

*(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 2018**

**With Auditors' Review Report Thereon**

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

2 May 2018

*This report includes "Auditors' Review Report"  
comprising 2 pages and; "Unconsolidated Financial  
Statements and Related Disclosures and Footnotes"  
comprising 90 pages.*

## **REVIEW REPORT ON INTERIM FINANCIAL INFORMATION**

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

### *Introduction*

We have reviewed the unconsolidated balance sheet of Ziraat Katılım Bankası A.Ş. ("the Bank") at 31 March 2018 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows 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 "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by afore-mentioned legislations. 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 Standard on Review Engagements ("SRE") 2410, "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 interim financial information do not presented fairly, in all material respects, the financial position of Ziraat Katılım Bankası A.Ş. at 31 March 2018, and its financial performance and its cash flows for the three-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

### *Report on other regulatory requirements arising from legislation*

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 Seven, is not consistent with the unconsolidated financial statements and disclosures in all material respects.

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

Erdal Tıkmak, SMMM  
Partner

2 May 2018  
İstanbul, Turkey

### **Additional paragraph for convenience translation to English:**

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

**THE UNCONSOLIDATED INTERIM FINANCIAL REVIEW REPORT OF  
ZİRAAT KATILIM BANKASI A.Ş. AS OF 31 MARCH 2018**

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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 AND RISK OF MANAGEMENT OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- EXPLANATIONS ON REVIEW REPORT
- EXPLANATIONS ON INTERIM ACTIVITY 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.

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Hüseyin AYDIN  
Chairman of the Board

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Metin OZDEMİR  
Member of the Board,  
CEO

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Cemalettin BAŞLI  
Member of the Board,  
Member of the Audit  
Committee

---

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

---

Osman KARAKÜTÜK  
Vice President of Treasury  
and Internal Operating

---

Gürkan ÇAKIR  
Head of Financial  
Coordination Department

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

Name-Surname/Position : Tuncay KAMIŞ / Financial Reporting Manager

Telephone : 0 212 404 13 35

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# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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 13 June 2017, the paid-in capital of the Bank has been increased by the amount of cash by TL 500.000 and by increasing the amount of internal resources by TL 3.000.

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 of the Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury 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 2018 and 31 December 2017, main shareholders and capital amounts as follows:

Name of Shareholders	31 March 2018		31 December 2017	
	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş. (*)	1.250.000	99,9999996	1.250.000	99,9999996
Ziraat Sigorta A.Ş.	-	0,0000001	-	0,0000001
Ziraat Hayat ve Emeklilik A.Ş.	-	0,0000001	-	0,0000001
Ziraat Teknoloji A.Ş.	-	0,0000001	-	0,0000001
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,0000001	-	0,0000001
<b>Total</b>	<b>1.250.000</b>	<b>100,00</b>	<b>1.250.000</b>	<b>100,00</b>

(\*) All of the shares of the of the Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury 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 2018

(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
<b>Board of Directors</b>	
Hüseyin AYDIN	Chairman
Metin ÖZDEMİR	General Manager and Member of the BOD, Member of Pricing Committee, President of Credit Committee, Member of Corporate Management Committee
Yusuf DAĞCAN	Executive Vice President and Member of the BOD
Cemalettin BAŞLI	Member of the BOD, Member of Credit Committee, Member of Audit Committee
Feyzi ÇUTUR	Member of the BOD, Member of Credit Committee, Member of Audit Committee
Salim ALKAN	Member of the BOD, President of Corporate Management Committee, Member of Pricing Committee, Substitute Member of Credit Committee
<b>Assistant General Manager</b>	
Mehmet Said GÜL	Information Technologies and Operating
Osman KARAKÜTÜK	Treasury and Internal Operations
Tahir DEMİRKIRAN	Loan Allocation and Management
Temel Tayyar YEŞİL	Marketing

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. <sup>(*)</sup>	1.250.000	99,9999996	1.250.000	-
Ziraat Sigorta A.Ş.	-	0,0000001	-	-
Ziraat Hayat ve Emeklilik A.Ş.	-	0,0000001	-	-
Ziraat Teknoloji A.Ş.	-	0,0000001	-	-
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,0000001	-	-
<b>Total</b>	<b>1.250.000</b>	<b>100,00</b>	<b>1.250.000</b>	<b>-</b>

(\*) All of the shares of the of the Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury 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 2018**

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

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#### **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 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 2018, Bank operates with its 67 branches (31 December 2017: 63 branches) and 911 (31 December 2017: 890) workers domestically.

Bank has no branches abroad.

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

There is no difference between consolidated financial statements prepared in accordance with BRSA regulation on the preparation of consolidated financial statements and consolidated financial statements prepared in accordance with Turkish Accounting Standards for the Bank. The Bank's subsidiary Ziraat Katılım Varlık Kiralama A.Ş. which is established on 22 January 2016 and ZKB Varlık Kiralama A.Ş. which is established in 8 September 2017 are consolidated within the scope of full consolidation.

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

None.



## **SECTION TWO**

### **THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS**

- I. Balance sheet (statement of financial position)
- II. Statement of off-balance sheet commitments
- III. Statement of profit or loss
- IV. Statement of profit or loss and other comprehensive income
- V. Statements of changes in shareholders' equity
- VI. Statement of cash flows

# ZİRAAT KATILIM BANKASI A.Ş.

## UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 MARCH 2018

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

I.	BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	THOUSAND OF TURKISH LIRA		
			Current Period (31/03/2018)		
			TL	FC	Total
	<b>ASSETS</b>				
<b>I.</b>	<b>FINANCIAL ASSETS (NET)</b>		<b>1.516.631</b>	<b>1.855.881</b>	<b>3.372.512</b>
<b>1.1</b>	<b>Cash and Cash Equivalents</b>		<b>770.781</b>	<b>1.845.537</b>	<b>2.616.318</b>
1.1.1	Cash and Balances with Central Bank	(1)	269.834	1.608.221	1.878.055
1.1.2	Banks	(2)	500.947	237.316	738.263
1.1.3	Money Markets		-	-	-
<b>1.2</b>	<b>Financial Assets at Fair Value Through Profit or Loss</b>		-	-	-
1.2.1	Government Debt Securities		-	-	-
1.2.2	Equity Instruments		-	-	-
1.2.3	Other Financial Assets		-	-	-
<b>1.3</b>	<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	(3)	<b>746.376</b>	<b>8.129</b>	<b>754.505</b>
1.3.1	Government Debt Securities		-	-	-
1.3.2	Equity Instruments		4.719	-	4.719
1.3.3	Other Financial Assets		741.657	8.129	749.786
<b>1.4</b>	<b>Financial Assets Measured at Amortised Cost</b>	(4)	-	-	-
1.4.1	Government Debt Securities		-	-	-
1.4.2	Other Financial Assets		-	-	-
<b>1.5</b>	<b>Derivative Financial Assets</b>	(5)	<b>39</b>	<b>2.215</b>	<b>2.254</b>
1.5.1	Derivative Financial Assets at Fair Value Through Profit or Loss		39	2.215	2.254
1.5.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
<b>1.6</b>	<b>Non-Performing Financial Assets</b>		-	-	-
<b>1.7</b>	<b>Expected Loss Provision (-)</b>		<b>565</b>	-	<b>565</b>
<b>II.</b>	<b>LOANS (NET)</b>	(6)	<b>10.916.135</b>	<b>1.636.551</b>	<b>12.552.686</b>
<b>2.1</b>	<b>Loans</b>		<b>10.504.214</b>	<b>1.636.551</b>	<b>12.140.765</b>
2.1.1	Measured at Amortised Cost		10.504.214	1.636.551	12.140.765
2.1.2	Fair Value Through Profit or Loss		-	-	-
2.1.3	Fair Value Through Other Comprehensive Income		-	-	-
<b>2.2</b>	<b>Lease Receivables</b>		<b>434.854</b>	-	<b>434.854</b>
2.2.1	Financial Lease Receivables		545.611	-	545.611
2.2.2	Operating Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		110.757	-	110.757
<b>2.3</b>	<b>Factoring Receivables</b>		-	-	-
2.3.1	Measured at Amortised Cost		-	-	-
2.3.2	Fair Value Through Profit or Loss		-	-	-
2.3.3	Fair Value Through Other Comprehensive Income		-	-	-
<b>2.4</b>	<b>Non-Performing Loans</b>		<b>44.846</b>	-	<b>44.846</b>
<b>2.5</b>	<b>Expected Credit Loss (-)</b>		<b>67.779</b>	-	<b>67.779</b>
2.5.1	12 Month Expected Credit Losses (Stage I)		34.912	-	34.912
2.5.2	Significant Increase in Credit Risk (Stage II)		4.205	-	4.205
2.5.3	Credit-Impaired Losses (Stage III / Special Provision)	(7)	28.662	-	28.662
<b>III.</b>	<b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>		<b>4.111</b>	-	<b>4.111</b>
3.1	Held for Sale Purpose		4.111	-	4.111
3.2	Related to Discontinued Operations		-	-	-
<b>IV.</b>	<b>EQUITY INVESTMENTS</b>	(8)	<b>100</b>	-	<b>100</b>
<b>4.1</b>	<b>Investments in Associates (Net)</b>		-	-	-
4.1.1	Associates Valued Based on Equity Method		-	-	-
4.1.2	Unconsolidated Associates		-	-	-
<b>4.2</b>	<b>Subsidiaries (Net)</b>		<b>100</b>	-	<b>100</b>
4.2.1	Unconsolidated Financial Subsidiaries		100	-	100
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-
<b>4.3</b>	<b>Joint Ventures (Net)</b>		-	-	-
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2	Unconsolidated Joint Ventures		-	-	-
<b>V.</b>	<b>PROPERTY AND EQUIPMENT (Net)</b>	(9)	<b>46.892</b>	-	<b>46.892</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>	(10)	<b>65.774</b>	-	<b>65.774</b>
6.1	Goodwill		-	-	-
6.2	Other		65.774	-	65.774
<b>VII.</b>	<b>INVESTMENT PROPERTY (Net)</b>	(11)	-	-	-
<b>VIII.</b>	<b>CURRENT TAX ASSET</b>	(12)	-	-	-
<b>IX.</b>	<b>DEFERRED TAX ASSET</b>	(13)	<b>23.970</b>	-	<b>23.970</b>
<b>X.</b>	<b>OTHER ASSETS</b>	(14)	<b>55.985</b>	<b>499</b>	<b>56.484</b>
	<b>TOTAL ASSETS</b>		<b>12.629.598</b>	<b>3.492.931</b>	<b>16.122.529</b>

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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 DECEMBER 2017

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

I.	BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	THOUSAND OF TURKISH LIRA		
			Prior Period (31/12/2017)		
			TL	FC	Total
	<b>ASSETS</b>				
I.	<b>CASH BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	(1)	305.803	1.337.886	1.643.689
II.	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	(2)	33	4	37
2.1	Financial Assets Held for Trading		33	4	37
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		33	4	37
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.	<b>BANKS</b>	(3)	3.320	275.261	278.581
IV.	<b>MONEY MARKET PLACEMENTS</b>		-	-	-
V.	<b>FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	516.461	7.712	524.173
5.1	Securities Representing a Share in Capital		4.719	-	4.719
5.2	Public Sector Debt Securities		-	-	-
5.3	Other Marketable Securities		511.742	7.712	519.454
VI.	<b>LOANS AND RECEIVABLES</b>	(5)	9.656.012	1.718.732	11.374.744
6.1	Loans and receivables		9.639.259	1.718.732	11.357.991
6.1.1	Loans to Risk Group of the Bank		400.452	358.536	758.988
6.1.2	Public sector debt securities		-	-	-
6.1.3	Other		9.238.807	1.360.196	10.599.003
6.2	Non-performing loans		34.841	-	34.841
6.3	Specific provisions (-)		18.088	-	18.088
VII.	<b>INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	-	-	-
VIII.	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	-	-	-
8.1	Accounted with Equity Method		-	-	-
8.2	Unconsolidated Associates		-	-	-
8.2.1	Financial investments		-	-	-
8.2.2	Non-financial investments		-	-	-
IX.	<b>INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	100	-	100
9.1	Unconsolidated financial subsidiaries		100	-	100
9.2	Unconsolidated non-financial subsidiaries		-	-	-
X.	<b>ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	(9)	-	-	-
10.1	Consolidated under equity method		-	-	-
10.2	Unconsolidated		-	-	-
10.2.1	Financial subsidiaries		-	-	-
10.2.2	Non-financial subsidiaries		-	-	-
XI.	<b>RECEIVABLES FROM LEASING TRANSACTIONS</b>	(10)	372.944	-	372.944
11.1	Finance Lease Receivables		479.451	-	479.451
11.2	Operating Lease Receivables		-	-	-
11.3	Other		-	-	-
11.4	Unearned Income (-)		106.507	-	106.507
XII.	<b>DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSE</b>	(11)	-	-	-
12.1	Fair Value Hedges		-	-	-
12.2	Cash Flow Hedges		-	-	-
12.3	Hedges for Investments Made in Foreign Countries		-	-	-
XIII.	<b>TANGIBLE ASSETS (Net)</b>	(14)	47.235	-	47.235
XIV.	<b>INTANGIBLE ASSETS (Net)</b>	(15)	63.280	-	63.280
14.1	Goodwill		-	-	-
14.2	Other		63.280	-	63.280
XV.	<b>REAL ESTATES FOR INVESTMENT PURPOSE (Net)</b>	(12)	-	-	-
XVI.	<b>TAX ASSET</b>	(16)	14.093	-	14.093
16.1	Current Tax Asset		-	-	-
16.2	Deferred Tax Asset		14.093	-	14.093
XVII.	<b>ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(13)	3.561	-	3.561
17.1	Held for Sale		3.561	-	3.561
17.2	Held from Discontinued Operations		-	-	-
XVIII.	<b>OTHER ASSETS</b>	(17)	27.584	122	27.706
	<b>TOTAL ASSETS</b>		11.010.426	3.339.717	14.350.143

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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 2018**

(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 (31/03/2018)		
			TL	FC	Total
	<b>LIABILITIES AND EQUITY</b>				
<b>I.</b>	<b>FUNDS COLLECTED</b>	(1)	7.029.178	3.809.364	10.838.542
<b>II.</b>	<b>FUNDS BORROWED</b>	(2)	1.237.357	1.746.900	2.984.257
<b>III.</b>	<b>MONEY MARKETS DEBTS</b>	(3)	22.026	-	22.026
<b>IV.</b>	<b>SECURITIES ISSUED (Net)</b>	(4)	-	-	-
<b>V.</b>	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	(5)	-	-	-
<b>VI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>		-	-	-
6.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(6)	-	-	-
6.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
<b>VII.</b>	<b>FINANCE LEASE PAYABLES</b>		-	-	-
7.1	Finance Lease Payables	(7)	-	-	-
7.2	Operating Lease Payables		-	-	-
7.3	Other		-	-	-
7.4	Deferred Finance Lease Expenses ( - )		-	-	-
<b>VIII.</b>	<b>PROVISIONS</b>	(8)	75.821	17.191	93.012
8.1	Restructuring Provisions		-	-	-
8.2	Reserve for Employee Benefits		5.991	-	5.991
8.3	Insurance Technical Provisions (Net)		-	-	-
8.4	Other Provisions		69.830	17.191	87.021
<b>IX.</b>	<b>CURRENT TAX LIABILITY</b>	(9)	31.266	-	31.266
<b>X.</b>	<b>DEFERRED TAX LIABILITY</b>	(10)	-	-	-
<b>XI.</b>	<b>LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(11)	-	-	-
11.1	Held for Sale Purpose		-	-	-
11.2	Related to Discontinued Operations		-	-	-
<b>XII.</b>	<b>SUBORDINATED DEBT INSTRUMENTS</b>	(12)	-	-	-
12.1	Loans		-	-	-
12.2	Other Debt Instruments		-	-	-
<b>XIII.</b>	<b>OTHER LIABILITIES</b>	(13)	647.824	6.574	654.398
<b>XIV.</b>	<b>SHAREHOLDERS' EQUITY</b>	(14)	1.499.032	(4)	1.499.028
14.1	Paid-in capital		1.250.000	-	1.250.000
14.2	Capital Reserves		-	-	-
14.2.1	Share Premium		-	-	-
14.2.2	Share Cancellation Profits		-	-	-
14.2.3	Other Capital Reserve		-	-	-
14.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		-	-	-
14.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(13.963)	(4)	(13.967)
14.5	Profit Reserves		9.691	-	9.691
14.5.1	Legal Reserves		1.308	-	1.308
14.5.2	Status Reserves		-	-	-
14.5.3	Extraordinary Reserves		3.843	-	3.843
14.5.4	Other Profit Reserves		4.540	-	4.540
14.6	Income or (Loss)		253.304	-	253.304
14.6.1	Prior Periods' Income or (Loss)		184.562	-	184.562
14.6.2	Current Period Income or (Loss)		68.742	-	68.742
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10.542.504</b>	<b>5.580.025</b>	<b>16.122.529</b>

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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 DECEMBER 2017

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

II.	BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	THOUSAND OF TURKISH LIRA		
			Prior Period (31/12/2017)		
			TL	FC	Total
	<b>LIABILITIES AND EQUITY</b>				
<b>I.</b>	<b>FUND COLLECTED</b>	<b>(1)</b>	<b>6.345.946</b>	<b>3.678.649</b>	<b>10.024.595</b>
1.1	Fund Collected Held By the Risk Group of the Bank		8.156	3	8.159
1.2	Other		6.337.790	3.678.646	10.016.436
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>(2)</b>	<b>-</b>	<b>6.280</b>	<b>6.280</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>(3)</b>	<b>977.178</b>	<b>1.629.936</b>	<b>2.607.114</b>
<b>IV.</b>	<b>MONEY MARKET BALANCES</b>	<b>(4)</b>	<b>32.462</b>	<b>-</b>	<b>32.462</b>
<b>V.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>27.254</b>	<b>8.462</b>	<b>35.716</b>
<b>VII.</b>	<b>OTHER LIABILITIES</b>	<b>(6)</b>	<b>69.368</b>	<b>1.202</b>	<b>70.570</b>
<b>VIII.</b>	<b>FINANCE LEASE PAYABLES</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>-</b>
8.1	Finance Lease Payables		-	-	-
8.2	Operating Lease Payables		-	-	-
8.3	Other		-	-	-
8.4	Deferred Finance Lease Expenses ( - )		-	-	-
<b>IX.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.1	Fair Value Hedges		-	-	-
9.2	Cash Flow Hedges		-	-	-
9.3	Hedges for Investments Made in Foreign Countries		-	-	-
<b>X.</b>	<b>PROVISIONS</b>	<b>(9)</b>	<b>138.685</b>	<b>3.605</b>	<b>142.290</b>
10.1	General Provisions		99.082	-	99.082
10.2	Restructuring Provisions		-	-	-
10.3	Employee Benefits Provisions		4.719	-	4.719
10.4	Insurance Technical Reserves (Net)		-	-	-
10.5	Other Provisions		34.884	3.605	38.489
<b>XI.</b>	<b>TAX LIABILITY</b>	<b>(10)</b>	<b>27.435</b>	<b>-</b>	<b>27.435</b>
11.1	Current Tax Liability		27.435	-	27.435
11.2	Deferred Tax Liability		-	-	-
<b>XII.</b>	<b>LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1	Held for Sale		-	-	-
12.2	Held from Discontinued Operations		-	-	-
<b>XIII.</b>	<b>SUBORDINATED LOANS</b>	<b>(12)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIV.</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>(13)</b>	<b>1.403.692</b>	<b>(11)</b>	<b>1.403.681</b>
14.1	Paid-in Capital		1.250.000	-	1.250.000
14.2	Capital Reserves		(14.901)	(11)	(14.912)
14.2.1	Share Premium		-	-	-
14.2.2	Share Cancellation Profits		-	-	-
14.2.3	Marketable Securities Valuation Differences		(14.901)	(11)	(14.912)
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		9.691	-	9.691
14.3.1	Legal Reserves		1.308	-	1.308
14.3.2	Statutory Reserves		-	-	-
14.3.3	Extraordinary Reserves		3.843	-	3.843
14.3.4	Other Profit Reserves		4.540	-	4.540
14.4	Profit or Loss		158.902	-	158.902
14.4.1	Prior Years Profit/Loss		-	-	-
14.4.2	Net Period Profit/Loss		158.902	-	158.902
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9.022.020</b>	<b>5.328.123</b>	<b>14.350.143</b>

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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 2018

(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 (31/03/2018)		
			TL	FC	Total
<b>A</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>(1)</b>	<b>3.559.165</b>	<b>4.686.616</b>	<b>8.245.781</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>		<b>3.440.345</b>	<b>3.521.161</b>	<b>6.961.506</b>
1.1	Letters of Guarantee		3.434.717	2.533.441	5.968.158
1.1.1	Guarantees Subject to State Tender Law		122.581	972.483	1.095.064
1.1.2	Guarantees Given for Foreign Trade Operations		3.165.227	-	3.165.227
1.1.3	Other Letters of Guarantee		146.909	1.560.958	1.707.867
1.2	Bank Acceptances		-	3.883	3.883
1.2.1	Import Letter of Acceptance		-	3.883	3.883
1.2.2	Other Bank Acceptances		-	-	-
1.3	Letters of Credit		5.628	565.991	571.619
1.3.1	Documentary Letters of Credit		5.628	565.991	571.619
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		-	413.459	413.459
1.7	Other Collaterals		-	4.387	4.387
<b>II.</b>	<b>COMMITMENTS</b>	<b>(1)</b>	<b>118.820</b>	<b>42.619</b>	<b>161.439</b>
2.1	Irrevocable Commitments		118.820	42.619	161.439
2.1.1	Forward asset purchase commitments		30.984	42.619	73.603
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		82.428	-	82.428
2.1.7	Tax and Fund Liabilities from Export Commitments		2.664	-	2.664
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		2.744	-	2.744
2.2	Revocable Commitments		-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-
2.2.2	Other Revocable Commitments		-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>-</b>	<b>1.122.836</b>	<b>1.122.836</b>
3.1	Hedging Derivative Financial Instruments		-	-	-
3.1.1	Fair value hedge		-	-	-
3.1.2	Cash flow hedge		-	-	-
3.1.3	Foreign Net Investment Hedges		-	-	-
3.2	Trading Derivative Financial Instruments		-	1.122.836	1.122.836
3.2.1	Forward Foreign Currency Buy/Sell Transactions		-	1.122.836	1.122.836
3.2.1.1	Forward Foreign Currency Transactions-Buy		-	563.223	563.223
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	559.613	559.613
3.2.2	Other Forward Buy/Sell Transaction		-	-	-
3.3	Other		-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>14.356.941</b>	<b>1.409.837</b>	<b>15.766.778</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>634.234</b>	<b>424.145</b>	<b>1.058.379</b>
4.1	Customer Fund and Portfolio Balances		-	-	-
4.2	Investment Securities Held in Custody		214.335	-	214.335
4.3	Checks Received for Collection		395.280	14.694	409.974
4.4	Commercial Notes Received for Collection		24.344	4.789	29.133
4.5	Other Assets Received for Collection		-	-	-
4.6	Assets Received for Public Offering		-	-	-
4.7	Other Items Under Custody		275	242.237	242.512
4.8	Custodians		-	162.425	162.425
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>13.722.707</b>	<b>985.692</b>	<b>14.708.399</b>
5.1	Marketable Securities		1.102.082	354.872	1.456.954
5.2	Guarantee Notes		997.820	59.749	1.057.569
5.3	Commodity		1.039.874	192.840	1.232.714
5.4	Warranty		-	-	-
5.5	Properties		9.794.283	-	9.794.283
5.6	Other Pledged Items		788.648	378.231	1.166.879
5.7	Pledged Items-Depository		-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>			<b>17.916.106</b>	<b>6.096.453</b>	<b>24.012.559</b>

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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 DECEMBER 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 (31/12/2017)		
			TL	FC	Total
<b>A</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>(1)</b>	<b>3.274.276</b>	<b>4.234.096</b>	<b>7.508.372</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>		<b>3.173.375</b>	<b>2.938.163</b>	<b>6.111.538</b>
1.1	Letters of Guarantee		3.169.925	2.152.205	5.322.130
1.1.1	Guarantees Subject to State Tender Law		111.858	696.422	808.280
1.1.2	Guarantees Given for Foreign Trade Operations		2.910.565	-	2.910.565
1.1.3	Other Letters of Guarantee		147.502	1.455.783	1.603.285
1.2	Bank Acceptances		-	4.784	4.784
1.2.1	Import Letter of Acceptance		-	4.784	4.784
1.2.2	Other Bank Acceptances		-	-	-
1.3	Letters of Credit		-	447.193	447.193
1.3.1	Documentary Letters of Credit		-	447.193	447.193
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		3.450	329.962	333.412
1.7	Other Collaterals		-	4.019	4.019
<b>II.</b>	<b>COMMITMENTS</b>	<b>(1)</b>	<b>100.901</b>	<b>31.855</b>	<b>132.756</b>
2.1	Irrevocable Commitments		100.901	31.855	132.756
2.1.1	Forward asset purchase commitments		30.056	31.855	61.911
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		64.845	-	64.845
2.1.7	Tax and Fund Liabilities from Export Commitments		1.966	-	1.966
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		4.034	-	4.034
2.2	Revocable Commitments		-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-
2.2.2	Other Revocable Commitments		-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>		<b>1.264.078</b>	<b>1.264.078</b>
3.1	Hedging Derivative Financial Instruments		-	-	-
3.1.1	Fair value hedge		-	-	-
3.1.2	Cash flow hedge		-	-	-
3.1.3	Foreign Net Investment Hedges		-	-	-
3.2	Trading Derivative Financial Instruments		-	1.264.078	1.264.078
3.2.1	Forward Foreign Currency Buy/Sell Transactions		-	1.264.078	1.264.078
3.2.1.1	Forward Foreign Currency Transactions-Buy		-	629.444	629.444
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	634.634	634.634
3.2.2	Other Forward Buy/Sell Transaction		-	-	-
3.3	Other		-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>12.684.779</b>	<b>946.613</b>	<b>13.631.392</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>447.409</b>	<b>252.379</b>	<b>699.788</b>
4.1	Customer Fund and Portfolio Balances		-	-	-
4.2	Investment Securities Held in Custody		119.399	-	119.399
4.3	Checks Received for Collection		307.270	2.778	310.048
4.4	Commercial Notes Received for Collection		20.465	4.592	25.057
4.5	Other Assets Received for Collection		-	-	-
4.6	Assets Received for Public Offering		-	-	-
4.7	Other Items Under Custody		275	97.500	97.775
4.8	Custodians		-	147.509	147.509
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>12.237.370</b>	<b>694.234</b>	<b>12.931.604</b>
5.1	Marketable Securities		1.189.468	331.670	1.521.138
5.2	Guarantee Notes		864.266	35.828	900.094
5.3	Commodity		830.495	27	830.522
5.4	Warranty		-	-	-
5.5	Properties		8.755.047	-	8.755.047
5.6	Other Pledged Items		598.094	326.709	924.803
5.7	Pledged Items-Depository		-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>			<b>15.959.055</b>	<b>5.180.709</b>	<b>21.139.764</b>

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**ZİRAAT KATILIM BANKASI A.Ş.****UNCONSOLIDATED INCOME STATEMENT  
FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018**

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

<b>ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>		
<b>INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five IV)</b>	<b>THOUSAND OF TURKISH LIRA</b>
		<b>Current Period 01/01/2018-31/03/2018</b>
<b>I. PROFIT SHARE INCOME</b>	<b>(1)</b>	<b>357.930</b>
1.1 Profit share on loans		321.927
1.2 Profit share on reserve deposits		6.562
1.3 Profit share on banks		-
1.4 Profit share on money market placements		-
1.5 Profit share on marketable securities portfolio		18.648
1.5.1 Fair Value Through Profit or Loss		-
1.5.2 Fair Value Through Other Comprehensive Income		18.648
1.5.3 Measured at Amortised Cost		-
1.6 Finance lease income		10.473
1.7 Other profit share income		320
<b>II. PROFIT SHARE EXPENSE</b>	<b>(2)</b>	<b>208.518</b>
2.1 Expense on profit sharing accounts		175.709
2.2 Profit share expense on funds borrowed		31.429
2.3 Profit share expense on money market borrowings		1.380
2.4 Expense on securities issued		-
2.5 Other profit share expense		-
<b>III. NET PROFIT SHARE INCOME (I - II)</b>		<b>149.412</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>9.027</b>
4.1 Fees and commissions received		13.716
4.1.1 Non-cash loans		10.455
4.1.2 Other		3.261
4.2 Fees and commissions paid		4.689
4.2.1 Non-cash loans		2
4.2.2 Other		4.687
<b>V. PERSONNEL EXPENSE (-)</b>		<b>28.739</b>
<b>VI. DIVIDEND INCOME</b>	<b>(3)</b>	<b>-</b>
<b>VII. TRADING INCOME /(LOSS) (Net)</b>	<b>(4)</b>	<b>3.988</b>
7.1 Capital market transaction gains / (losses)		(870)
7.2 Gains/ (losses) from derivative financial instruments		(15.417)
7.3 Foreign exchange gains / (losses)		20.275
<b>VIII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>17.162</b>
<b>IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		<b>150.850</b>
<b>X. EXPECTED CREDIT LOSS (-)</b>	<b>(6)</b>	<b>32.298</b>
<b>XI. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>31.919</b>
<b>XII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>86.633</b>
<b>XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>-</b>
<b>XIV. INCOME/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>
<b>XV. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>	<b>(8)</b>	<b>86.633</b>
<b>XVII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>(17.891)</b>
17.1 Current Tax Provision		(20.986)
17.2 Deferred Tax Income Effect (+)		(1.985)
17.3 Deferred Tax Expense Effect (-)		5.080
<b>XVIII. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)</b>	<b>(10)</b>	<b>68.742</b>
<b>XIX. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>
19.1 Income on assets held for sale		-
19.2 Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-
19.3 Income on other discontinued operations		-
<b>XX. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>		<b>-</b>
20.1 Expenses for Non-current Assets Held for Sale		-
20.2 Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-
20.3 Expenses for Other Discontinued Operations		-
<b>XXI. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)</b>		<b>-</b>
<b>XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>
22.1 Current tax provision		-
22.2 Deferred Tax Expense Effect (+)		-
22.3 Deferred Tax Income Effect (-)		-
<b>XXIII. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>		<b>-</b>
<b>XXIV. NET INCOME/(LOSS) (XVIII+XXIII)</b>	<b>(11)</b>	<b>68.742</b>
Earning/(Loss) per share (in TL full)		0,0550

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**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"))

<b>ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>		
<b>INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five IV)</b>	<b>THOUSAND OF TURKISH LIRA</b>
		<b>Current Period 01/01/2017-31/03/2017</b>
<b>I. PROFIT SHARE INCOME</b>	<b>(1)</b>	<b>180.552</b>
1.1 Profit share on loans		159.918
1.2 Profit share on reserve deposits		2.940
1.3 Profit share on banks		-
1.4 Profit share on money market placements		-
1.5 Profit share on marketable securities portfolio		10.614
1.5.1 Fair Value Through Profit or Loss		-
1.5.2 Fair Value Through Other Comprehensive Income		-
1.5.3 Measured at Amortised Cost		10.614
1.5.4 Profit share on held to maturity securities		-
1.6 Finance lease income		6.924
1.7 Other profit share income		156
<b>II. PROFIT SHARE EXPENSE</b>	<b>(2)</b>	<b>92.773</b>
2.1 Expense on profit sharing accounts		82.886
2.2 Profit share expense on funds borrowed		9.509
2.3 Profit share expense on money market borrowings		378
2.4 Expense on securities issued		-
2.5 Other profit share expense		-
<b>III. NET PROFIT SHARE INCOME (I - II)</b>		<b>87.779</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>6.059</b>
4.1 Fees and commissions received		8.594
4.1.1 Non-cash loans		6.629
4.1.2 Other		1.965
4.2 Fees and commissions paid		2.535
4.2.1 Non-cash loans		-
4.2.2 Other		2.535
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>-</b>
<b>VI. TRADING INCOME /(LOSS) (Net)</b>	<b>(4)</b>	<b>3.694</b>
6.1 Capital market transaction gains / (losses)		-
6.2 Gains/ (losses) from derivative financial instruments		(788)
6.3 Foreign exchange gains / (losses)		4.482
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>1.663</b>
<b>VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		<b>99.195</b>
<b>IX. EXPECTED CREDIT LOSS (-)</b>	<b>(6)</b>	<b>24.304</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>42.454</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>32.437</b>
<b>XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>-</b>
<b>XIII. INCOME/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>
<b>XV. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>	<b>(8)</b>	<b>32.437</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>(7.317)</b>
16.1 Current Tax Provision		(9.608)
16.2 Deferred Tax provision		2.291
<b>XVII. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)</b>	<b>(10)</b>	<b>25.120</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>
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		-
<b>XIX. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>		<b>-</b>
19.1 Expenses for Non-current Assets Held for Sale		-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-
19.3 Expenses for Other Discontinued Operations		-
<b>XX. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)</b>		<b>-</b>
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>
21.1 Current tax provision		-
21.2 Deferred Tax provision		-
<b>XXII. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>		<b>-</b>
<b>XXIII. NET INCOME/(LOSS) (XVIII+XXIII)</b>	<b>(11)</b>	<b>25.120</b>
Earning/(Loss) per share (in TL full)		0,0336

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## ZİRAAT KATILIM BANKASI A.Ş.

### UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

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

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	
THOUSAND OF TURKISH LIRA	
	Current Period 01/01-31/03/2018
<b>I. CURRENT PERIOD INCOME/LOSS</b>	<b>68.742</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>945</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>-</b>
2.1.1 Property and Equipment Revaluation Increase/Decrease	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
<b>2.2 Reclassified Through Profit or Loss</b>	<b>945</b>
2.2.1 Foreign Currency Translation Differences	-
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	1.637
2.2.3 Cash Flow Hedge Income/Loss	-
2.2.4 Foreign Net Investment Hedge Income/Loss	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(692)
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>69.687</b>

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**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"))

<b>IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>	
	<b>Prior Period 01/01/2017-31/03/2017</b>
<b>I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FOR AVAILABLE SALE FINANCIAL ASSETS</b>	<b>(4.157)</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>
<b>IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS I</b>	<b>-</b>
<b>V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)</b>	<b>-</b>
<b>VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)</b>	<b>-</b>
<b>VII. THE EFFECT OF CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES</b>	<b>-</b>
<b>VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS</b>	<b>-</b>
<b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>	<b>507</b>
<b>X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)</b>	<b>(3.650)</b>
<b>XI. PROFIT/LOSS</b>	<b>25.120</b>
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 statement of profit or loss	-
11.3 Reclassification of hedge of net investments in foreign operations to statement of profit or loss	-
11.4 Other	25.120
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)</b>	<b>21.470</b>

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# ZİRAAT KATILIM BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY															
Current Period 1 January -31 March 2018		Paid-in capital	Share Premi um	Share certificate cancellation profits	Other Capital Reserves	Accumulated Revaluation Increase/Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss Defined Benefit Pension Plan	Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences)	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Shareholders' Equity
I.	Prior Period End Balance	1.250.000	-	-	-	-	-	-	-	(14.912)	-	9.691	158.902	-	1.403.681
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	25.660	-	25.660
2.1	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	25.660	-	25.660
III.	Adjusted Beginning Balance (I-II)	1.250.000	-	-	-	-	-	-	-	(14.912)	-	9.691	184.562	-	1.429.341
IV.	Total Comprehensive Income	-	-	-	-	-	-	-	-	945	-	-	-	68.742	69.687
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance (I+II+III+...+XVI+XVII+XVIII)	1.250.000	-	-	-	-	-	-	-	(13.967)	-	9.691	184.562	68.742	1.499.028

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# 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				Effect of inflation accounting on paid-in capital and other capital reserves	Share Premiu m	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 1	Asset held for sale and disc.op. valuation fund.	Total equity
Prior Period 1 January - 31 March 2017		(Note Section V)	Paid-in capital															
I.	Balances at the beginning of period		747.000	-	-	-	-	-	-	-	-	18.691	(1.070)	-	-	-	-	764.621
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase / decrease related to mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	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

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

**ZİRAAT KATILIM BANKASI A.Ş.****UNCONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018**

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

<b>ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF CASH FLOWS</b>		
	<b>Note (Section Five)</b>	<b>THOUSAND OF TURKISH LIRA</b>
		<b>Current Period 01/01/2018 - 31/03/2018</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
1.1 Operating profit before changes in operating assets and liabilities)		<b>(13.172)</b>
1.1.1 Profit share income received		350.168
1.1.2 Profit share expense paid		(200.559)
1.1.3 Dividend received		-
1.1.4 Fees and commissions received		13.716
1.1.5 Other income		483
1.1.6 Collections from previously written off loans		5.153
1.1.7 Payments to personnel and service suppliers		(30.837)
1.1.8 Taxes paid		(46.760)
1.1.9 Others		(104.536)
<b>1.2 Changes in operating assets and liabilities</b>		<b>392.176</b>
1.2.1 Net (increase)/decrease in held for trading financial assets		(2.213)
1.2.2 Net (increase) decrease in fair value through profit/loss financial assets		(274.533)
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(848.460)
1.2.4 Net (increase) decrease in loans		(29.328)
1.2.5 Net (increase) decrease in other assets		35.218
1.2.6 Net increase (decrease) in bank deposits		770.960
1.2.7 Net increase (decrease) in other deposits		-
1.2.8 Net increase (decrease) in funds borrowed		162.118
1.2.9 Net increase (decrease) in due payables		-
1.2.10 Net increase (decrease) in other liabilities		578.414
<b>I. Net cash provided from banking operations</b>		<b>379.004</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net cash provided from investing activities</b>		<b>(245.894)</b>
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries		-
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-
2.3 Fixed assets purchases		(7.144)
2.4 Fixed assets sales		-
2.5 Cash paid for purchase of financial assets available for sale		(238.750)
2.6 Cash obtained from sale of financial assets available for sale		-
2.7 Cash paid for purchase of investment securities		-
2.8 Cash obtained from sale of investment securities		-
2.9 Other		-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash provided from financing activities</b>		<b>214.817</b>
3.1 Cash obtained from funds borrowed and securities issued		679.000
3.2 Cash used for repayment of funds borrowed and securities issued		(462.929)
3.3 Marketable Securities Issued		-
3.4 Dividends paid		-
3.5 Payments for finance leases		(1.254)
3.6 Other		-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>70.516</b>
<b>V. Net increase (decrease) in cash and cash equivalents (I+II+III+IV)</b>		<b>418.443</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>		<b>601.801</b>
<b>VII. Cash and cash equivalents at the end of the period</b>		<b>1.020.244</b>

As noted in Section three-note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

**ZİRAAT KATILIM BANKASI A.Ş.****UNCONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2017**

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

<b>ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF CASH FLOWS</b>		
	<b>Note (Section Five)</b>	<b>THOUSAND OF TURKISH LIRA</b>
		<b>Current Period 01/01/2017 - 31/03/2017</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
1.1 Operating profit before changes in operating assets and liabilities)		<b>28.428</b>
1.1.1 Profit share income received		163.334
1.1.2 Profit share expense paid		(84.612)
1.1.3 Dividend received		-
1.1.4 Fees and commissions received		8.594
1.1.5 Other income		260
1.1.6 Collections from previously written off loans		128
1.1.7 Payments to personnel and service suppliers		(19.851)
1.1.8 Taxes paid		(16.133)
1.1.9 Others		(23.292)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(78.253)</b>
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)
1.2.4 Net (increase) decrease in loans		(981.878)
1.2.5 Net (increase) decrease in other assets		(11.582)
1.2.6 Net increase (decrease) in bank deposits		55.817
1.2.7 Net increase (decrease) in other deposits		733.410
1.2.8 Net increase (decrease) in funds borrowed		148.663
1.2.9 Net increase (decrease) in due payables		-
1.2.10 Net increase (decrease) in other liabilities		101.187
<b>I. Net cash provided from banking operations</b>		<b>(49.825)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net cash provided from investing activities</b>		<b>18.160</b>
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries		-
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-
2.3 Fixed assets purchases		(3.312)
2.4 Fixed assets sales		-
2.5 Cash paid for purchase of financial assets available for sale		-
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		-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash provided from financing activities</b>		<b>-</b>
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		-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>24.013</b>
<b>V. Net increase (decrease) in cash and cash equivalents (I+II+III+IV)</b>		<b>(7.652)</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>		<b>1.114.258</b>
<b>VII. Cash and cash equivalents at the end of the period</b>		<b>1.106.606</b>

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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 2018**

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

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**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 (“TFRS”) 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 format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in 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.

Unless otherwise specified, all balances in the unconsolidated financial statements and footnotes are expressed in thousand Turkish Lira (“TL”) excluding financial assets and liabilities presented at fair value.

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

**Additional paragraph for convenience translation into English:**

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

**CHANGES IN ACCOUNTING POLICIES**

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

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

**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 funds collected, funds borrowed and shareholders’ equity. Bank evaluates it’s resources with commodity transactions, lease certificates and credits in high-yield and short-term.



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FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018**

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

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**ACCOUNTING PRINCIPLES (Continued)**

**II. EXPLANATIONS ON USAGE STRATEGY OF FINANCIAL ASSETS AND FOREIGN CURRENCY TRANSACTIONS (Continued)**

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.

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.

The Bank carries out the balance sheet and equity management within the risk limits by the Asset and Liability Committee determined by the Board of Directors in order to keep the liquidity, exchange rate and credit risks within certain limits and to maximize the profitability in consideration of the market conditions within the possibilities.

**III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES**

Based on the TAS 27 "Turkish Accounting Standard for 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, as a wholly owned subsidiary of the Bank, Ziraat Katılım Varlık Kiralama A.Ş. was established as a subsidiary. On 19 July 2017, the ZKB Varlık Kiralama A.Ş. was established with a capital of TL 50, which was fully paid by the Bank. The Company has started to operate after the registration on 8 September 2017.

**IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS**

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

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

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets at Fair Value Through Profit or Loss", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities at Fair Value Through Profit or Loss". The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions.

The fair value of derivative instruments is calculated by taking into account the market value of the derivatives or by using the discounted cash flow model.

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

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FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018**

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

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**ACCOUNTING PRINCIPLES (Continued)**

**V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE**

Profit share incomes are recognized in accordance with internal rate of return method. 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**

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

Financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Recognition and Derecognition. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value. They are included in the balance sheet of the Bank, if the Bank is a legal party to these instruments.

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

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

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

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition.

All gains and losses arising from these valuations are reflected in the income statement.

The Bank does not have any financial assets classified as "Financial Assets at Fair Value Through Profit or Loss".

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

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**ACCOUNTING PRINCIPLES (Continued)**

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

**b. Financial assets at fair value through other comprehensive income**

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

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

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

Regarding the banking operations of Ziraat Katılım Bank, there exist ineffective shares of Kredi Garanti Fonu. The related investments are classified under financial assets at fair value through other comprehensive income and are carried out at book value. The reason to explain the necessary action is the inability to reliably measure the subject asset type at fair value.

**c. Financial assets at amortized cost:**

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

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

The Bank does not have any financial assets classified as "Financial Assets at Amortized Cost".

**Loans:**

Loans are financial assets that are originated by the Bank by providing goods and services to the borrower. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Internal Rate of Return Method".

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

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

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

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**ACCOUNTING PRINCIPLES (Continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS**

**Impairment for expected loss**

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

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

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

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

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

12 Month Expected Credit Losses (Stage 1), Lifetime Expected Credit Losses (Stage 2 and 3), is applied when a significant increase in credit risk occurs. These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

***12 month expected credit losses (stage 1)***

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. For such assets impairment for credit risk is recorded in the amount of 12-month expected credit losses. It is valid for all assets unless there is a significant deterioration in the quality of the loan. The expected 12 month loss values (within 12 months after the reporting date or within a shorter period if the life of a financial instrument is shorter than 12 months) are part of the estimation of loss of life expectancy.

***Significant increase in credit risk (stage 2)***

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses.

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

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**ACCOUNTING PRINCIPLES (Continued)**

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

***Credit-impaired losses (stage 3 / special provision)***

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

The collective valuation of financial instruments is based on homogeneous group assets resulting from portfolio segmentation based on similar credit risk and product characteristics. This section presents an overview of the risk parameter estimation methods for the damage assessment approach that is expected on a common basis for each stage.

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

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

**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 rent 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 rent 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 rent certificates that are reported as assets in balance sheet in order to raise funds.

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**ACCOUNTING PRINCIPLES (Continued)**

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

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

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 an 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.

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

A discontinued operation is a part of a bank's business classified as sold or held-for-sale. The results of the discontinued operations are disclosed separately in the income statement. The bank has no discounted operations.

As of 31 March 2018, the Bank's held for sale assets is TL 4.111 (31 December 2017: TL 3.561 ).

**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 2018

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

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#### ACCOUNTING PRINCIPLES (Continued)

##### **XIII. EXPLANATIONS ON TANGIBLE ASSETS**

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

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;

Vehicles and Fixtures	: 2% – 25%
Operational Lease Improvement Costs (Leasehold Improvements)	: Leasing Period – 5 years

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.

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period.

There is no tangible assets that are held for sale.

##### **XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

###### *Transactions as a lessee*

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

As of 31 March 2018, there is no financial leasing transaction as a lessee.

###### *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.

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**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".

According to the related regulation, the Bank is obliged to pay termination benefits depending on the arise of the legal conditions for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or (for the female employees) who have voluntarily quit within one year after the date of their marriage. 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). Employment Termination Benefit is calculated based on actuarial assumptions.

The Bank's liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value. The Bank benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. As of 31 March 2018, the Bank's employee termination benefit is TL 2.721 (31 December 2017: TL 2.330).

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 2018 unused vacation liability of the Bank is TL 3.270 (31 December 2017: TL 2.389).

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



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**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 20<sup>th</sup> 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 20<sup>th</sup> 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.

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**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 2017 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**

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

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

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

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

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**ACCOUNTING PRINCIPLES (Continued)**

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

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

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

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warranters' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax.

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

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

**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.

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 2018**

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#### **ACCOUNTING PRINCIPLES (Continued)**

##### **XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS**

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. and ZKB 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**

None.

##### **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 XII. of Section Four.

## 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").)

#### ACCOUNTING PRINCIPLES (Continued)

#### XXIV. EXPLANATIONS ON OTHER MATTERS

##### Adoption of TFRS 9 financial instruments:

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

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

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

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

##### Reconciliation of statement of financial position balances to TFRS 9

ASSETS	31.12.2017	TFRS-9 Reclassification impact	TFRS-9 Remeasurement impact	01.01.2018
<b>FINANCIAL ASSETS (Net)</b>	<b>2.446.480</b>	<b>(792)</b>	<b>531</b>	<b>2.446.219</b>
Cash and Cash equivalent	1.922.270	-	-	1.922.270
Cash and Central Bank	1.643.689	-	-	1.643.689
Banks	278.581	-	-	278.581
Money Markets Receivables	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Financial assets at fair value through other comprehensive income	524.173	-	-	524.173
Financial Assets measured by amortized cost	-	-	-	-
Derivative financial assets	37	-	-	37
Non-performing financial assets	-	-	-	-
Expected Loss Provision (-)	-	792	(531)	261
<b>LOANS (Net)</b>	<b>11.747.688</b>	<b>(98.291)</b>	<b>62.130</b>	<b>11.711.527</b>
<b>Loans</b>	<b>11.747.688</b>	<b>-</b>	<b>-</b>	<b>11.747.688</b>
Measured by amortized cost	11.730.935	-	-	11.730.935
Non-performing receivables	34.841	-	-	34.841
Expected Loss Provision (-)	18.088	98.291	(62.130)	54.249
Expected Loss Provision for 12 months (Stage 1)	-	97.427	(66.180)	31.247
Significant increase of credit risk (Stage 2)	-	864	1.593	2.457
Credit-impaired Losses (Stage 3/Special Provisions)	18.088	-	2.457	20.545
<b>FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)</b>	<b>3.561</b>	<b>-</b>	<b>-</b>	<b>3.561</b>
<b>EQUITY INVESTMENTS</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>100</b>
Investments in Associates (Net)	-	-	-	-
Subsidiaries (Net)	100	-	-	100
Joint Ventures (Net)	-	-	-	-
<b>TANGIBLE ASSETS (Net)</b>	<b>47.235</b>	<b>-</b>	<b>-</b>	<b>47.235</b>
<b>INTANGIBLE ASSETS (Net)</b>	<b>63.280</b>	<b>-</b>	<b>-</b>	<b>63.280</b>
<b>INVESTMENT PROPERTY (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER ASSETS</b>	<b>41.799</b>	<b>-</b>	<b>-</b>	<b>41.799</b>
<b>TOTAL ASSETS</b>	<b>14.350.143</b>	<b>(99.083)</b>	<b>62.661</b>	<b>14.313.721</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

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#### ACCOUNTING PRINCIPLES (Continued)

#### XXIV. EXPLANATIONS ON OTHER MATTERS (Continued)

##### Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9:

	Book value before TFRS 9 31 December 2017	Remeasurements	Book value after TFRS 9 1 January 2018
<b>Loans</b>	<b>116.379</b>	<b>62.130</b>	<b>54.249</b>
Stage 1 <sup>(*)</sup>	97.427	66.180	31.247
Stage 2 <sup>(*)</sup>	864	(1.593)	2.457
Stage 3	18.088	(2.457)	20.545
<b>Financial Assets <sup>(**)</sup></b>	<b>792</b>	<b>531</b>	<b>261</b>
<b>Non-cash Loans</b>	<b>9.701</b>	<b>(2.320)</b>	<b>12.021</b>
Stage 1 and 2	8.111	(2.030)	10.141
Stage 3	1.590	(290)	1.880
<b>Total</b>	<b>126.872</b>	<b>60.341</b>	<b>66.531</b>

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

<sup>(\*\*)</sup> Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Fair Value Through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets.

##### Explanations on prior period accounting policies not available for the current period

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

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

Financial Assets at the Fair Value Through Profit or Loss have two sub categories: "Trading Financial Assets" and "Financial Assets at Fair Value Through Profit/Loss".

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.

##### b. Available-for-sale financial assets:

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.

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**ACCOUNTING PRINCIPLES (Continued)**

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

**Explanations on prior period accounting policies not valid for the current period (Continued)**

**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 (UCA) 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 2018

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### SECTION FOUR

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

##### I. EXPLANATIONS ON SHAREHOLDERS' EQUITY

As of 31 March 2018 current period capital amount of the Bank is TL 1.937.768 (31 December 2017: TL 1.259.583), and capital adequacy standard ratio is 17,35% (31 December 2017: 13.06%).

##### Information Related To The Components of Shareholders' Equity:

	Current Period 31.03.2018	Amounts related to treatment before 1/1/2014(*)
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.250.000	
Share issue premiums	-	
Reserves	9.691	
Gains recognized in equity as per TAS	3.362	
Profit	253.304	
Current Period Profit	68.742	
Prior Period Profit	184.562	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>1.516.357</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	17.329	
Improvement costs for operating leasing	15.888	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	65.774	
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	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>98.991</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>1.417.366</b>	



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

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

#### I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Current Period 31.03.2018	Amounts related to treatment before 1/1/2014(*)
<b>ADDITIONAL TIER 1 CAPITAL</b>		
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)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>	-	
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	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>1.417.366</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	500.000	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	21.718	
<b>Tier II Capital Before Deductions</b>	<b>521.718</b>	
<b>Deductions From Tier II Capital</b>	<b>1.316</b>	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	1.316	
<b>Total Deductions from Tier II Capital</b>	<b>1.316</b>	
<b>Total Tier II Capital</b>	<b>520.402</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>1.937.768</b>	

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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 31.03.2018	Amounts related to treatment before 1/1/2014(*)
<b>Total of Original Capital and Supplementary Capital ( Total Capital)</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	1.316	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
<b>TOTAL CAPITAL</b>		
Total Capital	1.937.768	
Total risk weighted amounts	11.027.287	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio	12,85	
Tier I Capital Adequacy Ratio	12,85	
Capital Adequacy Ratio	17,35	
<b>BUFFERS</b>		
<b>Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)</b>	<b>1,88</b>	
a) Capital conservation buffer requirement	1,88	
b) Bank specific counter-cyclical buffer requirement	0,00	
c) Systemic significant bank buffer ratio	0,00	
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	8,35	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
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 mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	21.718	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	21.718	
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	-	
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
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	-	

(\*) Amounts in this column represents the amounts of items that are subject to transition provisions

(\*\*) Legal capital amount used in capital adequacy calculation which has been taken into consideration as not included BHFOR effect is TL 1.912.965.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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)

###### Information of the borrowing instruments to be included in equity calculation:

None.

###### Required explanations for the reconciliation between table of equity components and balance sheet:

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from expected credit loss provisions arising from loans classified under stage I and stage II and subordinated loans. In the calculation of Total Capital, up to 1,25% of general provision from stage 1 and stage 2 over the credit risk amount and subordinated loans with nominal amounts are taken into consideration as Tier II Capital. Additionally, the losses reflected to equity under TAS which is subject to deduction from TIER I capital are determined by excluding the losses from cash flow hedging. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

	Prior Period 31.12.2017	Amounts related to treatment before 1/1/2014(*)
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.250.000	
Share issue premiums	-	
Reserves	9.691	
Gains recognized in equity as per TAS	-	
Profit	158.902	
Current Period Profit	158.902	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>1.418.593</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	14.912	
Improvement costs for operating leasing	15.987	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	50.624	
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	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>81.523</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>1.337.070</b>	

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018**

(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)**

	<b>Prior Period 31.12.2017</b>	<b>Amounts related to treatment before 1/1/2014(*)</b>
<b>ADDITIONAL TIER I CAPITAL</b>		
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)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>	-	
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	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	12.656	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	<b>12.656</b>	
<b>Total Additional Tier I Capital</b>		
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>1.324.414</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	36.348	
<b>Tier II Capital Before Deductions</b>	<b>36.348</b>	
<b>Deductions From Tier II Capital</b>	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>36.348</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>1.360.762</b>	

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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 31.12.2017	Amounts related to treatment before 1/1/2014(*)
<b>Total of Original Capital and Supplementary Capital ( Total Capital)</b>		
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 (-)	101.179	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
<b>TOTAL CAPITAL</b>		
Total Capital	1.259.583	
Total risk weighted amounts	9.643.523	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	13,87	
Tier I Capital Adequacy Ratio (%)	13,73	
Capital Adequacy Ratio (%)	13,06	
<b>BUFFERS</b>		
<b>Bank specific total common equity tier 1 capital ratio (a+b+c)</b>	<b>1,25</b>	
a)Capital conservation buffer requirement	1,25	
b)Bank specific counter-cyclical buffer requirement	0,00	
c)Systemic significant bank buffer ratio	0,00	
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 (%)	9,36	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
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 mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	36.348	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	36.348	
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	-	
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
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	-	

(\*) Amounts in this column represents the amounts of items that are subject to transition provisions

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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)

Required explanations for the reconciliation between table of equity components and balance sheet:

Current Period	Balance Sheet value	Amount is taken into consideration of equity calculation
Equity	1.499.028	1.499.028
Improvement costs for operating leasing	15.888	(15.888)
Goodwill and intangible assets	65.774	(65.774)
Expected loss provisions	39.682	21.718
Subordinated loans	-	-
Other values added from equity	498.682	(498.682)
Equity		1.937.768

##### 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, "Value at Risk" ("VAR") is calculated for daily 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.

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

	ABD Doları	Avro	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100Yen
26.03.2018	3,9770	4,9463	3,0517	0,6610	0,4831	4,2027	3,0493	0,5146	5,6452	1,0601	3,7470
27.03.2018	3,9840	4,9347	3,0547	0,6595	0,4814	4,1919	3,0620	0,5142	5,6221	1,0619	3,7280
28.03.2018	3,9982	4,9354	3,0504	0,6595	0,4787	4,1839	3,0717	0,5080	5,6249	1,0658	3,7260
29.03.2018	3,9562	4,8639	3,0188	0,6494	0,4697	4,1218	3,0383	0,5012	5,5398	1,0546	3,6810
30.03.2018	3,9510	4,8662	3,0227	0,6498	0,4712	4,1354	3,0325	0,5012	5,5349	1,0532	3,6820

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

ABD Doları	Avro	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 Yen
3,8110	4,6807	2,9639	0,6231	0,4661	3,9841	2,9836	0,4820	5,2832	1,0162	3,4444

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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:

	EUR	USD	Other FC <sup>(4)</sup>	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and balances with Central Bank of the Republic of Turkey	261.271	1.217.900	129.050	1.608.221
Banks	157.685	34.314	45.317	237.316
Financial assets at fair value through profit and loss <sup>(***)</sup>	-	-	-	-
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	-	8.129	-	8.129
Loans <sup>(*)</sup>	2.278.994	1.460.046	-	3.739.040
Subsidiaries, associates, entities under common control (joint ventures)	-	-	-	-
Financial assets measured at amortised cost	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets (net)	-	-	-	-
Intangible assets (net)	-	-	-	-
Other assets	5	304	190	499
<b>Total assets</b>	<b>2.697.955</b>	<b>2.720.693</b>	<b>174.557</b>	<b>5.593.205</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	174	145	-	319
Current and profit sharing accounts FC	1.299.997	2.339.006	170.042	3.809.045
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	817.025	929.875	-	1.746.900
Marketable securities issued	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	13.146	10.547	68	23.761
<b>Total liabilities</b>	<b>2.130.342</b>	<b>3.279.573</b>	<b>170.110</b>	<b>5.580.025</b>
<b>Net balance sheet position</b>	<b>567.613</b>	<b>(558.880)</b>	<b>4.447</b>	<b>13.180</b>
<b>Net off-balance sheet position <sup>(**)</sup></b>	<b>(582.926)</b>	<b>582.529</b>	<b>-</b>	<b>(397)</b>
Financial derivative assets	-	582.529	-	582.529
Financial derivative liabilities	582.926	-	-	582.926
<b>Non-cash loans</b>	<b>1.863.491</b>	<b>1.611.935</b>	<b>45.735</b>	<b>3.521.161</b>
<b>Prior Period</b>				
Total assets	2.527.292	2.684.690	158.015	5.369.997
Total liabilities	1.881.951	3.284.917	154.986	5.321.854
<b>Net balance sheet position</b>	<b>645.341</b>	<b>(600.227)</b>	<b>3.029</b>	<b>48.143</b>
<b>Net off-balance sheet position</b>	<b>(634.634)</b>	<b>629.444</b>	<b>-</b>	<b>(5.190)</b>
Financial derivative assets	-	629.444	-	629.444
Financial derivative liabilities	634.634	-	-	634.634
<b>Non-cash loans</b>	<b>1.604.487</b>	<b>1.294.816</b>	<b>38.860</b>	<b>2.938.163</b>

<sup>(\*)</sup> TL 742.049 equivalent of USD loans, and TL 1.360.440 equivalent of EUR loans are originated as foreign currency indexed loans.

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

<sup>(\*\*\*)</sup> Derivative Financial Assets held for trading and liabilities are not included in the table.

<sup>(\*\*\*\*)</sup> Of the foreign currencies presented in the other foreign currency column of assets 93% is Gold, 2 % is GBP, 2 % is CHF, and remaining 1% is other foreign currencies. Of the foreign currencies presented in the other foreign currency column of liabilities 95% is Gold, 2% is GBP, 2% CHF, and the remaining 1% is other foreign currencies.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018**

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

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**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 7.097 all of which are 100% risk weighted (31 December 2017: TL 7.181).

**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.



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**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, wheather 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.

- ç) 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 2018

(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
<b>HIGH QUALITY LIQUID ASSETS</b>	<b>2.227.717</b>	<b>1.424.985</b>	<b>2.227.717</b>	<b>1.424.985</b>
High quality liquid assets	-	-	2.227.717	1.424.985
<b>CASH OUTFLOWS</b>	<b>14.765.949</b>	<b>5.670.656</b>	<b>3.648.878</b>	<b>1.735.984</b>
Real person deposits and retail deposits	5.081.116	2.109.194	461.219	210.919
Stable deposit	937.845	-	46.892	-
Deposit with low stability	4.143.271	2.109.194	414.327	210.919
Unsecured debts except real person deposits and retail deposits	4.567.056	1.713.002	2.459.762	970.691
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	4.567.056	1.713.002	2.459.762	970.691
Secured debts	-	-	-	-
Other cash outflows	5.117.777	1.848.460	727.897	554.374
Derivative liabilities and margin obligations	451.288	441.154	451.288	441.154
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	173.120	171.418	51.941	51.425
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	4.493.369	1.235.888	224.668	61.795
<b>TOTAL CASH OUTFLOW</b>	<b>-</b>	<b>-</b>	<b>3.648.878</b>	<b>1.735.984</b>
<b>CASH INFLOWS</b>	<b>2.602.708</b>	<b>1.137.523</b>	<b>2.138.756</b>	<b>1.087.420</b>
Secured receivables	-	-	-	-
Unsecured claims	2.155.817	700.008	1.691.865	649.905
Other cash inflows	446.891	437.516	446.891	437.515
<b>TOTAL CASH INFLOWS</b>	<b>2.602.708</b>	<b>1.137.524</b>	<b>2.138.756</b>	<b>1.087.420</b>
Applied maximum rate values	-	-	-	-
<b>TOTAL HIGH QUALITY LIQUID ASSET STOCK</b>	<b>-</b>	<b>-</b>	<b>2.227.717</b>	<b>1.424.985</b>
<b>TOTAL NET CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>1.510.122</b>	<b>648.564</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>148</b>	<b>220</b>

(\*) 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  
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**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):**

<b>Prior Period</b>	<b>Consideration Ratio Not Applied Total Value (*)</b>		<b>Consideration Ratio Applied Total Value (*)</b>	
	<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>HIGH QUALITY LIQUID ASSETS</b>	<b>2.018.345</b>	<b>1.283.032</b>	<b>2.018.345</b>	<b>1.283.032</b>
High quality liquid assets	-	-	2.018.345	1.283.032
<b>CASH OUTFLOWS</b>	<b>13.514.181</b>	<b>5.333.357</b>	<b>3.430.342</b>	<b>1.768.038</b>
Real person deposits and retail deposits	4.591.572	1.821.619	420.669	182.162
Stable deposit	769.765	-	38.488	-
Deposit with low stability	3.821.807	1.821.619	382.181	182.162
Unsecured debts except real person deposits and retail deposits	4.153.603	1.651.717	2.238.483	966.394
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	4.153.603	1.651.717	2.238.483	966.394
Secured debts	-	-	-	-
Other cash outflows	4.769.006	1.860.021	771.190	619.482
Derivative liabilities and margin obligations	526.520	520.140	526.520	520.140
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	130.168	129.394	39.054	38.818
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	4.112.318	1.210.487	205.616	60.524
<b>TOTAL CASH OUTFLOW</b>	<b>-</b>	<b>-</b>	<b>3.430.342</b>	<b>1.768.038</b>
<b>CASH INFLOWS</b>	<b>2.225.933</b>	<b>1.091.482</b>	<b>1.865.202</b>	<b>1.080.505</b>
Secured receivables	-	-	-	-
Unsecured claims	1.700.461	584.029	1.339.730	573.052
Other cash inflows	525.472	507.453	525.472	507.453
<b>TOTAL CASH INFLOWS</b>	<b>2.225.933</b>	<b>1.091.482</b>	<b>1.865.202</b>	<b>1.080.505</b>
Applied maximum rate values	-	-	-	-
<b>TOTAL HIGH QUALITY LIQUID ASSET STOCK</b>	<b>-</b>	<b>-</b>	<b>2.018.345</b>	<b>1.283.032</b>
<b>TOTAL NET CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>1.565.140</b>	<b>687.533</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>129</b>	<b>187</b>

(\*) 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 2018

(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
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	281.981	1.596.074	-	-	-	-	-	1.878.055
Banks	738.263	-	-	-	-	-	-	738.263
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	5.585	5.302	39.089	699.810	-	4.719	754.505
Loans Given	-	1.210.807	1.240.864	2.704.001	6.361.332	1.035.682	-	12.552.686
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	199.020	199.020
<b>Total Assets</b>	<b>1.020.244</b>	<b>2.812.466</b>	<b>1.246.166</b>	<b>2.743.090</b>	<b>7.061.142</b>	<b>1.035.682</b>	<b>203.739</b>	<b>16.122.529</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	328	20.196	20.040	-	-	-	-	40.564
Current and Participation Accounts	1.360.042	7.305.288	1.543.596	585.476	3.576	-	-	10.797.978
Funds Provided from Other Financial Instruments	-	915.907	1.483.676	433.226	151.448	-	-	2.984.257
Money Market Borrowings	-	22.026	-	-	-	-	-	22.026
Issued Marketable Securities	-	-	-	-	-	-	-	-
Other Liabilities *	-	-	-	-	-	-	2.277.704	2.277.704
<b>Total Liabilities</b>	<b>1.360.370</b>	<b>8.263.417</b>	<b>3.047.312</b>	<b>1.018.702</b>	<b>155.024</b>	<b>-</b>	<b>2.277.704</b>	<b>16.122.529</b>
<b>Liquidity Gap</b>	<b>(340.126)</b>	<b>(5.450.951)</b>	<b>(1.801.146)</b>	<b>1.724.388</b>	<b>6.906.118</b>	<b>1.035.682</b>	<b>(2.073.965)</b>	<b>-</b>

(\*) 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 2018

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### 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
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	323.220	1.320.469	-	-	-	-	-	1.643.689
Banks	278.581	-	-	-	-	-	-	278.581
Financial Assets at Fair Value Through Profit and Loss	37	-	-	-	-	-	-	37
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	2.462	-	2.406	61.297	453.289	-	4.719	524.173
Loans Given	-	1.444.299	841.762	2.870.892	5.212.023	1.005.768	-	11.374.744
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets	155.975	8.934	515	3.174	280.271	80.050	-	528.919
<b>Total Assets</b>	<b>760.275</b>	<b>2.773.702</b>	<b>844.683</b>	<b>2.935.363</b>	<b>5.945.583</b>	<b>1.085.818</b>	<b>4.719</b>	<b>14.350.143</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	339	5.007	-	-	-	-	-	5.346
Current and Participation Accounts	1.650.828	6.769.575	1.248.662	346.236	3.948	-	-	10.019.249
Funds Provided from Other Financial Instruments	-	628.415	539.900	1.244.308	194.491	-	-	2.607.114
Money Market Borrowings	-	32.462	-	-	-	-	-	32.462
Issued Marketable Securities	-	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	-	35.716	35.716
Other Liabilities <sup>(*)</sup>	-	-	-	-	-	-	1.650.256	1.650.256
<b>Total Liabilities</b>	<b>1.651.167</b>	<b>7.435.459</b>	<b>1.788.562</b>	<b>1.590.544</b>	<b>198.439</b>	<b>-</b>	<b>1.685.972</b>	<b>14.350.143</b>
<b>Liquidity Gap</b>	<b>(890.892)</b>	<b>(4.661.757)</b>	<b>(943.879)</b>	<b>1.344.819</b>	<b>5.747.144</b>	<b>1.085.818</b>	<b>(1.681.253)</b>	<b>-</b>

<sup>(\*)</sup> 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 2018

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

##### V. EXPLANATIONS ON LEVERAGE RATIO

As of 31 March 2018, leverage ratio of the Bank calculated from the arithmetic average of the last three months is 6,3% (31 December 2017: 6,6%). This ratio is above the required minimum rate.

**Leverage ratio disclosure as follows:**

<b>Balance sheet assets</b>	<b>Current Period (*)</b>	<b>Prior Period</b>
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	15.343.914	13.721.862
(Assets deducted from main capital)	(95.361)	(81.514)
Total risk amount of the balance sheet assets	15.248.553	13.640.348
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	3.014	630
Potential credit risk amount of derivative financial instruments and credit derivatives	5.938	6.357
Total risk amount of derivative financial instruments and credit derivative	8.952	6.987
<b>Security or secured financing transactions</b>		
Risk amount of security or secured financing transactions ( Except balance sheet)	229.634	160.316
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	229.634	160.316
<b>Off-balance sheet transactions</b>		
Gross nominal amount of off-balance sheet transactions	6.703.839	6.207.549
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	6.703.839	6.207.549
<b>Equity and total risk</b>		
Main capital	1.392.130	1.318.315
Total risk amount	22.190.978	20.015.200
<b>Leverage ratio</b>		
Leverage ratio	6,3	6,6

(\*) 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 2018

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#### 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 analyses, 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

		Risk Weighted Amount		Minimum capital Requirement
		Current Period	Prior Period	Current Period
	<b>Overview of RWA</b>			
1	Credit risk (excluding counterparty credit risk) (CCR)	10.354.930	9.308.304	828.394
2	Standardized approach (SA)	10.354.930	9.308.304	828.394
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	148.266	5.091	11.861
5	Standardized approach for counterparty credit risk (SA-CCR)	148.266	5.091	11.861
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	32.699	44.918	2.616
17	Standardized approach (SA)	32.699	44.918	2.616
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk (*)	491.392	285.210	39.311
20	Basic Indicator Approach	491.392	285.210	39.311
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>11.027.287</b>	<b>9.643.523</b>	<b>882.182</b>

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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**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 complexness 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 2018. 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 2018

(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 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
<b>OPERATING INCOME/EXPENSE</b>					
<b>Profit Shares Income</b>	<b>41.322</b>	<b>280.605</b>	<b>25.210</b>	<b>10.793</b>	<b>357.930</b>
Profit Shares from Loans	41.322	280.605	-	-	321.927
Profit Shares from Banks	-	-	-	-	-
Profit Shares from Securities	-	-	18.648	-	18.648
Other Profit Shares	-	-	6.562	10.793	17.355
<b>Profit Shares Expense</b>	<b>67.337</b>	<b>107.487</b>	<b>33.694</b>	<b>-</b>	<b>208.518</b>
Profit Shares Expense on Participation Funds	67.337	107.487	885	-	175.709
Profit Shares Expense on Funds Borrowed	-	-	31.429	-	31.429
Profit Shares Expense on Money Market Transactions	-	-	1.380	-	1.380
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	-	-
<b>Net Profit Shares Income/Expense</b>	<b>(26.015)</b>	<b>173.118</b>	<b>(8.484)</b>	<b>10.793</b>	<b>149.412</b>
<b>Net Fees and Commission Income/Expense</b>	<b>1.821</b>	<b>10.455</b>	<b>-</b>	<b>(3.249)</b>	<b>9.027</b>
Fees and Commissions Received	1.821	10.455	-	1.440	13.716
Fees and Commissions Paid	-	-	-	4.689	4.689
<b>Personel Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28.739</b>	<b>28.739</b>
<b>Dividend Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Trading Income/Loss (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.988</b>	<b>3.988</b>
<b>Other Operating Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17.162</b>	<b>17.162</b>
<b>Provision for Loans or Other Receivables Losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32.298</b>	<b>32.298</b>
<b>Other Operating Expense</b>	<b>-</b>	<b>63</b>	<b>-</b>	<b>31.856</b>	<b>31.919</b>
<b>Income Before Tax</b>	<b>(27.874)</b>	<b>157.952</b>	<b>(8.484)</b>	<b>(34.961)</b>	<b>86.633</b>
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17.891)</b>	<b>(17.891)</b>
<b>Net Profit/Loss</b>	<b>(27.874)</b>	<b>157.952</b>	<b>(8.484)</b>	<b>(52.852)</b>	<b>68.742</b>
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L	-	-	-	-	-
Banks and Other Financial Institutions	-	-	738.263	-	738.263
Financial Assets Available for Sale (Net)	-	-	754.505	-	754.505
Loans	1.449.337	10.065.062	1.038.287	-	12.552.686
Held to Maturity Investments (Net)	-	-	-	-	-
Derivative Financial Assets	-	-	-	2.254	2.254
Associates, Subsidiaries and Joint Ventures	-	-	100	-	100
Other Assets	-	-	-	2.074.721	2.074.721
<b>Total Segment Assets</b>	<b>1.449.337</b>	<b>10.065.062</b>	<b>2.531.155</b>	<b>2.076.975</b>	<b>16.122.529</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	6.793.369	4.045.173	-	-	10.838.542
Derivative Financial Liabilities Held for Trading	-	-	-	-	-
Funds Borrowed	-	-	2.984.257	-	2.984.257
Money Market Funds	-	-	22.026	-	22.026
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	93.012	93.012
Other Liabilities	-	-	-	685.664	685.664
Shareholders' Equity	-	-	-	1.499.028	1.499.028
<b>Total Segment Liabilities</b>	<b>6.793.369</b>	<b>4.045.173</b>	<b>3.006.283</b>	<b>2.277.704</b>	<b>16.122.529</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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 1 January - 31 March 2017	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/Undistr ibuted	Total
<b>OPERATING INCOME/EXPENSE</b>					
<b>Profit Shares Income</b>	<b>24.313</b>	<b>135.605</b>	<b>13.554</b>	<b>7.080</b>	<b>180.552</b>
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
<b>Profit Shares Expense</b>	<b>40.016</b>	<b>42.870</b>	<b>9.887</b>	<b>-</b>	<b>92.773</b>
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	-	-	-	-	-
<b>Net Profit Shares Income/Expense</b>	<b>(15.703)</b>	<b>92.735</b>	<b>3.667</b>	<b>7.080</b>	<b>87.779</b>
<b>Net Fees and Commission Income/Expense</b>	<b>817</b>	<b>6.629</b>	<b>-</b>	<b>(1.387)</b>	<b>6.059</b>
Fees and Commissions Received	817	6.629	-	1.148	8.594
Fees and Commissions Paid	-	-	-	2.535	2.535
<b>Dividend Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Trading Income/Loss (Net)</b>	<b>-</b>	<b>-</b>	<b>3.694</b>	<b>-</b>	<b>3.694</b>
<b>Other Operating Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.663</b>	<b>1.663</b>
<b>Provision for Loans or Other Receivables Losses</b>	<b>2.733</b>	<b>15.997</b>	<b>-</b>	<b>5.574</b>	<b>24.304</b>
<b>Other Operating Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42.454</b>	<b>42.454</b>
<b>Income Before Tax</b>	<b>(17.619)</b>	<b>83.367</b>	<b>7.361</b>	<b>(40.672)</b>	<b>32.437</b>
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7.317)</b>	<b>(7.317)</b>
<b>Net Profit/Loss</b>	<b>(17.619)</b>	<b>83.367</b>	<b>7.361</b>	<b>(47.989)</b>	<b>25.120</b>
<b>SEGMENT ASSETS</b>					
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
<b>Total Segment Assets</b>	<b>921.228</b>	<b>5.391.820</b>	<b>1.430.141</b>	<b>1.322.071</b>	<b>9.065.260</b>
<b>SEGMENT LIABILITIES</b>					
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
<b>Total Segment Liabilities</b>	<b>4.176.942</b>	<b>2.255.466</b>	<b>1.437.807</b>	<b>1.195.045</b>	<b>9.065.260</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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	19.265	18.064	18.236	22.888
Central Bank of the Republic of Turkey	250.369	1.589.530	287.567	1.314.998
Other	200	627	-	-
<b>Total</b>	<b>269.834</b>	<b>1.608.221</b>	<b>305.803</b>	<b>1.337.886</b>

##### 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	243.807	18	282.078	18
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves (1)	6.562	1.589.512	5.489	1.314.980
<b>Total</b>	<b>250.369</b>	<b>1.589.530</b>	<b>287.567</b>	<b>1.314.998</b>

(1) TL 884.093 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2017: TL 659.896).

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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 banks and other financial institutions:

	Current Period		Current Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	500.947	175.399	3.320	210.669
Foreign Banks	-	61.917	-	64.592
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>500.947</b>	<b>237.316</b>	<b>3.320</b>	<b>275.261</b>

###### 3. a) Explanation regarding the comparison of net values of financial assets through other comprehensive income available-for-sale given or blocked as collateral and subject to repurchase agreements:

	Current Period
Assets Subject to Repurchase Agreements	19.148
Assets Blocked/Given as Collateral	666.488
<b>Toplam</b>	<b>685.636</b>

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

	Prior Period
Assets Subject to Repurchase Agreements	33.531
Assets Blocked/Given as Collateral	459.837
<b>Toplam</b>	<b>493.368</b>

###### b) Information on financial assets available for sale through other comprehensive income:

	Current Period
Debt Securities	762.906
Quoted in Stock Exchange	751.777
Not Quoted in Stock Exchange	11.129
Share Certificates	4.719
Quoted in Stock Exchange	-
Not Quoted in Stock Exchange	4.719
Provision for Impairment (-)	13.120
<b>Total</b>	<b>754.505</b>

(\*) Not quoted on a stock exchange includes Credit Guarantee fund amounting to TL 4.719.

	Prior Period
Debt Securities	527.845
Quoted in Stock Exchange	520.133
Not Quoted in Stock Exchange	7.712
Share Certificates	4.719
Quoted in Stock Exchange	-
Not Quoted in Stock Exchange	4.719
Provision for Impairment (-)	8.391
<b>Total</b>	<b>524.173</b>

(\*) Not quoted on a 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 2018

(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)

##### 4. Financial assets measured at amortized cost:

##### a) Explanations on comparative net values of information regarding the repurchase and sale transactions and blocked / blocked receivables:

As of 31 March 2018, there are no financial assets at fair value through profit or loss subject to repo transactions (31 December 2017: None) or given as collateral/blocked (31 December 2017: None).

##### b) Information on government debt securities measured at amortized cost:

As of 31 March 2018, there are no financial assets measured at amortized cost (31 December 2017: None).

##### c) There is no financial asset measured at amortized cost (31 December 2017: None).

##### 5. Information on derivative financial assets

##### a) Information on derivative assets at fair value through profit or loss:

	Current Period	
	TL	FC
Derivative Financial Assets Held-for-Trading		
Forward Transactions	39	2.215
Swap Transactions	-	-
Futures Transactions	-	-
Options	-	-
Other	-	-
<b>Total</b>	<b>39</b>	<b>2.215</b>

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

	Prior Period	
	TL	FC
Derivative Financial Assets Held-for-Trading		
Forward Transactions	33	4
Swap Transactions	-	-
Futures Transactions	-	-
Options	-	-
Other	-	-
<b>Total</b>	<b>33</b>	<b>4</b>

##### c) Expected Loss Provisions:

As of 31 March 2018, the amount of expected loss provisions (Stage 1) for financial assets shown in the balance sheet is TL 565.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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 related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	780.645	-	759.146	-
<i>Corporate Shareholders</i>	780.645	-	759.146	-
<i>Real Person Shareholders</i>	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	1.529	-	1.112	-
<b>Total (*)</b>	<b>879.547</b>	<b>-</b>	<b>760.258</b>	<b>-</b>

(\*) Include rediscount amounts.

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

Cash Loans	Standard Loans	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled Loans with revised contract terms	Refinancing
Loans				
Export Loans	656.203	-	-	-
Import Loans	188.350	-	-	-
Commercial Loans	7.900.063	64.203	-	-
Consumer Loans	1.447.687	1.650	-	-
Credit Cards	-	-	-	-
Loans Given to Financial Sector	1.038.287	-	-	-
Other	425.515	1.924	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	412.268	4.615	-	-
<b>Toplam</b>	<b>12.068.373</b>	<b>72.392</b>	<b>-</b>	<b>-</b>

As of 31 March 2018, there are no loans and other receivables with revised contract terms (31 December 2017: None).

General Provision	Standard Loans	Loans Under close monitoring
12 Month Expected Credit Losses	34.912	-
Significant Increase in Credit Risk	-	4.205

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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 related to loans (Continued):

No. of extensions	Standard Loans	Loans Under close monitoring
1 or 2 Times Extended (*)	-	-
3 - 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-
<b>Total</b>	-	-

Extension Periods	Standard Loans	Loans Under close monitoring
0 - 6 Months	-	-
6 Months – 12 Months	-	-
1 - 2 Years	-	-
2 - 5 Years	-	-
5 Years and Over	-	-
<b>Total</b>	-	-

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018**

(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 related to loans (Continued):****c) Information on consumer loans, individual credit cards and personnel loans and personnel credit cards:**

	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer Loans - TL</b>	<b>3.484</b>	<b>1.444.324</b>	<b>1.447.808</b>
Real Estate Loans	681	1.308.245	1.308.926
Vehicle Loans	1.757	71.666	73.423
Consumer Loans	1.046	64.413	65.459
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>110</b>	<b>1.419</b>	<b>1.529</b>
Housing Loans	-	-	-
Vehicle Loans	-	70	70
Consumer Loans	110	1.349	1.459
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Installment based	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (*)</b>	<b>3.594</b>	<b>1.445.743</b>	<b>1.449.337</b>

(\*) Dividend rediscount amounting to TL 6.818 not included in the table.



## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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:

	Short-Term	Medium and Long-Term	Total
<b>Commercial Installment Loans-TL</b>	<b>44.633</b>	<b>183.340</b>	<b>227.973</b>
Business Loans	1.329	24.793	26.122
Vehicle Loans	43.304	158.547	201.851
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans- Indexed to FC</b>	<b>2.544</b>	<b>58.271</b>	<b>60.815</b>
Business Loans	-	-	-
Vehicle Loans	2.544	58.271	60.815
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>47.177</b>	<b>241.611</b>	<b>288.788</b>

##### e) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	11.723.882	10.917.553
Foreign Loans	-	75.606
Profit Share Income Accruals of Loans	416.883	364.832
<b>Total</b>	<b>12.140.765</b>	<b>11.357.991</b>

##### f) Loans Granted to Subsidiaries and Participations:

As of 31 March 2018, the bank has no loans granted to subsidiaries and participations (31 December 2017: None).

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018**

(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 related to loans (Continued):**

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

	Current Period
Loans and receivables with limited collectability	5.679
Loans and receivables with doubtful collectability	6.143
Uncollectible loans and receivables	16.840
<b>Total</b>	<b>28.662</b>

**Specific provision provided for loans:**

	Prior Period
Loans and receivables with limited collectability	1.449
Loans and receivables with doubtful collectability	2.866
Uncollectible loans and receivables	13.773
<b>Total</b>	<b>18.088</b>

**h) Information on lease receivables**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.432	1.391	1.550	1.508
1-5 year	382.635	322.023	290.718	248.978
More than 5 years	161.544	111.440	187.183	122.458
<b>Total</b>	<b>545.611</b>	<b>434.854</b>	<b>479.451</b>	<b>372.944</b>

**i) Information on non-performing receivables (net):**

**1.1) Information on loans and other receivables included in non-performing receivables which are restructured or rescheduled:**

As of 31 March 2018 the bank has no loans and other receivables included in non-performing receivables which are restructured or rescheduled.

**1.2) 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
<b>Ending balance of prior period</b>	7.584	9.562	17.695
Additions in the current period (+)	13.233	1.823	102
Transfers from other categories of non-performing loans (+)	-	6.584	7.330
Transfers to other categories of non-performing loans (-)	6.584	7.330	-
Collections in the current period (-)	3.355	502	1.296
Write offs (-)	-	-	-
Sold (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>10.878</b>	<b>10.137</b>	<b>23.831</b>
Specific provisions (-)	5.679	6.143	16.840
<b>Net balance at the balance sheet</b>	<b>5.199</b>	<b>3.994</b>	<b>6.991</b>

**1.3) Information on foreign currency non-performing loans:**

As of 31 March 2018, the amount of receivable from foreign currency non-performing loans TL 1.529 (31 December 2017: None).

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018**

(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 related to loans (Continued):**
**i) Gross and net amounts of non-performing receivables according to user groups:**

	<b>Group III: Loans and other receivables with limited collectability</b>	<b>Group IV: Loans and other receivables with doubtful collectability</b>	<b>Group V: Uncollectible loans and other receivables</b>
<b>Current Period (Net)</b>	<b>5.199</b>	<b>3.994</b>	<b>6.991</b>
Loans to Real Persons and Legal Entities (Gross)	10.878	10.137	23.831
Specific Provisions (-)	5.679	6.143	16.840
Loans to Real Persons and Legal Entities (Net)	5.199	3.994	6.991
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>6.135</b>	<b>6.696</b>	<b>3.922</b>
Loans to Real Persons and Legal Entities (Gross)	7.584	9.146	17.695
Specific Provisions (-)	1.449	2.450	13.773
Loans to Real Persons and Legal Entities (Net)	6.135	6.696	3.922
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	416	-
Specific Provisions (-)	-	416	-
Other Loans and Receivables (Net)	-	-	-

**j) 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.

**k) Explanations on write-off policy:**

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

**7. Information on assets related to trading investments and discontinued operations:**

As of 31 March 2018, the amount of assets due to trading is TL 4.111 (31 December 2017: TL 3.561).

	<b>Current Period</b>	<b>Prior Period</b>
<b>Beginning Balance (Net)</b>	-	-
Changes During the Period (Net)	4.111	3.561
Amount of depreciation	-	-
Provision for Impairment	-	-
<b>Period End Balance (Net)</b>	<b>4.111</b>	<b>3.561</b>

As of 31 March 2018, the Bank has no discontinued operations (31 December 2017: None).

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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. EQUITY INVESTMENTS

###### a) Information about investments in associates (Net):

As of 31 March 2018, the Bank has no investments in associates (31 December 2017: None).

###### b) Information on subsidiaries (Net):

###### b1) Information on unconsolidated subsidiaries:

As of 31 March 2018, the Bank has no unconsolidated associates (31 December 2017: None).

###### b2) Information on consolidated subsidiaries:

	Name	Adress (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
2	ZKB Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	100	100

	Total Assets	Sharehold ers Equity	Total Fixed Assets	Dividend or profit share income	Income from marketable securities	Current Period Income/ Loss	Prior period income/loss	Fair Value	Needed shareholders Equity
1 <sup>(*)</sup>	688.360	55	-	19.175	-	2	1	-	-
2 <sup>(*)</sup>	51	34	-	-	-	(3)	-	-	-

(\*) Unaudited financial statements used.

###### b2) Information on consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the year	100	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	100	100
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(\*) Paid capital increases during the period are shown under "Purchases".

###### B3) 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	100	100

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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. EQUITY INVESTMENTS (Continued)

##### b4) Subsidiaries that are quoted on the stock exchange:

As of 31 March 2018, the Bank has no subsidiaries are quoted on the stock exchange (31 December 2017: None).

##### II) Information on entities under common control (joint ventures):

As of 31 March 2018, there are no entities under common control of the Bank (31 December 2017: None).

##### 9. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
<b>Prior Period End:</b>						
Cost	-	-	-	25.251	47.138	72.389
Accumulated Depreciation (-)	-	-	-	9.264	15.890	25.154
<b>Net Book Value</b>	-	-	-	<b>15.987</b>	<b>31.248</b>	<b>47.235</b>
<b>Current Period End:</b>						
Net Book Value at the Beginning of the Period	-	-	-	15.987	31.248	47.235
Change During the Period (Net)	-	-	-	(99)	(244)	(343)
Cost	-	-	-	1.205	2.059	3.264
Amortization (Net) (-)	-	-	-	1.304	2.303	3.607
Provision for Impairment (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	-	-	-	26.456	49.197	75.653
Accumulated Depreciation at Period End (-)	-	-	-	10.568	18.193	28.761
<b>Closing Net Book Value</b>	-	-	-	<b>15.888</b>	<b>31.004</b>	<b>46.892</b>

- a) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.
- b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

##### 10. 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	73.668	7.894	65.774	69.787	6.507	63.280
<b>Total</b>	<b>73.668</b>	<b>7.894</b>	<b>65.774</b>	<b>69.787</b>	<b>6.507</b>	<b>63.280</b>

- a) In case an intangible asset that is significant for the financial statements as a whole, its book value, definition and remaining depreciation period: None.
- b) Information on intangible assets acquired under government incentives and recorded with fair value at initial recognition: None.
- c) The method in which intangible assets acquired under government incentives and recorded with fair value at initial recognition are valued after the first registration date: None.
- d) Book value of intangible assets with restrictions on use or pledged: None.
- e) Amount of commitments given for acquisition of intangible asset: None.
- f) Intangible assets based on revalued asset type: None.
- g) Total amount of research and development expenses recorded in the period, if any: None.
- h) Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are consolidated: Not applied to the financial statements with consolidation.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

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

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

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

**11. Information on the investment properties:**

As of 31 March 2018, the Bank has no investment properties (31 December 2017: None).

**12. Information on the current period assets related to tax:**

As of 31 March 2018, the Bank has no assets related to tax (31 December 2017: None).

**13. Information on deferred tax asset:**

The Bank's deferred tax asset is calculated as TL 27.955 (31 December 2017: TL 16.094) however it's reflected on the financial statements as TL 23.970 (31 December 2017: TL 14.093) by offsetting with deferred tax liability.

**14. Information on other assets:**

As of 31 March 2018, 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 2018

(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 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	186.754	-	-	-	-	-	-	186.754
II. Real persons profit sharing accounts TL	-	281.547	2.545.933	29.612	27.432	73.905	-	2.958.429
III. Other current accounts-TL	396.461	-	-	-	-	-	-	396.461
Public sector	20.085	-	-	-	-	-	-	20.085
Commercial sector	356.305	-	-	-	-	-	-	356.305
Other institutions	20.057	-	-	-	-	-	-	20.057
Commercial and other institutions	4	-	-	-	-	-	-	4
Banks and participation banks	10	-	-	-	-	-	-	10
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-
Domestic banks	10	-	-	-	-	-	-	10
Foreign banks	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	194.630	2.788.156	172.442	269.481	62.825	-	3.487.534
Public sector	-	-	750.138	54.588	80760	-	-	885.486
Commercial sector	-	176.123	1.707.001	42.888	36.739	11.328	-	1.974.079
Other institutions	-	18.507	290.328	74.966	151.982	51.497	-	587.280
Commercial and other institutions	-	-	453	-	-	-	-	453
Banks and participation banks	-	-	40.236	-	-	-	-	40.236
V. Real persons current accounts-FC	181.047	-	-	-	-	-	-	181.047
VI. Real persons profit sharing accounts-FC	-	111.454	1.513.332	64.775	47.141	164.304	-	1.901.006
VII. Other current accounts-FC	538.334	-	-	-	-	-	-	538.334
Commercial residents in Turkey	536.619	-	-	-	-	-	-	536.619
Commercial residents in Abroad	1.397	-	-	-	-	-	-	1.397
Banks and participation banks	318	-	-	-	-	-	-	318
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-
Foreign banks	318	-	-	-	-	-	-	318
Participation banks	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts-FC	-	61.229	920.673	17.786	27.846	128	-	1.027.662
Public sector	-	1.980	24.183	-	-	-	-	26.163
Commercial sector	-	59.249	691.383	17.759	27.846	128	-	796.365
Other institutions	-	-	204.863	27	-	-	-	204.890
Commercial and other institutions	-	-	244	-	-	-	-	244
Banks and participation banks	-	-	-	-	-	-	-	-
IX. Precious metal funds	57.775	-	93.044	5.029	1.754	3.713	-	161.315
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-
<b>Total I+II+.....+IX+X+XI</b>	<b>1.360.371</b>	<b>648.860</b>	<b>7.861.138</b>	<b>289.644</b>	<b>373.654</b>	<b>304.875</b>	<b>-</b>	<b>10.838.542</b>

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018**

(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 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	169.913	-	-	-	-	-	-	169.913
II Real persons profit sharing accounts TL	-	339.006	2.206.716	26.540	29.403	67.732	-	2.669.397
III Other current accounts-TL	431.271	-	-	-	-	-	-	431.271
Public sector	99.145	-	-	-	-	-	-	99.145
Commercial sector	317.668	-	-	-	-	-	-	317.668
Other institutions	14.432	-	-	-	-	-	-	14.432
Commercial and other institutions	23	-	-	-	-	-	-	23
Banks and participation banks	3	-	-	-	-	-	-	3
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-
Domestic banks	3	-	-	-	-	-	-	3
Foreign banks	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	288.729	2.247.646	321.549	156.951	60.491	-	3.075.366
Public sector	-	166.212	581.393	196.370	25.827	-	-	969.802
Commercial sector	-	117.818	1.472.701	118.790	13.825	10.444	-	1.733.578
Other institutions	-	4.699	188.545	6.389	117.299	50.047	-	366.979
Commercial and other institutions	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	5.007	-	-	-	-	5.007
V. Real persons current accounts-FC	162.883	-	-	-	-	-	-	162.883
VI. Real persons profit sharing accounts-FC	-	150.266	1.350.227	36.220	41.553	61.061	-	1.639.327
VII. Other current accounts-FC	824.647	-	-	-	-	-	-	824.647
Commercial residents in Turkey	816.850	-	-	-	-	-	-	816.850
Commercial residents in Abroad	7.462	-	-	-	-	-	-	7.462
Banks and participation banks	335	-	-	-	-	-	-	335
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-
Foreign banks	263	-	-	-	-	-	-	263
Participation banks	72	-	-	-	-	-	-	72
Others	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts-FC	-	37.478	848.801	18.769	-	-	-	905.048
Public sector	-	1.948	15.379	-	-	-	-	17.327
Commercial sector	-	35.503	580.639	18.744	-	-	-	634.886
Other institutions	-	27	244.731	25	-	-	-	244.783
Commercial and other institutions	-	-	8.052	-	-	-	-	8.052
Banks and participation banks	-	-	-	-	-	-	-	-
IX. Precious metal funds	62.451	-	77.863	2.277	1.310	2.842	-	146.743
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>1.651.165</b>	<b>815.479</b>	<b>6.731.253</b>	<b>405.355</b>	<b>229.217</b>	<b>192.126</b>	<b>-</b>	<b>10.024.595</b>



## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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	Prior Period	Current Period	Prior Period
Real persons current and profit sharing accounts that are not subject to commercial activities	2.386.545	2.166.684	2.995.473	2.609.688
TL accounts	1.834.422	1.651.791	1.310.761	1.187.518
FC accounts	552.123	514.893	1.684.712	1.422.170
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	525	431
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 funds borrowed:

###### a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from the CBRT	540.382	-	410.436	-
From Domestic Banks and Institutions	696.975	571.943	566.742	523.098
From Foreign Banks, Institutions and Funds	-	1.174.957	-	1.106.838
<b>Total</b>	<b>1.237.357</b>	<b>1.746.900</b>	<b>977.178</b>	<b>1.629.936</b>

###### b) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1.237.357	336.015	977.178	291.782
Medium and Long-term	-	1.410.885	-	1.338.154
<b>Total</b>	<b>1.237.357</b>	<b>1.746.900</b>	<b>977.178</b>	<b>1.629.936</b>

###### 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:

67% of liabilities consist of current and share profit account.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

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

#### II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

##### 3. Funds provided under repurchasing agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Domestic</b>	<b>22.026</b>	-	<b>32.462</b>	-
Financial Institutions	22.026	-	32.462	-
<b>Abroad</b>	-	-	-	-
Financial Institutions	-	-	-	-
<b>Total</b>	<b>22.026</b>	-	<b>32.462</b>	-

##### 4. Information on securities issued:

None (31 December 2017: None).

##### 5. Information on financial liabilities at fair value through profit and loss:

None.

##### 6. Information on derivative financial liabilities:

None.

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

	Prior Period	
	TL	FC
Derivative financial assets held for trading		
Forward transactions	-	6.280
Swap transactions	-	-
Futures transaction	-	-
Options transaction	-	-
Other	-	-
<b>Total</b>	-	<b>6.280</b>

##### 7. Information on Financial Lease Obligations:

None.

##### 8. Information on provisions:

###### a) Information on general provisions:

	Prior Period
<b>General Provisions</b>	<b>99.082</b>
I.For Loans and Receivables in Group I (Total)	89.433
Profit Sharing Accounts' Share	62.132
The Bank's Share	27.301
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)	714
Profit Sharing Accounts' Share	603
The Bank's Share	111
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	8.111
Other	824

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)****8. 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 236 (31 December 2017: TL 6.045).

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

Specific provisions for unindemnified non-cash loans amount to TL 1.884 (31 December 2017: TL 177).

**ç) Information on other provisions:****ç.1) Information on free provisions for possible risks:**

None (31 December 2017: None).

**ç.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 85.079 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 2017: TL 36.398).

**d) Information on provisions for employee benefits:****d.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 2018, the amount payable consists of one month's salary limited to a maximum of TL 5.001 (full TL) (31 December 2017: TL 4.732 (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 (%)	4,77

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

	Current Period	Prior Period
Balance at the 1 January	2.330	780
Changes during the period	391	1.550
Paid during the period	-	-
Actuarial loss/(gain)	-	-
Balance at the end of the period	2.721	2.330

As of 31 March 2018, the Bank has a TL 3.270 short-run employees' rights provision (31 December 2017: TL 2.389).

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)****8. Information on provisions (Continued):****d) Information on provisions for employee benefits (Continued):****d.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 2017, no technical deficit has been reported.

The basic actuarial assumptions used are as follows:

	Current Period	Prior Period
Discount rates		
- Pension benefits will be transferred to SGK	9,80%	9,80%
- Health benefits will be transferred to SGK	9,80%	9,80%

**9. Explanations on tax liability:****a) Explanations on current tax liability:****a.1) Information on tax provisions:**

As of 31 March 2018, the Bank's corporate income tax liability is TL 15.771 after deducting temporary taxes paid during the period from the tax provisions (31 December 2017: TL 12.990).

**b) Information on taxes payable:**

	Current Period	Prior Period
Corporate Tax Payable	15.771	12.990
Taxation on Income From Securities	8.058	7.251
Property Tax	191	132
Banking Insurance Transactions Tax (BITT)	5.719	5.074
Foreign Exchange Transactions Tax	-	-
Value Added Tax Payable	354	571
Other	1.001	1.140
<b>Total</b>	<b>31.094</b>	<b>27.158</b>

**c) Information on premiums:**

	Current Period	Prior Period
Social Security Premiums – Employee	-	-
Social Security Premiums – Employer	2	2
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	57	92
Unemployment Insurance – Employer	113	183
Other	-	-
<b>Total</b>	<b>172</b>	<b>277</b>

**10) Information on deferred tax liabilities, if any:**

The Bank's deferred tax liability amounts to TL 3.985 (31 December 2017: TL 2.001) and this amount is net off against the deferred tax asset and accordingly deferred tax asset amounting to TL 23.970 (31 December 2017: TL 14.093) is presented in the financial statements.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)****11. Information on payables for assets held for sale and discontinued operations:**

The Bank does not have any payables for assets held for sale and discontinued operations (31 December 2017: None).

**12. Explanations on subordinated debts:**

The Bank does not have any subordinated debts (31 December 2017: None).

**13. If the other liabilities of the balance exceed 10% of the balance sheet total, the names and amounts of the sub-accounts constituting at least 20% of them:**

The amount of other liabilities of balance sheet does not exceed 10% of total amount of balance sheet.

**14. Information on shareholders' equity:****a) Presentation on paid-in capital:**

	Current Period	Prior Period
Common stock	1.250.000	1.250.000
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:**

None.

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

None.

**d) 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 2017: None).

**e) 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 2017 : None).

**f) Information on preferred shares:**

As of 31 March 2018, the Bank has no preferred shares (31 December 2017: None).

**g) Information on marketable securities value increase fund:**

	Current Period	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-
Revaluation Difference	-	-
Foreign Exchange Difference	-	-
From Available for Sale Marketable Securities	(13.963)	(4)
Revaluation Difference	(17.325)	(4)
Deferred Tax Effect	3.362	-
Foreign Exchange Difference	-	-
<b>Total</b>	<b>(13.963)</b>	<b>(4)</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

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

##### II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

###### g) Information on marketable securities value increase fund (Continued):

	Prior Period	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-
Revaluation Difference	-	-
Foreign Exchange Difference	-	-
From Available for Sale Marketable Securities	(14.901)	(11)
Revaluation Difference	(18.955)	(11)
Deferred Tax Effect	4.054	-
Foreign Exchange Difference	-	-
<b>Total</b>	<b>(14.901)</b>	<b>(11)</b>

##### 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	73.603	61.911
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	82.428	64.845
Loan Granting Commitments	2.664	1.966
Asset Purchase Commitments	-	-
Tax and Fund Liabilities from Export Commitments	2.744	4.034
<b>Total</b>	<b>161.439</b>	<b>132.756</b>

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

The amount of provision for possible losses arising from the off-balance sheet items is TL 1.884.

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

	Current Period	Prior Period
Guarantee Letters	5.968.158	5.322.130
Letter of Credits	3.883	4.784
Bank Acceptances	571.619	447.193
Other Contingencies	417.846	337.431
<b>Total</b>	<b>6.961.506</b>	<b>6.111.538</b>

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

	Current Period	Prior Period
Letters of Temporary Guarantees	610.329	603.757
Letters of Certain Guarantees	3.134.567	2.715.331
Letters of Advance Guarantees	515.394	399.756
Letters of Guarantees given to Customs Offices	63.543	45.753
Other Letters of Guarantees	1.644.325	1.557.533
<b>Total</b>	<b>5.968.158</b>	<b>5.322.130</b>

###### b.3) Total non-cash loans:

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>1.644.325</b>	<b>1.557.532</b>
With Original Maturity of One Year or Less	793.493	775.726
With Original Maturity of More than One Year	850.832	781.806
<b>Other Non-Cash Loans</b>	<b>5.317.181</b>	<b>4.554.006</b>
<b>Total</b>	<b>6.961.506</b>	<b>6.111.538</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

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#### 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
<b>Profit share on loans <sup>(*)</sup></b>	<b>301.519</b>	<b>20.408</b>	<b>150.943</b>	<b>8.975</b>
Short term loans	93.896	4.043	51.505	1.109
Medium and long term loans	207.615	16.365	99.438	7.866
Profit share on non-performing loans	8	-	-	-
Premiums received from resource utilization support fund	-	-	-	-

(\*) Includes fees and commissions income on cash loans

##### b) Information on profit share received from banks:

None (31 December 2017: None).

##### c) Information on profit share income from securities portfolio:

	Current Period	
	TL	FC
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	18.648	-
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	-	-
<b>Total</b>	<b>18.648</b>	<b>-</b>

##### Information on profit share income from securities portfolio:

	Prior Period	
	TL	FC
Financial Assets Held for Trading	-	-
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available-for-Sale	10.614	-
Investments Held-to-Maturity	-	-
<b>Total</b>	<b>10.614</b>	<b>-</b>

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

None (31 December 2017: None).

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018**

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**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	1.853	10.421	-	4.995
Central Bank of the Republic of Turkey	1.495	-	-	-
Domestic Banks	358	2.902	-	2.332
Foreign Banks	-	7.519	-	2.663
Head Office and Branches	-	-	-	-
Other Institutions	19.155	-	2.583	1.931
<b>Total</b>	<b>21.008</b>	<b>10.421</b>	<b>2.583</b>	<b>6.926</b>

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

As of 31 March 2018, the amount of profit share expense given to associates and subsidiaries is TL 19.155 (31 December 2017: None).

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

None (31 December 2017: 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	
<b>Account Name</b>						
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	885	-	-	-	885
Real Person's Non Commercial Participation Accounts	7.799	56.456	656	655	1.771	67.337
Public Sector Participation Accounts	840	15.925	1.867	2.680	1.411	22.723
Commercial Sector Participation Accounts	3.583	45.464	2.143	832	291	52.313
Other Institutions Participation Accounts	361	7.834	567	4.198	52	13.012
<b>Total</b>	<b>12.583</b>	<b>126.564</b>	<b>5.233</b>	<b>8.365</b>	<b>3.525</b>	<b>156.270</b>
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	795	8.735	312	285	1.043	11.170
Public Sector Participation Accounts	8	135	-	-	-	143
Commercial Sector Participation Accounts	354	6.132	117	109	-	6.712
Other Institutions Participation Accounts	-	993	-	-	-	993
Public Sector Participation Accounts	421	-	-	-	-	421
<b>Total</b>	<b>1.578</b>	<b>15.995</b>	<b>429</b>	<b>394</b>	<b>1.043</b>	<b>19.439</b>
<b>Grand Total</b>	<b>14.161</b>	<b>142.559</b>	<b>5.662</b>	<b>8.759</b>	<b>4.568</b>	<b>175.709</b>

**3. Informations on dividend income:**

None (31 December 2017: None).



## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

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#### 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
<b>Income</b>	<b>942.817</b>	<b>799.905</b>
Foreign exchange gains	936.502	799.868
Gain on derivative financial instruments	6.288	37
Gain on capital market transactions	27	-
<b>Losses (-)</b>	<b>938.829</b>	<b>796.211</b>
Foreign exchange losses	916.227	795.386
Losses on derivative financial instruments	21.705	825
Losses on capital market transactions	897	-
<b>Net</b>	<b>3.988</b>	<b>3.694</b>

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(15.417)	(788)
<b>Total</b>	<b>(15.417)</b>	<b>(788)</b>

##### 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
Expected Credit Loss	29.234
12 month expected credit loss (stage 1)	15.623
Significant increase in credit risk (stage 2)	4.793
Non-performing loans (stage 3)	8.818
Marketable Securities Impairment Expense	4
Financial Assets at Fair Value through Profit or Loss	-
Available-for-sale Financial Assets Fair Value Through Other Comprehensive Income	4
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other (*)	3.060
<b>Total</b>	<b>32.298</b>

(\*) 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 3.060 is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

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

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

##### 6. Provision expenses for impairment on loans and other receivables (Continued):

	Prior Period
Specific Provisions for Loans and Other Receivables	1.560
III. group loans and receivables	982
IV. group loans and receivables	513
V. group loans and receivables	65
General provision expenses	16.908
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 <sup>(*)</sup>	5.836
<b>Total</b>	<b>24.304</b>

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

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#### 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
Personnel expenses (**)	28.739
Reserve for Employee Termination Benefits	390
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	-
Depreciation Expenses of Tangible Fixed Assets	3.607
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	1.387
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	15.171
Operational Leasing Expenses	5.604
Maintenance Expenses	720
Advertisement Expenses	2.619
Other Expenses	6.228
Loss on Sales of Assets	-
Other (*)	11.364
<b>Total</b>	<b>60.658</b>

(\*) The balance which forms the other item part, TL 5.740 represents Saving Deposit Insurance Fund ("SDIF") Premium amount and audit and consultancy fees and TL 3.406 represents taxes, fees and funds and other services expenses.

(\*\*) "Personnel Expenses", which is not included in "Other Operating Expenses" in the income statement, is included in this table.

	Prior Period
Personnel expenses	19.851
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
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	626
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
Operational Leasing Expenses	4.188
Maintenance Expenses	141
Advertisement Expenses	1.335
Other Expenses	5.332
Loss on Sales of Assets	-
Other (*)	8.005
<b>Total</b>	<b>42.454</b>

(\*) The prior balance which forms the other item part, TL 4.399 represents SDIF Premium amount and audit and consultancy fees and TL 3.293 represents taxes, fees and funds and other services expenses.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

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

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

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

As of 31 March 2018, The Bank does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period
Net Profit Share Income	149.412
Net Fees and Commissions Income	9.027
Personel Expenses	28.739
Dividend Income	-
Trading Income/Expense (Net)	3.988
Other Operating Income	17.162
Expected Loss Provision (-)	32.298
Other Operating Expenses (-)	31.919
<b>Income/(Loss) from Continuing Operations</b>	<b>86.633</b>

	Prior Period
Net Profit Share Income	87.779
Net Fees and Commissions Income	6.059
Dividend Income	-
Trading Income/Expense (Net)	3.694
Other Operating Income	1.663
Loan and other receivables impairment provision (-)	24.304
Other Operating Expenses (-)	42.454
<b>Income/(Loss) from Continuing Operations</b>	<b>32.437</b>

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

As of 31 March 2018, the Bank's total tax provision expense amounting to TL 17.891 (31 March 2017: TL 7.317) consists of TL 20.986 (31 March 2017: TL 9.608) of current tax expense and TL 3.095 (31 March 2017: TL 2.291) 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 68.472 (31 March 2017: TL 25.120).

###### 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 (31 March 2017: None).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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
<b>Loans and other receivables</b>	-	-	-	-	-	-
Balance at beginning of period	-	-	758.988	-	-	-
Balance at end of period	-	-	878.018	-	-	-
<b>Profit share and commission income</b>	-	-	5.388	-	-	-

##### 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
<b>Loans and other receivables</b>	-	-	-	-	-	-
Balance at beginning of period	-	-	558.924	-	-	-
Balance at end of period	-	-	758.988	-	-	-
<b>Profit share and commission income</b>	-	-	425	-	-	-

- 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
<b>Current and profit sharing accounts</b>						
Balance at the beginning of period	-	-	8.159	1.796	-	-
Balance at the end of period	-	-	10.524	8.159	-	-
<b>Profit share expense</b>	-	-	144	-	-	-

- 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	-	-	1.264.078	259.672	-	-
Closing Balance	-	-	1.122.836	193.552	-	-
<b>Total Profit/Loss</b>	-	-	2.179	(825)	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

- 3) Information on remunerations provided to top management:

The Bank has paid TL 786 (31 March 2017: TL 679) to top management.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

(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

In 2017 Ordinary General Meeting of the Bank held on 17 April 2018, paid in capital is increased by TL 750.000 to TL 2.000.000 and its registration procedures are in progress.

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

###### 1) Domestic and foreign branches and representative offices of the Bank:

	Number	Number of Employees			
Domesctic branches <sup>(*)</sup>	67	911			
			Country		
Foreign representative offices	-	-	-		
				Total Assets	Legal Equity
Foreign branches	-	-	-	-	-
Off shore banking branches	-	-	-	-	-

<sup>(\*)</sup> The number of head office staff has been included in the number of domestic branch employees.

###### 2) Explanations on the opening and closing of branches or representative office of the Bank in Turkey and abroad, and the significant change in its organization:

In 2018, four new branches (31 December 2017: 19 Branches) has been opened in Turkey.

## **ZİRAAT KATILIM BANKASI A.Ş.**

### **NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018**

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

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#### **SECTION SIX**

##### **EXPLANATIONS ON REVIEW REPORT**

##### **I. EXPLANATIONS ON THE REVIEW REPORT**

As of 31 March 2018, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member of KPMG International Cooperative, a Swiss entity) and Review Report dated 2 May 2018 is presented preceding the financial statements.

##### **II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS**

None.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018**

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

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**SECTION SEVEN**

**EXPLANATIONS ON INTERIM PERIOD ACTIVITY REPORT**

**I. Chairman’s Assessment**

The accelerating economic activity in the global economy, US Federal Reserve (“FED”) expectation of the more and more tightened monetary policy, the new tariffs practices of US President Donald Trump and developments in Syria, the important events that marked in the first quarter of 2018 .

The favorable situation was seen in the global economy last year followed a fluctuating trend with protective statements in the first quarter of this year. Despite the decrease of tensions with North Korea , the US and China’s protectionist policies are perceived by the markets as the beginning of trade wars in the upcoming period. There is a forecast that this will have a limited or even negative impact on growth in the global economy.

In the first quarter of the year, the FED increased interest rates as a result of full employment and vitality. Continued downsizing of balance sheet and the rise in LIBOR and US bond rates were globally noted in the economy. The regulations that developed economies will make in monetary policy are among the things to be followed closely in the forthcoming period.

Recovery in developing country economies is also continuing. In the last year, the Chinese economy has grown above forecasts, and reaching a higher growth rate than in 2016. On the other hand, while inflation rates declined in developing countries such as Russia and Brazil, central banks in these countries continued to cut interest rates in the first quarter of the year.

Turkey economy grew by 7,4% as above expectations in 2017. In order to support the economy last year, the necessary arrangements have been made to enable the repayment of credits provided by the Credit Guarantee Fund (KGF), which has been expanded in scope of application, to be used again as a loan and to use the limit of 50 billion TL, which could not be used last year. Apart from this, efforts have been initiated to strategically invest 128 billion worth of new investments and for the promotion of placing a stronger floor is made of Turkey’s economy. The second of the “Nefes Kredisi” was initiated and short term loans were extended. Leading indicators also give positive signals that the growth of 2018 will continue steadily.

In the first quarter of 2018, the Turkish banking sector continues to contribute to stable growth and economic growth with it’s strong equity structure. Effective resource management in the sector is a preferential and studies are being carried out to improve operational efficiency. In addition, the banking sector is able to access and effectively use capital markets and capital-like credit facilities, especially syndication, from international markets. It is seen that the banking sector is active in loan restructuring in order to maintain productivity, protect production capacity and maintain employment.

In the Participation Banking sector, we have identified the effective resource base and its utilization as the most efficient for the country’s economy as a strategic priority. In addition to increasing the share of participation banking in the banking sector, we also aim to increase domestic and foreign savings by increasing the market share of our country’s participation banking in international markets.

The first public participation bank in Turkey with the title of Ziraat Katılım Bank continued its rapid asset growth and market movements in the formation of competitive prices in the market. In addition, Ziraat Katılım Bank aims to respond to the needs of its customers in the best way by developing new products. Also the Bank continues its main strategy of “Growing by increasing the share of participation banking in the finance sector”. In this direction, while continuing to branch at a rapid pace, productivity has been determined to work with focus and to increase its efficiency in the sector. As Ziraat Katılım Bank, we have invested 7 years investment capital for the purpose of a project. As it is the first time, we can say it is an important initiative.

**Hüseyin AYDIN**  
**Chairman**



**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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(Unless otherwise stated amounts are expressed in full Turkish Lira ("TL"))

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**EXPLANATIONS ON INTERIM PERIOD ACTIVITY REPORT (Continued)**

**II. Assessment of General Manager**

Despite the favorable climate seen in the global economy in the first quarter of 2018, taxes which were mutually increased between the US and China in March, had a negative impact on world trade and global financial markets. The FED has raised its financing rate by 0,25 percentage points to 1,75, stating that full employment and vitality continues in the US economy.

Despite the volatility in global financial markets, Turkey economy in 2017 grew by 7,4%, well above expectations, continued its strong view of the stability term. In order to continue its growth steadily in 2018, the 7099 numbered amendment was made to reduce the bureaucracy in the investment process and to improve the investment environment. Our Government stated that TL 128 billion in new investments approved strategic investment in Turkey's economy and made the necessary incentive plan to be fitted with a more powerful ground.

The support given to SMEs, which are locomotives of the real sector and life-blood of the economy, which has a very important share in the total production, export and employment items, continues increasingly in 2018. In this context, the "Nefes Kredisi" launched in 2017 will be continued with a higher limit in 2018, enabling our SMEs to benefit from financing at low rates and in favorable terms.

By the new reforms planned and the current indicators, it is predicted that the Medium Term Program will grow above the target.

**Ziraat Katılım continues stable growth.**

Ziraat Katılım completed the first quarter of 2018 with a net profit of TL 68,7 million. The total assets of Ziraat Katılım exceeded TL 16,1 billion with an increase of 12% compared to the end of 2017, funds collected increased by 8% to TL 10,8 billion. While the cash funds extended by 7% increased to TL 12,6 billion, the total cash and non-cash financing provided by Ziraat Katılım in the real sector amounted to TL 19,5 billion.

By rapidly expanding its branch network in Turkey, Ziraat Participation, home continues to pursue its operations with 67 branches in 37 provinces.

**We broke new ground in the sector with "Ortak Yatırımlar Modeli"**

Ziraat Katılım Bank which is first participation bank established with public capital, Fikssan Fikstür Sanayi ve Ticaret A.Ş., which provides services both in the public sector and in the private sector, in engineering and industrial fields such as defense industry, rail systems and automotive industry. 50% -50% shareholding in FZK Mühendislik ve Sınai Yatırımlar A.Ş. company was established.

The main activity of FZK Engineering and Industrial Investments Inc. will be the production of domestic technological and industrial products that are needed by sectors such as defense industry, automotive, railway sectors, mold and fixture within the borders of our country.

A company of this partnership came together and formed a producing with a participation bank in Turkey, the country has applied for the first time "Ortak Yatırımlar Modeli" carries two distinct and important first of its kind in the banking sector issues in terms of the principle of doing partnership indigenous production model.

It was made by participation banks in Turkey before profit-loss partnership. However, Ziraat Participation and Fikssan Fikstür Sanayi ve Ticaret A.Ş. came together to form FZK Engineering and Sınai Yatırımlar A.Ş. have established a first of the kind partnership for the industrial sector.

**We are with our smes with "Nefes Kredisi"**

The "Nefes Kredisi" protocol, designed to facilitate SMEs access to finance and to make them available under appropriate conditions, is organized under the auspices of TOBB, the contributions of chambers and stock exchanges, the guarantee of Treasury supported Guarantee Fund and the cooperation of six banks that Ziraat Participation Incorporation has included under the auspices of Prime Minister on 31 March 2018 It has been realized. Within the scope of the "Nefes Kredisi" 2018 project, TL 7,5 billion financing will be provided to SMEs and 50.000 enterprises are planning to use this facility. The payment schedule for the "Nefes Kredisi", which was prepared with low costs and support for the real sector, was determined as 18 months in total, with the first 6 months without payment (monthly profit rate payment).

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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(Unless otherwise stated amounts are expressed in full Turkish Lira (“TL”))

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**EXPLANATIONS ON INTERIM PERIOD ACTIVITY REPORT (Continued)**

**II. Assessment of General Manager (Continued)**

**We completed transition operation through TFRS 9**

BRSA, by the scope of Turkey Financial Reporting Standards (“TFRS”), were introduced new arrangements for the calculation of the provision.

Ziraat Katılım has completed its work in this direction and has prepared its accounting and system infrastructure for the provision for new provisions, effective from 1 January 2018. The calculations are systematically carried out from the specified date and reported to legal authorities.

**We successfully completed our lease certificate issuances**

Ziraat Katılım successfully completed the export of four lease certificates in the first quarter of 2018. With Ziraat Menkul Değerler A.Ş. TL 679 Million collected from investors, there is a demand from qualified investors over the issuance amount of the lease certificate issuance.

The first participation bank with public capital of Turkey’s activities began since 29 May 2015, the Capital Markets Board received 2 Billion consistent export issue Sukuk carried out to qualified investors under the ceiling reached TL 1,98 billion in total.

**We are focused on customer satisfaction**

With our customer satisfaction-oriented approach, our Bank has developed special services for customers in every area of banking, giving instant answers 7/24 to the calls of our customers with our customer communication center.

Katılım mobile trading set has been expanded to offer all of our individual customers’ use for our corporate customers.

We continue to work to ensure that our digital channels are comply with our disabled customers.

In this scope; all ATMs have an audible menu and an “Orthopedic Handicapped ATM” setup for our visually impaired customers.

“Canlı Cevap” function has been activated in our participation mobile application.

Our customers can easily perform transactions from anywhere in our country due to our digital channels.

**We will go ahead with our vision of the leading participation bank**

As Ziraat Katılım, our mission while still adhering to our determination to promote the participation banking project is to generate increasing value to our ultimate goal of Turkey’s economy and promote sustainable development.

As Ziraat Katılım we are working hard to contribute and deepen the sector as participation. We focus on projects that are compatible with the Participation Banking principles but have not been implemented in the sector before.

In this manner, in 2016 for the first time logistics sector with profit-loss partnership project aimed at Turkey, “Müşaraka” product, in a project with build-in 2017 operate-transfer model “exception” products, and finally 27 March 2018 Date of defense industry, important steps have been taken with our vision of becoming the leading participation bank by passing the “Ortak Yatırımlar Modeli” with a company that provides public and private sector services in engineering and industrial fields such as railed systems and automotive industry.

In the upcoming period, Ziraat Katılım will continue to add value to the country’s economy by offering its customers “More to share” with the mission of improving participation banking.

**Metin ÖZDEMİR**  
**General Manager**

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

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

#### EXPLANATIONS ON INTERIM PERIOD ACTIVITY REPORT (Continued)

##### III. Shareholding structure

Ziraat Katılım Bank's paid in capital is TL 1.250.000.000 and this capital divided into 1.250.000.000 shares that each one of all worth 1,00 Turkish Lira. Members of the Board of Auditors, the General Manager and Assistant General Managers are not hareholders of the Bank

Title	Share Amount (TL)	Number of Shares
T.C. Ziraat Bankası A.Ş.	1.249.999.996	1.249.999.996
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 2018.

##### V. Main financial indicators

In the Bank assets, indicators take shares as follows; loans volume is TL 878.018 thousand with 7%, liquid assets and banks volume is TL 10.524 thousand with 0,10%.

ASSETS (THOUSAND TL)	31 March 2018	31 December 2017	Change (%)
Liquid Assets and Banks	2.616.318	1.922.270	36
Securities	756.194	524.210	44
Loans	12.552.686	11.374.744	10
Other Assets	197.331	528.919	(63)
<b>Total Assets</b>	<b>16.122.529</b>	<b>14.350.143</b>	<b>12</b>

In the Bank liabilities, indicators take shares as follows; deposit volume is TL 10.838.542 thousand with 67%, resources out of deposit volume is TL 3.006.283 thousand with 19%, shareholders equity volume is TL 1.499.028 thousand with 9% and other liabilities volume is TL 778.676 thousand with 5%.

LIABILITIES (THOUSAND TL)	31 March 2018	31 December 2017	Change (%)
Deposits	10.838.542	10.024.595	8
Resources Out of Deposit	3.006.283	2.645.856	14
Other Liabilities	778.676	276.011	182
Shareholders' Equity	1.499.028	1.403.681	7
<b>Total Liabilities</b>	<b>16.122.529</b>	<b>14.350.143</b>	<b>12</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2018

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

#### EXPLANATIONS ON INTERIM PERIOD ACTIVITY REPORT (Continued)

##### V. Main financial indicators (Continued)

<b>SELECTED PROFIT AND LOSS ITEMS (THOUSAND TL)</b>	<b>31 March 2018</b>
Dividend Income	357.930
Dividend Expense	208.518
Net Dividend Income/Expense	149.412
Net Fees and Commissions Income/Expense	9.027
Personel Expense	28.739
Other Operating Income	17.162
Other Operating Expenses	31.919
Provision for Loan and Other Receivables	32.298
Profit/Loss Before Tax	86.633
Tax Provision	(17.891)
Net Profit/Loss	68.742
<b>SELECTED PROFIT AND LOSS ITEMS (THOUSAND TL)</b>	<b>31 March 2017</b>
Dividend Income	180.552
Dividend Expense	92.773
Net Dividend Income/Expense	87.779
Net Fees and Commissions Income/Expense	6.059
Other Operating Income	1.663
Other Operating Expenses	42.454
Provision for Loan and Other Receivables	24.304
Profit/Loss Before Tax	32.437
Tax Provision	(7.317)
Net Profit/Loss	25.120
<b>RATIOS(%)</b>	<b>31 March 2018</b>
Capital Adequacy Ratio	17,4
Shareholders' Equity/Total Assets	9,3
Total Loans/Total Assets	77,9
Non-performing Loans (Gross) / Total Loans	0,4
Demand Deposit/Total Deposit	12,6
FC Assets/FC Liabilities	62,6
Liquid Assets/Total Assets	16,2
<b>RATIOS(%)</b>	<b>31 December 2017</b>
Capital Adequacy Ratio	13,1
Shareholders' Equity/Total Assets	9,8
Total Loans/Total Assets	79,3
Non-performing Loans (Gross) / Total Loans	0,4
Demand Deposit/Total Deposit	16,5
FC Assets/FC Liabilities	62,7
Liquid Assets/Total Assets	13,4

(\*) Foreign exchange indexed loans are not included.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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**EXPLANATIONS ON INTERIM PERIOD ACTIVITY REPORT (Continued)**

**VI. 2018 interim period operations**

In the area of Digital Banking; “Katılım Mobil – Kurumsal Mobil Şube” application was presented to our corporate customers, taking into consideration their demands and expectations, thus they can make all the banking transactions.

In the area of Digital Banking; “Canlı Cevap” application is integrated with “Katılım Mobil” application by this way all of our customers can communicate with our customer representatives.

In the area of Digital Banking; “Anında Hesap Aç” application has been integrated with “Katılım Mobil” application thereby customers who want to be our customers can be our customers through our mobile application.

The collection has been begun in terms of SAR for the payment of Hajj.

ManisaSu, GaziantepSu, KütahyaGaz collections are made for the making collections of the corporate payments through our bank.

As a result of our actions to ensure collection of USD and EUR checks through interchange, “Yabancı Para Çek Takas Protokolü” has been signed with our bank.

Our newly opened branches which were opened in the first quarter of 2018:

İstanbul Avrupa Kurumsal branch has begun to the customer acceptance on the date of 5 January 2018.

İstanbul Anadolu Kurumsal branch has begun to the customer acceptance on the date of 8 February 2018.

Başakşehir branch has begun to the customer acceptance on the date of 19 March 2018.

Sultanbeyli branch has begun to the customer acceptance on the date of 9 February 2018.

Tuzla/OSB branch has begun to the customer acceptance on the date of 18 April 2018.

**VII. 2018 expectations after the interim period**

In the first quarter of 2018, 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. In addition, the Fed has begun to withdraw its liquidity from the market as it ended its bond purchase program last year. The recovery in the developed economies, particularly in the US and geopolitical risks in the Middle East affects oil and other commodity prices positively. Although the economic problems seen in the Chinese economy in 2017 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 can not 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.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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**EXPLANATIONS ON INTERIM PERIOD ACTIVITY REPORT (Continued)**

**VII. 2018 expectations after the interim period (Continued)**

In the first quarter of 2018, economic datas indicate 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. In this period US 10- year bond interest rise the highest level of the last five years with 3%. Another factor affecting the US and the global economy in the first quarter of the year was that President Trump also increased tariffs on China to 50 billion USD after increased the tariffs on aluminum and steel. Subsequently, the negative effect is expected on the world trade and US economy . 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 and new tariffs.

Economic recovery continues in the Eurozone in the first quarter of 2018 and there was loss of acceleration in the recent PMI and industrial production datas. Nevertheless, the risk of deflation is quite low and it is expected that inflation will increase again to average level in the oncoming period. In the last meeting of ECB, monetary policy not changed as expected. In the statement made by the ECB, it is stated that it has decided to keep interest rate constant and also it is stated that the policy interest rate is zero, the deposit interest rate is minus 0,40 and the marginal funding rate is 0,25 percent. The ECB decision excluded from the text that "The amount and maturity of the program can be extended if its necessary" when the details of the amount of the monetary expansion program remain unchanged. Despite the positive developments in the economy, it is still early to mention a possible interest rate increase this year.

In the first quarter of 2018, the recovery of the global economy affect oil and other commodity prices positively. On the other hand, the sharp rise in US 10- year bond interests lead to sales wave in emerging countries and the depreciation of these countries' currencies. In commodity exporters countries such as Russia and Brazil, expectations returned the positive with increasing commodity prices. In these countries, inflation declined the lowest level in the last decade. Central Bank of these countries reduced the interest rate between 50 and 100 basis point in the first quarter. On the other hand, President Trump's additional tariffs on aluminum and steel , additional tariffs on China , as well as the announcement of a new enforcement list for Russia have begun to put pressure on other emerging market economies, especially China and Russia.

Turkish economy has grew above expectations approximately 7,4 percent in 2017. Turkey, by this level of economic growth, took first place among G-20 counties, and also took second place after Ireland among OECD and EU countries. In addition, supported to the economy last year , decisions were made to enable the repayment of the credits provided by the Credit Guarantee Fund ("CGF"), which has been extended in scope of application, to be used again as a loan and to use the limit of 50 billion TL which could not be used last year. The new economic incentives and measures which has taken by the government promise hope for 2018. In the first quarter of this year, Turkey's economy has maintained its stability thanks to knowledge and experience of economic management and strength of Turkey's economy in despite of the economic cost of military spending, other geopolitical and economic risks. It is expected that economic stability continues and the growth rate that above targets are caught in this year.

Turkey imports the needs of the energy such as petrol and neutral gas from abroad. The big part of the imports consists of energy. The low prices in the last three years in the energy sector affected the Turkey's foreign trade positively. In the first quarter of the 2018, the petrol prices increased and this effected import of Turkey negatively. However, Turkey's export figures began to be a remarkable rise compared to last year. Euro started being more valuable since the last quarter of 2016 and it is expected that the economic developments will continue the developing in 2018. Therefore, the the countries, in the Eurozone, will import the goods from Turkey. It means, export value of Turkey will increase. Thus, current account deficit of Turkey is predicted will be declined.

Past year, TL had lost its value and the food prices rised which led to rise in inflation. Due to contractionary monetary policy of Central Bank of the Republic of Turkey, while effective funding cost had risen, TL had gained more value. It is expected that the food prices will become more stable and TL will gain value and lead to decrease in inflation for the rest of the year.

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**EXPLANATIONS ON INTERIM PERIOD ACTIVITY REPORT (Continued)**

**VII. 2018 expectations after the interim period (Continued)**

In the first quarter of 2018, the hard rise in bonds, especially in the US, caused the developed countries’ currencies to appreciate, putting pressure on the economies of developing countries. Also, President Trump’s new tariffs targeting for China and expanding the sanctions list for Russia have had a negative impact on the economies of these countries. On the other hand, an increase of some commodity prices ,especially oil, affected to some of the commodity exporting countries positively. But some of the commodity importing countries , like Turkey, affected negatively. However, FED increased 25 basis points interest in the first quarter. It is expected that the FED raise interest rates two times during the year. After all, Turkey evaluating this category and optimism for the developing countries has begun to increase. In this context, the foreign capital inflow to Turkey is expected to be fast. It is expected 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.

Although the Turkey markets, has made a good start to 2018, then was adversely affected by developments in the global economy. While bond interest rates are increasing, TL have lost its value. Economy management has introduced incentive packages and made necessary legal amendments in order to make plans for stable growth and to support strategic sectors. 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.