

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

**PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS
TOGETHER WITH REVIEW REPORT
AT 30 JUNE 2016**

**(Convenience Translation of Publicly Announced Consolidated
Financial Statements and Review Report
Originally Issued in Turkish,
See in Note I. of Section Three)**

INTERIM REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor’s report originally issued in Turkish, See Note I of Section three)

To the Board of Directors of Türkiye Cumhuriyeti Ziraat Bankası A.Ş.:

Introduction

We have reviewed the consolidated balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“the Bank”) and its consolidated subsidiaries at 30 June 2016 and the related consolidated income statement, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as “BRSA Accounting and Reporting Legislation”) and Turkish Accounting Standard 34 “Interim Financial Reporting” for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards of Turkey 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.

Basis for the Qualified Conclusion

As mentioned in Section II. Note 7.d1 of Explanations and Notes to the Consolidated Financial Statements; as of the balance sheet date at 30 June 2016, the accompanying consolidated financial statements include a free provision amounting to TL 1.025.000 thousands (TL 215.400 thousand of this provision amount was reversed from the income statement in the current year), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions.

Qualified Conclusion

Based on our review, except for the effect of the matter on the financial statements described in the basis for the qualified conclusion paragraph nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and its consolidated subsidiaries at 30 June 2016 and of the results of its operations and its cash flows for the six-month period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on Other Responsibilities Arising From Regulatory Requirements

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

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Didem Demer Kaya, SMMM
Partner

Istanbul, 9 August 2016

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

**THE CONSOLIDATED INTERIM FINANCIAL REVIEW REPORT OF
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 30 JUNE 2016**

The Parent Bank's Headquarter Address: Anafartalar Mahallesi Atatürk Bulvarı
No: 8 06050-Altındağ/ANKARA
Phone: (312) 584 20 00
Facsimile: (312) 584 49 63
Website: www.ziraatbank.com.tr

The consolidated financial report for six 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 PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- EXPLANATIONS ON REVIEW REPORT
- EXPLANATIONS ON THE INTERIM REPORT

Within the framework of this financial report, our consolidated financial statements of subsidiaries, associates and jointly controlled entities are as follows:

DOMESTIC JOINT VENTURES

Ziraat Hayat ve Emeklilik A.Ş.
Ziraat Sigorta A.Ş.
Ziraat Finansal Kiralama A.Ş.
Ziraat Yatırım Menkul Değerler A.Ş.
Ziraat Portföy Yönetimi A.Ş.
Ziraat Katılım Bankası A.Ş.

ASSOCIATES

Arap Türk Bankası A.Ş.

FOREIGN JOINT VENTURES

Ziraat Bank International A.G.
Ziraat Bank BH d.d.
Ziraat Bank (Moscow) JSC
Kazakistan Ziraat Int. Bank
Ziraat Bank Azerbaycan ASC
Ziraat Bank Montenegro AD

SUBSIDIARIES

Turkmen Turkish Joint Stock Commercial Bank
UTBANK JSC

The accompanying consolidated financial statements for six 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.

Muharrem KARSLI
Chairman of the Board,
Member of the Audit Committee

Hüseyin AYDIN
Member of the Board,
CEO

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

Peyami Ömer ÖZDİLEK
Financial Coordination
Executive Vice President

Atakan BEKTAŞ
Senior Vice President
of Financial Reporting and
Budget Management

For the questions regarding this financial report, contact details of the personnel in charge are presented below:

Name/Title : Serkan ÖZKAN / Financial Statements Manager
Telephone Number : 0312 584 59 32
Facsimile Number : 0312 584 59 38

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION ONE

GENERAL INFORMATION ABOUT THE GROUP

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

The foundation of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“Ziraat Bankası” or “the Parent Bank”) is based on Government Funds established in 1863. In 1883, Government Funds were replaced with Benefit Funds. The Bank was officially established by the re-organization of the Benefit Funds in 1888, to grant loans to farmers, to accept interest-bearing deposits and to act as a moneylender and an intermediary for agricultural operations. The Bank, which was given the authority to perform all the banking activities, has its head office located in Ankara and all shares of the Bank belong to the Treasury.

II. EXPLANATION ABOUT THE PARENT BANK’S CAPITAL STRUCTURE, SHAREHOLDERS OF THE BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THE BANK BELONGS TO

The sole shareholder of the Parent Bank is the Republic of Turkey Prime Ministry Undersecretariat of Treasury (“Treasury”).

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2016**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

GENERAL INFORMATION ABOUT THE GROUP (Continued)

III. INFORMATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, CEO AND EXECUTIVE VICE PRESIDENT, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE PARENT BANK THEY POSSESS

Name	Administrative Function
Members of the Board of Directors	
Muharrem KARSLI	Chairman
Hüseyin AYDIN	CEO and Member
Yusuf DAĞCAN	Vice Chairman and Member
Cemalettin BAŞLI	Member
Feyzi ÇUTUR	Member
Mehmet Hamdi YILDIRIM	Member
Metin ÖZDEMİR	Member
Mustafa ÇETİN	Member
Salim ALKAN	Member
Audit Committee Members	
Muharrem KARSLI	Member
Feyzi ÇUTUR	Member
Executive Vice Presidents	
Alpaslan ÇAKAR	Chain of Distribution Management
Bilgehan KURU	Treasury and International Banking
Bülent SUER	Operational Transactions
Mehmet Cengiz GÖĞEBAKAN	Loan Policies
Musa ARDA	Loan Allocation and Management
Ömer Muzaffer BAKTIR	Marketing
Peyami Ömer ÖZDİLEK	Financial Coordination
Yüksel CESUR	Internal Systems

The directors above-mentioned do not retain any shares of the Parent Bank’s capital.

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

Name/Trade Name	Amount of Share	Percentage of Share %	Paid-in Shares	Unpaid Shares
Treasury	5.100.000	100	5.100.000	-

The sole shareholder of the Parent Bank is the Treasury.

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2016

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

GENERAL INFORMATION ABOUT THE GROUP (Continued)

V. SUMMARY INFORMATION ON THE PARENT BANK’S ACTIVITIES AND SERVICES

The purpose of activity of the Parent Bank is stated in articles of association as to perform all kinds of banking activities including acceptance of deposits. For this purpose, the Parent Bank can perform all sorts of operations, without prejudice to the provisions of the banking regulations and other legislations, such as launching all kinds of cash and non-cash loans in terms of Turkish Lira and foreign currencies, acting as an intermediary in trade and issue of the financial instruments that are used in local and international markets, performing investment banking transactions, forwards dealing in domestic and foreign futures markets, providing funds from interbank money market, domestic and foreign markets, making all kinds of capital market transactions, acting as an intermediary in export and import transactions, acting as an agency for insurance and other financial institutions, participating in all sort of partnership that is founded by domestic or foreign banks or participated by them within the terms of the related legislation or establishing new partnerships for this purpose, performing all kinds of conservative transactions, such as; acquiring limited real and personal claims like all kinds of movable and immovable goods, industrial and intellectual properties, right of usufruct, easement, superficies and disposing and transferring acquired properties and rights, placing pledge and mortgage on those properties and rights, releasing pledged and mortgaged items and declaring leasing agreements and sale commitments to the Registry Office.

As of 30 June 2016, Bank carries its activities with a grand total of 1.811 branches; 1.785 domestic branches including 21 corporate branches, 79 entrepreneurial branches, 80 dynamic entrepreneurial branches, 1.600 branches and 5 mobile branches (31 December 2015: 1.786 domestic branches including 1.596 branches, 22 corporate branches, 80 entrepreneurial branches, 83 dynamic entrepreneurial branches, 5 mobile branches) and 26 branches abroad including 22 branches and 4 sub branches (New York branch in United States, London branch in England, Tbilisi branch and Batumi sub branch in Georgia, Baghdad and Arbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina in Kosovo, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Akdoğan, Near East University, Karaoğlanoğlu, Karakum and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has 1 representative office in Tehran, Iran. Besides Marneuli sub branch in Georgia began its operations as of July 18, 2016.

The Parent Bank signed a contract with T. İş Bankası A.Ş. on 22 January 2007 to provide longer installment plan and bonus points to their credit card users and benefit from all the advantages within Maximum credit card at merchants that are a part of Maximum plan. Also with this contract the Bank has the right to register members for Maximum. Transactions between the two banks are administered by Interbank Card Center.

Başakkart is a bank card through which demand deposit accounts and agricultural loan accounts can be linked. Bank can associate Başakkart with enterprise loans below TL 100 and agricultural loan limits in line with the demands of the customers. All limits of loan accounts assigned to the Başakkart can be used via POS machines of the Bank in Başakkart Member Business points for the purchase of agricultural inputs (feed, grain, fuel, etc.). According to preferences of customers, maximum 90% of cash limits of loan accounts can be used through the branches/ATMs of the Bank. Repayments regarding the transactions with Başakkart can be made through the branches of the Bank. Agricultural products/services obtained by using Başakkart are repaid without any interest charge within the time periods defined by the Bank.

The Parent Bank and subsidiaries consolidated with the Parent Bank are together referred as the “Group”.

As of 30 June 2016, the number of the Group’s employees is 27.458 (31 December 2015: 27.397).

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2016

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

GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

According to Communiqué regarding the Preparation of the Consolidated Financial Statements and Turkish Accounting Standards, Araptürk Bankası A.Ş, one of the associates of the Parent Bank, and Turkmen Turkish Joint Stock Commercial Bank, UTBANK JSC (formerly named as “Uzbekistan-Turkish Bank”) entities under common control are consolidated through “Equity Method” in accompanying consolidated financial statements of the Bank.

Ziraat Teknoloji A.Ş., which is subsidiary of the Bank, is not consolidated into the Bank’s consolidated financial statements in accordance with Communiqué of the Preparation Consolidated Financial Statements since this entity is not financial institution. Kredi Kayıt Bürosu and Bankalararası Kart Merkezi which are associates of the bank are not consolidated but carried at cost since these entities are not controlled by the Bank and are not financial companies.

All other subsidiaries are fully consolidated.

VII. EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES TO IMMEDIATE TRANSFER OF SHAREHOLDER’S EQUITY, OR REPAYMENT OF DEBT BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES

None.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 JUNE 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	Current Period (30/06/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
ASSETS							
I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	4.632.631	34.617.792	39.250.423	4.102.225	32.832.452	36.934.677
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	772.382	322.999	1.095.381	687.695	284.571	972.266
2.1 Financial Assets Held for Trading		772.382	322.999	1.095.381	687.695	284.571	972.266
2.1.1 Public Sector Debt Securities		54.065	7.652	61.717	35.031	4.377	39.408
2.1.2 Securities Representing a Share in Capital		2	-	2	580	-	580
2.1.3 Derivative Financial Assets Held for Trading		718.315	315.347	1.033.662	652.084	280.194	932.278
2.1.4 Other Marketable Securities		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	(3)	1.607.085	2.210.687	3.817.772	1.911.314	3.054.377	4.965.691
IV. MONEY MARKET PLACEMENTS		24.192	89.339	113.531	50.408	65.765	116.173
4.1 Interbank Money Market Placements		-	30.943	30.943	-	48.732	48.732
4.2 Istanbul Stock Exchange Money Market Placements		19.005	-	19.005	41.143	-	41.143
4.3 Receivables from Reverse Repurchase Agreements		5.187	58.396	63.583	9.265	17.033	26.298
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	43.943.366	12.908.391	56.851.757	42.359.768	11.677.170	54.036.938
5.1 Securities Representing a Share in Capital		108.584	400.399	508.983	108.407	500.274	608.681
5.2 Public Sector Debt Securities		43.600.879	12.412.151	56.013.030	42.100.780	11.067.797	53.168.577
5.3 Other Marketable Securities		233.903	95.841	329.744	150.581	109.099	259.680
VI. LOANS AND RECEIVABLES	(5)	155.172.176	54.578.084	209.750.260	142.067.085	50.441.311	192.508.396
6.1 Loans and Receivables		154.908.375	54.578.084	209.486.459	141.197.622	50.429.880	191.627.502
6.1.1 Loans Granted to Risk Group of The Bank		-	21.911	21.911	-	25.125	25.125
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		154.908.375	54.556.173	209.464.548	141.197.622	50.404.755	191.602.377
6.2 Loans under Follow-up		3.438.368	99.742	3.538.110	3.129.083	93.617	3.222.700
6.3 Specific Provisions (-)		3.174.567	99.742	3.274.309	2.259.620	82.186	2.341.806
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENTS HELD TO MATURITY (Net)	(6)	4.646.685	5.138.081	9.784.766	4.567.447	5.656.028	10.223.475
8.1 Public Sector Debt Securities		4.590.641	5.127.155	9.717.796	4.533.588	5.613.041	10.146.629
8.2 Other Marketable Securities		56.044	10.926	66.970	33.859	42.987	76.846
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	100.942	826	101.768	98.927	1.914	100.841
9.1 Accounted with Equity Method		94.876	-	94.876	92.861	-	92.861
9.2 Unconsolidated Associates		6.066	826	6.892	6.066	1.914	7.980
9.2.1 Financial Associates		-	-	-	-	1.097	1.097
9.2.2 Non-financial Associates		6.066	826	6.892	6.066	817	6.883
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	7.507	-	7.507	7.457	-	7.457
10.1 Unconsolidated Financial Subsidiaries		1.270	-	1.270	1.220	-	1.220
10.2 Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237	6.237	-	6.237
XI. ENTITIES UNDER COMMON CONTROL (Net)	(9)	-	81.587	81.587	-	77.771	77.771
11.1 Accounted with Equity Method		-	81.587	81.587	-	77.771	77.771
11.2 Unconsolidated Entities Under Common Control		-	-	-	-	-	-
11.2.1 Financial Entities Under Common Control		-	-	-	-	-	-
11.2.2 Non Financial Entities Under Common Control		-	-	-	-	-	-
XII. RECEIVABLES FROM LEASING TRANSACTIONS	(10)	567.089	1.725.624	2.292.713	594.625	1.768.777	2.363.402
12.1 Finance Lease Receivables		682.433	1.956.537	2.638.970	728.968	2.014.538	2.743.506
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		115.344	230.913	346.257	134.343	245.761	380.104
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1 Fair Value Hedges		-	-	-	-	-	-
13.2 Cash Flow Hedges		-	-	-	-	-	-
13.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(14)	4.812.590	106.624	4.919.214	4.874.436	83.248	4.957.684
XV. INTANGIBLE ASSETS (Net)		283.163	24.950	308.113	232.759	13.358	246.117
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		283.163	24.950	308.113	232.759	13.358	246.117
XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-	-	-	-
XVII. TAX ASSET		33.354	2.649	36.003	271.567	1.091	272.658
17.1 Current Tax Asset		2.520	2.649	5.169	4.740	1.091	5.831
17.2 Deferred Tax Asset		30.834	-	30.834	266.827	-	266.827
XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	286.042	-	286.042	241.558	-	241.558
18.1 Held for Sale		286.042	-	286.042	241.558	-	241.558
18.2 Held from Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS		1.864.880	1.316.880	3.181.760	1.385.582	857.132	2.242.714
TOTAL ASSETS		218.754.084	113.124.513	331.878.597	203.452.853	106.814.965	310.267.818

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 JUNE 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	Current Period (30/06/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES AND EQUITY					
I. DEPOSITS	(1)	130.780.990	71.008.634	201.789.624	120.975.369	69.944.728	190.920.097
1.1 Deposits Held By the Risk Group of the Bank		45.621	16.222	61.843	27.015	11.370	38.385
1.2 Other		130.735.369	70.992.412	201.727.781	120.948.354	69.933.358	190.881.712
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	71.583	954.806	1.026.389	28.659	271.523	300.182
III. FUNDS BORROWED	(3)	1.370.667	19.950.907	21.321.574	1.213.775	19.573.628	20.787.403
IV. MONEY MARKET BALANCES		30.164.330	15.092.584	45.256.914	28.389.499	14.744.813	43.134.312
4.1 Interbank Money Market Borrowings		450.000	-	450.000	1.100.000	-	1.100.000
4.2 Istanbul Stock Exchange Takasbank Borrowings		-	-	-	-	-	-
4.3 Funds Provided under Repurchase Agreements		29.714.330	15.092.584	44.806.914	27.289.499	14.744.813	42.034.312
V. MARKETABLE SECURITIES ISSUED (Net)		2.272.179	3.963.654	6.235.833	2.331.124	3.088.273	5.419.397
5.1 Bills		2.140.465	136.615	2.277.080	2.199.333	756.233	2.955.566
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		131.714	3.827.039	3.958.753	131.791	2.332.040	2.463.831
VI. FUNDS		6.078.312	-	6.078.312	5.931.129	-	5.931.129
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		6.078.312	-	6.078.312	5.931.129	-	5.931.129
VII. MISCELLANEOUS PAYABLES		2.010.184	795.951	2.806.135	1.509.413	869.723	2.379.136
VIII. OTHER LIABILITIES	(4)	2.930.818	503.926	3.434.744	2.053.649	414.619	2.468.268
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. PAYABLES FROM LEASING TRANSACTIONS (Net)	(5)	-	-	-	-	-	-
10.1 Finance Lease Payables		-	-	-	-	-	-
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(6)	-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XII. PROVISIONS	(7)	6.470.798	113.950	6.584.748	6.272.108	93.629	6.365.737
12.1 General Provisions		3.104.766	40.062	3.144.828	2.871.184	54.634	2.925.818
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		984.923	1.244	986.167	858.476	1.823	860.299
12.4 Insurance Technical Reserves (Net)		1.157.864	-	1.157.864	1.097.588	-	1.097.588
12.5 Other Provisions		1.223.245	72.644	1.295.889	1.444.860	37.172	1.482.032
XIII. TAX LIABILITY	(8)	1.069.767	3.477	1.073.244	801.633	7.582	809.215
13.1 Current Tax Liability		1.069.767	1.609	1.071.376	800.981	5.877	806.858
13.2 Deferred Tax Liability		-	1.868	1.868	652	1.705	2.357
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(9)	-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Held from Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(10)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(11)	35.078.251	1.192.829	36.271.080	30.874.192	878.750	31.752.942
16.1 Paid-in Capital		5.100.000	-	5.100.000	5.000.000	-	5.000.000
16.2 Capital Reserves		3.130.736	1.192.829	4.323.565	2.162.865	878.750	3.041.615
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(281.783)	1.185.078	903.295	(1.376.470)	871.303	(505.167)
16.2.4 Tangible Assets Revaluation Reserves		3.525.149	7.751	3.532.900	3.607.167	7.447	3.614.614
16.2.5 Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6 Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7 Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17.388	-	17.388	17.388	-	17.388
16.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other Capital Reserves		(130.018)	-	(130.018)	(85.220)	-	(85.220)
16.3 Profit Reserves		22.825.720	-	22.825.720	18.146.025	-	18.146.025
16.3.1 Legal Reserves		3.380.993	-	3.380.993	3.061.444	-	3.061.444
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		18.019.392	-	18.019.392	13.659.246	-	13.659.246
16.3.4 Other Profit Reserves		1.425.335	-	1.425.335	1.425.335	-	1.425.335
16.4 Profit or Loss		4.020.645	-	4.020.645	5.564.157	-	5.564.157
16.4.1 Prior Years Profit/Loss		615.126	-	615.126	186.366	-	186.366
16.4.2 Net Period Profit/Loss		3.405.519	-	3.405.519	5.377.791	-	5.377.791
16.5 Minority Shares		1.150	-	1.150	1.145	-	1.145
TOTAL LIABILITIES AND EQUITY		218.297.879	113.580.718	331.878.597	200.380.550	109.887.268	310.267.818

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS OF 30 JUNE 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

II.	CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (30/06/2016)			Prior Period (31/12/2015)		
			TL	FC	Total	TL	FC	Total
			A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		49.570.746	114.287.502	163.858.248
I.	GUARANTEES AND WARRANTIES	(I)	23.597.229	46.002.602	69.599.831	19.789.565	41.101.309	60.890.874
1.1	Letters of Guarantee		23.502.979	33.982.389	57.485.368	19.689.042	30.018.744	49.707.786
1.1.1	Guarantees Subject to State Tender Law		1.426.121	6.769.586	8.195.707	1.182.000	5.742.948	6.924.948
1.1.2	Guarantees Given for Foreign Trade Operations		20.031.703	26.618.558	46.650.261	17.004.896	23.740.445	40.745.341
1.1.3	Other Letters of Guarantee		2.045.155	594.245	2.639.400	1.502.146	535.351	2.037.497
1.2	Bank Acceptances		33.465	4.163.501	4.196.966	12.965	4.181.142	4.194.107
1.2.1	Import Letter of Acceptance		33.465	4.163.173	4.196.638	12.965	4.173.792	4.186.757
1.2.2	Other Bank Acceptances		-	328	328	-	7.350	7.350
1.3	Letters of Credit		58.364	7.565.420	7.623.784	87.558	6.869.898	6.957.456
1.3.1	Documentary Letters of Credit		58.364	7.526.652	7.585.016	87.558	6.831.047	6.918.605
1.3.2	Other Letters of Credit		-	38.768	38.768	-	38.851	38.851
1.4	Pre-financing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		2.421	291.292	293.713	-	31.525	31.525
1.9	Other Collaterals		-	-	-	-	-	-
II.	COMMITMENTS	(I)	17.791.612	8.952.437	26.744.049	16.023.661	4.062.087	20.085.748
2.1	Irrevocable Commitments		17.755.493	8.890.783	26.646.276	16.009.885	3.932.546	19.942.431
2.1.1	Asset Purchase and Sale Commitments		1.134.330	6.563.398	7.697.728	153.461	1.695.131	1.848.592
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		3.006.404	226.094	3.232.498	2.693.280	314.414	3.007.694
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		3.148.288	10	3.148.298	3.079.620	10	3.079.630
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	27	-	27
2.1.9	Commitments for Credit Card Limits		6.970.172	1.127	6.971.299	7.130.144	1.130	7.131.274
2.1.10	Commitments for Credit Cards and Banking Services Promotions		23.361	-	23.361	20.185	-	20.185
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		3.472.938	2.100.154	5.573.092	2.933.168	1.921.861	4.855.029
2.2	Revocable Commitments		36.119	61.654	97.773	13.776	129.541	143.317
2.2.1	Revocable Loan Granting Commitments		-	7.447	7.447	-	4.898	4.898
2.2.2	Other Revocable Commitments		36.119	54.207	90.326	13.776	124.643	138.419
III.	DERIVATIVE FINANCIAL INSTRUMENTS		8.181.905	59.332.463	67.514.368	3.178.658	55.337.129	58.515.787
3.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Transactions		8.181.905	59.332.463	67.514.368	3.178.658	55.337.129	58.515.787
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.307.840	3.328.507	4.636.347	1.301.255	4.034.444	5.335.699
3.2.1.1	Forward Foreign Currency Transactions-Buy		665.497	1.651.392	2.316.889	659.599	2.010.626	2.670.225
3.2.1.2	Forward Foreign Currency Transactions-Sell		642.343	1.677.115	2.319.458	641.656	2.023.818	2.665.474
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		6.874.065	56.000.815	62.874.880	1.864.357	51.259.311	53.123.668
3.2.2.1	Foreign Currency Swap-Buy		4.793.585	23.511.011	28.304.596	482.054	23.157.990	23.640.044
3.2.2.2	Foreign Currency Swap-Sell		2.080.480	26.276.408	28.356.888	1.382.303	21.865.695	23.247.998
3.2.2.3	Interest Rate Swap-Buy		-	3.106.698	3.106.698	-	3.117.813	3.117.813
3.2.2.4	Interest Rate Swap-Sell		-	3.106.698	3.106.698	-	3.117.813	3.117.813
3.2.3	Foreign Currency, Interest rate and Securities Options		-	3.141	3.141	13.046	43.374	56.420
3.2.3.1	Foreign Currency Options-Buy		-	1.581	1.581	6.523	21.687	28.210
3.2.3.2	Foreign Currency Options-Sell		-	1.560	1.560	6.523	21.687	28.210
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		710.855.715	107.009.077	817.864.792	651.413.498	103.351.722	754.765.220
IV.	ITEMS HELD IN CUSTODY		96.717.218	12.260.442	108.977.660	87.806.488	11.305.131	99.111.619
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		30.806.289	4.819.834	35.626.123	30.615.944	4.389.662	35.005.606
4.3	Checks Received for Collection		5.828.516	436.828	6.265.344	4.604.119	344.759	4.948.878
4.4	Commercial Notes Received for Collection		6.312.941	592.768	6.905.709	4.785.677	309.112	5.094.789
4.5	Other Assets Received for Collection		8.903	-	8.903	8.934	-	8.934
4.6	Assets Received for Public Offering		49.905.435	5.264	49.910.699	44.394.987	10.431	44.405.418
4.7	Other Items Under Custody		3.852.935	6.399.200	10.252.135	3.394.628	6.246.167	9.640.795
4.8	Custodians		2.199	6.548	8.747	2.199	5.000	7.199
V.	PLEDGES RECEIVED		613.544.287	93.163.546	706.707.833	563.004.107	90.760.553	653.764.660
5.1	Marketable Securities		1.439.299	31.312	1.470.611	938.313	28.100	966.413
5.2	Guarantee Notes		14.226.876	2.041.001	16.267.877	13.252.277	2.088.733	15.341.010
5.3	Commodity		1.325.869	59.066	1.384.935	1.158.807	18.248	1.177.055
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		543.516.679	70.712.986	614.229.665	500.207.394	68.056.740	568.264.134
5.6	Other Pledged Items		53.030.355	20.308.658	73.339.013	47.442.107	20.558.160	68.000.267
5.7	Pledged Items-Depository		5.209	10.523	15.732	5.209	10.572	15.781
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		594.210	1.585.089	2.179.299	602.903	1.286.038	1.888.941
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			760.426.461	221.296.579	981.723.040	690.405.382	203.852.247	894.257.629

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS'
EQUITY AS OF 30 JUNE 2016

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

III. CONSOLIDATED STATEMENT OF INCOME					
INCOME AND EXPENSE ITEMS	Note (Section Five IV)	Current Period 01/01-30/06/2016	Prior Period 01/01-30/06/2015	Current Period 01/04-30/06/2016	Prior Period 01/04-30/06/2015
I. INTEREST INCOME	(1)	13.374.277	10.672.966	6.736.421	5.588.816
1.1 Interest Income from Loans		10.324.842	7.781.162	5.308.010	4.031.144
1.2 Interest Income from Reserve Deposits		89.359	13.827	44.211	10.042
1.3 Interest Income from Banks		109.700	95.607	54.134	50.735
1.4 Interest Income from Money Market Placements		5.129	1.625	2.585	842
1.5 Interest Income from Marketable Securities		2.734.562	2.654.279	1.271.847	1.445.192
1.5.1 Financial Assets Held for Trading		1.392	752	580	449
1.5.2 Financial Assets at Fair Value through Profit and Loss		6.730	6.714	38	1.120
1.5.3 Financial Assets Available-for-Sale		2.321.732	2.249.080	1.083.618	1.224.612
1.5.4 Investments Held-to-Maturity		404.708	397.733	187.611	219.011
1.6 Finance Lease Income		85.988	72.237	42.395	36.967
1.7 Other Interest Income		24.697	54.229	13.239	13.894
II. INTEREST EXPENSES	(2)	6.644.489	5.458.990	3.316.577	2.834.452
2.1 Interest Expense on Deposits		4.873.283	4.123.742	2.457.994	2.126.933
2.2 Interest on Borrowings		231.173	202.630	120.834	110.260
2.3 Interest on Money Market Borrowings		1.318.108	954.741	627.158	526.653
2.4 Interest on Marketable Securities Issued		182.980	128.556	96.745	65.850
2.5 Other Interest Expense		38.945	49.321	13.846	4.756
III. NET INTEREST INCOME/EXPENSES (I - II)		6.729.788	5.213.976	3.419.844	2.754.364
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		718.859	588.067	365.089	283.990
4.1 Fees and Commissions Received		905.011	744.217	454.102	383.592
4.1.1 Non-cash Loans		173.520	113.851	90.823	61.436
4.1.2 Other	(12)	731.491	630.366	363.279	322.156
4.2 Fees and Commissions Paid		186.152	156.150	89.013	99.602
4.2.1 Non-cash Loans		475	70	414	60
4.2.2 Other		185.677	156.080	88.599	99.542
V. DIVIDEND INCOME		31.835	5.562	30.949	5.189
VI. TRADING PROFIT/LOSS (Net)	(3)	(72.921)	(77.082)	(78.067)	(69.007)
6.1 Profit/Loss from Capital Market Operations		17.806	59.337	11.929	16.310
6.2 Profit/losses on Derivative Financial Transactions	(4)	(236.587)	(823.525)	(948.573)	707.403
6.3 Profit/Loss from Foreign Exchanges		145.860	687.106	858.577	(792.720)
VII. OTHER OPERATING INCOME	(5)	1.665.695	1.197.833	994.247	561.381
VIII. TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)		9.073.256	6.928.356	4.732.062	3.535.917
IX. PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)	(6)	1.524.961	970.379	1.017.831	503.902
X. OTHER OPERATING EXPENSES(-)	(7)	3.285.875	2.811.367	1.601.084	1.433.393
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		4.262.420	3.146.610	2.113.147	1.598.622
XII. GAINS RECORDED AFTER MERGER		-	-	-	-
XIII. PROFIT/LOSS ON EQUITY METHOD		10.908	10.852	6.021	6.486
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(8)	4.273.328	3.157.462	2.119.168	1.605.108
PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(9)	(867.714)	(745.482)	(383.035)	(369.719)
16.1 Current Tax Provision		(1.182.922)	(268.219)	(595.798)	(244.128)
16.2 Deferred Tax Provision		315.208	(477.263)	212.763	(125.591)
XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(10)	3.405.614	2.411.980	1.736.133	1.235.389
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
18.1 Income from Non-current Assets Held for Sale		-	-	-	-
Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-
18.2 Other Income from Discontinued Operations		-	-	-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
19.1 Expenses for Non-current Assets Held for Sale		-	-	-	-
Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-
19.2 Other Expenses from Discontinued Operations		-	-	-	-
XX. PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-	-	-
PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-	-	-
21.1 Current tax provision		-	-	-	-
21.2 Deferred tax provision		-	-	-	-
NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-	-	-
XXII. NET PROFIT/LOSSES (XVII+XXII)	(11)	3.405.614	2.411.980	1.736.133	1.235.389
23.1 Group's Profit/Loss		3.405.519	2.411.888	1.736.092	1.235.344
23.2 Minority Shares Profit/Loss		95	92	41	45
Earnings/Loss per Share		0,673	0,480	0,343	0,246

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS'
EQUITY AS OF 30 JUNE 2016**

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

IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Current Period (30/06/2016)	Prior Period (30/06/2015)
I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	1.941.212	(1.800.011)
II. TANGIBLE ASSETS	(27.970)	(14.355)
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	14.040	25.872
V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)	-	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	(55.997)	19.304
IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(550.712)	420.128
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	1.320.573	(1.349.062)
XI. CURRENT YEAR PROFIT/LOSS	3.405.614	2.411.980
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	17.806	59.337
11.2 Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3 Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4 Other	3.387.808	2.352.643
	-	-
XII. TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	4.726.187	1.062.918

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 JUNE 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																				
		Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity	
30 June 2015																				
I.	Balances at beginning of the period		2.500.000	543.482	-	-	2.852.218	-	11.880.556	850.461	-	4.495.841	1.841.393	3.634.310	17.388	-	-	1.383	28.617.032	
II.	Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies (*)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted balances at beginning of the period (I+II)		2.500.000	543.482	-	-	2.852.218	-	11.880.556	850.461	-	4.495.841	1.841.393	3.634.310	17.388	-	-	1.383	28.617.032	
Changes During the Period																				
IV.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable Securities Valuation Differences		-	-	-	-	25.706	-	-	-	-	-	(1.401.350)	-	-	-	-	(378)	(1.376.022)	
VI.	Hedging Funds (Active Part)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	(14.355)	-	-	-	-	(14.355)	
VIII.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign Exchange Differences		-	-	-	-	7.133	-	-	-	-	-	18.739	-	-	-	-	-	-	25.872
XI.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Increase in Capital		2.500.000	(543.482)	-	-	-	-	(1.281.518)	-	-	-	-	-	-	-	-	-	-	675.000
14.1	Cash		675.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	675.000
14.2	From Internal Resources		1.825.000	(543.482)	-	-	-	-	(1.281.518)	-	-	-	-	-	-	-	-	-	-	-
XV.	Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other ⁽¹⁾		-	-	-	-	-	-	-	15.443	-	(244.104)	-	-	-	-	-	425	(228.236)	
XIX.	Net Profit or Losses		-	-	-	-	-	-	-	-	2.411.888	-	-	-	-	-	-	92	2.411.980	
XX.	Profit Distribution		-	-	-	-	195.860	-	3.041.293	503.356	-	(4.050.509)	-	-	-	-	-	-	(310.000)	
20.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	(310.000)	-	-	-	-	-	-	-	(310.000)
20.2	Transfers to Legal Reserves		-	-	-	-	195.860	-	3.041.293	503.356	-	(3.740.509)	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the End of the Period (I+II+III+.....+ XIX+XX)			5.000.000	-	-	-	3.080.917	-	13.640.331	1.369.260	2.411.888	201.228	458.782	3.619.955	17.388	-	-	1.522	29.801.271	

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 JUNE 2016

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY																			
		Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
30 June 2016																			
I.	Balance at the Beginning of the Period		5.000.000	-	-	-	3.061.444	-	13.659.246	1.340.115	5.377.791	186.366	(505.167)	3.614.614	17.388	-	-	1.145	31.752.942
	Changes During the Period																		
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	21.498	-	-	-	-	-	-	1.410.149	-	-	-	-	1.398	1.433.045
IV.	Hedging Funds (Active Part)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	(81.714)	-	-	-	-	(81.714)
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	15.727	-	-	-	-	-	-	(1.687)	-	-	-	-	-	14.040
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Increase in Capital		100.000	-	-	-	-	-	(28.000)	-	-	-	-	-	-	-	-	-	72.000
12.1	Cash		72.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72.000
12.2	From Internal Resources		28.000	-	-	-	-	-	(28.000)	-	-	-	-	-	-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other ⁽¹⁾		-	-	-	-	-	-	-	(44.798)	-	213.439	-	-	-	-	-	(1.488)	167.153
XVII.	Net Profit or Losses		-	-	-	-	-	-	-	-	3.405.519	-	-	-	-	-	-	95	3.405.614
XVIII.	Profit Distribution		-	-	-	-	282.324	-	4.388.146	-	(5.377.791)	215.321	-	-	-	-	-	-	(492.000)
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	(492.000)	-	-	-	-	-	-	(492.000)
18.2	Transfers to Legal Reserves		-	-	-	-	282.324	-	4.388.146	-	(5.377.791)	707.321	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the End of the Period (I+II+III+.....+XVI+XVII+XVIII)		5.100.000	-	-	-	3.380.993	-	18.019.392	1.295.317	3.405.519	615.126	903.295	3.532.900	17.388	-	-	1.150	36.271.080

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30 JUNE 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS			
	Note (Section Five VI)	Current Period 01/01-30/06/2016	Prior Period 01/01-30/06/2015
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		3.293.285	3.005.279
1.1.1 Interest Received		11.556.894	11.267.122
1.1.2 Interest Paid		(6.521.539)	(5.227.633)
1.1.3 Dividend Received		31.828	5.053
1.1.4 Fees and Commissions Received		904.737	744.636
1.1.5 Other Income		691.074	1.334.078
1.1.6 Collections from Previously Written-off Loans and Other Receivables		569.674	699.919
1.1.7 Payments to Personnel and Service Suppliers		(1.249.329)	(1.088.779)
1.1.8 Taxes Paid		(1.143.165)	(709.619)
1.1.9 Other		(1.546.889)	(4.019.498)
1.2 Changes in Operating Assets and Liabilities		(1.865.457)	862.613
1.2.1 Net (Increase)/Decrease in Trading Securities		(19.902)	(23.916)
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	36
1.2.3 Net (Increase)/Decrease in Banks		(348.988)	(5.321.384)
1.2.4 Net (Increase)/Decrease in Loans		(16.546.494)	(26.682.852)
1.2.5 Net (Increase)/Decrease in Other Assets		(510.609)	(260.192)
1.2.6 Net Increase/(Decrease) in Bank Deposits		2.253.555	5.485.577
1.2.7 Net Increase/(Decrease) in Other Deposits		10.619.098	21.636.820
1.2.8 Net Increase/(Decrease) in Funds Borrowed		530.696	4.725.390
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		2.157.187	1.303.134
I. Net Cash Provided from Banking Operations		1.427.828	3.867.892
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net Cash Provided from Investing Activities		(1.672.778)	(2.504.229)
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		-	-
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3 Fixed Assets Purchases		(99.268)	(287.620)
2.4 Fixed Assets Sales		199.891	3.859
2.5 Cash for Purchase of Financial Assets Available for Sale		(6.665.439)	(10.727.178)
2.6 Cash Obtained from Sale of financial Assets Available for Sale		5.892.610	11.583.571
2.7 Cash Paid for Purchase of Investment Securities		(64.461)	(206.542)
2.8 Cash Obtained from Sale of Investment Securities		450.037	1.079.951
2.9 Other		(1.386.148)	(3.950.270)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from Financing Activities		1.112.158	4.812
3.1 Cash from Funds Borrowed and Securities Issued		3.153.088	2.578.931
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(1.809.730)	(2.302.161)
3.3 Marketable Securities Issued		-	-
3.4 Dividends Paid		(231.200)	(271.958)
3.5 Payments for Finance Leases		-	-
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		(42.049)	396.185
V. Net Decrease/Increase in Cash and Cash Equivalents (I+II+III+IV)		825.159	1.764.660
VI. Cash and Cash Equivalents at the Beginning of the Period		9.118.137	6.445.194
VII. Cash and Cash Equivalents at the End of the Period		9.943.296	8.209.854

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2016

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency 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 “Interim Financial Reporting” 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 consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in the Official Gazette No. 28337, dated 28 June 2012 and amendments to these Communiqué. The Parent bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

Financial statements of subsidiaries in abroad are prepared in accordance with prevalent law and legislation in their country, adjustments and reclassifications are reflected on the purpose of fair presentation pursuant to IFRS.

The consolidated financial statements have been prepared in thousands of Turkish Lira (TL), under the historical cost convention as modified in accordance with inflation adjustments applied until 31 December 2004, except for the financial assets and liabilities carried at fair value.

Consolidated balance sheet and consolidated statement of off-balance sheet commitments as of 30 June 2016 are presented comparatively with independently audited balances as of 31 December 2015 while consolidated income statement, consolidated statement of income and expense items accounted under shareholders’ equity, consolidated statement of cash flows and consolidated statement of changes in shareholders’ equity are presented comparatively with balances as of 30 June 2015.

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

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

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

Additional paragraph for convenience translation into English:

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2016

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

Moreover, the Parent Bank adopts high return principle for its long-term placements.

Loans and securities are instruments from which the Parent Bank gets returns above the average returns within its lines of activity. Letter of guarantees, bank loans, commercial letter of credits, repayment commitments for cheques and expense limit commitments for credit cards are the most important risk areas within the off-balance sheet accounts.

Since the Parent Bank’s total debt to the market is low among its total liabilities, the Parent Bank can borrow easily from short-term markets, such as; Borsa Istanbul (“BIST”), Central Bank of the Republic of Turkey, Money Market or Interbank Money Market in case of need. In case of a liquidity crisis, the deposit base of the Bank is not presumed to be significantly affected from such a case since the Parent Bank is a public bank with an extensive branch network.

Cost and return of foreign currency assets are subject to a close follow up. Positive margin of profit is sustained by adjusting deposit interest rates in line with the market interest rates.

Foreign currency operations are recognized at transaction date and valued by Parent Bank’s prevailing counter currency buying rate. At period ends, foreign currency asset and liability balances are valued at the Parent Bank’s period end counter currency buying rates and translated to Turkish currency and the resulting exchange differences are recognized as a “Foreign exchange gain or loss”.

Foreign currency capital amounts transferred to the equity participations operating abroad are evaluated and presented on the financial statements with the exchange rate on the date of the transfer.

Assets and liabilities and income statement items of the abroad branches of the Parent Bank are translated into Turkish Lira with the Bank’s prevailing counter currency buying rates at the balance sheet date.

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

a. Consolidation principles applied:

The consolidated financial statements have been prepared in accordance with the procedures listed in the “Communiqués related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks” published in the Official Gazette No. 26340 dated 8 November 2006 and the “Consolidated Financial Statements” (“TFRS 10”).

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

a. Consolidation principles applied (Continued):

1. Consolidation principles for subsidiaries:

Subsidiaries (including special purpose entity) are all entities, in which the Group has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies.

Control is evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or owns the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders’ equity in scope of the materiality principle. Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from the date control on their activities are transferred to the Group. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary’s capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. In order to determine the net income of the Group, minority shares in the net income of the consolidated subsidiaries have been identified and deducted from the net income of the subsidiary. In the consolidated balance sheet, minority shares have been presented separately from the liabilities and the shares of the Group shareholders. Also, in the income statement, minority shares have been presented separately.

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Address (City/Country)	Main Activities	30 June 2016		31 December 2015	
			Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Share Percentage (%)	Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Share Percentage (%)
Ziraat Hayat ve Emeklilik A.Ş.	Istanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Sigorta A.Ş.	Istanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Finansal Kiralama A.Ş.	Istanbul/Turkey	Leasing	100,00	100,00	100,00	100,00
Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	Investment Management	99,60	99,60	99,60	99,60
Ziraat Portföy Yönetimi A.Ş.	Istanbul/Turkey	Portfolio Management	99,70	99,80	99,70	99,80
Ziraat Katılım Bankası A.Ş.	Istanbul/Turkey	Banking	100,00	100,00	100,00	100,00
Ziraat Bank International AG	Frankfurt/Germany	Banking	100,00	100,00	100,00	100,00
Ziraat Bank BH d.d.	Sarajevo/Bosnia Herzegovina	Banking	100,00	100,00	100,00	100,00
Ziraat Bank (Moscow) JSC	Moscow/Russia	Banking	100,00	100,00	100,00	100,00
Kazakhstan Ziraat Int. Bank	Almaty/Kazakhstan	Banking	99,58	99,58	99,58	99,58
Ziraat Bank Azerbaycan ASC	Baku/Azerbaijan	Banking	100,00	100,00	100,00	100,00
Ziraat Bank Montenegro AD	Podgorica/Montenegro	Banking	100,00	100,00	100,00	100,00

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

a. Consolidation principles applied (Continued):

2. Consolidation principles of associates and joint ventures:

An Associate is a partnership with which the Parent Bank participates in its capital and has significant effect on it although it has no capital or management control, whose main operation is banking and which operates according to special legislation with permission and license and is established abroad. The related associate is consolidated with equity method in accordance with materiality principle.

Significant effect refers to the participation power on the constitution of the financial and management policies of the participated associate. If the Parent Bank has 10% or more voting right on the associate, as long as it is not proved otherwise, it will be accepted that the Parent Bank has significant effect on that associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changed amount in the associate participating shareholder’s equity during the period by the portion of the participant and the deduction of the dividend from the associate from the changed value of the associate amount.

The associates and joint ventures consolidated with the equity method, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Address (City/Country)	Main Activities	30 June 2016		31 December 2015	
			Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)	Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)
Turkmen Turkish Joint Stock Commercial Bank	Ashkhabad/Turkmenistan	Banking	50,00	50,00	50,00	50,00
UTBANK JSC	Tashkent/Uzbekistan	Banking	50,00	50,00	50,00	50,00
Arap Türk Bankası A.Ş.	Istanbul/Turkey	Banking	15,43	15,43	15,43	15,43

3. Principles applied during share transfer, merger and acquisition: None.

4. Transactions with minority shareholders:

The Group considers transactions with minority shareholders as transactions within the Group. For acquisitions from minority shareholders, the difference between the acquisition cost and related portion of net assets’ booked value is deducted from equity. Profit or loss resulting from sales to minority shareholders is booked under equity.

b. Presentation of unconsolidated subsidiaries and associates in consolidated financial statements:

Turkish lira denominated unconsolidated associates and subsidiaries are booked at cost value after clarifying the impairment if any, in accordance with “Consolidated Financial Statements” (“IFRS 10”) are recognized in the consolidated financial statements.

When the cost of investments, associates and share certificates which are classified under available for sale portfolio is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value if any, considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

The Parent Bank’s derivative transactions mostly include currency and precious metal swaps and foreign currency forward contracts. The Parent Bank has no embedded derivative instruments separated from the articles of association.

The derivative instruments of the Parent Bank are classified as trading or hedging instruments in accordance with Turkish Accounting Standard on TAS 39 “Financial Instruments: Recognition and Measurement”. The Parent Bank has no derivative instruments for hedging purposes as of the balance sheet date. Accordingly, the Parent Bank is not subject to conditions whether derivative instruments do not meet the determination criteria for being classified as hedging instruments or whether such derivative transactions are finalized through sale, term expiry or fulfillment of obligations under the contract.

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

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts from their contractual values.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

Interest income and expenses are recognized on an accrual basis using the internal rate of return method in conformity with TAS 39 “Financial Instruments: Recognition and Measurement”. In accordance with the Communiqué on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions” came into force after being published in the Official Gazette numbered 26333 dated 1 November 2006, no interest accrual is calculated for non-performing loans. Realized interest accruals calculated for non-performing loans and recognized as income although not collected are reversed and interest income related to these loans is recognized as interest income only when they are collected.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

Commission income from banking, agency and intermediary services is recognized as income on the date they are collected. Whereas, commission income from individual, corporate and entrepreneurial 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.

VII. EXPLANATIONS ON FINANCIAL ASSETS

Financial instruments comprise financial assets and liabilities and derivative instruments. They are included in the balance sheet of the Group, if the Group is a legal party to these instruments.

Financial assets mainly constitute the Group’s commercial activities and operations. These instruments have the ability to expose, affect and diminish the liquidity, credit and interest rate risks in the financial statements.

Financial assets are classified as investments held-to-maturity, bank loans and receivables, financial assets available for sale or held-for-trading at initial recognition.

Sale and purchase transactions of financial assets are accounted for using the settlement date basis.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

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

In Group, financial assets, which are classified as “financial assets at fair value through profit or loss”, are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer’s margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading securities are initially recognized at cost. The cost of the securities is recognized as fair value. Subsequently, trading securities are carried at fair value in the financial statements.

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

b. Held-to-maturity financial assets:

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

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

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

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

Held to maturity assets are initially recognized at cost.

c. Loans and receivables:

The Parent Bank loans and receivables represent financial assets other than those held for trading or held for sale in a short period generated through providing cash, assets or rendering services to the debtor.

The loans and receivables originated by the Parent Bank are initially carried at cost. 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 at period-ends revalued by the counter foreign exchange buying rate of the Bank. Foreign exchange indexed loans are used as TL by the valid counter foreign exchange buying rate of the Bank at usage date. Repayments of these loans are collected as calculated TL value by the valid counter foreign exchange selling rate of Bank at installment date.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

c. Loans and receivables: (Continued)

The Parent Bank sets specific and general provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 26333 and dated 1 November 2006 on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions”. In the previous periods, the Parent Bank allocated special provisions considering the minimum rates and prudence principle stated in "Regulation on the Procedures and Principles on Determining the Characteristics of the Loans and other Receivables by the Banks and the provisions that would be Set Aside for them" regardless of such loan collaterals; however, in line with the provision of the General Director Authority Approval and of the clause (8) of Article 10 of the regulation stating that "based on the reliability and prudence assumptions defined in the Communiqué on Conceptual Framework regarding Preparation and Presentation of Financial Statements promulgated in the Official Gazette No. 25702 dated 16 January 2005, special provision may be allocated to the extent of the amount of the said non-performing receivable on condition not to be less than the special provision amounts applicable for the group in which the non-performing receivable is included regardless of the amount of collateral". In the framework of arrangements of “Provisions Regulation” in the Bank practice, the Bank set aside special provisions corresponding to 50% of the non-performing receivable amount as of the date of including the non-performing receivables in the Third Group, special provisions corresponding to 100% of the non-performing receivable amount as of the date of including the non-performing receivables in the Fourth and Fifth Group. With the changes of predictions regarding special provisions as of 30 June 2016; special provision rate that applied for the loans under follow-up placed in the Third Group has increased from 50% to 100% and special provisions corresponding to 100% for loans under follow-up in all groups are started to set aside regardless of such loan collaterals. Allocated provisions are deducted from the income for the period. The total pre-tax effect of this change in estimate is TL 585.909, it is associated with the amount of profit for the period concerned. If the receivables for which provisions were set in the previous years are collected, provision for allowances are released and recognized as income under “Other Operating Income” account. Releases of current period provisions are made by the reversal of the amount from the “Provision for Impairment of Loans and Other Receivables” account.

d. Available-for-sale financial assets:

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

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

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

The difference between fair value and cost of available for sale financial assets is booked as interest income accruals or impairment provision. Furthermore, amortized cost using the effective interest method and cost is compared and the difference is booked as interest 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 amortised cost using the effective interest method or appropriate valuation methods.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

If subsidiaries, associates, entities under common control and assets held to maturity are subject to permanent impairment, the amount is charged to “Impairment Expenses for Subsidiaries, Associates, and Assets Held to Maturity”.

The principles for the accounting of provisions for loans and receivables are explained in detail in Note VII. of this section.

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

IX. EXPLANATIONS ON OFFSETTING 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 Parent 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 SECURITIES LENDING TRANSACTIONS

Securities subject to repurchase agreements are classified in “held for trading”, “available for sale” and/or “held-to-maturity” portfolios and they are valued based on the revaluation principles of the related portfolios. Funds obtained by these agreements are followed under the “Funds from Repurchase Agreements” account in the balance sheet and interest expense accrual is calculated using the internal rate of return method.

Funds given against securities purchased under agreements (“Reverse Repo”) to resell are accounted under “Receivables from Reverse Repurchase Agreements” on the balance sheet and interest income accrual is calculated using internal rate of return method.

As of the balance sheet date, there are no securities lending transactions.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

Parent Bank’s tangible assets acquired in consideration of receivables are accounted for in accordance with the requirements of the Communiqué on “Methods, Principles for Purchase and Sale of Precious Metal and Sale of Goods and Immovables Obtained in Return of Receivables” published in the Official Gazette numbered 26333 and dated 1 November 2006 and these assets are subject to revaluation by no means.

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

The Parent Bank has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

The Group recognizes its software costs incurred under the intangible assets-intangible rights account and the expenses that do qualify as development are added to software’s initial costs and amortized over 3 years considering the useful lives. The Parent Bank has determined estimated useful lives of the intangible assets between 3 and 15 years and it applies depreciation rates between 6,67% to 33,3 %.

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

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. The Bank’s tangible fixed assets purchased before 1 January 2005 are carried at inflation adjusted cost in the balance sheet before 31 December 2004 and its tangible fixed assets that are purchased subsequent to 1 January 2005 are valued at historical cost. As of 31 January 2014 the Bank has changed its accounting policies and has decided to pursue the real estates registered in its portfolio at fair values. In this context, for all real estates registered in the Parent Bank’s inventory, appraisal study was carried by independent expertise companies, and from 1 January 2014 valuation results are reflected in the accounting records. As a result of the fair valuation of the real estates which is included in tangible fixed assets, TL 3.525.149 revaluation difference is followed under shareholders’ equity as of 30 June 2016. As of 30 January 2014, the net book amount of real estates of the tangible assets before valuation was TL 816.950. 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. No changes made in the current period regarding depreciation method.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT (Continued)

Estimated depreciation rates of tangible fixed assets are as follows;

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

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

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

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

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Financial Lease

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

The Parent Bank does not perform financial operations as “Lessor”.

Operational Lease

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

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

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment Termination and Vacation Benefits

The Parent Bank recognizes its liabilities of employment terminations and vacation benefits in accordance with TAS 19 “Turkish Accounting Standard about Benefits for Employee” and estimates the net present value of future liabilities arising from employment terminations and vacation benefits and reflects this provision amount in the financial statements.

Under the Turkish legislation as supplemented by union agreements, Employment Termination Benefit payments are made in case of retirement or employment termination. 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 is calculated in two ways; if the employee is a state employee, the calculation is based on retirement pension for the working period of the state employee, and if the employee is a blue-collar worker the 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).

Communiqué on “Turkish Accounting Standard (TAS19) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TL 129.910 was classified as “Other Comprehensive Expense” in the financials by the Parent Bank.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

a. Employment Termination and Vacation Benefits (Continued)

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days.

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

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

Some of the Parent Bank’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees’ Pension Fund (“Fund”) which was established by 20th provisional article of Social Security Law Act numbered 506.

In accordance with 23rd provisional clause of the Banking Law numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the Banking Law numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 1st paragraph of the 1st article of the 23rd provisional clause of Banking Law numbered 5411 allowing pension funds to be transferred to Social Security Institution (“SSI”) is annulled following the resolution of Constitutional Court declared in the Official Gazette dated 31 March 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33.

With the publication of the reasoning of the decision, the Grand National Assembly of Turkey (“GNAT”) started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the “Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations” No 5754 (“the New Law”) regulating the transfer of the funds were approved by the GNAT on 17 April 2008. The New Law was published in the Official Gazette dated 8 May 2008, numbered 26870 and came into force.

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

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

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

The technical balance sheet report as of 31 December 2015 which is prepared in accordance with the new law and the rate determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Parent Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

XVII. EXPLANATIONS ON TAXATION

a. Current Tax

Turkish Tax Legislation does not permit the Parent Bank to file tax return over consolidated subsidiaries financial statements. Therefore, tax provisions which reflected to consolidated financial statements have been calculated per company.

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION (Continued)

a. Current Tax (Continued)

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

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

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

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

Tax rates used in tax calculation considering the related countries' tax legislation as of 30 June 2016 are presented below:

Russia	20,00%
Kazakhstan	20,00%
Germany	15,00%
Bosnia Herzegovina	10,00%
Azerbaijan	20,00%
Montenegro	9,00%

b. Deferred tax

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION (Continued)

b. Deferred tax

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

Deferred tax asset and deferred tax liability are presented as net in these financial statements through offsetting them on individual financial statements of consolidated subsidiaries.

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

XVIII. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES

Technical Reserves

Reserve for unearned premiums:

Reserve for unearned premiums represents the proportions of the premiums written in a period that relate to the period of risk subsequent to the balance sheet date, without deductions of commission or any other expense.

Unexpired risk provision:

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that, future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected ratios. Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. In accordance with “the circular about the Change of Unexpired Risks Reserve Calculation” numbered 2012/15 published by Treasury, if the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share.

Reserve for outstanding claims:

Insurance companies provide reserve for outstanding claims, incurred and reported but not yet settled in the current or previous years based on reported balances or estimates when actual balances are not exactly known and incurred but not yet reported claims. Within the calculation of reserve for outstanding claims, incurred and reported but not yet settled, entire shares of expense required for maturation of compensation reports including calculated or estimated expert, referee, consultant, court and communication expenses are taken into account and subrogation, salvage and similar revenue items are not discounted. Incurred subrogation, salvage and similar revenue items whose codes of practice will be determined by the undersecretariat are shown under the related credit account of the asset side of the balance sheet and interrelated with period income in condition that subrogation of rights has been gained.

Offset provision:

In Article 9 of “Communiqué Regarding the Technical Reserves of Insurance and Reinsurance Companies and the Assets that these Reserves Recorded” numbered 27655 dated 28 July 2010, it is stated that insurance companies provide offset provision for loan and earthquake assurances in order to compensate the possible fluctuations in the assurance rates and catastrophic risks in the succeeding accounting periods.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVIII. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES (Continued)

Technical Reserves (Continued)

Mathematical provisions:

Mathematical provisions indicate sum of bonus provisions and actuarial mathematical provisions calculated separately according to technical principles in tariff for each agreement in force. Life branch mathematical provision of the company consists of actuarial mathematical provisions calculated for long-term life insurances on credit. Actuarial mathematical provisions are the differences between risk premiums taken for risks undertaken by the Company and cash values of the liabilities to beneficiaries and insureds.

XIX. EXPLANATIONS ON BORROWINGS

The Group accounts its debt instruments in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". In the following periods, all financial liabilities are carried at amortized cost by using the internal rate of return method. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings.

If required, the Parent Bank borrows from domestic real people and entities with debt instruments such as bill/bond issuance. These transactions are recognized at fair value including acquisition costs at the transaction date while accounted with effective interest rate method over their discounted costs in the following periods.

The Group has issued no convertible bonds and has no instruments representing its own borrowings.

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

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

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

Commitments regarding bill guarantees and acceptances of the Group are presented in the “Off-Balance Sheet” commitments.

XXII. EXPLANATIONS ON GOVERNMENT GRANTS

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

XXIII. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturities of 3 months or less following the date of acquisition, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The book values of these assets represent their fair values. Cash equivalents and balances regarding banks are valued by the period end counter foreign currency buying rate of the Bank.

For the purposes of the cash flow statement, “Cash” includes cash, effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and “Cash equivalents” include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

XXIV. EXPLANATIONS ON SEGMENT REPORTING

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXV. EXPLANATIONS ON OTHER MATTERS

In accordance with the decision taken in the General Assembly of the year 2015, which was carried out on 30 March 2016, from TL 5.162.470 net profit, which is not subject to distribution, TL 258.124 is transferred to first legal reserve and TL 24.200 is transferred to second legal reserve TL, 220.000 was paid to employees and TL 231.200 is distributed to Treasury after deducting withholding tax of 15% (TL 40.800) in cash. In this context, TL 4.388.146 of the profit is preserved; dividend payment made to Treasury on 15 April 2016, and TL 186.662 was paid to employees as an additional premium.

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SECTION FOUR

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

I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”.

As of 30 June 2016 Bank’s total capital has been calculated as TL 39.312.168, Capital adequacy ratio is % 14,17. As of 31 December 2015, Bank’s total capital amounted to TL 35.243.638, Capital adequacy ratio was % 14,56 calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

a) Information Related to The Components of Shareholders' Equity:

	Amount	Amount as per the regulation before 1/1/2014*
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.100.000	
Share issue premiums	-	
Reserves	22.825.720	
Gains recognized in equity as per TAS	5.611.382	
Profit	4.020.645	
Current period profit	3.405.519	
Prior period profit	615.126	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17.388	
Minorities’ Share	108	
Common Equity Tier 1 Capital Before Deductions	37.575.243	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	708.743	
Improvement costs for operating leasing	102.491	
Goodwill netted with related deferred tax liabilities	-	
Other intangible assets netted with related deferred tax liabilities except mortgage servicing rights	184.868	308.113
Deferred tax assets that rely on future profitability excluding those arising from temporary differences netted with related deferred 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	45.239	
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	
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	-	

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(Continued)

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

a) Information Related to The Components of Shareholders' Equity: (Continued)

	Amount	Amount as per the regulation before 1/1/2014*
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier I Capital	1.041.341	
Total Common Equity Tier I Capital	36.533.902	
ADDITIONAL TIER I CAPITAL		
Preferred stock not included in Common Equity Tier I Capital and the related share premiums	-	
Debt instruments and the related issuance premiums defined by the BRSA	-	
Debt instruments and the related issuance premiums defined by the BRSA (Covered by Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Covered by Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items to be defined by the BRSA	-	
Items to be Deducted from Tier I Capital during the Transition Period		
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 (-)	123.245	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	36.410.657	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on the Equity of Banks)	2.937.072	
Tier II Capital Before Deductions	2.937.072	
Deductions from Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital of Common Equity of the Bank	-	

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(Continued)**

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

a) Information Related to The Components of Shareholders' Equity: (Continued)

	Amount	Amount as per the regulation before 1/1/2014*
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	2.937.072	
Total Capital (The sum of Tier I Capital and Tier II Capital)	39.347.729	
The sum of Tier I Capital and Tier II Capital (Total Capital)	39.347.729	
Loans Granted against the Articles 50 and 51 of the Banking Law	-	
Net book values of movables and immovables exceeding the limit defined in the Article 57, Clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years	33.790	
Other items to be defined by the BRSA	1.771	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
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	-	
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	39.312.168	
Total Risk Weighted Assets	277.456.698	
CAPITAL ADEQUACY RATIOS		
Common Equity Tier I Capital Adequacy Ratio (%)	13,17	
Tier I Capital Adequacy Ratio (%)	13,12	
Capital Adequacy Ratio (%)	14,17	
BUFFERS		
Bank-specific total buffer ratio	-	
Capital conservation buffer ratio (%)	0,63	
Bank-specific counter-cyclical capital buffer ratio (%)	-	
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	5,17	
Amounts below the Excess Limits as per the Deduction Principles	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	147.702	
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	84.056	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	30.834	

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

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

a) Information Related to The Components of Shareholders' Equity: (Continued)

	Amount	Amount as per the regulation before 1/1/2014*
Limits for Provisions Used in Tier II Capital Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3.144.828	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2.937.072	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items 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 considered within transition provisions

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(Continued)**

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

a) Information Related to The Components of Shareholders' Equity: (Continued)

	Prior Period ^(*)
COMMON EQUITY TIER 1 CAPITAL	
Paid-in Capital to be Entitled for Compensation after All Creditors	5.000.000
Share Premium	-
Share Cancellation Profits	-
Reserves	18.146.025
Income recognized under equity in accordance with TAS	4.486.075
Profit	5.564.157
Current Period's Profit	5.377.791
Prior Period's Profit	186.366
Free Provisions for Possible Risks	1.257.419
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	17.388
Minority Shares	25
Common Equity Tier 1 Capital Before Deductions	34.471.089
Deductions from Common Equity Tier 1 Capital	
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	1.461.847
Leasehold Improvements on Operational Leases (-)	98.800
Goodwill and intangible asset and the related deferred tax liability (-)	98.447
Net Deferred Tax Asset / Liability (-)	-
Excess amount expressed in the law (Article 56 4th paragraph) (-)	-
Bank's direct or indirect investments on its own Tier 1 Capital (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Amounts related to mortgage servicing rights (-)	-
Excess amount of deferred tax assets from temporary differences (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from common equity tier 1 capital (-)	-
Total Deductions from Common Equity Tier 1 Capital	1.659.094
Total Common Equity Tier 1 Capital	32.811.995
ADDITIONAL TIER 1 CAPITAL	
Premiums that are not included in Common Equity Tier 1 Capital	-
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	-
The shares of third parties in additional Tier 1 Capital	-
Additional Tier 1 Capital before Deductions	-
Deductions from Additional Tier 1 Capital	
Bank's direct or indirect investment in Tier 1 Capital (-)	-
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 Common Equity 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 Determined by BRSA (-)	-
The amount to be deducted from Additional Tier 1 Capital (-)	-
Total Deductions from Additional Tier 1 Capital	-
Total Additional Tier 1 Capital	-

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(Continued)

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

a) Information Related to The Components of Shareholders' Equity: (Continued)

	Prior Period ^(*)
Deductions From Tier 1 Capital	147.670
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	147.670
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-
Tier 1 Capital	32.664.325
TIER 2 CAPITAL	
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	-
Pledged assets of the shareholders to be used for the Bank's capital increases	-
General Provisions	2.580.430
Third parties share in Tier 2 capital	-
Tier 2 Capital Before Deductions	2.580.430
Deductions From Tier 2 Capital	
Bank's direct or indirect investment in Tier 2 capital (-)	-
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 Common Equity Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other Items Determined by BRSA (-)	-
Total Deductions From Tier 2 Capital	-
Tier 2 Capital	2.580.430
TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS	35.244.755
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	1.044
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-
Securitization positions that is deducted -preferably- from the shareholders' equity (Article 20 paragraph 2) (-)	-
Other items to be defined by BRSA (-)	73
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%, but exceeding 10% of Common Equity Tier 1 not deducted from Common Equity Tier 1, Tier 1 or Tier 2 (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of the bank (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of bank(-)	-
TOTAL CAPITAL	35.243.638
Amounts below deduction thresholds	
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%	121.043
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%	82.240
Mortgage servicing rights	-
Deferred tax assets arising from temporary differences (net of related tax liability) (-)	266.827

(*) Total capital has been calculated in accordance with the “Regulations regarding to changes on Regulation on Equity of Banks” effective from date 31 March 2016, the information given in the prior period column has been calculated pursuant to former regulation and reflects the information dated 31 December 2015.

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(Continued)**

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

**b) Information Related to the Components which Subject to Temporary Implementation in the
Calculation of Equity:**

None.

**c) Necessary explanations in order to reach an agreement between the statement of shareholders’ equity
and balance-sheet amounts:**

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision. In the calculation of Total Capital, general provision up to %1,25 credit risk is taken into consideration as Tier II Capital. 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.

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

II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

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

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

Moreover, dealer’s positions and limits for foreign exchange transactions are under the authorization of the Board of Directors.

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
23.06.2016	2,8636	3,2528	2,1672	0,4371	0,3496	2,9970	2,2435	0,3493	4,2321	0,7637	2,7115
24.06.2016	2,9080	3,2305	2,1760	0,4346	0,3439	2,9998	2,2525	0,3446	3,9987	0,7754	2,8415
27.06.2016	2,9225	3,2115	2,1518	0,4319	0,3417	2,9855	2,2336	0,3395	3,8521	0,7793	2,8748
28.06.2016	2,8876	3,1946	2,1293	0,4297	0,3387	2,9501	2,2095	0,3396	3,8480	0,7705	2,8125
29.06.2016	2,8693	3,1832	2,1407	0,4293	0,3384	2,9363	2,2159	0,3419	3,8868	0,7676	2,8047
30.06.2016	2,8672	3,1835	2,1306	0,4280	0,3379	2,9437	2,2083	0,3417	3,8455	0,7650	2,7872

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
2,8992	3,2582	2,1470	0,4384	0,3494	2,9951	2,2516	0,3485	4,1225	0,7735	2,7559

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(Continued)

II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (Continued)

Information on the foreign currency risk of the Group:

	EUR	USD	Other FC	Total
Current Period				
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	6.377.316	20.215.219	8.025.257	34.617.792
Banks	583.218	1.100.879	526.590	2.210.687
Financial Assets at Fair Value Through Profit and Loss ⁽⁴⁾	-	4.312	3.340	7.652
Money Market Placements	-	-	89.339	89.339
Financial Assets Available-for-Sale	3.535.585	9.314.877	57.929	12.908.391
Loans ⁽¹⁾	18.901.683	36.487.641	1.184.687	56.574.011
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) ⁽³⁾	10.067	72.346	-	82.413
Investments Held-to-Maturity	1.116.557	4.003.816	17.708	5.138.081
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	8.162	1.390	97.072	106.624
Intangible Assets	17.963	1	6.986	24.950
Other Assets ⁽⁵⁾	2.224.142	735.100	72.346	3.031.588
Total Assets⁽⁴⁾	32.774.693	71.935.581	10.081.254	114.791.528
Liabilities				
Interbank Deposits	4.095.680	2.432.370	62.872	6.590.922
Foreign Currency Deposits	38.221.047	23.187.390	3.009.275	64.417.712
Money Market Borrowings	423.961	14.668.623	-	15.092.584
Funds Provided from Other Financial Institutions	6.376.114	13.572.713	2.080	19.950.907
Issued Marketable Securities	76.444	3.883.674	3.536	3.963.654
Sundry Creditors	733.369	48.208	14.374	795.951
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	340.331	222.498	58.524	621.353
Total Liabilities	50.266.946	58.015.476	3.150.661	111.433.083
Net Balance Sheet Position	(17.492.253)	13.920.105	6.930.593	3.358.445
Net Off-Balance Sheet Position⁽²⁾	18.734.614	(15.598.290)	(5.927.423)	(2.791.099)
Financial Derivative Assets	21.087.056	6.078.363	1.105.263	28.270.682
Financial Derivative Liabilities	2.352.442	21.676.653	7.032.686	31.061.781
Non-Cash Loans	14.281.928	28.167.163	3.553.511	46.002.602
Prior Period				
Total Assets	28.646.698	70.463.073	8.430.490	107.540.261
Total Liabilities	47.955.846	57.791.690	2.989.459	108.736.995
Net Balance Sheet Position	(19.309.148)	12.671.383	5.441.031	(1.196.734)
Net Off-Balance Sheet Position⁽²⁾	19.608.010	(13.277.253)	(5.051.654)	1.279.103
Financial Derivative Assets	21.904.831	5.192.850	1.210.435	28.308.116
Financial Derivative Liabilities	2.296.821	18.470.103	6.262.089	27.029.013
Non-Cash Loans	13.108.152	24.916.400	3.076.757	41.101.309

(1) TL 537.603 equivalent of EUR and TL 1.458.324 equivalent of USD loans are originated as foreign currency indexed loans (31 December 2015: TL 296.717 equivalent of EUR and TL 721.987 equivalent of USD).

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

(3) The foreign currency capital investments to Subsidiaries, Associates and Joint Ventures are evaluated with historical rates on the date of the fair value determination and capital investments made in the subsequent periods are evaluated with the rates on the date of the capital investment and followed with TL currency equivalents. No exchange rate difference arises from such investments.

(4) Derivative financial assets held for trading and liabilities are not included in the table.

(5) Prepaid expenses amounting TL 13.565 among other expenses are not included in the table.

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

III. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK

a. Information related to interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on days to repricing dates):

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	33.070.095	-	-	-	-	6.180.328	39.250.423
Banks	1.514.643	664.977	49.432	-	-	1.588.720	3.817.772
Financial Assets at Fair Value Through Profit and Loss	191.343	393.785	416.944	87.830	3.920	1.559	1.095.381
Money Market Placements	113.528	-	-	-	-	3	113.531
Financial Assets Available-for-Sale	5.987.899	6.887.061	12.201.622	14.898.236	16.331.954	544.985	56.851.757
Loans Given	71.468.436	16.462.540	43.298.366	62.397.881	15.859.236	263.801	209.750.260
Investments Held-to-Maturity	3.479.295	2.070.906	695.778	2.160.429	1.378.358	-	9.784.766
Other Assets	152.623	145.851	584.176	1.260.742	169.409	8.901.906	11.214.707
Total Assets	115.977.862	26.625.120	57.246.318	80.805.118	33.742.877	17.481.302	331.878.597
Liabilities							
Interbank Deposits	5.840.111	2.229.728	990.081	98.157	-	397.857	9.555.934
Other Deposits	96.565.173	34.178.908	13.004.998	849.999	85.068	47.549.544	192.233.690
Money Market Borrowings	39.745.500	3.550.786	1.116.229	844.399	-	-	45.256.914
Sundry Creditors	12.514	-	-	-	-	2.793.621	2.806.135
Issued Marketable Securities	662.177	1.587.198	309.904	3.676.530	-	24	6.235.833
Funds Provided from Other Financial Institutions	3.132.909	3.842.484	10.737.356	1.781.566	1.827.259	-	21.321.574
Other Liabilities	1.493.670	401.388	512.937	6.524.957	7.595	45.527.970	54.468.517
Total Liabilities	147.452.054	45.790.492	26.671.505	13.775.608	1.919.922	96.269.016	331.878.597
Balance Sheet Long Position	-	-	30.574.813	67.029.510	31.822.955	-	129.427.278
Balance Sheet Short Position	(31.474.192)	(19.165.372)	-	-	-	(78.787.714)	(129.427.278)
Off-Balance Sheet Long Position	161.495	1.771.077	-	-	-	-	1.932.572
Off-Balance Sheet Short Position	-	-	(110.905)	(1.876.507)	-	-	(1.987.412)
Total Position	(31.312.697)	(17.394.295)	30.463.908	65.153.003	31.822.955	(78.787.714)	(54.840)

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

(2) TL 5.986.374 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the “1 - 5 Years” column TL 91.938 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.

(3) Deferred tax asset is shown under the non-interest bearing column.

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

(5) Total shareholders’ equity is shown under the non-interest bearing column.

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III. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK (Continued)

Information related to interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on days to repricing dates): (Continued)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	68.125	-	-	-	-	36.866.552	36.934.677
Banks	1.157.187	406.252	911.110	186.488	-	2.304.654	4.965.691
Financial Assets at Fair Value Through Profit and Loss	295.829	178.096	435.552	55.405	4.265	3.119	972.266
Money Market Placements	107.491	8.682	-	-	-	-	116.173
Financial Assets Available-for-Sale	5.507.414	7.012.479	10.929.787	15.394.736	14.583.841	608.681	54.036.938
Loans Given	60.645.124	18.800.306	47.376.453	54.506.749	10.171.491	1.008.273	192.508.396
Investments Held-to-Maturity	3.439.949	1.648.784	941.158	2.770.608	1.422.976	-	10.223.475
Other Assets	89.872	249.773	547.672	1.380.783	169.571	8.072.531	10.510.202
Total Assets	71.310.991	28.304.372	61.141.732	74.294.769	26.352.144	48.863.810	310.267.818
Liabilities							
Interbank Deposits	7.354.580	834.458	135.475	1.082.644	-	279.728	9.686.885
Other Deposits	96.091.616	23.456.511	18.875.407	1.696.356	3.550	41.109.772	181.233.212
Money Market Borrowings	36.325.722	4.312.765	1.841.293	654.532	-	-	43.134.312
Sundry Creditors	30.900	10.002	22.550	1.012	-	2.314.672	2.379.136
Issued Marketable Securities	932.357	1.609.322	497.397	2.380.321	-	-	5.419.397
Funds Provided from Other Financial Institutions	2.433.574	4.575.233	11.276.835	1.708.833	792.928	-	20.787.403
Other Liabilities	212.627	203.088	413.406	6.370.792	34.885	40.392.675	47.627.473
Total Liabilities	143.381.376	35.001.379	33.062.363	13.894.490	831.363	84.096.847	310.267.818
Balance Sheet Long Position	-	-	28.079.369	60.400.279	25.520.781	-	114.000.429
Balance Sheet Short Position	(72.070.385)	(6.697.007)	-	-	-	(35.233.037)	(114.000.429)
Off Balance Sheet Long Position	621.061	1.300.401	-	44.401	-	-	1.965.863
Off Balance Sheet Short Position	-	-	(111.409)	(1.222.188)	-	-	(1.333.597)
Total Position	(71.449.324)	(5.396.606)	27.967.960	59.222.492	25.520.781	(35.233.037)	632.266

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

(2) TL 5.833.179 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the “1 - 5 Years” column. TL 97.950 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.

(3) Deferred tax asset is shown under the non-interest bearing column.

(4) Net balance of loans under follow-up is shown under the “Non-Interest Bearing” column in other assets.

(5) Total shareholders’ equity is shown under the non-interest bearing column.

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

III. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK (Continued)

Average interest rate applied to the monetary financial instruments (Represents the values belong to the Parent Bank):

	EUR	USD	JPY	TL
Current Period				
Assets				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾	-	0,49	-	3,74
Banks	0,97	2,29	-	8,46
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	6,90
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,75	5,65	-	9,23
Loans Given ⁽²⁾	4,26	5,23	-	13,44
Investments Held-to-Maturity	6,48	7,08	-	9,71
Liabilities				
Interbank Deposits ⁽³⁾	0,47	0,88	-	8,32
Other Deposits ⁽⁴⁾	1,07	1,16	-	6,85
Money Market Borrowings	0,67	1,06	-	8,70
Sundry Creditors	-	-	-	-
Issued Marketable Securities	0,26	4,32	-	10,44
Funds Provided from Other Financial Institutions	0,97	2,07	-	6,39

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

⁽²⁾ Credit card loan balances are not included.

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

⁽⁴⁾ Rates include also demand deposit data.

Average interest rate applied to the monetary financial instruments: (Represents the values belong to the Parent Bank):

	EUR	USD	JPY	TL
Prior Period				
Assets				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾	-	0,28	-	3,45
Banks	1,30	1,82	-	9,68
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	6,84
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,71	5,68	-	9,09
Loans Given ⁽²⁾	4,09	4,98	-	12,82
Investments Held-to-Maturity	6,42	7,08	-	9,71
Liabilities				
Interbank Deposits ⁽³⁾	0,65	0,58	-	9,06
Other Deposits ⁽⁴⁾	1,21	1,12	-	7,19
Money Market Borrowings	0,72	1,05	-	9,84
Sundry Creditors	-	-	-	-
Issued Marketable Securities	0,59	3,79	-	10,86
Funds Provided from Other Financial Institutions	1,22	1,69	-	10,03

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

⁽²⁾ Credit card loan balances are not included.

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

⁽⁴⁾ Rates include also demand deposit data.

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(Continued)**

IV. EXPLANATIONS ON THE POSITION RISK OF CONSOLIDATED EQUITY SECURITIES

1. Equity securities position risk derived from banking books:

a. Comparison with the market value if the market value is significantly different from the fair value for balance sheet, fair and market values of equity shares:

Equity Share Investments	Comparison		
	Balance Sheet Value	Fair Value	Market Value
1. Stock Investment Group A	-	-	-
Stock Exchange Securities	-	-	-
2. Stock Investment Group B	-	-	-
Stock Exchange Securities	-	-	-
3. Stock Investment Group C	-	-	-
Stock Exchange Securities	-	-	-
4. Stock Investment Other Group	-	-	-
Other	120.023	120.023	-

b. The breakdown of capital requirements on the basis of related stock investments depending on the method of the calculation of capital requirement which is chosen by Bank among approaches that are allowed to be used within the Communiqué regarding Credit Risk Standard Method or the Calculation of Counterparty Credit Risk based upon Interior Rating Approaches:

The stock investments, partaking in banking accounts according to the credit risk standard method, are amounted TL 120.023 and 100% of them are risk weighted.

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**V. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND
CONSOLIDATED LIQUIDITY COVERAGE RATIO**

General principles of liquidity and financial emergency state management and the related application procedures are considered in the scope of “Regulation for Liquidity Risk and Liquidity and Financial Emergency State Management”.

The Parent Bank performs “Remaining Maturity Analysis” for the observation of the maturity structure of the balance sheet, “Liquidity Gap” and “Structural Liquidity Gap Analysis” for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Parent Bank’s liquidity and in the worst case scenario and the loss associated with it. The renewal of deposits which constitutes the Parent Bank’s most crucial funding resource is monitored on a daily basis. Besides, in order to compare the Bank’s level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

1) Liquidity Risk

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

The Parent Bank’s risk capacity, risk appetite, responsibilities and tasks of liquidity risk management and share issues of points related liquidity risk management with bank network are explained in “Regulations of Risk Management, Stress Test Program and Internal Capital Adequacy Assessment Process (ICAAP)” of the Parent Bank. In this context, liquidity risk strategies and policies are published in periodically on weeks, months and years with all of the units with board directors in bank. Moreover, analyses done and reports are handled in the Assets-Liability Commission Conferences, Board of Director is informed by Audit Commission.

b) Liquidity management and the degree of centralization of fund strategies, the information about the procedure between bank and the partners of bank:

Continuously the information exchange is actualized about the liquidity need and surpluses between the Parent Bank and its partners, the compulsory directions and treats are moderated by Treasury Management and International Banking Assistant General Management to direct liquidity risk and surpluses in effective way.

c) Explanation related to policies regarding fund resources times variations of funding strategy of bank:

The Parent Bank’s fundamental funding resources are deposits, the strategy of preserving the common base structure of deposits are sustained. Moreover, within the diversification strategy of resources structure, long-term and appropriate costed resources rate that are out of deposits are aimed to be raised. In the resources out of deposits; repurchase agreements, post finance, syndication credits, credits assured by international finance associations, exported securities, capital market transactions and credits taken by bilateral agreements are placed.

d) Explanation related to liquidity management as currencies forming at least 5 percentage of aggregate liabilities of the Parent Bank:

The Parent Bank’s total liabilities are consisted of mostly TL, USD and EUR currencies. Besides these currencies, valid for other currencies, daily and long-term cash flows are pursued and liquidity management is formed in effective way by some projections are being performed regarding future.

e) Information related to the techniques about the reduction of current liquidity risk:

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

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

1) Liquidity Risk (Continued)

e) Information related to the techniques about the reduction of current liquidity risk: (Continued)

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

f) Explanation regarding the usage of the stress test

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

g) General information on liquidity urgent and unexpected situation plan:

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

2) Liquidity Coverage Ratio:

Within the frame of the regulation named “Regulation on the Calculation of Liquidity Coverage Ratio” issued by BRSA in the Official Gazette numbered 28948, dated 21 March 2014, the Parent Bank calculates the liquidity coverage ratio and reports it to BRSA monthly in consolidated base. The liquidity coverage ratio sails above the frontier limits determined by BRSA. Within the last 3 months the consolidated ratios are as follows: Take place for FC as 126,8 in April, for TL+FC as 84,89; take place for FC as 109,2 in May, for TL+FC as 77,27; take place for FC as 97,85, for TL+FC as 74,72.

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
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**V. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND
CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued)**

2) Liquidity Coverage Ratio: (Continued)

	Total Unweighted Value (average)		Total Weighted Value (average)	
	TL+FC	FC	TL+FC	FC
Current Period				
High Quality Liquid Assets				
High Quality Liquid Assets			43.480.195	28.505.125
Cash Outflows				
Retail and Small Business Customers, of which;	130.178.460	45.808.340	10.445.064	4.580.834
Stable deposits	51.455.640	-	2.572.782	-
Less stable deposits	78.722.820	45.808.340	7.872.282	4.580.834
Unsecured wholesale funding , of which;	65.630.861	24.996.102	37.556.563	16.910.867
Operational deposit	1.387.421	283.899	346.855	70.975
Non-operational deposits	53.200.558	16.642.265	26.214.702	8.789.031
Other unsecured funding	11.042.882	8.069.938	10.995.006	8.050.861
Secured funding			-	-
Other cash outflows, of which;	57.363.316	30.192.411	18.799.536	10.568.206
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	1.824.155	4.240.867	1.824.155	4.240.867
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	34.190.142	11.666.696	7.416.159	3.210.539
Other revocable off-balance sheet commitments and contractual Obligations	94.953	63.300	4.748	3.165
Other irrevocable or conditionally revocable off-balance sheet Obligations	21.254.066	14.221.548	9.554.474	3.113.635
Total Cash Outflows			66.801.163	32.059.907
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	15.663.843	6.794.610	11.200.551	5.904.191
Other cash inflows	460.912	256.611	460.348	256.047
Total Cash Inflows	16.124.755	7.051.221	11.660.899	6.160.238
			Total Adjusted Value	
Total HQLA Stock			43.480.195	28.505.125
Total Net Cash Outflows			55.140.264	25.899.669
Liquidity Coverage Ratio (%)			78,85	110,06

(*) The average of last three months' month-end consolidated liquidity ratios.

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

2) Liquidity Coverage Ratio: (Continued)

	Total Unweighted Value (average)		Total Weighted Value (average)	
	TL+FC	FC	TL+FC	FC
Prior Period				
High Quality Liquid Assets				
High Quality Liquid Assets			43.380.868	29.708.281
Cash Outflows				
Retail and Small Business Customers, of which;	121.726.943	42.781.057	8.952.673	3.468.796
Stable deposits	64.400.433	16.186.193	3.220.022	809.310
Less stable deposits	57.326.510	26.594.863	5.732.651	2.659.486
Unsecured wholesale funding , of which;	61.931.778	25.359.764	35.541.320	17.100.150
Operational deposit	1.134.952	130.783	283.738	32.696
Non-operational deposits	53.253.252	20.361.335	27.725.692	12.205.264
Other unsecured funding	7.543.574	4.867.646	7.531.890	4.862.190
Secured funding			-	-
Other cash outflows, of which;	55.748.866	27.338.257	17.187.989	7.964.955
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	1.812.166	1.800.891	1.812.166	1.800.891
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	41.890.713	13.629.912	14.773.485	5.568.653
Other revocable off-balance sheet commitments and contractual obligations	803.467	754.693	40.173	37.735
Other irrevocable or conditionally revocable off-balance sheet obligations	11.241.753	11.151.993	562.088	557.600
Total Cash Outflows			61.681.982	28.533.901
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	11.124.921	2.633.933	7.167.150	1.968.010
Other cash inflows	867.709	573.329	867.709	573.329
Total Cash Inflows	11.992.629	3.207.262	8.034.859	2.541.339
			Total Adjusted Value	
Total HQLA Stock			43.380.868	29.708.281
Total Net Cash Outflows			53.647.123	25.992.563
Liquidity Coverage Ratio (%)			80,86	114,30

(*) The average of last three months' month-end consolidated liquidity ratios.

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

3) Minimum statements concerning liquidity coverage ratio by Banks

a) Important points affecting the results of liquidity coverage ratio and the changes of the considered items in the course of time to calculate this ratio:

Bank deposit, which has not a fluctuant structure, together with constituting an important part of its sources and liquidity coverage ratio, in proportion to other deposits, public deposits can cause periodic changes within total deposits. When comparing with the previous periods, the percentage of the total deposit in financial statement does not change and has an increasing sail.

As well as its low turn into cash ratio, since the non-cash loans has a remarkable extent in proportion to financial statement, they have an influence on the calculation of liquidity coverage ratio. Comparing to previous periods, non-cash loans are tend to increase.

As a warrant of increasing repo transactions in time, bond and bill has been used which issuance by the Republic of Turkey Prime Ministry Undersecretariat of Treasury. Making repo transactions with these securities that consisting a huge part of the security portfolio, affect free securities which are accepted in high quality liquid asset classification in calculation of liquidity coverage ratio. Since the securities used in repo transactions lose the characteristic of being free, even if all other conditions fulfilled, they are not considered as high quality liquid asset.

b) High quality liquid assets are comprised to which items:

All of the high-quality liquid assets of the calculation of Liquidity Coverage Ratio are First Quality Liquid Assets. These; cash, the accounts in Central Bank, reserve requirements and securities from the portfolio (The important part of bonds and T-bills issued by Republic of Turkey Prime Ministry Undersecretariat of Treasury, other bonds).

c) Funds are comprised of which items and their volume in all funds:

The major part of the resources of funds in Bank is comprised of deposits, the remaining is divided according to their share in the balance sheet as repo, borrowings, and issued securities.

d) Information about cash out-flows arising from derivative operations and margin operations likely to processing:

Derivative operations in Bank are carried out on the purpose of protection from the risks that may exist or occur in the balance sheet, liquidity management, or meet customer demand. Customer operations are carried out under the “Framework Agreement on Purchase and Sale of Derivative Instruments” or ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) with additional, as well as operations performed by the banks is performed again ISDA and CSA contracts signed. Operations performed under the said contracts in the determined periods are subject to daily market valuation and additional collateralization as cash. Operations could create additional collateral input or output depending on market valuation.

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

3) Minimum statements concerning liquidity coverage ratio by Banks (Continued)

e) The concentration limits regarding collateral and counterparty and product based fund resources:

For the counterparty and product based concentration limits are determined under “Regulations of Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (ICAAP)” with the approval of Senior Management. These limits are followed in particular frequency. Besides, It has reported to the relevant units and Senior Management. There is no excess regarding the limits during operating period.

f) Liquidity risk and needed funding on the basis of the bank itself, the branches in foreign countries and the partnerships consolidated by considering operational and legal factors preventing liquidity transfer:

The needed and surplus of liquidity of the branches in foreign countries of the bank and partnerships consolidated are followed and managed regularly. There is no constraint of operational and legal factors preventing liquidity transfer.

In the analysis made, it is observed that the impact of the foreign branches and subsidiaries on the Bank’s liquidity structure remain limited comparing to the size of the balance sheet. The need and surplus of the liquidity is encountered properly between partnerships, as well as the branches abroad.

g) Explanations of cash in-flow and cash out-flow items that are considered to be related to liquidity profile of the bank and to be placed on the calculation of liquidity coverage ratio but not on the second paragraph of the disclosure template:

All items on the calculation of liquidity coverage ratio are included in calculation in aggregated form on the table. In this context, there is no point included in the calculation of liquidity coverage ratio and not included in the disclosure template.

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V. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND
CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued)

3) Minimum statements concerning liquidity coverage ratio by Banks (Continued)

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (1) (2)	Total
Current Period								
Assets								
Cash (Cash in vault, effectives, Money in transit, cheques purchased) and Balances with the Central Bank of Turkey	38.850.620	54.188	211.366	132.457	75	1.717	-	39.250.423
Banks	1.588.720	1.514.643	664.977	49.432	-	-	-	3.817.772
Financial Assets at Fair Value Through Profit and Loss	1.559	131.297	19.894	42.136	777.126	122.487	882	1.095.381
Money Market Placements	3	113.528	-	-	-	-	-	113.531
Financial Assets Available-for-Sale	76.380	639.817	2.691.992	4.233.053	25.278.029	23.423.503	508.983	56.851.757
Loans Given	-	7.424.127	13.342.205	83.991.090	83.813.270	20.915.767	263.801	209.750.260
Investments Held-to-Maturity	-	193.523	2.063.221	1.615.047	4.534.617	1.378.358	-	9.784.766
Other Assets	2.857.870	63.748	147.089	583.835	1.325.312	169.409	6.067.444	11.214.707
Total Assets	43.375.152	10.134.871	19.140.744	90.647.050	115.728.429	46.011.241	6.841.110	331.878.597
Liabilities								
Interbank Deposits	397.857	5.840.111	2.229.728	990.081	98.157	-	-	9.555.934
Other Deposits	47.549.544	96.293.658	34.282.052	12.558.065	1.462.725	87.646	-	192.233.690
Funds Provided from Other Financial Institutions	-	1.165.943	3.199.965	10.934.791	3.677.922	2.340.098	2.855	21.321.574
Money Market Borrowings	-	39.745.500	3.550.786	1.116.229	844.399	-	-	45.256.914
Issued Marketable Securities	-	662.177	1.563.443	313.589	3.696.600	-	24	6.235.833
Sundry Creditors	1.694.590	1.036.954	-	49.770	391	-	24.430	2.806.135
Other Liabilities (3)	4.463.810	1.283.969	784.909	500.516	6.674.792	1.053.859	39.706.662	54.468.517
Total Liabilities	54.105.801	146.028.312	45.610.883	26.463.041	16.454.986	3.481.603	39.733.971	331.878.597
Liquidity Gap	(10.730.649)	(135.893.441)	(26.470.139)	64.184.009	99.273.443	42.529.638	(32.892.861)	-
Net Off-Balance Sheet Position	-	(493.756)	(75.117)	28.428	485.605	-	-	(54.840)
Financial Derivative Assets	-	23.171.269	3.050.596	1.254.258	3.146.943	-	-	30.623.066
Financial Derivative Liabilities	-	23.665.025	3.125.713	1.225.830	2.661.338	-	-	30.677.906
Non-cash Loans	42.711.617	313.923	1.432.577	14.438.877	8.053.609	2.649.228	-	69.599.831
Prior Period								
Total Assets	41.104.345	10.803.851	15.486.534	80.786.469	111.901.898	42.331.227	7.853.494	310.267.818
Total Liabilities	45.955.242	143.301.990	34.327.033	32.360.482	15.755.955	3.084.016	35.483.100	310.267.818
Liquidity Gap	(4.850.897)	(132.498.139)	(18.840.499)	48.425.987	96.145.943	39.247.211	(27.629.606)	-
Net Off-Balance Sheet Position	-	(123.663)	(7.420)	21.298	506.582	-	-	396.797
Financial Derivative Assets	-	21.505.764	730.692	1.640.019	2.462.004	-	-	26.338.479
Financial Derivative Liabilities	-	21.629.427	738.112	1.618.721	1.955.422	-	-	25.941.682
Non-cash Loans	32.747.550	492.394	2.678.785	13.191.131	9.677.305	2.103.709	-	60.890.874

(1) Assets which are required for banking operations and could not be converted into cash in short-term, such as; tangible assets, associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net non-performing loans as well as securities representing a share in capital; and other liabilities such as provisions which are not considered as payables and equity are classified as undistributed.

(2) Deferred tax asset is included under the “Undistributed” column.

(3) TL 5.986.374 of the funds balance, whose risk is not born by the Parent Bank, is included in other liabilities and shown under the “1-5 years” column, fund balance amounted to TL 91.938 is not granted as loan and is included under “Up to One Month” column.

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VI. EXPLANATIONS ON CONSOLIDATED LEVERAGE

1) Explanations on the subjects caused a gap between prior and current period leverage:

The Bank’s leverage calculated by force of the regulation “Regulation on Measurement and Assessment of Leverage Ratios of Banks” is 8,24% (31 December 2015: 8,33%). The change on leverage results heavily from the increase on risk amounts of balance sheet assets. The regulation sentenced the minimum leverage as 3%.

Balance sheet assets	Current Period (*)	Prior Period (*)
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	325.823.872	305.987.769
(Assets deducted in determining Tier 1 capital)	(1.588.079)	(1.358.811)
Total on-balance sheet risks (sum of lines 1 and 2)	324.235.793	304.628.958
Derivative financial instruments and credit derivatives		
Replacement cost associated with all derivative financial instruments and credit Derivatives	1.054.965	906.945
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	319.848	294.821
Total risks of derivative financial instruments and credit derivatives	1.374.813	1.201.766
Securities or commodity financing transactions (SCFT)		
Risks from SCFT assets	5.014.332	4.611.358
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	5.014.332	4.611.358
Other off-balance sheet transactions		
Gross notional amounts of off-balance sheet transactions	92.882.986	79.187.009
(Adjustments for conversion to credit equivalent amounts)	(87.152)	(362.843)
Total risks of off-balance sheet items	92.795.834	78.824.166
Capital and total risks		
Tier 1 capital	34.889.948	32.430.099
Total risks	423.420.772	389.266.248
Leverage ratio		
Leverage ratio %	8,24	8,33

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

1) An extract comparison table of total risks placed in consolidated financial statements coordinated in accordance with TAS:

	Current Period (**)	Prior Period (**)
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards	318.898.570	288.337.293
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	36.385	24.491
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	62.714.637	57.881.888
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	40.709.807	38.777.772
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	87.152	362.843
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	(44.669.174)	(42.482.185)
Total Risk Amount	423.420.772	389.266.248

(**) The amounts shown in the table are 3 month averages.

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VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT

Notes and explanations prepared in accordance with “the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks” published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section. As of 30 June 2016, the following notes to be presented on a quarterly and semi-annually basis according to Communiqué have not been presented due to usage of standard approach for the calculation of capital adequacy by the Bank.

IRB (Internal Rating-Based) – Credit risk amount based on a Portfolio and Default Probability (DP) ranges

IRB – The effect of credit derivatives which is used as a CRM (Credit risk mitigation) techniques on RWA
RWA flow statements of credit risk exposures under IRB

IRB (Directed loans and stock investments subject to simple risk weight approach)

Counterparty Credit Risk based on Risk Class and DP – IRB

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

Since the Bank does not hold securitization position as of 30 June 2016, the notes to be presented on a semi-annually basis according to Communiqué have not been presented.

Securitization positions in the banking book

Securitization positions in the trading book

Securitization positions in the banking book and associated regulatory capital requirements - Bank acting as originator or as sponsor

Securitization positions in the banking book and associated regulatory capital requirements - Bank acting as investor

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VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)

1. Explanations on Risk Management and Risk Weighted Amount

Overview of RWA

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	231.234.051	203.774.124	18.498.724
2	Standardised approach	234.965.743	206.434.374	18.797.259
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3.731.692	2.660.250	298.535
5	Standardised approach for counterparty credit risk	3.731.692	2.660.250	298.535
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies-look through approach	-	-	-
9	Investments made in collective investment companies-mandate-based approach	203.650	-	16.292
10	Investments made in collective investment companies-1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB Supervisory Formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	21.971.188	17.618.138	1.757.695
17	Standardised Approach	21.971.188	17.618.138	1.757.695
18	Internal model Approaches	-	-	-
19	Operational risk	20.519.768	18.052.275	1.641.581
20	Basic Indicator Approach	20.519.768	18.052.275	1.641.581
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity(subject to a 250% risk weight)	77.085	-	6.167
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	277.737.434	242.104.787	22.218.995

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VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)

2. Credit Risk Explanations

Credit Quality of Assets

		Gross carrying value in consolidated financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/amortisation and impairments	Net values
		Defaulted	Non- defaulted		
1	Loans	3.538.110	209.486.459	3.274.309	209.750.260
2	Debt Securities	-	67.437.986	293.918	67.731.904
3	Off-balance sheet exposures	5.912	96.246.107	87.779	96.164.240
4	Total	3.544.022	373.170.552	3.656.006	373.646.404

Changes in stock of default loans and debt securities

1	Defaulted loans and debt securities at end of the previous reporting period	3.222.700
2	Loans and debt securities that have defaulted since the last reporting period	885.084
3	Receivables back to non-defaulted status	18.851
4	Amounts written off	-
5	Other changes	(582.613)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	3.544.022

Credit Risk Mitigation Techniques - Overview

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	200.755.299	8.135.216	1.325.353	859.745	584.113	-	-
Debt Securities	67.731.904	-	-	-	-	-	-
Total	268.487.203	8.135.216	1.325.353	859.745	584.113	-	-
Of which defaulted	3.538.110	-	-	-	-	-	-

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VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)

2. Credit Risk Explanations (Continued)

Standard Approach - Credit risk exposure and credit risk mitigation techniques

Risk Classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Exposures to sovereigns and their central banks	86.284.582	230.413	86.318.054	138.649	23.144.696	9,9%
Exposures to regional and local governments	471.683	216.702	444.055	51.901	233.332	0,1%
Exposures to administrative bodies and non-commercial entities	180.911	829.918	317.297	379.893	596.235	0,3%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	59.688.296	8.362.068	60.094.948	4.314.121	8.114.327	3,5%
Exposures to corporates	92.866.169	61.336.573	92.396.939	32.173.480	122.748.922	52,2%
Retail exposures	78.489.055	16.754.546	78.413.881	2.352.784	60.154.643	25,6%
Exposures secured by residential property	20.578.454	90.674	20.578.454	45.313	7.219.583	3,1%
Exposures secured by commercial property	9.159.550	288.608	9.155.193	146.716	4.731.243	2,0%
Past-due items	1.823	-	1.823	-	912	-
Exposures in high-risk categories	319.603	126.665	319.483	25.122	546.278	0,2%
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	182.544	49.269	182.543	24.537	203.650	0,1%
Other exposures	15.345.446	-	15.345.446	-	7.146.287	3,0%
Equity share investments	126.069	-	126.069	-	125.635	0,1%
Total	363.694.185	88.285.436	363.694.185	39.652.516	234.965.743	100%

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VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)

2. Credit Risk Explanations (Continued)

Exposures by asset classes and risk weights

Risk Classes/ Risk Weight	%0	%10	%20	35% secured by property mortgage	%50 secured by property mortgage	%50 ^(*)	%75	%100	%150	%200	Diğerleri	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	40.767.763	-	-	-	-	45.088.487	-	600.453	-	-	-	86.456.703
Exposures to regional and local government	31.031	-	34	-	-	463.131	-	1.760	-	-	-	495.956
Exposures to administrative bodies and non-commercial entities	93.976	-	8.306	-	-	669	-	594.239	-	-	-	697.190
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	43.076.086	-	9.858.529	-	-	10.663.666	-	810.788	-	-	-	64.409.069
Exposures to corporates	458.774	-	509.050	-	-	1.906.159	9.605	121.686.831	-	-	-	124.570.419
Retail exposures	449.260	-	150.466	-	-	2.619	80.164.320	-	-	-	-	80.766.665
Exposures secured by residential property	6.088	-	1.627	20.610.454	-	-	-	5.598	-	-	-	20.623.767
Exposures secured by commercial property	13.725	-	3.272	-	9.108.646	-	-	176.266	-	-	-	9.301.909
Past-due items	-	-	-	-	-	1.823	-	-	-	-	-	1.823
Exposures in high-risk categories	778	-	224	-	-	-	-	12	312.757	-	30.834	344.605
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	3.430	-	-	-	-	-	-	203.650	-	-	-	207.080
Equity share investments	-	-	-	-	-	869	-	125.200	-	-	-	126.069
Other exposures	8.155.446	-	54.642	-	-	-	-	7.135.358	-	-	-	15.345.446
Total	93.056.357	-	10.586.150	20.610.454	9.108.646	58.127.423	80.173.925	131.340.155	312.757	-	30.834	403.346.701

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

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VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)

3. Consolidated counterparty credit risk (CCR) approach analysis

		Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) ^(*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
	Valuation Method according to fair value - CCR (for derivatives)	840.861	1.062.862			1.903.723	770.213
1	Standardised approach - CCR (for derivatives)				1,4	-	-
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					34.172.194	2.051.867
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					2.844.318	909.612
5	EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	Total						3.731.692

^(*) Effective Expected Positive Exposure

Consolidated capital requirement for credit valuation adjustment (CVA)

		Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital obligation	-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	1.903.723	770.213
4	Total subject to the CVA capital obligation	712.732	236.966

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VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)

3. Counterparty credit risk (CCR) approach analysis (Continued)

Standardised approach - CCR exposures by risk class and risk weights

Risk Weight Regulatory portfolio	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure^(*)
Exposures to sovereigns and their central banks	341.295	-	-	58.396	-	-	-	-	399.691
Exposures to regional and local governments	5.421	-	-	47	-	-	-	-	5.468
Exposures to administrative bodies and non-commercial entities	47.147	-	-	-	-	251	-	-	47.398
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	42.565.492	-	7.949.366	3.875.355	-	2.075	-	-	54.392.288
Exposures to corporates	25.861	-	-	143	-	189.369	-	-	215.373
Retail exposures	9.881	-	-	-	876	-	-	-	10.757
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	3.430	-	-	-	-	14	-	-	3.444
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets ^(**)	-	-	-	-	-	-	-	-	-
Total	42.998.527	-	7.949.366	3.933.941	876	191.709	-	-	55.074.419

^(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

^(**) Other assets: the amount excludes exposures to “Central counterparty” which are reported in Counterparty credit risk.

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VII. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued)

3. Consolidated counterparty credit risk (CCR) approach analysis (Continued)

Collaterals for consolidated CCR

	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	29.712.683	-
Cash-foreign currency	-	-	-	-	17.113.011	-
Domestic sovereign debts	-	-	-	-	5.186	-
Other sovereign debts	-	-	-	-	58.374	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	46.889.254	-

Credit Derivatives

None.

Exposures to central counterparties (CCP):

None.

4. Market Risk Explanations

Standardised approach

		RWA
	Outright products	
1	Interest rate risk (general and specific)	10.317.663
2	Equity risk (general and specific)	766.300
3	Foreign exchange risk	10.887.225
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	21.971.188

Notes and explanations prepared in accordance with “the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks” published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section. The notes to be presented on a quarterly and semi-annually basis according to Communiqué, the following tables have not been presented due to usage of standard approach for the calculation of market risk by the Bank as of 30 June 2016.

RWA flow statements of market exposures under the Internal Model Method (IMM)

Internal Model Method for trading accounts

The VAR (Value at Risk) estimations comparing with gain/loss

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VIII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

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

The Bank is operating in consumer banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking.

Known as having the most extensive branch network in retail (consumer) banking sector, the Parent Bank renders services, such as; deposits, consumer loans, loans originated from funds whose risk does not belong to the Bank, credit cards, automatic payment, cheques and notes, money transfer order, foreign exchange transactions, internet banking, mobile banking, safe-deposit box and insurance brokerage services. Moreover, existing instruments are improved and new banking instruments are created in order to benefit from services undertaken as being a state bank in increasing the profitability of the Parent Bank. By “Finart” system, which is working in a centralized manner, the Parent Bank has the technical infrastructure required by modern banking sector to meet its clients’ needs.

In the context of corporate and entrepreneurial banking, the Group gives loans for operations, mid-term and long-term investment loans, foreign trade financing loans, letter of credits and guarantees in Turkish Lira and foreign currencies; renders project financing, other corporate finance related services, foreign exchange transactions and banking services to large-scale corporate clients and middle-small scale enterprises.

As the Bank is the main financial institution that meets the financing needs of agricultural sector in Turkey, it subsidizes to people and institutions operating in agricultural sector through mediating the usage of the fund originated loans beside the agricultural operations and investment loans from its own sources for vegetable and animal production, fishery products and agricultural mechanization directly to producers and the Union of Agricultural Credit Corporations.

Investment banking operations are conducted by the Financial Market and Asset-Liability Management and Economic Researches Departments. By foregoing departments, the Parent Bank’s liquidity is used for Turkish Lira, foreign exchange and securities transactions in local and international organized and over-the-counter markets, and enables sources of funds in Turkish Lira and foreign currencies according to the needs of the Parent Bank. The Parent Bank acts as an intermediary for transaction of securities and Eurobonds by the related departments, for transaction of shares and public offerings as an agency of Ziraat Yatırım Menkul Değerler A.Ş. and for transaction of investment funds founded by Ziraat Portföy Yönetimi A.Ş. and other portfolio management companies’, and keeps records of these financial instruments and the Bank performs repo/reverse repo transactions. Besides the Parent Bank performs derivative transactions which are accounted as held for trading. As financial derivative transactions, the Parent Bank performs foreign currency forward agreements and currency swap transactions.

Besides, the Parent Bank has commission revenue from insurance and other finance institutions by rendering agency services through its branches.

The Parent Bank performs its international banking operations via foreign branches, sub branches, representative offices and equity investments abroad.

As of 30 June 2016, explanations on segment reporting as shown below are in line with Communiqué on “Financial Statements and the Related Policies and Disclosures to be Publicly Announced”.

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VIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

Table for Segment Reporting:

Current Period	Consumer Banking	Corporate Entrepreneurial Banking	Specialized Banking	Investment Banking	Consolidation Correction	Undistributed	Total Operations of the Group
Total Operating Income and Expense							
Net Operating Profit	3.247.212	4.698.660	2.180.865	3.052.607	-	194.933	13.374.277
Interest on Loans	3.247.212	4.674.079	2.180.768	209.708	-	13.075	10.324.842
Interest Received from Banks	-	24.229	-	28.779	-	56.692	109.700
Interest Received from Marketable Securities Portfolio	-	352	97	2.724.744	-	9.369	2.734.562
Other Interest Income	-	-	-	89.376	-	115.797	205.173
Interest Expense	3.249.849	1.448.285	-	1.878.729	-	67.626	6.644.489
Interest on Deposits	3.249.849	1.447.420	-	174.745	-	1.269	4.873.283
Interest on Funds Borrowed	-	262	-	210.808	-	20.103	231.173
Interest on Money Market Transactions	-	-	-	1.318.108	-	-	1.318.108
Interest on Securities Issued	-	-	-	175.068	-	7.912	182.980
Other Interest Expense	-	603	-	-	-	38.342	38.945
Net Interest Income/Expense	(2.637)	3.250.375	2.180.865	1.173.878	-	127.307	6.729.788
Net Fees and Commission Income/Expense	476.824	195.597	56.942	(116.767)	-	106.263	718.859
Fees and Commission Received	476.824	197.907	56.942	2.137	-	171.201	905.011
Fees and Commissions Paid	-	2.310	-	118.904	-	64.938	186.152
Dividend Income	-	-	-	255.122	(227.281)	3.994	31.835
Net Trading Income	-	3.136	-	(77.096)	-	1.039	(72.921)
Other Operating Income	14.901	153.440	17.179	2.132	-	1.478.043	1.665.695
Provision for Loan or Other Receivables Losses	407.067	760.725	325.297	119	(1.079)	32.832	1.524.961
Other Operating Expenses	26.576	137.597	26.561	-	(108)	3.095.249	3.285.875
Net Operating Income/Expense	55.444	2.704.224	1.903.128	1.237.150	(226.094)	(1.411.432)	4.262.420
Profit/Loss on Equity Method	-	-	-	-	-	10.908	10.908
Tax Provision	-	-	-	-	-	(867.714)	(867.714)
Net Profit/Losses	55.444	2.704.224	1.903.128	1.237.150	(226.094)	(2.268.238)	3.405.614
SEGMENT ASSETS							
Financial Assets Where Fair Value Change is Reflected to Income Statement	-	3.340	-	1.048.269	-	43.772	1.095.381
Money Market Securities	-	727.062	-	2.277.839	-	926.402	3.931.303
Financial Assets Available for Sale	-	-	3.522	56.815.981	147	32.107	56.851.757
Loans	54.382.723	103.366.692	43.352.086	8.384.567	-	264.192	209.750.260
Investments Held to Maturity	-	13.420	-	9.742.067	-	29.279	9.784.766
Investments and Associates, Subsidiaries and Joint Ventures	-	826	-	2.733.137	(2.569.934)	26.833	190.862
Total Assets	-	223.742	-	-	(19.943)	50.070.469	50.274.268
TOTAL SEGMENT ASSETS	54.382.723	104.335.082	43.355.608	81.001.860	(2.589.730)	51.393.054	331.878.597
LIABILITIES							
Deposits	144.570.596	45.783.740	7.467	10.129.341	-	1.298.480	201.789.624
Derivative Financial Liabilities Held for Trading	-	-	-	1.018.807	-	7.582	1.026.389
Funds Borrowed	-	218.339	-	20.036.030	-	1.067.205	21.321.574
Money Market Takings	-	-	-	45.256.914	-	-	45.256.914
Marketable Securities Issued	-	4.089	-	6.100.030	-	131.714	6.235.833
Provisions	-	14.896	1.671	-	22.474	6.545.707	6.584.748
Other Liabilities	-	18.386	-	-	(19.943)	13.393.992	13.392.435
Shareholders' Equity	-	334.182	-	-	(2.592.260)	38.529.158	36.271.080
TOTAL LIABILITIES	144.570.596	46.373.632	9.138	82.541.122	(2.589.729)	60.973.838	331.878.597
OTHER ITEMS							
Capital Investment	-	-	-	-	-	-	-
Amortization Expenses	-	-	-	-	-	169.753	169.753
Reconstruction Cost	-	-	-	-	-	-	-

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(Continued)

VIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

Table for Segment Reporting (Continued):

Prior Period	Consumer Banking	Corporate Entrepreneurial Banking	Specialized Banking	Investment Banking	Consolidation Correction	Undistributed	Total Operations of the Group
Total Operating Income and Expense							
Net Operating Profit	2.811.384	3.110.795	1.605.733	2.943.851	(35.791)	236.994	10.672.966
Interest on Loans	2.811.241	3.088.496	1.605.726	280.237	(21.102)	16.564	7.781.162
Interest Received from Banks	-	19.980	7	30.382	(14.557)	59.795	95.607
Interest Received from Marketable Securities Portfolio	143	722	-	2.619.401	(63)	34.076	2.654.279
Other Interest Income	-	1.597	-	13.831	(69)	126.559	141.918
Interest Expense	2.688.645	1.210.216	598	1.506.693	(35.791)	88.629	5.458.990
Interest on Deposits	2.688.426	1.210.156	-	237.984	(14.557)	1.733	4.123.742
Interest on Funds Borrowed	-	21	598	191.060	(21.102)	32.053	202.630
Interest on Money Market Transactions	-	-	-	954.725	-	16	954.741
Interest on Securities Issued	-	-	-	122.924	(63)	5.695	128.556
Other Interest Expense	219	39	-	-	(69)	49.132	49.321
Net Interest Income/Expense	122.739	1.900.579	1.605.135	1.437.158	-	148.365	5.213.976
Net Fees and Commission Income/Expense	404.254	247.803	34.345	(98.262)	-	(73)	588.067
Fees and Commission Received	405.013	247.811	34.345	3.498	(131.560)	185.110	744.217
Fees and Commissions Paid	759	8	-	101.760	(131.560)	185.183	156.150
Dividend Income	-	-	-	192.166	(188.640)	2.036	5.562
Net Trading Income	325	16	815	(76.490)	-	(1.748)	(77.082)
Other Operating Income	12.251	85.346	25.817	1.529	(40.887)	1.113.777	1.197.833
Provision for Loan or Other Receivables Losses	235.585	377.218	162.805	1.707	2.682	190.382	970.379
Other Operating Expenses	23.814	102.369	15.768	-	(19.829)	2.689.245	2.811.367
Net Operating Income/Expense	280.170	1.754.157	1.487.539	1.454.394	(212.380)	(1.617.270)	3.146.610
Profit/Loss on Equity Method	-	-	-	-	-	10.852	10.852
Tax Provision	-	-	-	-	-	(745.482)	(745.482)
Net Profit/Losses	280.170	1.754.157	1.487.539	1.454.394	(212.380)	(2.351.900)	2.411.980
SEGMENT ASSETS							
Financial Assets Where Fair Value Change is Reflected to Income Statement	-	-	-	945.774	-	26.492	972.266
Money Market Securities	-	378.545	-	3.297.543	-	1.405.776	5.081.864
Financial Assets Available for Sale	-	36.360	-	53.948.118	148	52.312	54.036.938
Loans	51.214.922	95.157.671	37.676.823	8.190.770	-	268.210	192.508.396
Investments Held to Maturity	-	13.407	-	10.144.142	-	65.926	10.223.475
Investments and Associates, Subsidiaries and Joint Ventures	-	817	-	2.655.366	(2.495.396)	25.282	186.069
Total Assets	-	197.145	-	-	(2.537)	47.064.202	47.258.810
TOTAL SEGMENT ASSETS	51.214.922	95.783.945	37.676.823	79.181.713	(2.497.785)	48.908.200	310.267.818
LIABILITIES							
Deposits	137.600.974	41.269.946	-	10.828.741	-	1.220.436	190.920.097
Derivative Financial Liabilities Held for Trading	-	-	-	290.275	-	9.907	300.182
Funds Borrowed	-	43.305	-	19.463.588	-	1.280.510	20.787.403
Money Market Takings	-	-	-	43.134.312	-	-	43.134.312
Marketable Securities Issued	-	-	-	5.287.606	-	131.791	5,419,397
Provisions	-	14.470	-	-	23.552	6,327,715	6,365,737
Other Liabilities	-	19,556	-	-	(2,537)	11,570,729	11,587,748
Shareholders' Equity	-	235,617	-	-	(2,518,802)	34,036,127	31,752,942
TOTAL LIABILITIES	137.600.974	41.582.894	-	79.004.522	(2.497.787)	54.577.215	310.267.818
OTHER ITEMS							
Capital Investment	-	-	-	-	-	-	-
Amortization Expenses	-	-	-	-	-	155.101	155.101
Reconstruction Cost	-	-	-	-	-	-	-

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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	1.375.440	782.376	1.723.559	853.611
Central Bank of the Republic of Turkey	3.255.521	33.718.279	2.378.666	31.888.236
Other	1.670	117.137	-	90.605
Total	4.632.631	34.617.792	4.102.225	32.832.452

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 2015/19. 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. 2015/5, 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 11,5%; for deposits up to 6-months maturity 8,5%; for deposits up to 1-year maturity 6,5%; for deposits 1-year and longer maturity 5%; for TL liabilities other than deposits up to 1-year maturity 11,5%; for TL liabilities other than deposits between 1- and 3-years maturity 8%; for TL liabilities other than deposits more than 3-years maturity 5%; for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturities 13%; for FC deposit accounts with 1-year and longer maturity 9%, for FC liabilities other than deposits up to 1-year maturity 25%; for FC liabilities other than deposits up to 2-years maturities 20%, for FC liabilities for FC liabilities other than deposits up to 3-years maturity 15%; and for FC liabilities other than deposits more than 5-years maturity 7%.

According to the press release of CBRT dated on 21 October 2014, there had been interest payment on reserve deposits starting from November 2014. In addition, according to Press Release of CBRT on Remuneration of Foreign Currency Required and Free Reserves numbered 2015/35, the implementation of remuneration for US dollars denominated required reserves, reserve options and free reserves held at CBRT has been started as of 5 May 2015.

As of 30 June 2016, total reserve requirement of the Group is TL 37.097.467 including Central Banks abroad (31 December 2015: TL 35.484.883).

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	3.171.369	732.336	2.310.541	236.684
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves ⁽¹⁾⁽²⁾	84.152	32.985.943	68.125	31.651.552
Total	3.255.521	33.718.279	2.378.666	31.888.236

⁽¹⁾ Required reserve of branches abroad amounting to TL 71.988 is presented in this line (31 December 2015: TL 78.150).

⁽²⁾ TL 18.940.272 of the current period’s FC required reserve is the part of the TL required reserves that are held in FC (31 December 2015: 19.082.468).

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	-	-
Assets Blocked/Given as Collateral	3.993	3.960
Total	3.993	3.960

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

Derivative Financial Assets Held-for-Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	48.250	40.188	26.116	46.643
Swap Transactions	670.065	275.152	625.959	233.506
Futures Transactions	-	-	-	-
Options	-	7	9	45
Other	-	-	-	-
Total	718.315	315.347	652.084	280.194

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	1.576.947	444.545	1.884.201	408.643
Foreign Banks	30.138	1.766.142	27.113	2.645.734
Foreign Head Office and Branches	-	-	-	-
Total	1.607.085	2.210.687	1.911.314	3.054.377

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	44.261.013	40.599.081
Assets Blocked/Given as Collateral	4.467.193	5.251.648
Total	48.728.206	45.850.729

b) Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	56.605.692	54.745.634
Quoted in Stock Exchange	56.525.697	54.688.171
Not Quoted in Stock Exchange	79.995	57.463
Share Certificates	539.858	635.564
Quoted in Stock Exchange	388.165	483.687
Not Quoted in Stock Exchange	151.693	151.877
Provision for Impairment (-)	293.793	1.344.260
Total	56.851.757	54.036.938

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	202	-	202
Loans Granted to Employees	299.218	143	267.353	132
Total	299.218	345	267.353	334

(1) Interest rediscount and interest accrual amounting TL 2.461, are not included in the table above.

(2) Since the balance of overdraft accounts related to employees amounting TL 12.472, is showed under Table 5-c as overdraft accounts (real person), it is not included to the table above.

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms ⁽¹⁾	Other		Loans and other receivables with revised contract terms	Other
Non-Specialized Loans	159.371.976	1.772.675	-	1.998.245	1.422.659	-
Commercial loans	93.190.803	1.059.487	-	923.998	1.254.767	-
Export Loans	2.432.403	-	-	16.052	-	-
Import Loans	364.694	-	-	6.370	-	-
Loans Given to Financial Sector	5.962.558	-	-	-	-	-
Consumer Loans	49.586.392	713.068	-	992.278	165.111	-
Credit Cards	3.220.464	120	-	48.577	2.781	-
Other ⁽²⁾	4.614.662	-	-	10.970	-	-
Specialized Lending ⁽³⁾⁽⁴⁾	37.556.991	2.344.579	-	763.777	236.324	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals	4.019.056	-	-	177	-	-
Total	200.948.023	4.117.254	-	2.762.199	1.658.983	-

(1) Since Restructured or rescheduled loans cannot be decomposed systematically, they have been shown in the “Loans and Other Receivables with Revised Contract Terms” section.

(2) Restructured or rescheduled loans and the loans under close monitoring and the distinction of the accrual amounts of other receivables cannot be obtained by the available information operating system.

(3) Fund sourced agricultural loans are shown under specialized lending

(4) Agriculturally qualified farmer standby loans have been displayed under specialized lending.

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

5. Information related to loans: (Continued)

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

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended ^(*)	3.926.191	1.589.825
3 - 4 or 5 Times Extended	190.993	68.855
Over 5 Times Extended	70	303

^(*) Number of modification made according to extent of payment plan cannot be decomposed systematically therefore it is shown in this line.

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	1.029.464	783.159
6 Months - 12 Months	897.135	115.627
1 - 2 Years	1.728.497	563.972
2 - 5 Years	419.551	176.659
5 Years and Over	42.607	19.566
Total	4.117.254	1.658.983

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

5. Information related to loans: (Continued)

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	381.815	49.870.655	50.252.470
Real Estate Loans	11.560	25.467.295	25.478.855
Vehicle Loans	3.080	220.830	223.910
Consumer Loans	362.639	23.755.055	24.117.694
Abroad ⁽²⁾	3.852	312.871	316.723
Other	684	114.604	115.288
Consumer Loans- Indexed to FC	-	1	1
Real Estate Loans	-	1	1
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	1.742	92.904	94.646
Real Estate Loans	-	10.357	10.357
Vehicle Loans	-	-	-
Consumer Loans	578	57.485	58.063
Abroad	1.164	25.062	26.226
Other	-	-	-
Individual Credit Cards-TL	2.759.652	3.160	2.762.812
With Installment	927.186	39	927.225
Without Installment	1.832.466	3.121	1.835.587
Individual Credit Cards-FC	275	-	275
With Installment	-	-	-
Without Installment	275	-	275
Personnel Loans-TL	9.137	196.825	205.962
Real Estate Loans	-	202	202
Vehicle Loans	4	46	50
Consumer Loans	9.002	194.916	203.918
Abroad ⁽²⁾	131	1.661	1.792
Other	-	-	-
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	258	12.869	13.127
Real Estate Loans	-	3.547	3.547
Vehicle Loans	-	-	-
Consumer Loans	36	909	945
Other	222	8.413	8.635
Personnel Credit Cards-TL	79.572	157	79.729
With Installment	35.303	88	35.391
Without Installment	44.269	69	44.338
Personnel Credit Cards-FC	400	-	400
With Installment	390	-	390
Without Installment	10	-	10
Overdraft Accounts-TL (Real Person)	890.643	-	890.643
Overdraft Accounts-FC (Real Person)	-	-	-
Total⁽¹⁾	4.123.494	50.176.571	54.300.065

⁽¹⁾ TL 340.451 of interest income accrual and rediscount are not included in the table above.

⁽²⁾ TL 3.617.285 fund welded consumer loans are not included in the table above.

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I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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
Commercial Installment Loans-TL	750.764	13.672.241	14.423.005
Business Loans	512	472.648	473.160
Vehicle Loans	33.323	941.252	974.575
Consumer Loans	635.387	12.094.822	12.730.209
Other	81.542	163.519	245.061
Commercial Installment Loans- Indexed to FC	-	4.359	4.359
Business Loans	-	-	-
Vehicle Loans	-	4.359	4.359
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	195.289	15.089.723	15.285.012
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	10.740	14.572.863	14.583.603
Other	184.549	516.860	701.409
Corporate Credit Cards-TL	427.835	195	428.030
With Installment	128.930	164	129.094
Without Installment	298.905	31	298.936
Corporate Credit Cards-FC	696	-	696
With Installment	628	-	628
Without Installment	68	-	68
Overdraft Account-TL (Legal Entity)	131.439	-	131.439
Overdraft Account-FC (Legal Entity)	-	-	-
Total ⁽¹⁾	1.506.023	28.766.518	30.272.541

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

e) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	199.063.748	181.834.465
Foreign Loans	6.403.478	6.442.090
Interest Income Accruals of Loans	4.019.233	3.350.947
Total	209.486.459	191.627.502

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

5. Information related to loans: (Continued)

f) Loans granted to subsidiaries and associates:

None (31 December 2015: None).

g) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability ^(*)	290.140	187.917
Loans and other receivables with doubtful collectability	676.547	480.993
Uncollectible loans and other receivables	2.307.622	1.672.896
Total	3.274.309	2.341.806

^(*) The Parent Bank, by changing account estimation regarding special provisions as of 30 June 2016, special provision rate that applied for the loans under follow-up placed in the Third Group has increased from 50% to 100% and special provisions corresponding to 100% for loans under follow-up in all groups are started to set aside regardless of collateral. Besides, while the Bank was making special provisions for the residue of a non-performing corporate loan after considering its warrants, as from the date 30 June 2016, it was dropped from consideration of guarantee applications for these loans, and started to set aside special provisions to the total loan risk. The total pre-tax effect of these changes is TL 585.909 and this amount is associated with the profit for the period concerned.

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

1) Information on loans and other receivables included in non-performing receivables which are restructured or rescheduled by the Parent Bank:

	Group III: Loans and Receivables with Limited Collectability	Group IV: Loans and Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Receivables
Current Period	10.813	46.790	95.111
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	10.813	46.790	95.111
Rescheduled loans and other receivables	-	-	-
Prior Period	11.844	51.598	92.945
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	11.844	51.598	92.945
Rescheduled loans and other receivables	-	-	-

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

5. Information related to loans: (Continued)

h) Information on non-performing receivables (net): (Continued)

2) Information on the movement of non-performing receivables:

	Group III:	Group IV:	Group V:
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
Prior Period Ending Balance	331.722	492.416	2.398.562
Additions (+)	732.266	48.819	103.999
Transfers from Other Categories of Loans under Follow-up (+)	-	690.573	468.569
Transfers to Other Categories of Loans under Follow-up (-)	690.573	468.569	-
Collections (-) ⁽¹⁾	78.127	81.982	409.565
Write-offs (-)	-	-	-
Corporate and Entrepreneurial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance ⁽²⁾	295.288	681.257	2.561.565
Specific Provision (-)	290.140	676.547	2.307.622
Net Balance on Balance Sheet	5.148	4.710	253.943

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

(2) Includes the loans originated from funds amounting to TL 263.797 whose risk does not belong to the Parent Bank.

3) Information on foreign currency non-performing loans:

	Group III:	Group IV:	Group V:
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period:			
Period Ending Balance	60.210	9.854	29.676
Specific Provision (-)	60.210	9.854	29.676
Net Balance on Balance Sheet	-	-	-
Prior Period:			
Period Ending Balance	50.271	8.652	34.694
Specific Provision (-)	38.840	8.652	34.694
Net Balance on Balance Sheet	11.431	-	-

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information related to loans: (Continued)

h) Information on non-performing receivables (net): (Continued)

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

	Group III: Loans and Other Receivables with Limited Collectability	Group IV: Loans and Other Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Other Receivables
Current Period (Net)	5.148	4.710	253.943
Loans to Real Persons and Legal Entities (Gross)	295.288	606.685	2.561.565
Specific Provisions (-)	290.140	601.975	2.307.622
Loans to Real Persons and Legal Entities (Net)	5.148	4.710	253.943
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	74.572	-
Specific Provisions (-)	-	74.572	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	143.806	11.423	725.665
Loans to Real Persons and Legal Entities (Gross)	331.723	415.807	2.398.561
Specific Provisions (-)	187.917	404.384	1.672.896
Loans to Real Persons and Legal Entities (Net)	143.806	11.423	725.665
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	76.609	-
Specific Provisions (-)	-	76.609	-
Other Loans and Receivables (Net)	-	-	-

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information on held-to-maturity investments:

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

a.1) Held-to-maturity investments subject to repo transactions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	1.248.875	3.255.325	1.114.647	3.567.579
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	1.248.875	3.255.325	1.114.647	3.567.579

a.2) Held-to-maturity investments given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	3.015.373	1.841.814	3.009.483	1.987.576
Other	-	-	-	-
Total	3.015.373	1.841.814	3.009.483	1.987.576

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

	Current Period	Prior Period
Government Bonds	9.704.376	10.133.222
Treasury Bills	-	-
Other Public Sector Debt Securities	13.420	13.407
Total	9.717.796	10.146.629

c) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt securities	9.784.766	10.223.475
Quoted in a Stock Exchange	9.717.796	10.146.629
Not Quoted in a Stock Exchange	66.970	76.846
Provision for Impairment (-)	-	-
Total	9.784.766	10.223.475

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

6. Information on held-to-maturity investments: (Continued)

d) Movements of held-to-maturity investments:

	Current Period	Prior Period
Beginning Balance	10.223.475	10.239.816
Addition to Scope of Consolidation	-	-
Foreign Currency Differences on Monetary Assets	(53.133)	1.064.698
Purchases During the Year	64.461	154.288
Disposals through Sales and Redemptions	(450.037)	(1.235.327)
Provision for Impairment (-)	-	-
Period End Balance	9.784.766	10.223.475

Within the year 2008, the Parent Bank has reclassified securities previously classified in available for sale portfolio with nominal values of TL 23.630.115, EUR 717.616 thousand and USD 1.483.317 thousand to held-to-maturity portfolio with fair values of TL 22.971.669, EUR 702.950 thousand and USD 1.562.742 thousand respectively which have been taken into consideration as book values after reclassification. The Bank has also reclassified securities previously classified in financial assets at fair value through profit and loss portfolio with nominal values of EUR 37.951 thousand and USD 45.501 thousand to held-to-maturity portfolio with fair values of EUR 37.178 thousand and USD 62.311 thousand respectively which have been taken into consideration as book values after reclassification in accordance with TAS 39 “Turkish Accounting Standard for Financial Instruments: Recognition and Measurement” published in the Official Gazette No. 27040 dated 31 October 2008 by Public Oversight Accounting and Auditing Standards Authority (“POA”).

Revaluation differences of reclassified available for sale securities before deferred tax are TL 68.984, EUR (23.067) thousand and USD (15.207) thousand respectively and are recorded under shareholders’ equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. At the end of balance sheet date, negative revaluation differences under shareholders’ equity are amounted as USD 11.282 thousand and EUR 1.575 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 24.232 thousand and USD 74.120 thousand respectively.

If the reclassification from the held for trading securities portfolio to the held-to-maturity portfolio had not been performed, income accrual amounting to TL 14.637 would have been recorded. As of 30 June 2016, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL (36.111).

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

7. Information about associates (net):

a) 1) Information about unconsolidated associates:

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage, if Different, Voting Percentage (%)	The Bank’s Risk Group Share Percentage (%)
1	Bankalararası Kart Merkezi A.Ş.	İstanbul/TURKEY	12,50	17,98
2	Kredi Kayıt Bürosu A.Ş.	İstanbul/TURKEY	10,00	9,09

	Total Assets ⁽²⁾	Shareholders’ Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾⁽³⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽²⁾	Prior Period Profit / Loss ⁽²⁾	Fair Value ⁽¹⁾
1	69.638	40.266	48.624	425	-	10.606	5.165	-
2	177.851	109.177	82.587	1.934	160	9.268	17.045	-

⁽¹⁾ Since shares of associates are not traded in the stock market, fair values cannot be identified.

⁽²⁾ Current period information of associates has been provided from unreviewed financial statements as of 30 June 2016. Prior period profit/loss information of associates has been provided from reviewed financial statements as of 30 June 2015.

⁽³⁾ Total non-current assets include property and equipment.

b) 1) Explanation regarding consolidated associates:

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage, if Different, Voting Percentage (%)	The Parent Bank’s Risk Group Share Percentage (%)
1	Arap Türk Bankası A.Ş.	İstanbul/TURKEY	22,22	15,43

	Total Assets ⁽²⁾	Shareholders’ Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽²⁾	Prior Period Profit / Loss ⁽²⁾	Fair Value ⁽¹⁾
1	4.075.802	614.882	21.191	65.661	36.265	35.383	32.401	-

⁽¹⁾ Since shares of ArapTürk Bankası A.Ş. are not traded in the stock market, fair values cannot be identified.

⁽²⁾ Current period information of Arap Türk Bankası A.Ş. has been provided from reviewed financial statements as of 30 June 2016. Prior period profit/loss information of ArapTürk Bankası A.Ş. has been provided from reviewed financial statements as of 30 June 2015.

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

7. Information about associates (net): (Continued)

2) Information about consolidated associates:

	Current Period	Prior Period
Beginning Balance	92.861	82.116
Movement During the Period	2.015	10.745
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer to Available for Sale Fin. Assets	-	-
Sales	-	-
Revaluation	2.015	10.745
Impairment Provision	-	-
Ending Balance	94.876	92.861
Capital Commitments	-	-
Period Ending Share of Capital Participation (%)	15,43	15,43

3) Sector information about consolidated associates:

	Current Period	Prior Period
Banks	94.876	92.861
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

4) Consolidated associates quoted to a stock exchange:

None (31 December 2015: None).

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

8. Information on subsidiaries (net):

a) Information about unconsolidated subsidiaries:

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage- if different Voting Percentage (%)	The Parent Bank’s Group Share Percentage (%)
1	Ziraat Teknoloji A.Ş.	Istanbul/TURKEY	100,00	100,00

	Total Assets ⁽²⁾	Shareholders’ Equity ⁽²⁾	Total Non- Current Assets ⁽²⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽²⁾	Prior Period Profit / Loss ⁽²⁾	Fair Value ⁽¹⁾
1	33.754	10.349	3.518	454	47	41	(4.393)	-

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

⁽²⁾ Current period information of subsidiaries has been provided from unreviewed financial statements as of 30 June 2016. Prior period profit/loss information has been provided from reviewed financial statements as of 30 June 2015.

b) Information about consolidated subsidiaries:

In consolidated financial statements of Parent Bank’s, investments related to subsidiaries and joint ventures operating abroad in foreign currency are followed by their fair values. For these subsidiaries, fair value is determined by valuation reports, TL equivalents of investments related to subsidiaries are fixed as of revaluation date and revaluation differences added to subsidiaries’ values are recognized in “Marketable Securities Value Increase Fund” under shareholder’s equity.

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage-if different Voting Percentage (%)	The Parent Bank’s Risk Group Share Percentage Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	İstanbul / TURKEY	100,00	100,00
2	Ziraat Sigorta A.Ş.	İstanbul / TURKEY	100,00	100,00
3	Ziraat Finansal Kiralama A.Ş.	İstanbul / TURKEY	100,00	100,00
4	Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul / TURKEY	100,00	99,60
5	Ziraat Portföy Yönetimi A.Ş.	İstanbul / TURKEY	100,00	99,70
6	Ziraat Katılım Bankası A.Ş. ⁽¹⁾	İstanbul / TURKEY	100,00	100,00
7	Ziraat Bank International A.G.	Frankfurt / GERMANY	100,00	100,00
8	Ziraat Bank BH d.d.	Sarajevo / BOSNIA HERZEGOVINA	100,00	100,00
9	Ziraat Bank (Moscow) JSC	Moscow / RUSSIA	100,00	100,00
10	Kazakhstan Ziraat Int. Bank	Almaty / KAZAKHSTAN	100,00	99,58
11	Ziraat Bank Azerbaycan ASC ⁽³⁾	Baku / AZERBAIJAN	100,00	100,00
12	Ziraat Bank Montenegro AD ⁽⁴⁾	Podgoritsa / MONTENEGRO	100,00	100,00

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

8. Information on subsidiaries (net): (Continued)

b) 1) Information about consolidated subsidiaries: (Continued)

	Total Assets ⁽³⁾	Shareholders' Equity ⁽³⁾	Total Non-Current Assets ⁽³⁾	Interest Income ⁽³⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit / Loss ⁽³⁾	Prior Period Profit / Loss ⁽³⁾	Fair Value ⁽¹⁾	Shareholders' Equity Needed
1	3.051.542	242.318	1.819	70.545	-	78.839	76.494	-	-
2	768.236	189.058	2.911	26.669	-	52.767	39.266	-	-
3	2.313.264	265.017	1.508	562	-	28.246	11.586	-	-
4	436.329	86.542	612	14.649	683.898	13.108	8.669	-	-
5	23.922	21.997	773	1.215	8.417	4.035	2.934	-	-
6	4.850.848	740.087	63.529	126.599	8.257	2.469	1.118	-	-
7	4.812.459	611.119	14.272	70.945	1.589	23.752	18.130	665.528	-
8	1.294.274	195.584	59.849	27.352	350	7.700	2.914	173.616	-
9	145.009	100.555	7.276	7.619	108	3.190	2.996	89.412	-
10	438.238	188.629	11.892	13.284	3.173	11.214	9.810	226.569	-
11	208.141	116.514	19.719	8.143	77	5.275	1.301	107.931	-
12	104.534	21.196	3.642	773	66	(2.211)	-	28.647	-

⁽¹⁾ The subsidiaries other than the ones presented with fair value are not traded in stock exchange and accordingly fair values cannot be determined and they are carried at cost less impairment, if any. For the subsidiaries having fair value, fair value shows the portion belonging to Ziraat Bank.

⁽²⁾ The income from marketable securities portfolio of Ziraat Yatırım Menkul Değerler A.Ş. and Ziraat Portföy Yönetimi A.Ş. are representing the net sales.

⁽³⁾ Information on subsidiaries shown in the above table has been provided from the unreviewed financial statements as of 30 June 2016, the prior period profit/loss balances have been provided from reviewed financial statements as of 30 June 2015.

⁽⁴⁾ The amounts shown in Interest Income column belong to Ziraat Katılım Bank A.Ş. and contain dividend income.

2) Information about consolidated subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	2.442.943	1.453.735
Movements During the Period	72.000	989.208
Additions to Scope of Consolidation	-	-
Purchases ⁽¹⁾	72.000	997.857
Bonus Shares Obtained	-	16.921
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales	-	-
Revaluation Increase	-	227.760
Impairment Provision	-	253.330
Balance at the End of the Period	2.514.943	2.442.943
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

⁽¹⁾ Paid Capital Increases made during the period are classified under “Purchases” account.

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

8. Information on subsidiaries (net): (Continued)

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

	Current Period	Prior Period
Banks	2.038.702	1.966.702
Insurance Companies	129.972	129.972
Factoring Companies	-	-
Leasing Companies	282.839	282.839
Financing Companies	-	-
Other Financial Subsidiaries	63.430	63.430

c) Subsidiaries which are quoted on a stock exchange:

None (31 December 2015: None).

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

Entities under Common Control (Joint Ventures) ⁽¹⁾	Parent Bank's Share ⁽²⁾	Group's Share	Current Assets	Non- Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	37.260	37.260	610.936	11.324	10.705	17.970	11.769
UTBANK JSC	44.113	44.131	231.681	3.253	52.711	16.025	11.220
Total	81.373	81.391	842.617	14.577	63.416	33.995	22.989

⁽¹⁾ Information on entities under joint control is provided from the unreviewed financial statements as of 30 June 2016.

⁽²⁾ Represents the Parent Bank's share in the shareholders' equity of these entities under common control based on the shareholding rate of the Bank.

Entities under common control domiciled and operating abroad are followed by their fair values. For these entities under common control, fair value is determined by independent valuation firm's report and revaluation differences are accounted as the value of entities under common control and in "Marketable Securities Value Increase Fund" under shareholders' equity.

10. Information on finance lease receivables (net):

Information on finance lease receivables are as below:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	352.008	314.754	360.879	317.383
1-5 Years	2.103.710	1.808.550	2.192.205	1.874.178
More than 5 Years	183.252	169.409	190.422	171.841
Total	2.638.970	2.292.713	2.743.506	2.363.402

11. Information on derivative financial assets for hedging purposes:

The Group has no derivative financial assets for hedging purposes. (31 December 2015: None)

12. Information on investment property:

None (31 December 2015: None).

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

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

The group does not have any discontinuing operations. The assets held for sale are composed of immovables acquired due to consumer, commercial and agricultural loans and immovables for which has no necessity of usage exists by the Parent Bank. Those immovables considered for sales are announced at the web site of the Parent Bank.

The Group’s immovables acquired amount to TL 288.771 consisting of TL 13.617 due to consumer loans, TL 218.436 on its commercial loans and TL 56.718 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1.619. Total depreciation expense is TL 4.348 for these held for sale assets. (31 December 2015: The Bank’s immovables acquired amount to TL 244.367 consisting of TL 13.494 due to consumer loans, TL 185.021 on its commercial loans and TL 45.852 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1.849. Total depreciation expense is TL 4.658 for these held for sale assets).

14. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs ⁽¹⁾	Other Tangibles	Total
Prior Period End:						
Cost	5.283.531	9.869	45.930	210.178	824.742	6.374.250
Accumulated Depreciation (-)	869.320	2.186	23.007	111.378	410.675	1.416.566
Net Book Value	4.414.211	7.683	22.923	98.800	414.067	4.957.684
Current Period End:						
Net Book Value at the Beginning of the Period	4.414.211	7.683	22.923	98.800	414.067	4.957.684
Change During the Period (Net)	(38.703)	1.190	(3.551)	3.691	(1.097)	(38.470)
Cost	31.373	1.762	(942)	21.105	43.963	97.261
Depreciation – Net (-)	70.076	572	2.609	17.414	45.060	135.731
Impairment (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	5.314.904	11.631	44.988	231.283	868.705	6.471.511
Accumulated Depreciation at Period End (-)	939.396	2.758	25.616	128.792	455.735	1.552.297
Closing Net Book Value	4.375.508	8.873	19.372	102.491	412.970	4.919.214

- 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.

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II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

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

1) For deposit banks:

Current Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	19.399.936	-	2.874.179	56.519.323	4.397.143	991.292	802.264	9.552	84.993.689
Foreign Currency Deposits	14.277.842	-	5.960.860	18.571.625	4.706.620	3.825.237	14.393.249	497	61.735.930
Residents in Turkey	12.275.340	-	5.653.235	16.209.342	4.105.864	2.705.787	9.665.738	497	50.615.803
Residents Abroad	2.002.502	-	307.625	2.362.283	600.756	1.119.450	4.727.511	-	11.120.127
Public Sector Deposits	6.781.270	-	3.374.379	5.394.081	1.318.332	2.584.871	12.238	-	19.465.171
Commercial Inst. Deposits	4.669.890	-	5.360.792	5.864.209	265.058	138.054	86.729	-	16.384.732
Other Inst. Deposits	1.525.470	-	1.555.307	3.641.099	487.688	656.462	701.355	-	8.567.381
Precious Metals	895.136	-	23.128	128.287	19.584	9.669	10.983	-	1.086.787
Interbank Deposits	397.857	-	3.814.735	1.641.794	787.143	2.347.663	566.742	-	9.555.934
CBRT	3.935	-	-	-	142.346	-	-	-	146.281
Domestic Banks	138.982	-	3.685.866	208.009	99.172	127.388	95.848	-	4.355.265
Foreign Banks	60.233	-	128.869	1.433.785	545.625	2.220.275	470.894	-	4.859.681
Participation Banks	194.707	-	-	-	-	-	-	-	194.707
Other	-	-	-	-	-	-	-	-	-
Total	47.947.401	-	22.963.380	91.760.418	11.981.568	10.553.248	16.573.560	10.049	201.789.624

Prior Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	15.846.134	-	2.775.653	54.063.340	4.248.745	990.796	799.896	5.538	78.730.102
Foreign Currency Deposits	12.371.997	-	8.909.641	16.467.457	4.792.177	3.626.058	13.137.046	431	59.304.807
Residents in Turkey	10.900.141	-	8.712.995	14.420.590	4.280.762	2.921.964	9.726.044	431	50.962.927
Residents Abroad	1.471.856	-	196.646	2.046.867	511.415	704.094	3.411.002	-	8.341.880
Public Sector Deposits	5.765.117	-	3.440.895	4.511.961	1.247.351	2.865.402	94.380	13.276	17.938.382
Commercial Inst. Deposits	4.553.542	-	3.605.918	5.111.621	1.071.958	328.128	1.166.738	-	15.837.905
Other Inst. Deposits	1.533.085	-	1.857.417	3.081.800	259.595	737.257	474.829	252.326	8.196.309
Precious Metals	1.039.897	-	25.203	123.939	18.613	9.393	8.662	-	1.225.707
Interbank Deposits	279.728	-	6.127.518	995.229	1.094.520	1.116.474	73.416	-	9.686.885
CBRT	11.521	-	-	-	-	-	-	-	11.521
Domestic Banks	35.674	-	5.046.468	51.023	109.610	36.885	-	-	5.279.660
Foreign Banks	87.163	-	1.049.200	944.206	984.910	1.079.589	73.416	-	4.218.484
Participation Banks	145.370	-	31.850	-	-	-	-	-	177.220
Other	-	-	-	-	-	-	-	-	-
Total	41.389.500	-	26.742.245	84.355.347	12.732.959	9.673.508	15.754.967	271.571	190.920.097

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

b) Information on saving deposits:

1) Amounts exceeding the deposit insurance limit:

**a) Saving deposits under the guarantee of deposit insurance and exceeding the deposit insurance limit:
(It reflects the values of the Parent Bank)**

Saving Deposits	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits ⁽²⁾	56.586.341	52.356.589	27.004.938	25.598.381
Foreign Currency Saving Deposits ⁽²⁾	20.279.571	19.394.479	24.176.874	23.644.817
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance ⁽¹⁾	567.545	549.775	71.983	57.489
Deposits at Off-Shore Banking Regions’ and under Foreign Authorities’ Insurance	-	-	-	-

⁽¹⁾ In Bulgaria and Greece, since both real person and legal entity’s saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 63.387 and TL 7.694 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2015: Bulgaria and Greece, TL 57.299 and TL 7.465, respectively).

⁽²⁾ Related deposit balances do not include foreign branches.

Based on the Council of Minister’s decree dated 29 December 2003 and numbered 2003/6668, TL 994 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş.

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of banks. As total of capital amount and interest expense accruals of saving deposits up to TL 100 attributable to a real person is covered by the insurance, TL 562.847 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 15 February 2013 and numbered 28560.

2) Information on saving deposits/real persons’ private current and accession accounts not related to commercial transactions in a Turkish branch of the Parent Bank whose head office is abroad, and reasons if it is covered in where the head office is located (Information belongs to the Parent Bank):

The Parent Bank’s head office is located in Turkey.

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

1. b) Information on saving deposits: (Continued)

3) Amounts which are not covered by deposit insurance:

a) Saving deposits not covered by the deposit insurance fund (Values belong to the Parent Bank):

	Current Period	Prior Period
Deposits and Other Accounts in Branches Abroad	55.888	52.302
Deposits of Ultimate Shareholders and Their Close Families	-	-
Deposits of Chairman and Members of the Board of Directors , General Manager, Assistant General Managers and Their Close Family Members	6.744	3.923
Deposits Obtained through Illegal Acts Defined in the 282 nd Article of the 5237 Numbered Turkish Criminal Code Dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

2. Information on derivative financial liabilities held for trading:

a) Negative differences related to the derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	42.055	37.081	24.700	43.551
Swap Transactions	29.528	917.725	3.956	227.951
Futures Transactions	-	-	-	-
Options	-	-	3	21
Other	-	-	-	-
Total	71.583	954.806	28.659	271.523

3. Information on banks and other financial institutions:

a) General information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	399.522	1.204.829	269.760	1.001.940
Foreign Banks, Institutions and Funds	971.145	18.746.078	944.015	18.571.688
Total	1.370.667	19.950.907	1.213.775	19.573.628

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	416.410	6.593.887	255.656	7.155.010
Medium and Long-Term	954.257	13.357.020	958.119	12.418.618
Total	1.370.667	19.950.907	1.213.775	19.573.628

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

3. c) Further information is disclosed for the areas of the Group’s liability concentrations. Main liability concentration areas are fund suppliers, sector groups or other risk concentration criteria:

60,80% of the Group’s liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Group’s liabilities are not subject to a significant concentration risk.

d) Information on funds supplied from repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	29.714.330	-	27.289.499	-
Financial Institutions and Organizations	29.382.236	-	27.068.715	-
Other Institutions and Organizations	325.171	-	212.000	-
Real Person	6.923	-	8.784	-
From Overseas Operations	-	15.092.584	-	14.744.813
Financial Institutions and Organizations	-	15.092.584	-	14.744.813
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
Total	29.714.330	15.092.584	27.289.499	14.744.813

e) Information on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.140.465	136.615	2.199.333	756.233
Treasury Bills	131.714	3.827.039	131.791	2.332.040
Total	2.272.179	3.963.654	2.331.124	3.088.273

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

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

5. Information on finance lease payables (net):

In financial leases, rental installments are determined by the cost of the leasehold good, interest rate for commercial loans and maturity of the agreement. Installment amounts stated in agreements are equally distributed. The Group has no significant liabilities under the scope of these agreements.

The Group has no liabilities from finance leases (31 December 2015: None).

6. Information on derivative financial liabilities for hedging purposes:

There are no derivative financial liabilities for hedging purposes (31 December 2015: None).

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

7. Explanations on provisions:

a) Information on general provisions:

	Current Period	Prior Period
General Provisions	3.144.828	2.925.818
Allocated for Group-I Loans and Receivables	2.694.034	2.506.562
Additional Provision for Loans and Receivables with Extended Maturities	162.069	121.600
Allocated for Group-II Loans and Receivables	174.858	152.015
Additional Provision for Loans and Receivables with Extended Maturities	53.856	28.425
Allocated for Non-Cash Loans	203.200	164.752
Other	72.736	102.489

b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

Foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables amount to TL 14.872 (31 December 2015: TL 5.561).

c) Information on specific provisions for unindemnified non-cash loans:

The Parent Bank’s specific provisions for unindemnified non-cash loans amount to TL 81.867 (31 December 2015: TL 55.629).

d) Information on other provisions:

1) Information on free provisions for possible risks:

These financial statements include a free provision which is not in accordance with BRSA Principles amounting to TL 1.025.000 (TL 215.400 of this provision amount was reversed from the income statement in the current year), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions. Moreover, the provision of TL 16.700 and other provision of TL 393 exist for cash transfers made by the Parent Bank officials.

	Current Period	Prior Period
Free Provisions for Possible Risks	1.042.093	1.257.419

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

Based on the information provided by the legal department, lawsuits against the Parent Bank over TL 100 amounts to TL 59.200. Full provision has been provided in these financial statements for law suits ended against the Bank but not finalized yet, amounting to TL 34.759.

Based on the decision of the Bank management, provision amounting to TL 60.400 is provided for the consumer loans followed under standard loan portfolio that also have amounts in the non-performing loan portfolio in compliance with the Act on Preservation of Consumers numbered 4077. The provision is made in accordance with the “Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”, published in Official Gazette numbered 26333, dated 1 November 2006 and considering the conservatism principle without taking into consideration the guarantees of these loans.

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

7. Explanations on provisions: (Continued)

d) Information on other provisions: (Continued)

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

The Group also provided provisions amounting to TL 81.867 for unindemnified non-cash loans (31 December 2015: TL 55.629), TL 76.770 for other provisions (31 December 2015: TL 45.625). As a result of the provisions mentioned above, the other provision balance on the Group’s balance sheet amounts to TL 1.295.889 (31 December 2015: TL 1.482.032).

e) Liabilities on reserve for employee termination benefits:

1) Employment termination benefits and unused vacation rights

The Group accounts for its vacation and retirement pay obligations in accordance with the TAS 19 “Employee Benefits”. The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation. As of 30 June 2016, unpaid vacation liability amounted to TL 203.621 (31 December 2015: TL 170.572), and employment termination amounted to TL 782.546 (31 December 2015: TL 689.727) are presented under the “Employee Benefits Provision” in the financial statements.

8. Information on tax liability:

a) Information on current tax liability:

1) Information on tax provisions:

As of 30 June 2016, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 575.582 (31 December 2015: TL 416.922).

2) Information on current taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	575.582	416.922
Taxation on Income From Securities	206.013	202.372
Property Tax	2.461	2.237
Banking Insurance Transactions Tax (BITT)	120.306	117.824
Foreign Exchange Transactions Tax	45	28
Value Added Tax Payable	4.610	4.341
Other	137.288	59.961
Total	1.046.305	803.685

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

8. Information on tax liability: (Continued)

a) Information on current tax liability: (Continued)

3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	44	239
Social Security Premiums - Employer	62	341
Bank Social Aid Pension Fund Premium - Employee	9.465	330
Bank Social Aid Pension Fund Premium - Employer	13.274	528
Pension Fund Membership Fees and Provisions - Employee	12	13
Pension Fund Membership Fees and Provisions - Employer	57	45
Unemployment Insurance - Employee	717	559
Unemployment Insurance - Employer	1.440	1.118
Other	-	-
Total	25.071	3.173

b) Information on deferred tax liabilities, if any:

The Group’s deferred tax liability, for the current term, amounts to TL 1.868 (31 December 2015: TL 2.357).

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

The Group does not have any payables for assets held for sale and discontinued operations.

10. Explanations on subordinated debts:

The Group does not have any subordinated debts.

11. Information on shareholders’ equity:

a) Presentation on paid-in capital:

	Current Period	Prior Period
Common Stock	5.100.000	5.000.000
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 Parent Bank does not have a registered capital system.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on shareholders’ equity: (Continued)

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

In accordance with the decision taken at the Ordinary General Assembly, carried out on 30 March 2016, the paid-in capital of the Parent Bank which was TL 5.000.000 has been increased by TL 28.000 from internal sources, and TL 72.000 cash to TL 5.100.000 and the capital increase has been registered to Trade Registry Gazette No. 9071 dated 9 May 2016.

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

None.

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

The Parent Bank has no capital commitments.

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

In the current period, the Parent Bank follows its operations in line with the previous periods. The Parent Bank’s balance sheet has been managed with precaution by being affected by the interest, rate of exchange and credit risks at the minimum level. This helps to reduce the effects of fluctuations in the market to the Parent Bank’s performance and contributes to the profitability structure to be sustainable.

g) Information on preferred shares representing the capital:

The Parent Bank has no preferred shares.

h) Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	342.182	61.381	342.182	61.381
Revaluation Difference	-	61.381	-	61.381
Foreign Exchange Difference	342.182	-	342.182	-
From Available for Sale Marketable Securities	(623.965)	1.123.697	(1.718.652)	809.922
Revaluation Difference	52.815	1.123.848	(1.618.036)	810.012
Deferred Tax Effect	(232.920)	(151)	275.247	(90)
Foreign Exchange Difference	(443.860)	-	(375.863)	-
Total	(281.783)	1.185.078	(1.376.470)	871.303

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. EXPLANATIONS AND NOTES TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Payment Commitments for Cheques	3.148.298	3.079.630
Asset Purchase and Sale Commitments	7.697.728	1.848.592
Commitments for Credit Card Expenditure Limits	6.971.299	7.131.274
Loan Granting Commitments	3.232.498	3.007.694
Other Irrevocable Commitments	5.573.092	4.855.029
Commitments for Credit Cards and Banking Services Promotions	23.361	20.185
Tax and Fund Liabilities from Export Commitments	-	27
Share Capital Commitments to Associates and Subsidiaries	-	-
Total	26.646.276	19.942.431

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

The Parent Bank has no possible losses arising from the off-balance sheet items.

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

	Current Period	Prior Period
Guarantee Letters	57.485.368	49.707.786
Bank Acceptances	7.623.784	6.957.456
Letter of Credits	4.196.966	4.194.107
Other Guarantees	293.713	31.525
Other Securities	-	-
Total	69.599.831	60.890.874

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

	Current Period	Prior Period
Letters of Certain Guarantees	35.961.058	31.862.854
Letters of Advance Guarantees	15.408.881	13.052.987
Letters of Temporary Guarantees	3.476.029	2.754.448
Letters of Guarantees Given to Customs Offices	669.388	655.110
Other Letters of Guarantees	1.970.012	1.382.387
Total	57.485.368	49.707.786

c) 1) Total non-cash loans:

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	1.107.317	1.054.138
With Original Maturity of One Year or Less	28.708	84.954
With Original Maturity of More than One Year	1.078.609	969.184
Other Non-Cash Loans	68.492.514	59.836.736
Total	69.599.831	60.890.874

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

1. a) Information on interest income from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans ⁽¹⁾	9.001.635	1.323.207	6.772.379	1.008.783
Short Term Loans	2.091.662	60.886	1.929.265	54.688
Medium and Long Term Loans	6.846.007	1.261.611	4.762.174	954.084
Interest on Non-Performing Loans	63.966	710	80.940	11
Premiums from Resource Utilization Support Fund	-	-	-	-

⁽¹⁾ Includes fees and commissions income on cash loans.

b) Information on interest received from the banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	2.494	-	-	-
Domestic Banks	96.506	1.695	89.711	1.739
Foreign Banks	794	8.211	354	3.803
Head Office and Branches	-	-	-	-
Total	99.794	9.906	90.065	5.542

c) Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	456	936	616	136
Financial Assets at Fair Value through Profit or Loss	6.730	-	5.992	722
Financial Assets Available-for-Sale	2.021.108	300.624	2.025.271	223.809
Investments Held-to-Maturity	229.938	174.770	223.367	174.366
Total	2.258.232	476.330	2.255.246	399.033

d) Information on interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	159	118

2. a) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks ⁽¹⁾	57.326	172.577	56.288	146.342
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	12.123	10.577	15.946	758
Foreign Banks	45.203	162.000	40.342	145.584
Head Office and Branches	-	-	-	-
Other Institutions	-	1.270	-	-
Total	57.326	173.847	56.288	146.342

⁽¹⁾ Includes fees and commissions expenses on cash loans.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

b) Information on interest expenses given to subsidiaries and associates:

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	2.087	1.859

c) Information on interest given on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	121.799	61.181	76.720	51.836

d) 1) Maturity structure of the interest expense on deposits:

Account Name	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 year		
TL								
Bank Deposit	-	171.840	-	-	-	2.836	-	174.676
Saving Deposit	-	107.181	2.556.359	182.705	39.709	29.349	628	2.915.931
Public Sector Deposit	71	170.270	227.837	60.504	139.064	361	-	598.107
Commercial Deposit	82	197.508	282.759	22.997	16.511	3.637	-	523.494
Other Deposit	54	55.797	178.995	12.798	39.439	13.569	-	300.652
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Total	207	702.596	3.245.950	279.004	234.723	49.752	628	4.512.860
FC								
Foreign Currency Deposit	506	43.029	123.805	29.065	24.873	113.497	3	334.778
Bank Deposit	36	24.556	253	145	-	-	-	24.990
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	57	451	70	36	41	-	655
Total	542	67.642	124.509	29.280	24.909	113.538	3	360.423
Grand Total	749	770.238	3.370.459	308.284	259.632	163.290	631	4.873.283

3. Information on trading profit/loss (net):

	Current Period	Prior Period
Profit	17.653.696	18.113.266
Profit from the Capital Market Transactions	15.359.166	16.154.095
Profit on Derivative Financial Instruments	2.273.611	1.899.237
Foreign Exchange Gains	20.919	59.934
Loss (-)	17.726.617	18.190.348
Loss from the Capital Market Transactions	15.213.306	15.466.989
Loss on Derivative Financial Instruments	2.510.198	2.722.762
Foreign Exchange Loss	3.113	597

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	2.582.940	(128.396)
Effect of the change in interest rates on profit/loss	(2.819.527)	(695.129)
Total	(236.587)	(823.525)

5. Information on other operating income:

Information on factors covering the recent developments which has significant effect on the Parent 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 Parent Bank’s income. Main component of the Bank’s other operating income consists of reversals from prior period provisions amounting to TL (582.452 TL) (30 June 2015: TL 429.324) and income from sales of assets amounting to TL 142.005 (30 June 2015 TL 59.641).

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

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables ⁽¹⁾	1.259.036	506.353
Group III Loans and Receivables ⁽³⁾	260.505	98.708
Group IV Loans and Receivables	487.038	341.911
Group V Loans and Receivables ⁽³⁾	511.493	65.734
General Provision Expenses ⁽²⁾	233.987	321.387
Provision Expenses for the Possible Losses	960	122.900
Marketable Securities Impairment Expense	5.223	1.706
Financial Assets at Fair Value through Profit and Loss	-	33
Financial Assets Available for Sale	5.223	1.673
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Business Partners)	-	-
Investment Securities Held to Maturity	-	-
Other	25.755	18.033
Total	1.524.961	970.379

⁽¹⁾ The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL 293.917 are presented in other operating income (30 June 2015: TL 308.997).

⁽²⁾ The relevant balances include the expenses related to the current period. The provision reversals within the period amounting to TL 249 are presented in other operating income.

⁽³⁾ The Bank, by changing account estimation regarding special provisions as of 30 June 2016, special provision rate that applied for the loans under follow-up placed in the Third Group has increased from 50% to 100% and special provisions corresponding to 100% for loans under follow-up in all groups are started to set aside regardless of collateral. Besides, while the Bank was making special provisions for the residue of a non-performing corporate loan after considering its warrants, as from the date 30 June 2016, it was dropped from consideration of guarantee applications for these loans, and started to set aside special provisions to the total loan risk. The total pre-tax effect of these changes is TL 585.909 and this amount is associated with the profit for the period concerned.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. a) Information on other operating expenses:

	Current Period	Prior Period
Personnel Expenses	1.249.329	1.088.779
Reserve for Employee Termination Benefits	43.421	21.379
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	148.739	134.426
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	21.014	20.675
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	660.995	522.251
Operational Leasing Expenses	112.878	87.822
Maintenance Expenses	38.908	37.872
Advertisement Expenses	37.046	31.308
Other Expenses	472.163	365.249
Loss on Sales of Assets	595	119
Other ⁽¹⁾	1.161.782	1.023.738
Total	3.285.875	2.811.367

⁽¹⁾ TL 229.063 of the relevant balance is Savings Deposit Insurance Fund expense accrual (30 June 2015: TL 186.907), TL 224.761 is taxes, fees and tolls expenses (30 June 2015: TL 196.439).

8. Information on profit/(loss) before tax from continuing and discontinuing operations:

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

	Current Period	Prior Period
Net Interest Income	6.729.788	5.213.976
Net Fees and Commissions Income	718.859	588.067
Dividend Income	31.835	5.562
Trading Income/Expense (Net)	(72.921)	(77.082)
Other Operating Income	1.665.695	1.197.833
Provision for Loan or Other Receivables Losses (-)	1.524.961	970.379
Other Operating Expenses (-)	3.285.875	2.811.367
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	10.908	10.852
Profit/(Loss) from Continuing Operations	4.273.328	3.157.462

9. Information on tax provision for continuing and discontinuing operations

As of 30 June 2016, TL 867.714 (30 June 2015 TL 745.482) of the Group’s total tax provision expense amounting to TL 1.182.922 (30 June 2015: TL 268.219), consists of current tax expense while the remaining balances amounting to TL 315.208 (30 June 2015: TL 477.263 deferred tax income) consists of deferred tax expense.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

The Group’s net operating income after tax amounts to TL 3.405.614 (30 June 2015: TL 2.411.980).

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 Parent Bank in the current period:

The Parent Bank, mainly utilizes its resources from domestic deposits on loans, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations and insurance agencies.

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 (30 June 2015: None).

12. If other items in the income statement exceed 10% of the income statement total, sub-accounts constituting at least 20% of these items are shown below:

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

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

1) Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

a) Current Period:

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables ⁽¹⁾						
Opening Balance	25.125	-	-	-	-	-
Closing Balance	21.911	-	-	-	-	-
Interest and Commissions Income	159	-	-	-	-	-

⁽¹⁾ The cash loans balance includes the investments to associates, subsidiaries and entities under common control.

b) Prior Period:

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Cash ⁽²⁾	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables ⁽¹⁾						
Opening Balance	8.558	-	-	-	-	-
Closing Balance	25.125	-	-	-	-	-
Interest and Commissions Income ⁽²⁾	118	-	-	-	-	-

⁽¹⁾ The cash loans balance includes the investments to associates, subsidiaries and entities under common control.

⁽²⁾ Prior period's interest and commissions income shows the amount at 30 June 2015.

c) 1) Deposits held by the Parent Bank's risk group:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Opening Balance	38.385	25.152	-	-	-	-
Closing Balance	61.843	38.385	-	-	-	-
Interest Expense on Deposits	2.087	1.859	-	-	-	-

⁽¹⁾ The prior period balance of the accrued interest expense of the deposit is the balance as of 30 June 2015.

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

None (31 December 2015: None).

3) Information about fees paid to the Group's key management:

Fees paid to the Group's key management amount to TL 23.331 (30 June 2015: TL 18.252).

VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

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SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE GROUP’S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON REVIEW REPORT

I. EXPLANATIONS ON REVIEW REPORT

As of 30 June 2016, consolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Review Report dated 9 August 2016 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

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SECTION EIGHT (*)

EXPLANATIONS ON THE INTERIM REPORT

I. Chairman of the Board’s Message

The second quarter of 2016 was, generally speaking, a period in which global risk appetite increased in consideration of the fact that the Federal Reserve System (Fed) would delay the interest rate rise.

Although volatility was still observed before the fluctuation in USA data and the UK’s European Union (EU) exit vote, capital flows to developing countries were at their highest levels since the first quarter of 2015. The continuation of low inflation levels and a weakness in global growth, supported the expectation that the interests of developed countries such as the UK and Japan would remain at the low levels for a long time while risk premiums of developing countries decreased depending on the increased risk appetite. In the previous period, while commodity prices gained stability at the low levels with the slowdown tendency in global economic growth, an improvement was observed in financial conditions by the decrease of uncertainties regarding the Chinese economy.

In the forthcoming period, it is expected that the Fed will be cautious in the interest rate rise process with the influence of global events holding economic improvement back and low inflation despite the recovery in US employment data. The UK’s decision to leave the European Union, continued low levels of inflation and the fact that recovery in the Eurozone was relatively weak in the second quarter of the year led to expectations that the European Central Bank (ECB) would relax its monetary policy further. Similarly, it is understood that the Bank of England (BoE) will reduce the interest rate and may increase the asset purchase amount since the BoE stated that it has instruments necessary for ensuring monetary and financial stability. The fact that Prime Minister Abe won the election in Japan indicated that governmental incentive would continue and it was a factor increasing global risk appetite by preventing loss in value in the Yen. All this progress indicates a positive picture for developing countries.

The Turkish economy left a very positive period behind in terms of macroeconomic indicators in the second quarter of the year. While a strong picture was sustained with a growth rate beyond expectations, a significant decrease occurred in inflation. A decrease trend in the current accounts deficit continued with the effect of a low course in oil prices. A strong picture in the industry sector, which was one of the most contributing factors to growth in the first quarter of 2016, continued to support employment and influenced a decline in the rate of unemployment to single digit levels. With the Central Bank supporting the economy by sustaining interest rate cuts with simplification steps, the TL took a strong course with capital flows to developing countries.

Global growth followed a weak course and the Turkish economy was positively separated from its counterparts by achieving growth beyond expectations with 4,8% on an annual basis. While the most important support to the strong growth was from household expenditures, public consumption gave the second most important contribution in the growth composition. Household consumption increased to the highest level since 2011 by 6,9%. Two main reasons for this increase were minimum wage increase and the expenditures of immigrants. In the forthcoming period, it is expected that domestic demand will lead growth, and the contribution of net exports will turn positive with the effect of demand increase in European Union countries.

While significant decrease occurred in inflation mainly based on the unprocessed food group, a considerable decrease was observed in the core inflation with the stable course of the TL. Measures taken by authorities regarding the food sector were effective on the decrease of food inflation to historically low levels. A decrease in core inflation became evident in the second quarter of the year depending on the weakening effects of the cumulative exchange rate, inflation expectations of 12 and 24 months were improved.

Having less need for a wide interest rate corridor as a result of a decrease in global volatilities as well as effective use of the policy instruments specified in the road map published in August 2015, CBT reduced the interest rate by 200 basis points in total, sustaining the simplification steps it started in March. Following Central Bank’s statement regarding that it may have come to the end in its cuts on the high bands of the corridor, it is expected that the bank will continue to cut interest rates even in a limited way, by taking volatility in the global markets and the course of inflation into consideration. While current indicators show that stable growth in economic activity continued in the second quarter of 2016, it is expected that steps taken by Central Bank will support the growth as well.

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EXPLANATIONS ON THE INTERIM REPORT (Continued)

I. Chairman of the Board’s Message (Continued)

The improvement trend observed in the current deficit continues with the positive progresses in the international terms of trade by the contribution of macro-prudential policy measures and commodity prices. Cumulative current deficit was at the lowest level since 2010; increasing risk appetite was effective in entering portfolio investments. The continuation of European countries’ demands and the market changing flexibility of our export are reflected positively in our balance of foreign trade.

While our budget balance performs great compared with the last year with the effect of strong course in the budget incomes, it is anticipated that financial discipline will be sustained during MTP (Medium Term Program) and public debt stock to national income rate will continue to decrease gradually. Strong public finance and certain improvement in the current deficit continue to provide a maneuver area to our country in economy policies.

Banking industry continues to grow loan-weighted, provides fund that the economy needs, keeps its strong structure while growing steadily.

The leading bank of the industry, Ziraat Bank, has increased its support to all sectors, mainly agriculture, and has significantly contributed to putting great projects and investments that our country needs into practice. In line with the aim of being everywhere and being everyone’s bank with national and international service networks, Ziraat Bank, keeps its strong financial structure, increases its service quality and quality of financing of economy.

II. CEO’s Message

Ziraat Finance Group sustains its strategy of financing real sector and investments through financing great projects and meeting the operation and investment needs of all sectors. Cash loans reached TL 210 billion, non-cash loans reached TL 70 billion in the consolidated balance sheet and total loan amount is approximately TL 280 billion. An increase in the cash loans by nearly 9% and in the non-cash loans by 14% was observed in the first half of 2016, our consolidated asset value reached TL 332 billion by the increase of 7%.

The business model we are developing keeps contributing to the effective finance of the agriculture sector which is our mission. We prioritize being the effective bank at each stage of the agricultural value chain. Our strategy of industrialization of agriculture and increasing its added value means more than just financing agriculture.

We are among the leader banks on financing the greatest infrastructure and energy investments of our country. We are glad and proud of the projects that are completed and launched, and of those that are nearly complete among the projects of which we have significantly contributed to the financing on behalf of our Country and Bank.

Although no sales have been made from non-performing loan stock by our Bank, rate of receivables and non-performing loan being at the level of half the sector average by 1,7% shows our effectiveness on the management of loan quality. Having good loan quality is the result of loan valuation modules, effective monitoring and collection method, investments and process improvements we are making on loan processes. In addition to being a bank having the broadest service network of our country with 1.785 branches and 6.768 ATMs in the country including locations where no other bank operates, we continue our works to increase our service quality at every point. Also, we make access to financial services possible in anywhere and at any time by increasing our investments in digital banking. We sustain our services abroad in 18 countries with branch and bank structuring. We continue to offer any kind of financial service to our customers with our partnerships in different business segments like insurance, private pension and life insurance, investment, portfolio management, financial leasing, participation banking apart from main bank. In this way, we continue our works as Ziraat Finance Group with the partnerships regarding broad service network, banking channels out of branch, different financial services in the country and abroad.

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EXPLANATIONS ON INTERIM REPORT (Continued)

II. CEO’s Message (Continued)

Deposit continues to be the main source of finance. Broad-based structure of our deposit is sustained and developed. Syndication Loan in the amount of USD 1,1 billion was renewed for diversification of resource structure and our second benchmark eurobond issuance in the amount of USD 500 million was made. Apart from these, we ensure the diversification of our funding structure by providing resource procurement from international finance institutions and banks and by other alternative options.

Our profitability and performance ratios continue to the positive course. It is continued to make strong our shareholders’ equity and to increase its share in the balance sheet. In this context, our return on equity is 20% in the second quarter of 2016.

Our goal is to provide that Ziraat Finance Group is more valuable asset of our country with our business model of providing positive course of financial figures and indicators, our personnel and our customers.

III. Shareholding Structure

The paid in capital of T.C. Ziraat Bank is TL 5.100.000.000, and the sole shareholder is the Republic of Turkey Prime Ministry Undersecretariat of the Treasury (the “Treasury”). The chairman, Members of the Board of Directors, Members of the Supervisory Board, and General Manager and Vice General Managers are not shareholders in the Bank.

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EXPLANATIONS ON INTERIM REPORT (Continued)

IV. CONSOLIDATED FINANCIAL INDICATORS

ASSETS (TL Million)	30 June 2016	31 December 2015	Change (%)
Liquid Assets and Banks	43.182	42.017	2,8
Securities Portfolio	67.732	65.233	3,8
Loans	209.750	192.508	9,0
Other Assets	11.215	10.510	6,7
Total Assets	331.879	310.268	7,0
LIABILITIES (TL Million)	30 June 2016	31 December 2015	Change (%)
Deposits	201.790	190.920	5,7
Non-deposits Resources	72.814	69.341	5,0
Other Liabilities	21.004	18.254	15,1
Shareholders' Equity	36.271	31.753	14,2
Total Liabilities	331.879	310.268	7,0
CHOSEN INCOME-EXPENSES (TL Million)	30 June 2016	30 June 2015	Change (%)
Interest Income	13.374	10.673	25,3
Interest Expense	6.644	5.459	21,7
Net Interest Income	6.730	5.214	29,1
Net Fees and Commission Income	719	588	22,3
Other Operations Income	1.666	1.198	39,1
Other Operations Expense	3.286	2.811	16,9
Provision for Losses on Loans Or Other Receivables	1.525	970	57,2
Income Before Taxes From Continuing Operations	4.273	3.157	35,4
Provision For Taxes On Income From Continuing Operations	868	745	16,5
Net Profit/Losses	3.406	2.412	41,2
RATIOS (%)	30 June 2016	31 December 2015	
Capital Adequacy Ratio	14,17	14,56	
Equity / Total Assets	10,9	10,2	
Total Loans / Total Assets	63,2	62,0	
Loans under follow-up (Gross) / Total Loans	1,7	1,7	
FC Assets / FC Liabilities	99,6	97,2	
Liquid Assets / Total Assets	13,0	13,5	
	30 June 2016	30 June 2015	
Net Profit (Loss) / Average Total Assets (ROA)	2,1	1,8	
Net Profit (Loss) / Average Equities (ROE)	20,0	16,4	
Interest Incomes / Interest Expenses	201,3	195,5	

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EXPLANATIONS ON INTERIM REPORT (Continued)

V. 2016 II. Interim Activities

As a part of the studies for diversification of the Bank’s funds and supply of long term funds with a favorable cost for borrowing purposes on international capital markets, GMTN Program (Global Medium Term Notes), amounting to 4 billion US Dollars, it is updated on 14 March 2016. As a part of this GMTN program that enables Bank to issue in different maturities and different currencies operations, 29 April 2016 value date, coupon 4,75%, 5-year, USD 500 million of the nominal value of the bonds issued to investors residing abroad have carried out, and within the same program it was practiced as a “private placement” continued to raise funds in international markets.

VI. Risk Management

Bank’s risk management operations, within the frame of BRSA legislations and Basel regulations, are targeted for the best risk management function by applying risk culture alongside the Bank and maintaining the improvement of employee quality and information technologies.

Risk management policy is identified as loan risks, market risks, operational risks, balance sheet risks on the volume of Bank’s transactions, measurement and monitoring of quality and complication, stress test, scenario analysis and reporting the outcomes from these studies. Policies and application methods of risk management are carried out in accordance with the decisions by the Board of Directors.

VII. Other Important Activities

- “Pre-approved Consumer Loan” production are put into practice by making public assessments from the center on the purpose of providing optimization in the application period of individual loan and increasing sales success, work size, customer activities.
- The Bank, with 4,3 billion in mortgage loans issued at the first half of 2016, continued its market leadership during this period and mortgage loan portfolio exceeded 21,5 TL billion.
- At the end of the second quarter of 2016, Bank Corporate Segment cash loans reached to TL 71,6 billion by increasing approximately 5% comparing to first quarter, non-cash loans reached to TL 59 billion by increasing approximately 9%, and TL 130,6 billion in total.
- Loans for financing the agriculture has increased to TL 40,9 billion at the end of the second quarter of the year 2016.
- The sector contribution of Ziraat Bank has increased from 7,6% to 8,3% in deferred and spot foreign exchange transactions made by customer within the scope of foreign exchange purchase transactions which is focused on management of customer relations.
- It is provided pre-application by way of out of branch channels to the products of consumer loan, vehicle loan, real estate loan, overdraft account, credit card and increasing credit card limit.
- At the second quarter of 2016, the Bank realized borrowing amounting to approximately TL 1,84 billion corresponding to the redemption amount of TL 1,82 billion.
- Within the second interim period of 2016, it was given training to total 25.450 personnel and it was realised trainings average 7,82 hours per personnel.
- As of second quarter, The Bank’s market share of credit card number is 6,16% and market share of monthly turnover is 3,30%.
- Mostre Bureau and Brčanska-Maltha Bureau of ZiraatBank BH dd started to its operations.
- Loan agreement between the Bank and European Investment Bank amounting to EUR 100 million with 8 years maturity and 3 years non-refundable, has signed on 5 May 2016, intended for the financing of SME’s and large scale enterprises.

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EXPLANATIONS ON INTERIM REPORT (Continued)

VIII. Expectations Regarding After II. Interim Period of 2016

The second quarter of 2016 has been a period in which expectations towards that Federal Reserve System (Fed) would make interest rate rise within this year decreased as a result of developments increasing volatility in the global economy in addition to the data from US economy which were different from each other from time to time.

On the other hand in Europe, in this period where the data regarding economic activity remained in the background, the most important point of the agenda was the referendum by which the UK voted to leave the EU.

With strong expectations that the Fed would act slowly during the interest rate rise process, fund flow to developing countries gained speed and reached the highest level since the first quarter of 2015. Commodity, especially the recovery in oil prices supported the economies of developing countries mainly the countries which are commodity exporters in the second quarter of the year.

Strong expectations of additional incentives from the Bank of England and Japan, are other developments coming to the fore in the second quarter.

Similar to the previous years, after a weak first quarter, the US economy signalled recovery in the second quarter of the year again. While data regarding that household consumption had strong course continued to come, a strong recovery was observed in the housing market. However, the continuation of weakness in private sector investments and contradictory data from the employment market caused insecurity. Employment market data, which is one of the two indicators that the Fed follows closely to determine interest rate rise, was quite weak, especially in May. Non-farm payrolls data performed the lowest increase of the last six years in May and raised questions on whether the US economy is ready for a new interest rate rise or not. Hence, after weak employment data, Fed monetary policy committee members revised their 2017, 2018 and long-term interest rate forecasts as downtrend in the meeting held in June. Although members did not change their forecasts stating two interest rate rises for this year, the expectation in the markets focuses on the estimation that the Fed would make one interest rate rise within this year. It is expected that the Fed will continue to follow US data closely and take risks in the global economy into consideration to determine the speed of the interest rate rise process.

While in the first quarter of the year, the highest growing performance occurred in the Eurozone since 2011, on a quarterly and annual basis, leading data coming in in the second quarter reveal loss of speed. Recovery in consumer loans continues with the influence of expansionary steps of European Central Bank (ECB) and household consumption makes significant contribution to the growth. In the first quarter, recovery in the economic activity was reflected in employment markets, and as a result, the unemployment rate, which peaked in 2013 at 12,1%, continued to decrease and declined to the level of 10,1% as of May. Despite the increase in commodity prices, inflation sustained its weak course in the second quarter of the year as well. Inflation, which is expected to continue to be at low levels until the end of this year, is expected to rise as of the next year. In the second quarter of the year, ECB preferred to follow a wait and see policy to see the impact on the economy of the additional incentive program it announced in March. Even though expansionary measures of ECB started to create a difference in economic indicators, the effects of these measures are not yet known exactly. It is expected that interest will stay at the current levels for a long time, and expansionary monetary policy will continue until inflation in the Eurozone permanently rises.

In the second quarter of the year, the most important point of the European agenda was the referendum by which the UK voted to leave the European Union. The fact that the result of the referendum was that the UK left the EU, created a great shock wave in the global economy. In the days following the referendum, while sharp movements were seen in financial markets, the day after was one of the most volatile days in the history of the markets. With an increase in concerns for the future of both the British and European economies, sharp drops were seen within a few days in the British Pound and in European banking shares. To decrease the volatility arising from financial markets after the referendum, ECB and Bank of England (BoE) played a significant role in steadying markets by issuing calming statements. While it is expected that the UK leaving the EU, a process referred to as Brexit, would damage both economies, especially trade, the exact nature of the damage will be revealed over time. The expectation that ECB and BoE would take new expansionary steps for the forthcoming period to manage the Brexit process with minimum damage is strengthening, and these expectations give significant support to the markets.

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EXPLANATIONS ON INTERIM REPORT (Continued)

VIII. Expectations Regarding After II. Interim Period of 2016 (Continued)

Starting the first quarter of the year very negatively, the economies of developing countries achieved great recovery in the second quarter of the year. The end of negative data flow coming from China at the beginning of the year, recovery in the commodity prices and incentive expectations from developed central banks supported economies of developing countries during the quarter. The fact that the manufacturing industry in China recovered and revealed that the sector expanded again, the service industry gained speed and the Chinese government launched significant spending on infrastructure projects, including railway construction to support growth, ensured a decrease in concerns regarding the country’s economy. An increase in commodity prices, especially oil, by recovering from the record low levels in the first quarter of the year supported developing countries, mainly those which are commodity exporters. Since employment data announced in the USA was not strong enough for a new interest rate rise and expectations of incentives from ECB and BoE were added to the expectations that the Fed would delay an interest rate rise after the increase in global risk perception due to Brexit, capital flows to developing countries gained speed. Capital flows reaching the highest level as of the first quarter of 2015 caused stock markets and bond markets to achieve strong performance during the quarter. The course of commodity prices, data coming from the Chinese economy and monetary policies of developed countries’ central banks are expected to be the main determining factors for the economies of developing countries in the remainder of the year.

Achieving a strong performance during the first quarter of the year, the Turkish economy has maintained pace in the second quarter as well, according to the leading indicators. While the industry sector continued to grow strongly as from the beginning of the year, the unemployment rate declined to single digit levels. Food inflation declined to historically low levels and a downtrend in core inflation continued. A decrease in our current deficit continued with the support of low levels in oil prices, while the budget achieved a quite steady performance, as in recent years. Capital flows gained speed with the contribution of increase in the risk appetite regarding developing countries and valuation in the TL continued.

Turkey achieved quite strong growth in the first quarter of 2016, by 4,8%, compared to its counterparts. While the primary source of growth was domestic demand, consumption specific to growth contributed 4.8 points, public consumption 1.2 points, and stocks 0.4 points. Private investment and net exports had a negative influence on the growth. The fact that economic growth in Europe, which is our main export region, was limited became the main reason for our weak export. Continuation of strong increases performed by industrial production in the second quarter of the year strengthens the expectations on the continuation of growth speed. Also, it is expected that interest rate cuts performed consecutively by Central Bank within the frame of simplification steps will support growth for the remainder of the year.

The current accounts deficit continued to decline with the positive effect of a low course in oil prices on foreign trade balance and moderate course in consumer loans. The cumulative current deficit declined to the lowest levels since 2010, current deficit / GDP rate declined even under Medium Term Program (MTP) by 3,8%. Since oil prices gained stability, it is expected that improvement in our current deficit will continue even if it will lose some speed.

In the second quarter of the year, inflation declined to the lowest degree of the last three years since the transitivity effect of exchange rates on inflation continued to decrease and food prices decreased. Slowdown in food prices due to suitable seasonal conditions and the high basis effect of the previous year was the most remarkable development in inflation in the second quarter. An annual increase rate of “Food and soft drinks” item, which exceeded 14% in 2015, declined to the level of 1,38% in April. Despite the increasing effect of a minimum wage rise on inflation performed at the beginning of the year, a decrease in the headline and core inflation created an area in which CBT could take simplification steps.

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EXPLANATIONS ON INTERIM REPORT (Continued)

VIII. Expectations Regarding After II. Interim Period of 2016 (Continued)

CBT continued the simplification steps it started in March with the discounts it performed consecutively in the marginal funding interest. Having less need for a wide interest rate corridor with the decrease of global uncertainties, CBT narrowed the interest rate corridor by making a discount of 200 basis points in total and made it more symmetrical. During this process, a downtrend in the inflation gave significant support to the Central Bank. For the remainder of the year, it is expected that more limited interest rate cuts will come as statements made by Central Bank declaring that it has come to the end of the simplification process are taken into consideration. It is considered that steps taken by Central Bank will contribute to the continuation of the strong growth achieved in the first quarter of the year.

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