purchases	-	-
Bonus Share	-	-
Dividends from current year income	-	-
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Balance at the end of the year	50	50
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

d) Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	50	50

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

8. Information on joint ventures (net): (Continued)

e) Subsidiaries that are quoted on the stock exchange:

None (31 December 2016: None).

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

As of 31 March 2017, there are no entities under common control of the bank. (31 December 2016: None).

10. Information on finance lease receivables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	3,619	3,559	30,000	29,769
1-5 years	206,931	172,836	115,828	106,645
Over 5 years	138,887	93,710	119,957	84,959
Total	349,437	270,105	265,785	221,373

11. Information on derivative financial assets for hedging purposes:

As of 31 March 2017, the bank has no derivative financial assets for hedging purposes. (31 December 2016: None).

12. Information on investment property:

As of 31 March 2017, the bank has no investment property. (31 December 2016: None).

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

As of 31 March 2017, the bank has no assets held for sale and tangibles corresponding discontinuing operations. (31 December 2016: None).

14. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs (1)	Other Tangibles	Total
Prior Period End:						
Cost	-	-	-	20,607	35,821	56,428
Accumulated Depreciation (-)	-	-	-	4,606	8,179	12,785
Net Book Value	-	-	-	16,001	27,642	43,643
Current Period End:						
Net Book Value at the Beginning of the Period	-	-	-	16,002	27,641	43,643
Change During the Period (Net)	-	-	-	157	(531)	(374)
Cost	-	-	-	1,227	1,205	2,432
Amortization Amount (Net) (-)	-	-	-	1,070	1,736	2,806
Provision for Depreciation (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at the End of the Period	-	-	-	21,835	37,025	58,860
Accumulated Depreciation at the End of the Period	-	-	-	5,676	9,915	15,591
Closing Net Book Value	-	-	-	16,158	27,111	43,269

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

15. Information on intangible assets:

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	27,237	4,078	23,159	26,357	3,452	22,905
Total	27,237	4,078	23,159	26,357	3,452	22,905

16. Information on deferred tax asset:

The Bank's deferred tax asset is calculated as TL 8,856 (31 December 2016: TL 6,410) however it's reflected on the financial statements as TL 7,674 (31 December 2016: TL 4,876) by offsetting with deferred tax asset.

17. Information on other assets:

As of 31 March 2017, other assets of banks not to exceed total balance sheet of 10%, exclude off-balance sheet liabilities.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

1. a) Information on funds collected:

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

Current Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	130,715	-	-	-	-	-	-	-	130,715
II Real persons profit sharing accounts TL	-	169,594	1,618,052	35,760	-	23,931	97,216	-	1,944,553
III Other current accounts-TL	266,010	-	-	-	-	-	-	-	266,010
Public sector	31,903	-	-	-	-	-	-	-	31,903
Commercial sector	217,695	-	-	-	-	-	-	-	217,695
Other institutions	16,412	-	-	-	-	-	-	-	16,412
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	235,414	1,437,296	132,042	-	15,465	23,173	-	1,843,390
Public sector	-	105,110	410,866	82,638	-	0	9,206	-	607,820
Commercial sector	-	128,688	737,587	32,162	-	14,340	12,115	-	924,892
Other institutions	-	1,616	288,843	17,242	-	1,125	1,852	-	310,678
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	81,391	-	-	-	-	-	-	-	81,391
VI. Real persons profit sharing accounts-FC	-	66,326	783,855	44,661	-	28,977	45,140	-	968,959
VII. Other current accounts-FC	195,882	-	-	-	-	-	-	-	195,882
Commercial residents in Turkey	195,329	-	-	-	-	-	-	-	195,329
Commercial residents in Abroad	-	-	-	-	-	-	-	-	-
Banks and participation banks	553	-	-	-	-	-	-	-	553
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	553	-	-	-	-	-	-	-	553
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts-FC	-	30,098	751,510	152,129	-	-	-	-	933,737
Public sector	-	464	1,288	-	-	-	-	-	1,752
Commercial sector	-	29,634	575,621	152,129	-	-	-	-	757,384
Other institutions	-	-	96,860	-	-	-	-	-	96,860
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	77,741	-	-	-	-	-	77,741
IX. Precious metal funds	28,820	-	35,756	1,649	-	901	645	-	67,771
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total I+II+.....+IX+X+XI)	702,818	501,432	4,626,469	366,241	-	69,274	166,174	-	6,432,408

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

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

Prior Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	117,874	-	-	-	-	-	-	-	117,874
II Real persons profit sharing accounts TL	-	187,577	1,323,135	25,311	-	15,106	47,811	-	1,598,940
III Other current accounts-TL	389,976	-	-	-	-	-	-	-	389,976
Public sector	79,305	-	-	-	-	-	-	-	79,305
Commercial sector	300,781	-	-	-	-	-	-	-	300,781
Other institutions	9,890	-	-	-	-	-	-	-	9,890
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	151,803	1,403,895	93,307	-	7,249	13,761	-	1,670,015
Public sector	-	103,874	463,565	32,036	-	-	-	-	599,475
Commercial sector	-	46,674	696,543	30,357	-	6,167	11,944	-	791,685
Other institutions	-	1,255	243,787	30,914	-	1,082	1,817	-	278,855
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	58,097	-	-	-	-	-	-	-	58,097
VI. Real persons profit sharing accounts-FC	-	62,655	605,255	38,679	-	26,531	51,688	-	784,808
VII. Other current accounts-FC	243,408	-	-	-	-	-	-	-	243,408
Commercial residents in Turkey	239,462	-	-	-	-	-	-	-	239,462
Commercial residents in Abroad	-	-	-	-	-	-	-	-	-
Banks and participation banks	3,946	-	-	-	-	-	-	-	3,946
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	3,946	-	-	-	-	-	-	-	3,946
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts-FC	-	27,383	588,263	104,768	-	-	-	-	720,414
Public sector	-	290	1,389	-	-	-	-	-	1,679
Commercial sector	-	27,090	475,748	104,768	-	-	-	-	607,606
Other institutions	-	3	92,595	-	-	-	-	-	92,598
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	18,531	-	-	-	-	-	18,531
IX. Precious metal funds	23,705	-	27,239	289	-	856	381	-	52,470
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+....+IX+X+XI)	833,060	429,418	3,947,787	262,354	-	49,742	113,641	-	5,636,002

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

a.2) Exceeding Amounts of Insurance Limit:

i. Information's on current and profit share accounts within the scope of Saving Deposit/Saving Deposit Insurance Fund:

	Under the guarantee of saving deposit insurance	Exceeding the limit of saving Deposit	Under the guarantee of saving deposit insurance	Exceeding the limit of saving Deposit
	Current Period	Current Period	Current Period	Current Period
Real persons current and profit sharing accounts that are not subject to commercial activities	1,491,287	1,273,216	1,702,284	1,337,842
TL accounts	1,184,634	1,014,137	890,631	702,666
FC accounts	306,653	259,079	811,653	635,176
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

ii. Amounts which are not within the scope of insurance:

Current and Profit Share Accounts of the real persons who are not within the scope of Saving Deposits Insurance Fund:

	Current Period	Prior Period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	329	263
Profit sharing account and other accounts within the scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

2. Information on derivative financial liabilities held for trading:

Negative differences table regarding to derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative financial assets held for trading				
Forward transactions	-	825	-	-
Swap transactions	-	-	-	-
Futures transaction	-	-	-	-
Options transaction	-	-	-	-
Other	-	-	-	-
Total	-	825	-	-

3. Information on funds borrowed:

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	101,524	495,397	101,459	477,478
Foreign Banks, Institutions and Funds	-	840,061	-	708,284
Total	101,524	1,335,458	101,459	1,185,762

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

b) Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TP	YP	TP	YP
Short-term	101,524	487,677	101,459	400,611
Medium and Long-Term	-	847,781	-	785,151
Total	101,524	1,335,458	101,459	1,185,762

c) Explanations Related to the Concentrations of the Bank's Major Liabilities: Concentrations of the Bank's major liabilities, funder customer, segments or other criteria which are seen risk concentrations:

71% of liabilities consist of current and share profit account.

d) Funds provided under repurchasing agreements:

	Current Period		Prior Period	
	TP	YP	TP	YP
Domestic	-	-	133,668	-
Financial Institutions	-	-	133,668	-
Abroad	-	-	-	-
Financial Institutions	-	-	-	-
Total	-	-	133,668	-

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

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

5. Information on Financial Lease Obligations:

None.

6. Information on hedging derivative financial liabilities:

The bank does not have hedging derivative financial liabilities.

7. Information on provisions:

a) Information on general provisions:

	Current Period	Prior Period
General Provisions	69,096	52,263
I.For Loans and Receivables in Group I (Total)	63,171	47,667
Profit Sharing Accounts' Share	46,650	34,600
The Bank's Share	16,521	13,067
Other	-	-
I.Additional Provision for Loans and Receivables with Extended Maturities	-	-
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
II.Loans and Receivables in Group II (Total)	984	595
Profit Sharing Accounts' Share	732	376
The Bank's Share	252	219
Other	-	-
II.Additional Provision for Loans and Receivables with Extended Maturities	-	-
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
Provisions for Non Cash Loans	4,756	1,457
Other	185	2,544

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

7. Information on provisions: (Continued)

b) Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans and Financial Lease Obligations:

Provisions related with foreign currency evaluation difference of foreign currency indexed loans and financial lease obligation is TL 6,352. (31 December 2016: TL 174).

c) Information on special provisions related with uncompensated and non- liquidated non-cash loans:

Specific provisions for indemnified non-cash loans amount to TL 37 (31 December 2016: TL 29).

d) Information on other provisions:

d.1) Information on free provisions for possible risks:

None. (31 December 2016: None).

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

According to article 14 of regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, other provisions amounting to TL 15,196 is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund (31 December 2016: TL 9,810).

e) Information on provisions for employee benefits:

e.1) Employment termination benefits and unused vacation rights

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service, excluding resignation or misconduct, whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire. As of the date of 31 March 2017, the amount payable consists of one month's salary limited to a maximum of TL 4,426 (full TL) (31 December 2016: TL 4,426 (full TL)) for each year of service.

The Bank uses actuarial method in the calculation and recognition of severance pay with in the standard of TAS 19 – "Turkish Accounting Standard on Employee Benefits".

The Bank used its own parameters in the calculation of the total liabilities which were calculated with the actuary assumptions.

	Current Period
Discount Rate (%)	4.10
Entitled to pension possibility (%)	98

e.2) Movements in the reserve for employment termination benefits during period are as follows:

	Current Period	Prior Period
Balance at the 1 January	780	-
Changes during the period	173	859
Paid during the period	(2)	-
Actuarial loss/(gain)	-	(79)
Balance at the end of the period	951	780

As of 31 March 2017, the Bank has a TL 1,989 short-run employees' rights provision. (31 December 2016: TL 1,389).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

7. Information on provisions: (Continued)

e) Information on provisions for employee benefits (Continued):

e.3) Retirement Benefits

Based on the results of the actuarial report, which is calculated with the actuarial interest rate 9.80 % as determined in the Law numbered 5754, published on the Official Gazette dated 8 May 2008 and numbered 26870, as of 31 December 2016, no technical deficit has been reported.

8. Explanations on tax liability:

a) Explanations on current tax liability:

a.1) Information on tax provisions:

As of 31 March 2017, the Bank's corporate income tax liability is TL 6,818 after deducting temporary taxes paid during the period from the tax provisions. (31 December 2016: 2,886).

a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	6,818	2,886
Taxation on Income From Securities	4,124	3,389
Property Tax	152	88
Banking Insurance Transactions Tax (BITT)	3,020	2,312
Foreign Exchange Transactions Tax	-	-
Value Added Tax Payable	206	236
Other	696	841
Total	15,016	9,752

a.3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums – Employee	9	6
Social Security Premiums – Employer	15	9
Bank Social Aid Pension Fund Premium - Employee	-	-
Bank Social Aid Pension Fund Premium - Employer	-	-
Pension Fund Membership Fees and Provisions – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Unemployment Insurance - Employee	40	34
Unemployment Insurance – Employer	80	67
Other	-	-
Total	144	116

b) Information on deferred tax liabilities, if any:

The Bank's deferred tax liability amounts to TL 1,182 (31 December 2016: TL 1,534) and this amount is net off against the deferred tax asset and accordingly deferred tax asset amounting to TL 7,674 (31 December 2016: TL 4,876) is presented in the financial statements.

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

The Bank does not have any payables for assets held for sale and discontinued operations. (31 December 2016: None).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

10. Explanations on subordinated debts:

The Bank does not have any subordinated debts. (31 December 2016: None).

11. Information on shareholders' equity:

a) Presentation on paid-in capital:

	Current Period	Prior Period
Common stock	747,000	747,000
Preferred stock	-	-

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

The Bank does not have a registered capital system.

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

With the decision of the Banking Regulation and Supervision Agency dated 24 March 2017 and numbered 4968, the amount of TL 200,000 transferred to the Bank accounts for capital increase has been taken into consideration in the tier II capital account until the completion of the capital increase procedure.

d) Information on additions from capital reserves to capital in the current period:

None. (31 December 2016: None).

e) Capital commitments in the last fiscal year and continue until the end of the following interim period, general purpose of these commitments and estimated resources required for these commitments:

There is no capital commitment for the last financial year and the end of the following interim period. (31 December 2016: None).

f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of future assumptions based on the uncertainty of these indicators on the Bank's equity:

The Bank has no any uncertainty related to profitability and liquidity for the prior period. (31 December 2016: None)

g) Information on preferred shares:

As of 31 March 2017, the Bank has no preferred shares. (31 December 2016: None).

h) Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
From Available for Sale Marketable Securities	(4,685)	(35)	(963)	(107)
Revaluation Difference	(5,802)	(35)	(1,573)	(107)
Deferred Tax Effect	1,117	-	610	-
Foreign Exchange Difference	-	-	-	-
Total	(4,685)	(35)	(963)	(107)

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

i) Information on minority shareholder:

None (31 December 2016: None).

III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ACCOUNTS

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	-	-
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	43,187	34,817
Loan Granting Commitments	-	-
Asset Purchase Commitments	23,161	13,223
Tax and Fund Liabilities from Export Commitments	732	458
Total	67,080	48,498

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

Bank has no possible losses arising from the off-balance sheet items. (31 December 2016: None).

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

	Current Period	Prior Period
Guarantee Letters	3,582,914	2,772,734
Letter of Credits	271,475	188,475
Bank Acceptances	11,721	7,484
Other Contingencies	469,890	539,276
Total	4,336,000	3,507,969

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

	Current Period	Prior Period
Letters of Temporary Guarantees	538,598	400,357
Letters of Certain Guarantees	1,434,294	1,031,833
Letters of Advance Guarantees	490,580	386,135
Letters of Guarantees given to Customs Offices	36,059	32,197
Other Letters of Guarantees	1,083,383	922,212
Total	3,582,914	2,772,734

b.3) Total non-cash loans:

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	1,083,383	922,212
With Original Maturity of One Year or Less	-	-
With Original Maturity of More than One Year	1,083,383	922,212
Other Non-Cash Loans	3,252,617	2,585,757
Total	4,336,000	3,507,969

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

1. a) Information on profit share received from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share on loans ⁽¹⁾	150,943	8,975	46,031	3,137
Short term loans	51,505	1,109	24,015	1,240
Medium and long term loans	99,438	7,866	22,016	1,897
Profit share on non-performing loans	-	-	-	-
Premiums received from resource utilization support fund	-	-	-	-

(1) Includes fees and commissions income on cash loans

b) Information on profit share received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	353	-
Foreign Banks	-	-	-	-
Branches and head office abroad	-	-	-	-
Total	-	-	353	-

c) Information on profit share income from securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	-	-	-	-
Financial Assets at Fair Value through Profit and Loss	-	-	-	-
Financial Assets Available-for-Sale	10,614	-	3,424	15
Investments Held-to-Maturity	-	-	-	-
Total	10,614	-	3,424	15

d) Information on profit share income received from associates and subsidiaries:

None. (31 December 2016: None).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. a) Information on profit share expense on borrowing:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	-	4,995	481	1,969
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	2,332	481	1,339
Foreign Banks	-	2,663	-	630
Head Office and Branches	-	-	-	-
Other Institutions	2,583	1,931	-	-
Total	2,583	6,926	481	1,969

b) Information on profit share expense given to associates and subsidiaries:

None (31 December 2016: None).

c) Information on profit share expense paid to securities issued:

None (31 December 2016: None).

d) Distribution of profit share on funds based on maturity of funds:

Current Period	Participation Accounts					Total
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Over 1 year	
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	3,836	29,033	628	404	1,464	35,365
Public Sector Participation Accounts	2,092	8,171	1,797	-	28	12,088
Commercial Sector Participation Accounts	1,699	16,041	783	162	282	18,967
Other Institutions Participation Accounts	83	6,582	413	27	42	7,147
Total	7,710	59,827	3,621	593	1,816	73,567
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	382	-	-	-	382
Real Person's Non Commercial Participation Accounts	530	6,952	1,058	162	215	8,917
Public Sector Participation Accounts	-	-	-	-	-	-
Commercial Sector Participation Accounts	-	-	-	-	-	-
Other Institutions Participation Accounts	-	-	-	-	-	-
Public Sector Participation Accounts	20	-	-	-	-	20
Total	550	7,334	1,058	162	215	9,319
Grand Total	8,260	67,161	4,679	755	2,031	82,886

3. Informations on dividend income:

None (31 December 2016: None).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. a. Information on trading income/loss (Net)

	Current Period	Prior Period
Income	799,905	112,210
Foreign exchange gains	799,868	111,190
Gain on derivative financial instruments	37	1,020
Gain on capital market transactions	-	-
Losses (-)	796,211	110,578
Foreign exchange losses	795,386	110,252
Losses on derivative financial instruments	825	326
Losses on capital market transactions	-	-
Net	3,694	1,632

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(788)	694
Total	(788)	694

5. Information on other operating income:

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

There are no significant matters covering the recent developments which have significant effect on the Bank's income.

6. Provision expenses for impairment on loans and other receivables:

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	1,560	1
III. group loans and receivables	982	1
IV. group loans and receivables	513	-
V. group loans and receivables	65	-
General provision expenses	16,908	12,210
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	-	-
Financial Assets at fair value through profit and loss	-	-
Investment securities available for sale	-	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
Other (*)	5,836	1,679
Total	24,304	13,890

(*) According to article 14 of regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, other amounting to TL 5,575 is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	19,851	14,536
Reserve for Employee Termination Benefits	171	-
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	2,805	2,153
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	626	539
Impairment Expense for Equity Shares subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	-	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	10,996	6,175
Operational Leasing Expenses	4,188	2,175
Maintenance Expenses	141	66
Advertisement Expenses	1,335	1,293
Other Expenses	5,332	2,641
Loss on Sales of Assets	-	-
Other (*)	8,005	2,934
Total	42,454	26,337

(*) The balance which forms the other item part, TL 4,399 (31 March 2016: TL 1,127) represents TMSF Premium amount and audit and consultancy fees and TL 3,293 (31 March 2016: TL 1,807) represents taxes, fees and funds and other services expenses.

8. Information on profit/loss from continued and discontinued operations before taxes:

As of 31 March 2017, The Bank does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period	Prior Period
Net Profit Share Income	87,779	33,983
Other Operating Expenses (-)	42,454	26,337
Provision for Loan or Other Receivables Losses (-)	24,304	13,890
Other Operating Income	1,663	777
Net Fees and Commissions Income	6,059	2,695
Dividend Income	-	-
Trading Income/Expense (Net)	3,694	1,632
Income/(Loss) from Continuing Operations	32,437	(1,140)

9. Information on tax provision for continued and discontinued operations:

As of 31 March 2017, the Bank's total tax provision expense amounting to TL 7,317 (31 March 2016: TL 1,617) consists of TL 9,608 (31 March 2016: TL 2,387) of current tax expense and TL 2,291 (31 March 2016: TL 770) of deferred tax expense.

10. Explanation on net income/loss for the period for continuing and discontinued operations:

The Bank's net operating income after tax amounts to TL 25,120 (31 March 2016: (2,757) TL net loss).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on net profit/loss:

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

The Bank, mainly utilizes its resources from domestic current and profit shares, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations.

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

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period.

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:**

None.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE BANK

- 1) a) Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses for the period:

Current Period

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	558,924	-	-	-
Balance at end of period	-	-	271,318	-	-	-
Profit share and commission income	-	-	425	-	-	-

Prior Period

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	337,726	-	-	-
Balance at end of period	-	-	558,924	-	-	-
Profit share and commission income	-	-	6.582	-	-	-

- b) Current and profit sharing account held by the Bank's risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	-	-	1,796	-	-	-
Balance at the end of period	-	-	2,703	1,796	-	-
Profit share expense	-	-	-	-	-	-

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	259,672	-	-	-
Closing Balance	-	-	193,552	259,672	-	-
Total Profit/Loss	-	-	(825)	1,349	-	-
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

- 3) Information on remunerations provided to top management:

The Bank has paid TL 679 (31 March 2016: TL 610) to top management.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. SIGNIFICANT EVENTS AND MATTERS ARISING SUBSEQUENT TO BALANCE SHEET DATE

On 31 March 2017, Ziraat Katılım Varlık Kiralama AS was authorized to issue lease certificates in different tranches, maturities and types within an issuance ceiling of TL 1,500,000,000 in order to be sold to domestic investors without being offered to the public and / or to be sold to qualified investors. The issuance of lease certificates based on the management contract with a maturity of 90 days and a total value of TL 100,000,000 to be sold to qualified investors without being offered to the public, has been approved with the decision of the Capital Markets Board (CMB) dated 28 April 2017 and numbered 19/621.

SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

II. EXPLANATIONS ON THE BANK'S CREDIT NOTES FROM CREDIT RATING AGENCIES

None.

SECTION SEVEN

EXPLANATIONS ON REVIEW REPORT

I. EXPLANATIONS ON THE LIMITED REVIEW REPORT

As of 31 March 2017, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member of KPMG International Cooperative, a Swiss entity) and Review Report dated 10 May 2017 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

Section Eight (*)

EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT

I. Chairman's Assessment

The first quarter of the year was a period in which global economic activity revived and trade volumes increased. Due to the increase in raw material prices, the reemergence of inflation in developed countries supported risk assets with the theme of "reflation". The new US president Donald Trump began incumbent and elections have set the agenda in Europe.

In the first quarter of 2017, the FED's interest rate hike process and Trump's election promises have been the most influential factors in the global economy. Trump declared that it would implement an expansionary fiscal policy by increasing infrastructure spending and lowering tax rates. As a result of these policies, which Trump planned to implement, inflation and interest rates were expected to increase in the US. However, especially the health reform, which was not elected in the Parliament, caused to increase skepticism about Trump's expansionary fiscal policies. In March, The FED argued that the US economy is nearing its full employment target and raised interest rates by 25 basis points in line with previous guidance. The main development on the FED side was to keep projections constant. With the FED's "verbal orientation", the currencies of emerging economies began to strengthen as the value of the US dollar fell. While the Dollar Index is again below the 100 level, the US 10-year bond yields have also experienced a significant retreat. Within this scope; the expectation that the Fed will increase interest rates in 2017 has been strengthened, with the adoption of the signals that full employment is approaching in 2016.

In the first quarter of the year, the economic recovery has begun to grow stronger and broader in line with expectations in the Eurozone. Especially the recovery in industrial production, leading economic indicators and the moderate rise seen in inflation are promising in terms of the economic program implemented in the Eurozone. The European Central Bank (ECB) has not changed the interest rates as expected in line with the economic policies implemented in the first quarter of the year. In order to minimize political risks, it is stated that the Bank will keep assets purchases at € 60 billion per month by the end of 2017. Along with the progress, expectations have begun to emerge that the ECB will begin to normalize its monetary policy. Thus, the euro was able to gain strength despite the political developments in the first quarter of the year.

Increasing geopolitical risks have been effective in Turkey's markets at the beginning of 2017. However, the decline in 10-year bond rates in the US, stabilizing interest rates and the expectations that FED is going to raise interest rates, has positively impacted Turkish financial markets like other developing countries. In January, implementation of the central bank's foreign currency swap, provided the decrease in currency price volatility and increase the financial stability. Inflation is expected to move downward in the last period of the year due to the effects of exchange rate and oil prices. It is estimated that the volatility of TL will decrease due to the acceleration of fund inflow to Turkey as well as to other emerging economies affected by the decline in interest rates of all developed countries, especially the US 10-year bond interest rates.

The Turkish economy has grown above expectations in the last quarter of 2016, with the precautions taken by the economy management, and the Turkish economy is anticipated to reach its potential by recovering its growth performance in 2017, when the global conjuncture begins to return to the emerging markets. Particularly in 2016, the main composition of the growing domestic demand, the possibility of catching a growth rate in line with Medium Term Program targets is increasing by contributing to the increase in exports of Turkey originating in the Euro Zone in 2017.

Oil prices, which remained low compared to previous years in 2016, have positively affected Turkey's foreign trade deficit. In the first quarter of the year, oil prices continued to keep around \$ 50 lowered Turkey's import bill. This situation was also reflected in Turkey's current account deficit and provided a significant improvement in the current account deficit. It is estimated that economic activity will continue in the Eurozone, which was recovered last year's fourth quarter, in this year. It is expected that demand for export products of Turkey will increase from European Union countries and in this situation, it is expected that this will contribute to the Turkey's current account balance.

(*) Unless otherwise stated amounts are expressed in Turkish Lira ("TL") in section eight.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

I. Chairman's Assessment (Continued)

The Central Bank of the Republic of Turkey (CBRT) strictly applied monetary policy due to increased exchange rate instability in the face of global economic developments. Especially, the observed rapid increase value on the US 10 Years bonds interest made a reason for the enlargement of funding costs in Turkey. On the other hand, Turkish Lira faced the monetary depreciation with the other less-developed countries' currencies that has been occurred at final period and the rate transitivity caused the inflation. CBRT effectively used the dynamic funding way for being able to establish price stability.

Despite the fact that monetary instability at the global economy, Turkish Banking Sector is consistently at improvement process with the vigorous shareholders equity structure and high asset quality. The fact that the industry is continuously monitored by the official authorities and the compliance studies towards the Basel III standards are trusted in terms of risk management.

Ziraat Participation Bank achieved positive results in the first quarter of 2017. Ziraat Participation Bank carries the title of the first public participation bank in Turkey and aims to respond to the needs of its customers in the best way by developing new products in line with the principles of "Participation Banking".

Hüseyin AYDIN
Chairman

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ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

II. Assessment of General Manager

In the first quarter of 2017, our country as well as Ziraat Katılım succeeded significant achievements.

We are in happiness and excitement successfully completing the first quarter of 2017 on Ziraat Katılım's which is the first participation bank with public capital, second anniversary of foundation. In the first quarter of 2017, our total assets increased by 14% compared to the end of the year and reached TL 9 billion.

We have provided increased financial support to the country's economy.

In the first quarter of 2017, Ziraat Katılım focused on financing the real sector and achieved rapid growth not only customers and shareholders but also towards the goal of producing value for all stakeholders and society. It reached TL 6.5 billion in cash financing increased by 17% compared to the end of the year, TL 4.3 billion in non-cash financing increased by 24% and in real sector provided financing support at a level of TL 10.8 billion.

Ziraat Katılım will continue to support the Turkish economy, particularly in the real sector, with a share of 72% in cash financing on balance sheet. We continued to increase our cooperation with the Credit Guarantee Fund to facilitate access to financing for SMEs with problems generating collateral. We offered our customers advantageous financial products in terms of cost with the World Bank originated funding. We maintained our finance-weighted growth and customer-oriented balance sheet strategy by maintaining our active assets, our non-performing loans ratio is below the sector average by the ratio of 0-3%.

As of the first quarter of 2017, total current and participation accounts increased by 14% compared to the end of the year and reached TL 6.4 billion total net asset value of fund. In order to provide resource diversity and to offer products suitable for participation banking in capital markets, we have established Ziraat Katılım Varlık Kiralama A.Ş. And started to be renewed four times until the first quarter of 2017, reaching a volume of TL 400 million. In order to increase the transaction volume and diversity in this area, the establishment activities of our second asset leasing company are continuing.

We are also pleased to see more demand for the amount and number of investors in the process of renovating our murabaha syndication, which we have realized in 2016 with USD 155 million in order to bring international funds to our country. This situation is also an indicator of the confidence of foreign investors in the economy of Turkey and in Ziraat Katılım.

We have completed the first quarter of 2017 with a net profit of TL 25 million as a result of our services that we offer within the framework of sustainability and productivity with our understanding that gives priority to customer satisfaction.

We increase the accessibility of participation banking.

We expanded our geographical reach by reaching 48 branch offices in 29 different cities where economic activity intensified by adding 4 more branches to our customer-focused branches in the first quarter of 2017. We have increased the variety of services in our digital banking applications that allow access to Ziraat Participation via web and mobile applications. In addition, within the framework of our correspondence agreement with Ziraat Bankası, we enabled more and more customers to access Ziraat Katılım from all Ziraat Bankası branches and ATMs.

We have successfully completed the first quarter of 2017 in accordance with our goal of contributing to the development and dissemination of participation banking. Our vision of being a leader and a respectable participation bank is proceeding with sure steps towards the future, I would like to thank our shareholders, our business partners and our employees who we always feel with their support.

Osman ARSLAN
General Manager

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ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

III. Shareholding Structure

Ziraat Katılım Bank's paid in capital is TL 747,000,000 and this capital divided into 747,000,000 shares that each one of all worth 1.00 Turkish Lira. Members of the Board of Auditors, the General Manager and Assistant General Managers do not hold shares in the Bank

Title	Share Amount (TL)	Number of Shares
T.C. Ziraat Bankası A.Ş.	746,999,996	746,999,996
Ziraat Sigorta A.Ş.	1	1
Ziraat Hayat ve Emeklilik A.Ş.	1	1
Ziraat Teknoloji A.Ş.	1	1
Ziraat Yatırım Menkul Değerler A.Ş.	1	1

IV. Changes in the Articles of Association

There is no change in the articles of association in the first quarter of the year 2017.

V. Main Financial Indicators

In the Bank assets, indicators take shares as follows; loans volume is TL 6,504,876 thousand with 72%, liquid assets and banks volume is TL 1,788,189 thousand with 20%, security volume is TL 393,231 thousand with 4% and other assets volume is TL 378,963 thousand with 4%.

ASSETS (THOUSAND TL)	MARCH 2017	DECEMBER 2016	CHANGE (%)
Liquid Assets and Banks	1,788,189	1,669,752	7
Securities	393,232	415,842	(5)
Loans	6,504,876	5,557,942	17
Other Assets	378,963	315,971	20
Total Assets	9,065,260	7,959,507	14

In the Bank liabilities, indicators take shares as follows; deposit volume is TL 6,432,408 thousand with 71%, shareholders equity volume is TL 786,091 thousand with 9%, other liabilities volume is TL 408,954 thousand with 5% and resources out of deposit volume is TL 1,437,807 thousand with 16%.

LIABILITIES (THOUSAND TL)	MARCH 2017	DECEMBER 2016	CHANGE (%)
Deposits	6,432,408	5,636,002	14
Resources Out of Deposit	1,437,807	1,420,889	1
Other Liabilities	408,954	137,995	196
Shareholders' Equity	786,091	764,622	3
Total Liabilities	9,065,260	7,959,507	14

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ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

V. Main Financial Indicators (Continued)

SELECTED PROFIT AND LOSS ITEMS (THOUSAND TL)	MARCH 2017	MARCH 2016	CHANGE (%)
Dividend Income	180,552	53,886	235
Dividend Expense	92,773	19,903	366
Net Dividend Income/Expense	87,779	33,983	158
Net Fees and Commissions Income/Expense	6,059	2,695	125
Other Operating Income	1,663	777	114
Other Operating Expenses	42,454	26,337	61
Provision for Loan and Other Receivables	24,304	13,890	75
Profit/Loss Before Tax	32,437	(1,140)	2,945
Tax Provision	7,317	(1,617)	553
Net Profit/Loss	25,120	(2,757)	1,011
	MARCH 2017	DECEMBER 2016	
RATIOS (%)			
Capital Adequacy Ratio	13.32	12.46	6.9
Shareholders' Equity/Total Assets	8.7	9.6	(9.7)
Total Loans/Total Assets	71.8	69.8	2.8
Non-performing Loans (Gross) / Total Loans	0.3	0.2	59.8
Demand Deposit/Total Deposit	10.9	14.8	(26.1)
FC Assets/FC Liabilities	57.2	54.0	6.0
Liquid Assets/Total Assets	19.7	21.0	(6.0)

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ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

VI. 2017 Interim Period Operations

Having increased the number of contracted projects in line with our growth target in qualified residential projects, our Bank has continued to offer loans to residents who want to own real estate in advantageous conditions thanks to the new partnerships established with the leading construction companies in the sector in the third quarter of the year.

Financing Limit Bank Card for the individual segment is becoming increasingly common in the field. In the field of payment systems, agreements with POS / ÖKC companies continue to be made in cash registers.

With the application of the Automatic Participation System in the Private Pension System, effective from 1 January 2017, our Bank has started to provide services to our customers as of January 1.

Mobile Banking service has started to be provided to our Individual Customers through 'Katılım Mobil' application. The application is used with rich menu contents by our customers with Android and iOS operating system.

Offsite ATM Infrastructure has been created and paid to our customers who pay salary. Within this scope, the first Offsite ATM installation was realized in Borsa Istanbul.

With the ATM malfunction and supply management system, automatic notifications and e-mails are started to be sent to the ATM Managers. At the same time, field operations were organized with the integration of the Ziraat Bank Service Manager system.

The Central Banking Branch, which operates with Branchless Banking mission, serves all the banking operations through its Solution Facility Center to its customers.

With the ISO 10002 Customer Satisfaction Management System Quality Certificate, customer declarations are returned in good quality and continuous improvement in accordance with international standards.

Customer Contact Center; we provide services related to our bank products 24/7 within the framework of high customer satisfaction calls from our customers.

Our newly opened branches which were opened in the first quarter of 2017:

Erzincan branch was started to the customer acceptance on the date of 8 February 2017.

Afyonkarahisar branch was started to the customer acceptance on the date of 20 February 2017.

Zeytinburnu/İstanbul branch was started to the customer acceptance on the date of 16 March 2017.

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ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

VII. 2017 Expectations after the Interim Period

In the first quarter of 2017, the financial markets determined by the monetary policies of the Federal Reserve (FED) and the European Central Bank (ECB), the political and economic steps taken by US President Donald Trump on electoral pledges, developments in Syria and strong volatilities in the currencies of countries. At the first quarter of year, the Fed raised interest rates cause of recovery on US economy and approaching to full employment. Trump's expansionary fiscal policy and the developments in the US economy are expected to guide the FED's policy of interest rates during the year. The recovery in the developed economies, particularly in the US affects commodity prices positively. Because of rock gas and rock oil, oil and natural gas prices have not serious increased. Although the economic problems seen in the Chinese economy in 2016 seem to have been covered somewhat in the new year, the growth rates are below the annual average and economic problems still remain in the country. On the other side, the Bank of Japan (BOJ) and the ECB support the global economy by continuing to buy bonds and keeping interest rates at a low level until the end of the year, even if they declare that they will reduce the amount of bond purchases. However, cause of the high level of unfairness and indebtedness in the income distribution leading to the main problems of the global economy, the expansionary monetary policies implemented by the central banks cannot achieve sustained growth in the long run. This implies that different economic models are needed to provide sustainable growth based on competitive production and strong consumption, including the resolution of countries' debt problems.

In the US economy, despite a growth under expectations in the first quarter of 2017, it was observed that the economy was approaching its full employment target. In this context, the FED raised interest rates by 25 basis points in the first quarter and gave the message that the recovery in the economy is continuing. Another factor affecting the US and the global economy in the first quarter of the year was the implementing Trump's election promises. These policies, which Trump planned to implement, were foreseen to increase inflation and interest rates in the US. While Trump was trying to implement its health policy, he faced with some barriers, and it caused increase skepticism about Trump's expansionary fiscal policies. It was expected that the FED will raise interest rates twice in the coming year, while Trump's expansionary fiscal policy and the acceleration of recovery in the US economy are expected to have an impact on the FED's policy of raising interest rates.

Economic recovery began in the Eurozone in the last quarter of 2016 and there was some acceleration in economic recovery in the first quarter of this year. Leading indicators that are better than expectations support the revival of industry. In addition, the moderate rise seen in inflation allows the ECB to slow down its purchases of bonds as it declared in 2016. In this context, the ECB plans to reduce and stop the purchase of bonds, which was previously EUR 80 billion per month, to EUR 60 billion in April, end of the year. Despite the positive developments in the economy, it is still early to mention the possibility of a possible interest rate increase this year. On the other hand, the ECB may also need to take additional steps on the grounds of unfavorable economic developments that are unforeseen by the reason that the UK is separated from the union.

In the last quarter of 2016, especially when Trump was elected US President, the US dollar gained value and the US 10-year interest rate rose rapidly. While these developments in the US economy lead to a sales wave in developing country markets, they also brought the depreciation of these countries' currencies. However, in the first quarter of 2017, emerging country currencies have begun to recover from losses due to a stabilization after the sharp rise in US bond rates and due to the market price increase of the FED's planned interest rate this year. While there is a resurgence in these markets, expectations for 2017 have begun to turn positive. Moreover, recently announced economic data, especially in countries such as Brazil, Russia and China, indicate limited recovery in developing countries.

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ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017

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

EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

VII. 2017 Expectations after the Interim Period (Continued)

Turkish markets have not made a good start at the beginning of the first month of 2017 because of the improvements in the global economy which affected the developing countries negatively. While bond interest rates are increasing, TL have lost its value. Then, developing countries had get the advantages and Turkish markets improved rapidly and TL have gained value. Central Bank of the Republic of Turkey have done the contractionary monetary policy to TL would be more valuable. The next period, the improvements on the Euro zone, it is expected that the export of Turkey affected positively and TL will be more valuable

Turkish economy had grown up approximately 2.9 percent in 2016 and then the expectations about Turkish economy are positive for this year (2017). Despite the exceptional political developments and the geopolitics risks, thanks to the powerful fundamentals of Turkish economy and the experienced administration of the economy, the economy had been grow up significantly. Although growing up depends on the public expenditures, it is expected that the private investments and consumption will rise. Moreover, the improvements of the Euro zone will affect the export of Turkey positively it will affect the growing up positively.

Turkey imports the needs of the energy such as petrol and neutral gas from abroad. The big part of the imports belong to energy. The low prices in the 2015 and 2016 in the energy sector affected the Turkey's foreign trade positively. In the first quarter of the 2017, the petrol prices was 50 dollars approximately and this affected import of Turkey positively again. The expenditures about the imported goods was decreased. In other words, the cost of the import was decreased and this reduced the current account deficit. Euro started being more valuable in the last quarter of 2016 and it is expected that the economic developments will continue the developing in 2017. Therefore, the countries, in the Euro zone, will import the goods from Turkey. It means, export value of Turkey will increase. Thus, current account deficit of Turkey is predicted will be reduced.

The last quarter of the past year, TL had lost its value and the food prices raised. This led to rise to inflation. Because of the contractionary monetary policy of Central Bank of the Republic of Turkey, while effective funding cos had risen, TL had gained more value. It is expected that the food prices will become more stabile and TL will gain value and then the inflation will fall in the rest of the year.

In the last months of 2016, the hard rise in developed country bonds, especially in the US, caused the developed countries' currencies to appreciate, putting pressure on the economies of developing countries. However, optimism for the developing countries has begun to increase again with the expectation that the US 10-year bond rate will stabilize and the FED will raise interest rates three times during the year. The emergence of emerging countries in the foreground again, Turkey, evaluating this category, while positively affecting; it started to gain value again in TL. It is anticipated that the TL will remain strong with the support of the CBRT's tight monetary policy in the following period, and it is predicted that there will be a decrease in single-digit inflation in the inflation. On the other hand, expectations of growth in emerging countries over the targets of Turkey with the acceleration of capital inflow are included.

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