

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**

**PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT  
AT 31 DECEMBER 2015**

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF THE  
INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY PREPARED AND ISSUED IN TURKISH**

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

**Report on Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ("the Bank") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2015 and the related consolidated statement of income, consolidated income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Consolidated Financial Statements*

Bank management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, other regulations on accounting records of Banks published by BRSA, circulars and interpretations published by BRSA, and Turkish Accounting Standards for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Independent Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and Independent Auditing Standards that are part of Turkish Standards on Auditing published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

### *Basis for the qualified opinion*

As mentioned in Section II. Note 7.d1 of Explanations and Notes to the Consolidated Financial Statements; as of the balance sheet date, the accompanying consolidated financial statements include a free provision amounting to TL1.240.400 thousand (TL79.600 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 opinion*

In our opinion, except for the effect of the matter described in the basis for the qualified opinion paragraph above, on the consolidated financial statements, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and its subsidiaries as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

### **Report on Other Responsibilities Arising From Regulatory Requirements**

In accordance with subparagraph 4 of Article 402 of the Turkish Commercial Code No. 6102 (“TCC”); no significant matter has come to our attention that causes us to believe that the Bank’s bookkeeping activities for the period 1 January - 31 December 2015 are not in compliance with TCC and provisions of the Bank’s articles of association in relation to financial reporting.

In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

### **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

Haluk Yalçın, SMMM  
Partner

Istanbul, 10 February 2016



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

THE CONSOLIDATED FINANCIAL REPORT OF  
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 31 DECEMBER 2015

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 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 OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

The accompanying consolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on the Principles and Procedures Regarding Banks' Accounting and Keeping of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been independently audited.

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

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Hüseyin AYDIN  
Member of the Board,  
CEO

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

---

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  
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN  
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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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**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 31 DECEMBER 2015  
(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 VISE PRESIDENT, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE PARENT BANK THEY POSSESS

Name	Administrative Function
<b>Members of the Board of Directors</b>	
Muharrem KARSLI	Chairman
Hüseyin AYDIN	CEO and Member
Yusuf DAĞCAN	Vice Chairman and Member
Cemalettin BAŞLI	Member
Fahrettin ÖZDEMİRCİ	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Mustafa ÇETİN	Member
Salim ALKAN	Member
<b>Audit Committee Members</b>	
Muharrem KARSLI	Member
Feyzi ÇUTUR	Member
<b>Executive Vise Presidents</b>	
Alpaslan ÇAKAR	Retail Banking
Bilgehan KURU	Treasury and International Banking
Bülent SUER	Operational Transactions
Peyami Ömer ÖZDİLEK	Financial Coordination
Mehmet Cengiz GÖĞEBAKAN	Loan Policies
Musa ARDA	Loan Allocation and Management
Ömer Muzaffer BAKTIR	Marketing
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	5.000.000	100	5.000.000	-

The sole shareholder of the Parent Bank is the Treasury.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN  
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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

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

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**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 31 December 2015, Bank carries its activities with a grand total of 1.812 branches; 1.786 domestic branches including 22 corporate branches, 80 entrepreneurial branches, 83 dynamic entrepreneurial branches, 1.596 branches and 5 mobile branches (31 December 2014: 1.682 domestic branches including 1.486 branches, 24 corporate branches, 80 entrepreneurial branches, 90 dynamic entrepreneurial branches, 2 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.

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 31 December 2015, the number of the Group’s employees is 27.397 (31 December 2014: 24.882).



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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015**

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

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**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 31 DECEMBER 2015**  
(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 (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
		ASSETS					
<b>I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	(1)	4.102.225	32.832.452	36.934.677	2.773.749	27.510.997	30.284.746
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)</b>	(2)	687.695	284.571	972.266	294.906	35.088	329.994
2.1 Financial Assets Held for Trading		687.695	284.571	972.266	294.834	35.088	329.922
2.1.1 Public Sector Debt Securities		35.031	4.377	39.408	28.363	3.998	32.361
2.1.2 Securities Representing a Share in Capital		580	-	580	909	-	909
2.1.3 Derivative Financial Assets Held for Trading		652.084	280.194	932.278	265.562	31.090	296.652
2.1.4 Other Marketable Securities		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	72	-	72
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		-	-	-	72	-	72
<b>III. BANKS</b>	(3)	1.911.314	3.054.377	4.965.691	1.789.607	978.204	2.767.811
<b>IV. MONEY MARKET PLACEMENTS</b>		50.408	65.765	116.173	16.839	34.690	51.529
4.1 Interbank Money Market Placements		-	48.732	48.732	-	34.690	34.690
4.2 Istanbul Stock Exchange Money Market Placements		41.143	-	41.143	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		9.265	17.033	26.298	16.839	-	16.839
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	42.359.768	11.677.170	54.036.938	45.891.736	8.538.507	54.430.243
5.1 Securities Representing a Share in Capital		108.407	500.274	608.681	131.975	314.297	446.272
5.2 Public Sector Debt Securities		42.100.780	11.067.797	53.168.577	45.620.600	8.070.022	53.690.622
5.3 Other Marketable Securities		150.581	109.099	259.680	139.161	154.188	293.349
<b>VI. LOANS AND RECEIVABLES</b>	(5)	142.067.085	50.441.311	192.508.396	110.346.717	35.175.186	145.521.903
6.1 Loans and Receivables		141.197.622	50.429.880	191.627.502	109.562.008	35.158.472	144.720.480
6.1.1 Loans Granted to Risk Group of The Bank		-	25.125	25.125	-	8.558	8.558
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		141.197.622	50.404.755	191.602.377	109.562.008	35.149.914	144.711.922
6.2 Loans under Follow-up		3.129.083	93.617	3.222.700	2.709.827	60.656	2.770.483
6.3 Specific Provisions (-)		2.259.620	82.186	2.341.806	1.925.118	43.942	1.969.060
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	4.567.447	5.656.028	10.223.475	5.106.644	5.133.172	10.239.816
8.1 Public Sector Debt Securities		4.533.588	5.613.041	10.146.629	5.095.536	5.104.322	10.199.858
8.2 Other Marketable Securities		33.859	42.987	76.846	11.108	28.850	39.958
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	98.927	1.914	100.841	88.182	731	88.913
9.1 Accounted with Equity Method		92.861	-	92.861	82.116	-	82.116
9.2 Unconsolidated Associates		6.066	1.914	7.980	6.066	731	6.797
9.2.1 Financial Associates		-	1.097	1.097	-	731	731
9.2.2 Non-financial Associates		6.066	817	6.883	6.066	-	6.066
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	7.457	-	7.457	7.450	-	7.450
10.1 Unconsolidated Financial Subsidiaries		1.220	-	1.220	1.213	-	1.213
10.2 Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237	6.237	-	6.237
<b>XI. ENTITIES UNDER COMMON CONTROL (Net)</b>	(9)	-	77.771	77.771	-	60.271	60.271
11.1 Accounted with Equity Method		-	77.771	77.771	-	60.271	60.271
11.2 Unconsolidated Entities Under Common Control		-	-	-	-	-	-
11.2.1 Financial Entities Under Common Control		-	-	-	-	-	-
11.2.2 Non Financial Entities Under Common Control		-	-	-	-	-	-
<b>XII. RECEIVABLES FROM LEASING TRANSACTIONS</b>	(10)	594.625	1.768.777	2.363.402	512.978	1.338.278	1.851.256
12.1 Finance Lease Receivables		728.968	2.014.538	2.743.506	639.592	1.528.388	2.167.980
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		134.343	245.761	380.104	126.614	190.110	316.724
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(11)	-	-	-	-	-	-
13.1 Fair Value Hedges		-	-	-	-	-	-
13.2 Cash Flow Hedges		-	-	-	-	-	-
13.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(14)	4.874.436	83.248	4.957.684	4.681.525	59.780	4.741.305
<b>XV. INTANGIBLE ASSETS (Net)</b>	(15)	232.759	13.358	246.117	185.408	7.907	193.315
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		232.759	13.358	246.117	185.408	7.907	193.315
<b>XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)</b>	(12)	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>		271.567	1.091	272.658	226.647	1.158	227.805
17.1 Current Tax Asset		4.740	1.091	5.831	1.057	1.158	2.215
17.2 Deferred Tax Asset		266.827	-	266.827	225.590	-	225.590
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(13)	241.558	-	241.558	174.207	-	174.207
18.1 Held for Sale		241.558	-	241.558	174.207	-	174.207
18.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	(17)	1.385.582	857.132	2.242.714	1.398.577	640.050	2.038.627
<b>TOTAL ASSETS</b>		<b>203.452.853</b>	<b>106.814.965</b>	<b>310.267.818</b>	<b>173.495.172</b>	<b>79.514.019</b>	<b>253.009.191</b>

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 31 DECEMBER 2015**  
(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 (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES AND EQUITY					
<b>I. DEPOSITS</b>	(1)	<b>120.975.369</b>	<b>69.944.728</b>	<b>190.920.097</b>	<b>107.566.897</b>	<b>48.577.827</b>	<b>156.144.724</b>
1.1 Deposits Held By the Risk Group of the Bank		27.015	11.370	38.385	13.895	247.940	261.835
1.2 Other		120.948.354	69.933.358	190.881.712	107.553.002	48.329.887	155.882.889
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	<b>28.659</b>	<b>271.523</b>	<b>300.182</b>	<b>18.806</b>	<b>397.591</b>	<b>416.397</b>
<b>III. FUNDS BORROWED</b>	(3)	<b>1.213.775</b>	<b>19.573.628</b>	<b>20.787.403</b>	<b>1.263.427</b>	<b>14.348.926</b>	<b>15.612.353</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>28.389.499</b>	<b>14.744.813</b>	<b>43.134.312</b>	<b>16.310.776</b>	<b>15.483.183</b>	<b>31.793.959</b>
4.1 Interbank Money Market Borrowings		1.100.000	-	1.100.000	-	12.883	12.883
4.2 Istanbul Stock Exchange Takasbank Borrowings		-	-	-	-	-	-
4.3 Funds Provided under Repurchase Agreements		27.289.499	14.744.813	42.034.312	16.310.776	15.470.300	31.781.076
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		<b>2.331.124</b>	<b>3.088.273</b>	<b>5.419.397</b>	<b>1.618.173</b>	<b>2.655.704</b>	<b>4.273.877</b>
5.1 Bills		2.199.333	756.233	2.955.566	1.550.328	783.430	2.333.758
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		131.791	2.332.040	2.463.831	67.845	1.872.274	1.940.119
<b>VI. FUNDS</b>		<b>5.931.129</b>	-	<b>5.931.129</b>	<b>5.426.448</b>	-	<b>5.426.448</b>
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		5.931.129	-	5.931.129	5.426.448	-	5.426.448
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>1.509.413</b>	<b>869.723</b>	<b>2.379.136</b>	<b>1.235.465</b>	<b>557.639</b>	<b>1.793.104</b>
<b>VIII. OTHER LIABILITIES</b>	(4)	<b>2.053.649</b>	<b>414.619</b>	<b>2.468.268</b>	<b>1.742.321</b>	<b>328.463</b>	<b>2.070.784</b>
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. PAYABLES FROM LEASING TRANSACTIONS (Net)</b>	(5)	-	-	-	-	-	-
10.1 Finance Lease Payables		-	-	-	-	-	-
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	(6)	-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(7)	<b>6.272.108</b>	<b>93.629</b>	<b>6.365.737</b>	<b>5.930.930</b>	<b>78.351</b>	<b>6.009.281</b>
12.1 General Provisions		2.871.184	54.634	2.925.818	2.323.422	39.647	2.363.069
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		858.476	1.823	860.299	821.619	848	822.467
12.4 Insurance Technical Reserves (Net)		1.097.588	-	1.097.588	1.185.089	-	1.185.089
12.5 Other Provisions		1.444.860	37.172	1.482.032	1.600.800	37.856	1.638.656
<b>XIII. TAX LIABILITY</b>	(8)	<b>801.633</b>	<b>7.582</b>	<b>809.215</b>	<b>845.706</b>	<b>5.526</b>	<b>851.232</b>
13.1 Current Tax Liability		800.981	5.877	806.858	845.706	2.585	848.291
13.2 Deferred Tax Liability		652	1.705	2.357	-	2.941	2.941
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(9)	-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(10)	-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	(11)	<b>30.874.192</b>	<b>878.750</b>	<b>31.752.942</b>	<b>27.706.068</b>	<b>910.964</b>	<b>28.617.032</b>
16.1 Paid-in Capital		5.000.000	-	5.000.000	2.500.000	-	2.500.000
16.2 Capital Reserves		2.162.865	878.750	3.041.615	5.054.092	910.964	5.965.056
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(1.376.470)	871.303	(505.167)	930.429	910.964	1.841.393
16.2.4 Tangible Assets Revaluation Reserves		3.607.167	7.447	3.614.614	3.634.310	-	3.634.310
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		(85.220)	-	(85.220)	471.965	-	471.965
16.3 Profit Reserves		18.146.025	-	18.146.025	15.654.752	-	15.654.752
16.3.1 Legal Reserves		3.061.444	-	3.061.444	2.852.218	-	2.852.218
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		13.659.246	-	13.659.246	11.880.556	-	11.880.556
16.3.4 Other Profit Reserves		1.425.335	-	1.425.335	921.978	-	921.978
16.4 Profit or Loss		5.564.157	-	5.564.157	4.495.841	-	4.495.841
16.4.1 Prior Years Profit/Loss		186.366	-	186.366	385.586	-	385.586
16.4.2 Net Period Profit/Loss		5.377.791	-	5.377.791	4.110.255	-	4.110.255
16.5 Minority Shares		1.145	-	1.145	1.383	-	1.383
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>200.380.550</b>	<b>109.887.268</b>	<b>310.267.818</b>	<b>169.665.017</b>	<b>83.344.174</b>	<b>253.009.191</b>

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 31 DECEMBER 2015  
(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 (31/12/2015)			Prior Period (31/12/2014)		
			TL	FC	Total	TL	FC	Total
<b>A</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>38.991.884</b>	<b>100.500.525</b>	<b>139.492.409</b>	<b>64.878.593</b>	<b>119.982.983</b>	<b>184.861.576</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	(1),(3)	<b>19.789.565</b>	<b>41.101.309</b>	<b>60.890.874</b>	<b>13.871.599</b>	<b>27.296.181</b>	<b>41.167.780</b>
1.1	Letters of Guarantee		19.689.042	30.018.744	49.707.786	13.785.685	18.141.359	31.927.044
1.1.1	Guarantees Subject to State Tender Law		1.182.000	5.742.948	6.924.948	910.333	2.893.151	3.803.484
1.1.2	Guarantees Given for Foreign Trade Operations		17.004.896	23.740.445	40.745.341	12.183.495	14.931.500	27.114.995
1.1.3	Other Letters of Guarantee		1.502.146	535.351	2.037.497	691.857	316.708	1.008.565
1.2	Bank Acceptances		12.965	4.181.142	4.194.107	21.260	3.563.019	3.586.279
1.2.1	Import Letter of Acceptance		12.965	4.173.792	4.186.757	21.260	3.562.312	3.583.572
1.2.2	Other Bank Acceptances		-	7.350	7.350	-	2.707	2.707
1.3	Letters of Credit		87.558	6.869.898	6.957.456	64.654	5.561.707	5.626.361
1.3.1	Documentary Letters of Credit		87.558	6.831.047	6.918.605	64.654	5.409.015	5.473.669
1.3.2	Other Letters of Credit		-	38.851	38.851	-	152.692	152.692
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		-	31.525	31.525	-	28.096	28.096
1.9	Other Collaterals		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	(1),(3)	<b>16.023.661</b>	<b>4.062.087</b>	<b>20.085.748</b>	<b>48.109.526</b>	<b>48.677.522</b>	<b>96.787.048</b>
2.1	Irrevocable Commitments		16.009.885	3.932.546	19.942.431	14.639.105	6.187.325	20.826.430
2.1.1	Asset Purchase and Sale Commitments		153.461	1.695.131	1.848.592	114.630	4.410.507	4.525.137
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		2.693.280	314.414	3.007.694	2.120.280	241.168	2.361.448
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		3.079.620	10	3.079.630	2.737.371	9	2.737.380
2.1.8	Tax and Fund Liabilities from Export Commitments		27	-	27	-	-	-
2.1.9	Commitments for Credit Card Limits		7.130.144	1.130	7.131.274	7.160.308	18.775	7.179.083
2.1.10	Commitments for Credit Cards and Banking Services Promotions		20.185	-	20.185	17.011	-	17.011
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		2.933.168	1.921.861	4.855.029	2.489.505	1.516.866	4.006.371
2.2	Revocable Commitments		13.776	129.541	143.317	33.470.421	42.490.197	75.960.618
2.2.1	Revocable Loan Granting Commitments		-	4.898	4.898	33.452.669	42.447.453	75.900.122
2.2.2	Other Revocable Commitments		13.776	124.643	138.419	17.752	42.744	60.496
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	<b>3.178.658</b>	<b>55.337.129</b>	<b>58.515.787</b>	<b>2.897.468</b>	<b>44.009.280</b>	<b>46.906.748</b>
3.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Transactions		3.178.658	55.337.129	58.515.787	2.897.468	44.009.280	46.906.748
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.301.255	4.034.444	5.335.699	286.378	1.642.050	1.928.428
3.2.1.1	Forward Foreign Currency Transactions-Buy		659.599	2.010.626	2.670.225	143.281	822.340	965.621
3.2.1.2	Forward Foreign Currency Transactions-Sell		641.656	2.023.818	2.665.474	143.097	819.710	962.807
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		1.864.357	51.259.311	53.123.668	2.595.290	42.182.143	44.777.433
3.2.2.1	Foreign Currency Swap-Buy		482.054	23.157.990	23.640.044	13.989	22.316.066	22.330.055
3.2.2.2	Foreign Currency Swap-Sell		1.382.303	21.865.695	23.247.998	2.581.301	19.866.077	22.447.378
3.2.2.3	Interest Rate Swap-Buy		-	3.117.813	3.117.813	-	-	-
3.2.2.4	Interest Rate Swap-Sell		-	3.117.813	3.117.813	-	-	-
3.2.3	Foreign Currency, Interest rate and Securities Options		13.046	43.374	56.420	15.800	185.087	200.887
3.2.3.1	Foreign Currency Options-Buy		6.523	21.687	28.210	7.900	10.981	18.881
3.2.3.2	Foreign Currency Options-Sell		6.523	21.687	28.210	7.900	10.981	18.881
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	163.125	163.125
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>651.413.498</b>	<b>103.351.722</b>	<b>754.765.220</b>	<b>485.315.840</b>	<b>78.266.972</b>	<b>563.582.812</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>87.806.488</b>	<b>11.305.131</b>	<b>99.111.619</b>	<b>67.200.299</b>	<b>8.407.565</b>	<b>75.607.864</b>
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		30.615.944	4.389.662	35.005.606	26.678.975	3.195.814	29.874.789
4.3	Checks Received for Collection		4.604.119	344.759	4.948.878	3.025.848	170.446	3.196.294
4.4	Commercial Notes Received for Collection		4.785.677	309.112	5.094.789	4.761.985	225.708	4.987.693
4.5	Other Assets Received for Collection		8.934	-	8.934	8.664	-	8.664
4.6	Assets Received for Public Offering		44.394.987	10.431	44.405.418	32.505.222	1.742	32.506.964
4.7	Other Items Under Custody		3.394.628	6.246.167	9.640.795	217.956	4.813.855	5.031.811
4.8	Custodians		2.199	5.000	7.199	1.649	-	1.649
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>563.004.107</b>	<b>90.760.553</b>	<b>653.764.660</b>	<b>418.084.299</b>	<b>69.256.701</b>	<b>487.341.000</b>
5.1	Marketable Securities		938.313	28.100	966.413	966.834	23.822	990.656
5.2	Guarantee Notes		13.252.277	2.088.733	15.341.010	11.659.528	2.106.200	13.765.728
5.3	Commodity		1.158.807	18.248	1.177.055	1.175.668	20.477	1.196.145
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		500.207.394	68.056.740	568.264.134	352.646.676	50.578.621	403.225.297
5.6	Other Pledged Items		47.442.107	20.558.160	68.000.267	51.630.384	16.518.881	68.149.265
5.7	Pledged Items-Depository		5.209	10.572	15.781	5.209	8.700	13.909
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>602.903</b>	<b>1.286.038</b>	<b>1.888.941</b>	<b>31.202</b>	<b>602.706</b>	<b>633.948</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>			<b>690.405.382</b>	<b>203.852.247</b>	<b>894.257.629</b>	<b>550.194.433</b>	<b>198.249.955</b>	<b>748.444.388</b>

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 31 DECEMBER 2015**

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

<b>III. CONSOLIDATED STATEMENT OF INCOME</b>				
<b>INCOME AND EXPENSE ITEMS</b>		<b>Note (Section Five IV)</b>	<b>Current Period 1/1-31/12/2015</b>	<b>Prior Period 1/1-31/12/2014</b>
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>22.652.115</b>	<b>18.597.266</b>
1.1	Interest Income from Loans		16.913.431	12.900.818
1.2	Interest Income from Reserve Deposits		60.293	4.549
1.3	Interest Income from Banks		183.023	157.098
1.4	Interest Income from Money Market Placements		6.690	2.130
1.5	Interest Income from Marketable Securities		5.247.722	5.373.348
1.5.1	Financial Assets Held for Trading		1.551	2.403
1.5.2	Financial Assets at Fair Value through Profit and Loss		6.851	1.102
1.5.3	Financial Assets Available-for-Sale		4.447.190	4.337.025
1.5.4	Investments Held-to-Maturity		792.130	1.032.818
1.6	Finance Lease Income		158.873	126.976
1.7	Other Interest Income		82.083	32.347
<b>II.</b>	<b>INTEREST EXPENSES</b>	<b>(2)</b>	<b>11.626.986</b>	<b>9.626.667</b>
2.1	Interest Expense on Deposits		8.700.897	7.546.016
2.2	Interest on Borrowings		441.424	296.325
2.3	Interest on Money Market Borrowings		2.128.599	1.527.053
2.4	Interest on Marketable Securities Issued		294.559	205.526
2.5	Other Interest Expense		61.507	51.747
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSES (I - II)</b>		<b>11.025.129</b>	<b>8.970.599</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>1.230.276</b>	<b>1.016.817</b>
4.1	Fees and Commissions Received		1.561.382	1.297.870
4.1.1	Non-cash Loans		256.628	167.749
4.1.2	Other		1.304.754	1.130.121
4.2	Fees and Commissions Paid		331.106	281.053
4.2.1	Non-cash Loans		58	216
4.2.2	Other		331.048	280.837
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(3)</b>	<b>6.419</b>	<b>10.803</b>
<b>VI.</b>	<b>TRADING PROFIT/LOSS (Net)</b>	<b>(4)</b>	<b>(141.717)</b>	<b>(67.417)</b>
6.1	Profit/Loss from Capital Market Operations		78.468	73.388
6.2	Profit/losses on Derivative Financial Transactions	(5)	(1.260.621)	(1.610.391)
6.3	Profit/Loss from Foreign Exchanges		1.040.436	1.469.586
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(6)</b>	<b>2.433.906</b>	<b>1.859.767</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>		<b>14.554.013</b>	<b>11.790.569</b>
<b>IX.</b>	<b>PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)</b>	<b>(7)</b>	<b>1.547.271</b>	<b>1.583.825</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES(-)</b>	<b>(8)</b>	<b>6.146.784</b>	<b>4.903.000</b>
<b>XI.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>6.859.958</b>	<b>5.303.744</b>
<b>XII.</b>	<b>GAINS RECORDED AFTER MERGER</b>		-	-
<b>XIII.</b>	<b>PROFIT/LOSS ON EQUITY METHOD</b>		<b>28.025</b>	<b>20.825</b>
<b>XIV.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV.</b>	<b>INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>(9)</b>	<b>6.887.983</b>	<b>5.324.569</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(10)</b>	<b>(1.510.009)</b>	<b>(1.214.156)</b>
16.1	Current Tax Provision		(927.367)	(1.716.676)
16.2	Deferred Tax Provision		(582.642)	502.520
<b>XVII.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>(11)</b>	<b>5.377.974</b>	<b>4.110.413</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1	Income from Non-current Assets Held for Sale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
18.3	Other Income from Discontinued Operations		-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1	Expenses for Non-current Assets Held for Sale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3	Other Expenses from Discontinued Operations		-	-
<b>XX.</b>	<b>PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXI.</b>	<b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
<b>XXII.</b>	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII.</b>	<b>NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(12)</b>	<b>5.377.974</b>	<b>4.110.413</b>
23.1	Group's Profit/Loss		5.377.791	4.110.255
23.2	Minority Shares Profit/Loss		183	158
	Earnings/Loss per Share		1,093	0,950

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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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 31 DECEMBER 2015**

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

<b>IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		
<b>PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>	<b>Current Period (31/12/2015)</b>	<b>Prior Period (31/12/2014)</b>
<b>I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>(3.100.004)</b>	<b>3.211.061</b>
<b>II. TANGIBLE ASSETS</b>	<b>(19.696)</b>	<b>3.634.310</b>
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	<b>145.354</b>	<b>47.326</b>
<b>V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)</b>	-	-
<b>VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS</b>	-	-
<b>VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS</b>	<b>(17.130)</b>	<b>(29.860)</b>
<b>IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES</b>	<b>624.463</b>	<b>(616.437)</b>
<b>X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>(2.367.013)</b>	<b>6.246.400</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>5.377.974</b>	<b>4.110.413</b>
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	78.468	73.388
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	5.299.506	4.037.025
<b>XII. TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)</b>	<b>3.010.961</b>	<b>10.356.813</b>

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2014  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																				
31 December 2014		Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancld. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity	
<b>I.</b>	Balance at the Beginning of the Period		2.500.000	543.482	-	-	2.645.390	-	9.011.091	905.677	-	3.846.416	(803.540)	-	17.388	-	-	1.435	18.667.339	
	Changes During the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>II.</b>	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>III.</b>	Marketable Securities Valuation Differences		-	-	-	-	20.156	-	-	-	-	-	2.597.607	-	-	-	-	(445)	2.617.318	
<b>IV.</b>	Hedging Funds (Active Part)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>V.</b>	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	3.634.310	-	-	-	-	3.634.310	
<b>VI.</b>	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VII.</b>	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VIII.</b>	Foreign Exchange Differences		-	-	-	-	2.662	-	-	-	-	-	47.326	-	-	-	-	-	49.988	
<b>IX.</b>	Changes Resulted from Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>X.</b>	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XI.</b>	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XII.</b>	Increase in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2	From Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XIII.</b>	Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XIV.</b>	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XV.</b>	Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XVI.</b>	Other <sup>(1)</sup>		-	-	-	-	-	-	-	(55.216)	-	(132.600)	-	-	-	-	-	235	(187.581)	
<b>XVII.</b>	Net Profit or Losses		-	-	-	-	-	-	-	-	4.110.255	-	-	-	-	-	-	158	4.110.413	
<b>XVIII.</b>	Profit Distribution		-	-	-	-	184.010	-	2.869.465	-	-	(3.328.230)	-	-	-	-	-	-	(274.755)	
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	(274.755)	-	-	-	-	-	-	(274.755)	
18.2	Transfers to Legal Reserves		-	-	-	-	184.010	-	2.869.465	-	-	(3.053.475)	-	-	-	-	-	-	-	
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Balance at the End of the Period (I+II+III+.....+XVI+XVII+XVIII)		2.500.000	543.482	-	-	2.852.218	-	11.880.556	850.461	4.110.255	385.586	1.841.393	3.634.310	17.388	-	-	1.383	28.617.032	

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2015

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY																			
31 December 2015		Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Canc. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
<b>I.</b>	<b>Balance at the Beginning of the Period</b>		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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II.</b>	<b>Increase/Decrease Related to Merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III.</b>	<b>Marketable Securities Valuation Differences</b>		-	-	-	-	25.764	-	-	-	-	-	(2.504.311)	-	-	-	-	(421)	(2.478.968)
<b>IV.</b>	<b>Hedging Funds (Active Part)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V.</b>	<b>Revaluation Differences of Tangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	(19.696)	-	-	-	-	(19.696)
<b>VI.</b>	<b>Revaluation Differences of Intangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII.</b>	<b>Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII.</b>	<b>Foreign Exchange Differences</b>		-	-	-	-	(12.397)	-	-	-	-	-	157.751	-	-	-	-	-	145.354
<b>IX.</b>	<b>Changes Resulted from Disposal of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X.</b>	<b>Changes Resulted from Reclassification of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI.</b>	<b>Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII.</b>	<b>Increase in Capital</b>		2.500.000	(543.482)	-	-	-	-	(1.281.518)	-	-	-	-	-	-	-	-	-	675.000
12.1	Cash		675.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	675.000
12.2	From Internal Resources		1.825.000	(543.482)	-	-	-	-	(1.281.518)	-	-	-	-	-	-	-	-	-	-
<b>XIII.</b>	<b>Issuance of Share Certificates</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV.</b>	<b>Share Cancellation Profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV.</b>	<b>Adjustment to Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI.</b>	<b>Other<sup>(1)</sup></b>		-	-	-	-	-	-	-	(13.703)	-	-	-	-	-	-	-	-	(272.669)
<b>XVII.</b>	<b>Net Profit or Losses</b>		-	-	-	-	-	-	-	-	5.377.791	(258.966)	-	-	-	-	-	183	5.377.974
<b>XVIII.</b>	<b>Profit Distribution</b>		-	-	-	-	195.859	-	3.060.208	503.357	-	(4.050.509)	-	-	-	-	-	-	(291.085)
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	(291.085)	-	-	-	-	-	-	(291.085)
18.2	Transfers to Legal Reserves		-	-	-	-	195.859	-	3.060.208	503.357	-	(3.759.424)	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Balance at the End of the Period (I+II+III+.....+XVI+XVII+XVIII)</b>		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

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2015**

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS			
	Note (Section Five VI)	Current Period 1/1-31/12/2015	Prior Period 1/1-31/12/2014
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		6.323.398	2.814.309
1.1.1 Interest Received		21.545.770	15.808.692
1.1.2 Interest Paid		(9.551.706)	(9.497.692)
1.1.3 Dividend Received		5.910	5.516
1.1.4 Fees and Commissions Received		1.559.056	1.299.807
1.1.5 Other Income		2.778.322	2.596.639
1.1.6 Collections from Previously Written-off Loans and Other Receivables		1.672.811	1.471.899
1.1.7 Payments to Personnel and Service Suppliers		(2.205.013)	(1.910.163)
1.1.8 Taxes Paid		(1.376.568)	(1.591.295)
1.1.9 Other		(8.105.184)	(5.369.094)
1.2 Changes in Operating Assets and Liabilities		(1.514.862)	(9.027.587)
1.2.1 Net (Increase)/Decrease in Trading Securities		(10.699)	12.063
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		72	(19.104)
1.2.3 Net (Increase)/Decrease in Banks		(6.895.275)	(4.925.076)
1.2.4 Net (Increase)/Decrease in Loans		(46.446.483)	(31.934.541)
1.2.5 Net (Increase)/Decrease in Other Assets		(355.201)	(56.712)
1.2.6 Net Increase/(Decrease) in Bank Deposits		7.394.228	4.771.671
1.2.7 Net Increase/(Decrease) in Other Deposits		38.589.301	14.996.021
1.2.8 Net Increase/(Decrease) in Funds Borrowed		5.153.250	6.309.996
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		1.055.945	1.818.095
<b>I. Net Cash Provided from Banking Operations</b>		<b>4.808.536</b>	<b>(6.213.278)</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>		<b>(3.298.144)</b>	<b>3.049.246</b>
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		-	-
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3 Fixed Assets Purchases		(469.500)	(362.948)
2.4 Fixed Assets Sales		47.741	35.608
2.5 Cash for Purchase of Financial Assets Available for Sale		(16.459.962)	(26.247.991)
2.6 Cash Obtained from Sale of financial Assets Available for Sale		16.928.030	24.272.622
2.7 Cash Paid for Purchase of Investment Securities		(154.288)	(288.638)
2.8 Cash Obtained from Sale of Investment Securities		1.234.485	6.072.976
2.9 Other		(4.424.650)	(432.383)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>		<b>572.608</b>	<b>1.296.366</b>
3.1 Cash from Funds Borrowed and Securities Issued		3.046.208	4.242.986
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.367.350)	(2.706.612)
3.3 Marketable Securities Issued		-	-
3.4 Dividends Paid		(106.250)	(240.008)
3.5 Payments for Finance Leases		-	-
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	(1)	<b>589.946</b>	<b>89.113</b>
<b>V. Net Decrease/Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>2.672.946</b>	<b>(1.778.553)</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>	(1)	<b>6.445.191</b>	<b>8.223.744</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>	(1)	<b>9.118.137</b>	<b>6.445.191</b>

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

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**

**THE PARENT BANK'S STATEMENT OF PROFIT APPROPRIATION AS OF 31 DECEMBER 2015 AND 2014**

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

<b>VII. THE PARENT BANK'S STATEMENT OF PROFIT APPROPRIATION <sup>(1)</sup></b>	<b>Current Period (31/12/2015)</b>	<b>Prior Period <sup>(2)</sup> (31/12/2014)</b>
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 Current Year Income	6.567.623	5.178.733
1.2 Taxes And Duties Payable (-) <sup>(3)</sup>	1.405.153	1.631.582
1.2.1 Corporate Tax (Income tax)	821.329	1.631.582
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	583.824	-
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>5.162.470</b>	<b>3.547.151</b>
1.3 Prior Year Losses (-)	-	-
1.4 First Legal Reserves (-)	258.124	177.358
1.5 Other Statutory Reserves (-)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>4.904.346</b>	<b>3.369.793</b>
1.6 First Dividend To Shareholders (-)	-	125.000
1.6.1 To Owners Of Ordinary Shares	-	125.000
1.6.2 To Owners Of Privileged Shares	-	-
1.6.3 To Owners Of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders Of Profit And Loss Sharing Certificates	-	-
1.7 Dividends To Personnel (-)	-	185.000
1.8 Dividends To Board Of Directors (-)	-	-
1.9 Second Dividend To Shareholders (-)	-	-
1.9.1 To Owners Of Ordinary Shares	-	-
1.9.2 To Owners Of Privileged Shares	-	-
1.9.3 To Owners Of Preferred Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders Of Profit And Loss Sharing Certificates	-	-
1.10 Second Legal Reserves (-)	-	18.500
1.11 Statutory Reserves (-)	-	-
1.12 Extraordinary Reserves	-	3.041.293
1.13 Other Reserves	-	-
1.14 Special Funds	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1 Appropriated Reserves	-	-
2.2 Second Legal Reserves (-)	-	-
2.3 Dividends To Shareholders (-)	-	-
2.3.1 To Owners Of Ordinary Shares	-	-
2.3.2 To Owners Of Privileged Shares	-	-
2.3.3 To Owners Of Preferred Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders Of Profit And Loss Sharing Certificates	-	-
2.4 Dividends To Personnel (-)	-	-
2.5 Dividends To Board Of Directors (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1 To Owners Of Ordinary Shares	1,0488	0,9365
3.2 To Owners Of Ordinary Shares ( % )	104,88	93,65
3.3 To Owners Of Privileged Shares	-	-
3.4 To Owners Of Privileged Shares ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 To Owners Of Ordinary Shares	-	-
4.2 To Owners Of Ordinary Shares ( % )	-	-
4.3 To Owners Of Privileged Shares	-	-
4.4 To Owners Of Privileged Shares ( % )	-	-

<sup>(1)</sup> Profit distribution is approved by the General Assembly of the Parent Bank over the unconsolidated financial statements of the Parent Bank. As of the date of the preparation of financial statements, the meeting for General Assembly has not been held.

<sup>(2)</sup> The profit distribution table belongs to prior period becomes definite with the decision of General Assembly after the publishing of 31 December 2014 audited financial statements. It is rearranged in this direction.

<sup>(3)</sup> The deferred tax asset of prior period amounting to TL 503.358 is not subject to profit distribution.

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

The consolidated financial statements are prepared 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 by the BRSA (“Banking Regulation and Supervision Agency”) which refers to “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards”(“TFRS”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”), and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA (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.

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

The financial statements of subsidiaries operating abroad have been prepared in accordance with the law and regulations of the country they operate. However, in order to provide fair presentation according to TFRS, necessary adjustments and reclassifications are reflected to these consolidated financial statements.

The consolidated financial statements have been prepared in 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.

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 and estimates 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**II. EXPLANATIONS ON 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, shareholders’ equity and government funds transferred from the budget, ministerial offices and other public resources to the Bank by means of legislative and administrative decisions. The Parent Bank directs these funds to assets with high return and low risk. These assets include predominantly domestic government bonds and loans. The Parent Bank’s liquidity structure covers the financing of all liabilities at due date. Although most of the sources in the 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	31 December 2015		31 December 2014	
			Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)	Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)
Ziraat Hayat ve Emeklilik A.Ş.	Istanbul/Turkey	Insurance	100,00	100,00	100,00	99,99
Ziraat Sigorta A.Ş.	Istanbul/Turkey	Insurance	100,00	100,00	100,00	99,99
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	-	-
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	99,91	99,91
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	-	-
Ziraat Bank Montenegro AD	Podgorica/Montenegro	Banking	100,00	100,00	-	-

On the other hand, the field of activity of Ziraat Katılım Bankası A.Ş. involves corporate banking, international banking, and consumer banking and it started its output on May 12, 2015. The main field of activity of Ziraat Katılım Bankası A.Ş. is to make use of funds to its clients through aggregating funds from current accounts and profit/loss participating accounts within the principles of participating banking.

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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	31 December 2015		31 December 2014	
			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, less any impairment if any, in accordance with “Consolidated Financial Statements” (“TFRS 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 Directorate Authority Approval dated 29 June 2012 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", the bank started to 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 and 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. Allocated provisions are deducted from the income for the period. 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 under “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 3.634.310 revaluation difference is followed under shareholders’ equity as of 31 December 2015. As of 30 September 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. The Parent Bank has begun to classify the leasehold improvements on operational leases under tangible fixed assets in the financial statements dated 31 March 2015, which was previously being followed under intangible assets.

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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**

The Group performs financial operations as “Lessor” and “Lessee”.

**a. Accounting of leasing transactions for the lessee:**

**Financial Lease**

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

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.

**b. Accounting of leasing transactions for lessor:**

Subject to financial leasing in the consolidated balance sheet of the entity is shown as a receivable equal to net leasing. The interest income is determined so as to form a fixed revenue return ratio using net investment method related to lease asset of the lessor, and the portion of interest income which does not take part in the related term is followed under the unearned interest income account.

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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).

The Parent Bank uses independent actuaries in determining liability, and also makes assumptions relating to the discount rate, future salary increases, and the employee turnover. These assumptions are reviewed on an annual basis. Retirement benefit obligation is TL 670.790 as of 31 December 2015. (31 December 2014: TL 570.074)

	<b>Current Period</b>	<b>Prior Period</b>
Discount rate (%)	10,70	8,60
Expected inflation rate (%)	7,00	6,00

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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)**

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 71.114 was classified as “Other Comprehensive Expense” in the financials by the Parent Bank (31 December 2014: TL 71.114).

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 20<sup>th</sup> provisional article of Social Security Law Act numbered 506. As of 31 December 2015 the number of personnel who benefit from the Fund, excluding dependents is 21.347 (31 December 2014: 18.220). 17.644 of these members are active while 3.703 are passive members. (31 December 2014: 14.572 active members, 3.648 passive members).

In accordance with 23<sup>rd</sup> 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.

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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)**

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

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

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

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

Lastly "Occupational Health and Safety Law and Other Laws and The Law Amending the Decree Law" No. 6645 dated 23 April 2015, published on Official Gazette and came into force. Also, authority of determination of the transfer date of pension funds participants, people endowed with salary and their right holders, to the Social Security Institution, is left to the Council of Ministers.

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 31 December 2015 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 XII. 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 2014 which was carried out on 27 March 2015, on the basis of distribution of the profit for the year 2014 amounting to TL 4.050.509, after the TL 503.358 amount of deferred tax liability written off, which is not subjected to distribution, principle to rest of the distribution, TL 177.358 is transferred to first legal reserve and TL 18.500 is transferred to second legal reserve, TL 175.000 is distributed as dividend to employees, TL 106.250 is distributed to Treasury after deducting withholding tax of 15% (TL 18.750) in cash. In this context, TL 3.041.293 of the profit is preserved; dividend payment made to Treasury on 15 April 2014, and within the framework of the dividend to be distributed to the employees, TL 166.086 is paid. The remaining TL 18.914 from the dividends distributed to the personnel as of 31 December 2015 was transferred to the “profit reserves”.

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**SECTION FOUR**

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION OF THE BANK**

**I. EXPLANATIONS ON THE CONSOLIDATED CAPITAL ADEQUACY STANDARD RATIO**

**1. The Group’s consolidated capital adequacy ratio, reasons and anticipated solutions in case the ratio is lower than the amount pre-determined by the Communiqué:**

The Group’s consolidated capital adequacy ratio calculated in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” is 14,56% (31 December 2014: 17,47%).

**2. The risk measurement methods used for calculation of consolidated capital adequacy ratio:**

Consolidated Capital Adequacy Standard Ratio is calculated in accordance with “Communiqué on Measurement and Assessment of Capital Adequacy of Banks” and “Communiqué on Credit Risk Mitigation Techniques” published in the Official Gazette dated September 6, 2014 and numbered 29111.

Counterparties/operations related to the credit risk were separated on the basis of risk classes mentioned in "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" and each of them are assigned by the weight of risk. After they are subject to risk reduction in accordance with the principles of “Communiqué on Credit Risk Mitigation Techniques”, their risk-weighted amount is calculated by multiplying risk weights.

Non-cash loans and commitments, after deduction of specific provisions from them in accordance with “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” are included to the calculation of credit risk weighted amount with loan conversion rates presented in article 5 of “Communiqué on Measurement and Assessment of Capital Adequacy of Banks” Assets subject to depreciation and impairment are calculated over their net book values after deducting the relative depreciations and provisions.

Trading accounts and the values deducted from the capital base in the shareholders’ equity computation are excluded in calculation of risk-weighted assets.

Calculations regarding to the counter party credit risk, are made for repurchase agreement and derivative transactions. These transactions are added to the accounts with rates as applied that presented in the amendments of the “Communiqué on Measurement and Assessment of Capital Adequacy of Banks” and “Communiqué on Credit Risk Mitigation Techniques”. Repurchase agreements and derivative transactions that are presented in the banking accounts are added to calculation of the basis of the value at credit risk.

Calculations regarding counter parties credit risks are made with method of basic financial collateral for banking accounts, and for purchase-sale accounts are made with method of extensive collateral. Counter party credit risk amount calculated for purchase-sale accounts is included in the calculations of the amount subject to total market risk.

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

**I. EXPLANATIONS ON THE CONSOLIDATED CAPITAL ADEQUACY STANDARD RATIO (Continued)**

**Information related to capital adequacy ratio:**

Current Period	Risk Weights										
	The Parent Bank										
	0%	10%	20%	50% Real Est. Mort. Coll.	50%	75%	100%	150%	200%	250%	1250%
<b>Value at Credit Risk Exposure Categories-31 December 2015</b>	<b>76.475.984</b>	-	<b>32.836.640</b>	-	<b>27.569.776</b>	<b>88.583.269</b>	<b>118.702.297</b>	<b>2.705.355</b>	<b>6.272.798</b>	<b>261.941</b>	-
Risk Classes											
Conditional and unconditional receivables from central governments or central banks	67.401.476	-	-	-	14.263.747	-	321.681	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	458.547	-	70	-	1.741	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	544.010	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	6	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organisations	-	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	6.301	-	30.880.165	-	12.072.743	-	1.033.545	-	-	-	-
Conditional and unconditional corporate receivables	619.881	-	1.497.925	-	1.233.214	-	108.827.693	-	-	-	-
Conditional and unconditional retail receivables	-	-	-	-	2	70.675.495	685.494	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-	17.907.774	217.785	-	-	-	-
Past due receivables	-	-	-	-	-	-	569.931	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	2.705.355	6.272.798	261.941	-
Securities collateralised by mortgages	-	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	105.792	-	-	-	-
Other receivables	8.448.320	-	3	-	-	-	6.394.625	-	-	-	-

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

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

**I. EXPLANATIONS ON THE CONSOLIDATED CAPITAL ADEQUACY STANDARD RATIO (Continued)**

**Information related to capital adequacy ratio (Continued)**

Current Period	Risk Weights										
	Consolidated										
	0%	10%	20%	50% Real Est. Mort. Coll.	50%	75%	100%	150%	200%	250%	1250%
<b>Value at Credit Risk Exposure Categories-31 December 2015</b>	<b>76.810.179</b>	-	<b>33.593.731</b>	-	<b>25.874.307</b>	<b>89.354.750</b>	<b>126.027.074</b>	<b>2.705.355</b>	<b>6.272.798</b>	<b>267.037</b>	-
Risk Classes											
Conditional and unconditional receivables from central governments or central banks	67.685.338	-	76.153	-	14.299.346	-	349.064	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	459.102	-	70	-	1.741	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	689	-	-	-	544.010	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	6	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organisations	-	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	6.301	-	31.559.860	-	11.079.496	-	122.486	-	-	-	-
Conditional and unconditional corporate receivables	619.881	-	1.497.924	-	495.393	-	116.630.222	-	-	-	-
Conditional and unconditional retail receivables	-	-	-	-	2	71.446.976	685.494	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-	17.907.774	217.785	-	-	-	-
Past due receivables	-	-	-	-	-	-	580.833	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	2.705.355	6.272.798	267.037	-
Securities collateralised by mortgages	-	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	105.792	-	-	-	-
Other receivables	8.498.653	-	3	-	-	-	6.789.647	-	-	-	-

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

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

**I. EXPLANATIONS ON THE CONSOLIDATED CAPITAL ADEQUACY STANDARD RATIO (Continued)**

**Summary information about the capital adequacy standard ratio:**

	Consolidated	Consolidated	The Parent Bank	The Parent Bank
	Current Period	Prior Period	Current Period	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0,08) (CRCR)	16.514.750	12.080.749	15.937.165	11.641.473
Capital Requirement for Market Risk (CRMR)	1.409.451	1.130.622	1.332.250	1.087.412
Capital Requirement for Operational Risk (CROR)	1.444.182	1.276.599	1.301.706	1.098.374
Shareholders' Equity	35.243.638	31.643.693	34.995.187	31.484.041
Shareholders' Equity/(((CRCR+CRMR+CROR)*12,5)*100	14,56	17,47	15,08	18,22
Tier 1 Capital/((CRCR+CRMR+CROR)*12,5)*100	13,43	16,43	14,00	17,18
Common Equity Tier 1 Capital/((CRCR+CRMR+CROR)*12,5)*100	13,48	16,49	14,06	17,23

**Information related to the components of consolidated shareholders' equity:**

	Current Period	Prior Period
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	5.000.000	3.043.482
Share Premium	-	-
Share Cancellation Profits	-	-
Reserves	18.146.025	15.654.752
Income recognized under equity in accordance with TAS	4.486.075	5.475.703
Profit	5.564.157	4.495.841
Current Period's Profit	5.377.791	4.110.255
Prior Period's Profit	186.366	385.586
Free Provisions for Possible Risks	1.257.419	1.334.053
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	17.388	17.388
Minority Shares	25	177
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>34.471.089</b>	<b>30.021.396</b>
<b>Deductions from Common Equity Tier 1 Capital</b>		
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	71.114
Leasehold Improvements on Operational Leases (-)	98.800	71.490
Goodwill and intangible asset and the related deferred tax liability (-)	98.447	24.365
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 (-)	-	-
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>1.659.094</b>	<b>166.969</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>32.811.995</b>	<b>29.854.427</b>

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**I. EXPLANATIONS ON THE CONSOLIDATED CAPITAL ADEQUACY STANDARD RATIO (Continued)**

	Current Period	Prior Period
<b>ADDITIONAL TIER 1 CAPITAL</b>		
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	-	-
<b>Additional Tier 1 Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier 1 Capital</b>	-	-
Bank's a 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 (-)	-	-
<b>Total Deductions from Additional Tier 1 Capital</b>	-	-
<b>Total Additional Tier 1 Capital</b>	-	-
<b>Deductions From Tier 1 Capital</b>	<b>147.670</b>	<b>97.460</b>
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	147.670	97.460
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-	-
<b>Tier 1 Capital</b>	<b>32.664.325</b>	<b>29.756.967</b>
<b>TIER 2 CAPITAL</b>		
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	1.887.617
Third parties share in Tier 2 capital	-	-
<b>Tier 2 Capital Before Deductions</b>	<b>2.580.430</b>	<b>1.887.617</b>
<b>Deductions From Tier 2 Capital</b>		
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 (-)	-	-
<b>Total Deductions From Tier 2 Capital</b>	-	-
<b>Tier 2 Capital</b>	<b>2.580.430</b>	<b>1.887.617</b>
<b>TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS</b>	<b>35.244.755</b>	<b>31.644.584</b>
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	757
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	134
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(-)	-	-
<b>TOTAL CAPITAL</b>	<b>35.243.638</b>	<b>31.643.693</b>



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**I. EXPLANATIONS ON THE CONSOLIDATED CAPITAL ADEQUACY STANDARD RATIO (Continued)**

**Information related to the consolidated components of shareholders' equity: (Continued)**

	Current Period	Prior Period
<b>Amounts below deduction thresholds</b>		
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	144.118
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability) (-)	266.827	225.590

**Information related to the components which subject to temporary implementation in the calculation of equity:**

	The Parent Bank		Consolidated	
	Amount recognized in regulatory capital	Total	Amount recognized in regulatory capital	Total
Minority Shares in Tier I Capital	-	-	25	1.145
Shares of Third Parties in Additional Core Capital	-	-	-	-
Shares of Third Parties in Tier II Capital	-	-	-	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained before 01.01.2014)	-	-	-	-

**Information related to the debt instruments which will be included in the calculation of equity:**

None.

**3. Applied approaches in order to evaluate internal capital adequacy within the scope of internal capital adequacy evaluation of internal capital requirement in terms of future and current activities:**

The Parent Bank determined the capital adequacy policy within the scope of internal capital adequacy evaluation process, fixed the minimum factors to be considered in the capital adequacy determination.

Therefore, in the Parent Bank,

- Being evaluated within the scope of capital adequacy of financial situation of the Parent Bank in prior period, legal ratios and economic capital analysis.
- Being analyzed within the scope of the accord to legal ratios and legal capital adequacy of budget considering imposed risks.
- Analyzing operations with stress tests are carried out the preservation potential against financial fluctuations of budget and convenience to capital adequacy policy in the process of these fluctuations

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

**II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK**

Credit risk is the possibility of loss that the Parent Bank may be exposed due to the partial or complete default of the debtor by not complying to the obligations of the agreement made, or due to the decrease in credit worthiness.

The limits of the credit customers are identified, after combined assessment of various factors like the financial and non-financial information of the credit customers, credit requirements, sectoral and geographical features and, in conformity with the legal legislation, in line with the credit authorization limits of the branches, Regional Managements, Group Presidencies, Department Presidencies, Assistant General Management, General Manager, Credit Committee and Board of Directors.

The average limits identified related the credit portfolio are approved by the Board of Directors and revised when required. The identified limits are allocated by related departments on Regional Managements basis by considering the factors like portfolio structure, potentials of the customers and credit, regional and sectoral characteristics, competencies of the personnel.

In order to prevent the risk intensity on the corporate and entrepreneurial loan portfolio, limits are determined and followed on the basis of group companies, private and public firms, and different debtor groups. The Parent Bank’s credit authority limits on given consumer loans are defined with the separation of type and guarantee and these limits are updated according to economic conjuncture and demands of Regional Managements/Branches.

In line with the budgeted targets, TL/FC Cash/Non-Cash/Corporate/ Entrepreneurial loan placements are issued and followed on sectoral and regional basis.

The loans issued by the branches are periodically analyzed on the basis of the limits, subjects, guarantees, maturities, accounts followed, outstanding balances, numbers of the customers, and followed on customer and regional basis.

After the opening of the lines of the corporate/entrepreneurial loans, the firms are continued to be monitored and the changes at the financial structures and market relations of the credit firms are followed. The credit limits are identified and approved for one year and renewed in case of no negative change in the situation of the customer (financial structure, market, guarantee, etc.).

The Parent Bank is assessing credibility of the customer as the essential factor in issuing credits and creditors’ credit worthiness are ascertained during credit application and limit allocation/renewal. Documents to be obtained during the application are evidently mentioned in regulations and appropriateness of the documents obtained during application is controlled by internal audit departments. The Parent Bank considers guarantees as important in minimization and elimination of the risk. As a result of policies and process based on obtaining reliable and robust guarantees, the Parent Bank’s credit risk significantly declines.

On January 2011 the Parent Bank started applying internal ratings processes as a decision support system for analyzing credit worthiness and determining credit allocation for corporate/ entrepreneurial consumer loans.

The Parent Bank is not engaging in credit transactions that are not defined at the legislation and not put into the practice.

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

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

The Parent Bank makes provision in conformity with the “Communiqué on Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions”.

Identification of limits for domestic and foreign banks are done by rating which is determined by considering the needs of clients and departments together with financial and economic conditions of the banks and their countries. When banks and/or countries are financially or economically risky, identified limits can be restricted with maturity, amount or type of transaction or use of credit is called off.

Since the Parent Bank’s abroad lending operations have no significant effect on the financial statements, and operations and transactions are diversified via the use of different financial institutions in various countries, the Parent Bank is not believed to be exposed to a significant credit risk as a result of these operations.

Foreign financial institution and country risks of the Parent Bank are generally taken on financial institutions and countries which are rated by international rating institutions. Treasury operations are executed in the frame of pre-determined authorization and limits, these authorization and limits are monitored. Client transactions within the context of Fund Management are done in the frame of general loan limits determined for the clients.

The Parent Bank engages in foreign currency swaps and forward transactions considering its asset-liability balance and legal limits. These are not considered to generate material risk given the amount of these transactions in the balance sheet.

In line with the regulation on provisions, if the cash risk of a customer classified as nonperforming, the non-cash is classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured and rescheduled loans are also booked in line with procedures and under accounts defined by the related regulation. Furthermore, they are monitored by the Parent Bank in line with credit risk policies. In this context, financial situation and commercial operations of related customers are analyzed and in terms of restructured plan, whether principal and interest payments have been paid is being checked and necessary measures are taken.

The percentage of top 100 and top 200 cash loans of the Parent Bank in the total cash loan portfolio is 24% and 29% respectively (31 December 2014: 22% and 27%).

The percentage of top 100 and top 200 non-cash loans of the Parent Bank in the total non-cash loan portfolio is 57% and 68% respectively (31 December 2014: 61% and 73%).

The percentage of top 100 and top 200 cash and non-cash loans of the Parent Bank in the total cash and non-cash loan portfolio is 32% and 38% respectively (31 December 2014: 27% and 33%).

General provision made by the Group for the credit risk is TL 2.925.818 ( 31 December 2014: TL 2.363.069).

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

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

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables	Conditional and unconditional receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	Total
<b>Current Period</b>																	
Domestic	80.008.237	458.047	543.175	6		31.214.385	116.607.457	71.678.263	18.125.101	567.395	9.210.227	-	-	-	105.708	14.893.725	343.411.726
European Union Countries	132.481	1.125	-	-	-	9.117.569	814.682	90.882	-	2.383	16.653	-	-	-	84	-	10.175.859
OECD Countries <sup>(1)</sup>	-	-	-	-	-	265.927	47.787	-	-	-	-	-	-	-	-	-	313.714
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	1.823.928	-	1.235	-	-	558.297	349.731	587	-	-	610	-	-	-	-	-	2.734.388
Other Countries	445.255	1.741	289	-	-	1.282.648	1.418.544	362.740	458	11.053	12.603	-	-	-	-	-	3.535.331
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	329.317	5.219	-	-	2	5.097	-	-	-	-	394.578	734.213
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>82.409.901</b>	<b>460.913</b>	<b>544.699</b>	<b>6</b>		<b>42.768.143</b>	<b>119.243.420</b>	<b>72.132.472</b>	<b>18.125.559</b>	<b>580.833</b>	<b>9.245.190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105.792</b>	<b>15.288.303</b>	<b>360.905.231</b>

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables	Conditional and unconditional receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	Total
<b>Prior Period</b>																	
Domestic	78.048.790	444.553	444.524	6	-	11.189.890	78.767.585	46.508.173	12.875.452	563.668	22.268.982	-	-	-	62.681	14.292.888	265.467.192
European Union Countries	11.651	-	-	-	-	14.593.263	380.071	93.691	4.392	472	8.793	-	-	-	-	-	15.092.333
OECD Countries <sup>(1)</sup>	-	-	-	-	-	398.992	1	-	-	-	-	-	-	-	-	-	398.993
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	16.568	-	-	-	-	273.525	93.295	885	-	-	53	-	-	-	-	-	384.326
Other Countries	250.563	-	6	-	-	573.092	1.082.437	280.843	475	17.687	4.643	-	-	-	-	-	2.209.746
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	407.154	638.514	-	-	-	-	-	-	-	-	-	1.045.668
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>78.327.572</b>	<b>444.553</b>	<b>444.530</b>	<b>6</b>		<b>27.435.916</b>	<b>80.961.903</b>	<b>46.883.592</b>	<b>12.880.319</b>	<b>581.827</b>	<b>22.282.471</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62.681</b>	<b>14.292.888</b>	<b>284.598.258</b>

Prepared with the numbers after conversion rate to credit and before credit risk reduction.

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada  
<sup>(2)</sup> Assets and liabilities that could not be distributed on a consistent basis.

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

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

Current Period	Risk Classes															TL	FC	Total	
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds				Other receivables
<b>Sectors/Counter Parties</b>																			
Agriculture	-	-	-	-	-	-	5.367.692	29.522.167	372.435	939	14.732	-	-	-	-	2.135.196	37.037.707	375.454	37.413.161
Farming and Stockbreeding	-	-	-	-	-	-	5.008.120	29.327.342	350.327	868	13.200	-	-	-	-	2.135.196	36.736.567	98.486	36.835.053
Forestry	-	-	-	-	-	-	249.657	101.415	2.844	52	956	-	-	-	-	-	118.741	236.183	354.924
Fishing	-	-	-	-	-	-	109.915	93.410	19.264	19	576	-	-	-	-	-	182.399	40.785	223.184
Manufacturing	-	-	99.937	-	-	-	49.676.668	3.600.767	129.348	13.206	55.336	-	-	-	-	-	21.476.532	32.098.730	53.575.262
Mining and Quarrying	-	-	17	-	-	-	2.943.934	65.519	3.896	728	767	-	-	-	-	-	609.615	2.405.246	3.014.861
Production	-	-	99.910	-	-	-	37.307.778	3.522.345	124.765	12.467	53.360	-	-	-	-	-	18.163.848	22.956.777	41.120.625
Electric, Gas and Water	-	-	10	-	-	-	9.424.956	12.903	687	11	1.209	-	-	-	-	-	2.703.069	6.736.707	9.439.776
Construction	-	-	25.807	-	-	-	15.577.566	2.133.204	50.527	476.784	28.053	-	-	-	-	-	6.802.064	11.489.877	18.291.941
Services	3.364.216	420	255.291	6	-	25.498.855	38.329.576	11.750.851	713.311	25.290	235.951	-	-	105.792	444.911	53.030.495	27.693.975	80.724.470	
Wholesale and Retail Trade	-	17	4.292	-	-	-	16.767.663	8.233.270	420.414	14.298	85.580	-	-	-	-	-	20.818.213	4.707.321	25.525.534
Hotel Food and Beverage Services	-	132	65	-	-	-	2.546.544	745.067	66.731	1.510	13.478	-	-	-	-	-	1.383.613	1.989.914	3.373.527
Transportation and Telecommunication	-	79	73.236	-	-	-	5.611.522	1.517.944	93.142	1.122	13.982	-	-	-	-	-	2.676.702	4.634.325	7.311.027
Financial Institutions	3.364.216	192	120	6	-	24.679.740	2.735.243	4.986	1.044	35	89.157	-	-	3.692	444.911	22.292.626	9.030.716	31.323.342	
Real Estate and Leasing Services	-	-	78.240	-	-	819.115	9.949.784	952.002	101.853	8.044	25.612	-	-	-	102.100	-	4.980.141	7.056.609	12.036.750
Self Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education Services	-	-	69.773	-	-	-	252.627	102.145	5.540	94	1.327	-	-	-	-	-	356.120	75.386	431.506
Health and Social Services	-	-	29.565	-	-	-	466.193	195.437	24.587	187	6.815	-	-	-	-	-	523.080	199.704	722.784
Other	79.045.685	460.493	163.664	-	-	17.269.288	10.291.918	25.125.483	16.859.938	64.614	8.911.118	-	-	-	12.708.196	103.137.799	67.762.598	170.900.397	
<b>Total</b>	<b>82.409.901</b>	<b>460.913</b>	<b>544.699</b>	<b>6</b>	<b>-</b>	<b>42.768.143</b>	<b>119.243.420</b>	<b>72.132.472</b>	<b>18.125.559</b>	<b>580.833</b>	<b>9.245.190</b>	<b>-</b>	<b>-</b>	<b>105.792</b>	<b>15.288.303</b>	<b>221.484.597</b>	<b>139.420.634</b>	<b>360.905.231</b>	

Prepared with the numbers after conversion rate to credit and before credit risk reduction.



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

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

**Analysis of Maturity-Bearing Exposures According to Remaining Maturities:**

	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
<b>Exposure Classifications</b>					
Conditional and unconditional exposures to central governments or central banks	2.744.675	1.173.882	1.111.556	8.448.976	68.930.812
Conditional and unconditional exposures to regional governments or local authorities	5.825	32	38	6.010	449.008
Conditional and unconditional receivables from administrative units and non-commercial enterprises	131.672	2.391	2.264	75.319	333.053
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	6
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	29.342.841	3.787.815	1.162.318	1.312.552	7.162.617
Conditional and unconditional exposures to corporates	5.154.018	2.892.692	4.252.406	31.166.727	75.777.577
Conditional and unconditional retail exposures	2.279.241	1.988.174	3.229.855	17.965.549	46.669.653
Conditional and unconditional exposures secured by real estate property	39.381	100.771	179.479	868.450	16.937.478
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	471.911	-	-	68.561	8.704.718
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	3.694	-	-	75.582	26.516
<b>Grand Total</b>	<b>40.173.258</b>	<b>9.945.757</b>	<b>9.937.916</b>	<b>59.987.726</b>	<b>224.991.438</b>

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

Grades of Fitch Ratings International Rating Agency are used in determining risk weights for risk classes being used rating grade of risk classes indicated in article 6 of Communiqué on "Measurement and Assessment of Capital Adequacy of Banks". Additionally, grades of Fitch Ratings International Rating Agency were used for receivables from central government and central bank of our country and counter parties abroad. Counter parties resident are accepted as “gradeless” and take risk weight suited for “gradeless” category in relevant risk class.

Rating scores are used in the following risk classes:

1. Receivables from Central Governments or Central Banks
2. Receivables from Regional Governments or Local Authorities
3. Receivables from Administrative Units and Non-commercial Enterprises
4. Receivables from Banks and Brokerage Houses

While credit quality level grade given by Fitch Ratings International Rating Agency to a large extent decreases to 3, grades using in risk class of receivables from banks and intermediary institutions matched with all credit quality levels from 1 to 6 in risk classes of receivables from central governments or central banks, receivables from regional governments or local authorities and receivables from administrative units and non-commercial enterprises.

For determination of risk weight regarding items that export or issuer rating not included to purchase/sale accounts is firstly considered to export rating, and also issuer’s credit rating is considered in the absence of export rating.

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

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

**Exposures by Risk Weights:**

	<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>1250%</b>	<b>Deductions from Equity</b>
1	Exposures before Credit Risk Mitigation	76.810.179	-	33.593.731	25.874.307	89.354.750	126.027.074	2.705.355	6.272.798	267.037	-	212.628
2	Exposures after Credit Risk Mitigation	119.606.451	-	10.485.742	40.835.795	56.155.327	124.633.595	2.681.848	6.239.437	267.037	-	212.628

Prepared with the numbers after conversion rate to credit.

**Information in Terms of Major Sectors and Type of Counterparties:**

**Impaired Credits;** are the credits that were deemed to be impaired because of the credibility or delaying more than 90 days as of the end of the reporting period. For these credits “Special Provision” calculation is made within the scope of Regulation on Provisions.

**Past Due Credits;** are the credits whose maturity delayed up to 90 days as of the end of the reporting period but not incurred to impairment. For these credits “General Provision” calculation is made within the scope of Regulation for Provisions.

	<b>Credits</b>			
	<b>Impaired Credits</b>	<b>Past Due Credits</b>	<b>Value Adjustments</b>	<b>Provisions</b>
Agriculture	558.429	977.165	22.187	294.979
Farming and Stockbreeding	549.681	968.151	21.982	286.419
Forestry	3.257	2.639	60	3.086
Fishery	5.491	6.375	145	5.474
Manufacturing	373.020	422.269	9.118	327.772
Mining and Quarrying	15.734	10.465	238	14.707
Production	345.338	331.745	7.062	301.128
Electricity, Gas and Water	11.948	80.059	1.818	11.937
Construction	818.345	133.354	3.028	327.982
Services	609.037	995.773	22.606	560.060
Wholesale and Retail Trade	457.285	694.687	15.773	425.924
Accommodation and Dining	30.126	92.261	2.095	28.124
Transportation and Telecom.	36.367	93.237	2.113	34.636
Financial Institutions	22.731	2.791	63	21.036
Real Estate and Rental Services	49.941	94.496	2.146	38.452
Professional Services	58.344	-	-	58.344
Educational Services	2.879	10.380	236	2.805
Health and Social Services	9.650	7.921	180	9.025
Other	863.869	1.515.893	95.076	831.013
<b>Total</b>	<b>3.222.700</b>	<b>4.044.454</b>	<b>152.015</b>	<b>2.341.806</b>



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

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

**Information about Value Adjustment and Change in Provisions:**

		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	1.969.060	918.390	(545.644)	-	2.341.806
2	General Provisions	2.363.069	563.302	(553)	-	2.925.818

The table below shows the maximum exposure to credit risk for the components of the financial statements:

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	972.266	329.994
Banks	4.965.691	2.767.811
Interbank Money Market Placements	116.173	51.529
Available-for-Sale Financial Assets	54.036.938	54.430.243
Held-to-Maturity Investments	10.223.475	10.239.816
Loans	192.508.396	145.521.903
Other Assets	9.318	1.758.727
<b>Total Credit Risk Exposure of Balance Sheet Items</b>	<b>262.832.257</b>	<b>215.100.023</b>
Financial Guarantees	60.890.874	41.167.780
Commitments	20.085.748	96.787.048
<b>Total Credit Risk Exposure of Off-Balance Sheet Items</b>	<b>80.976.622</b>	<b>137.954.828</b>
<b>Total Credit Risk Exposure</b>	<b>343.808.879</b>	<b>353.054.851</b>

**Information about Credit Quality per Class of Financial Assets**

	Current Period			Prior Period		
	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
<b>Financial Assets</b>						
Banks	4.965.691	-	4.965.691	2.767.811	-	2.767.811
Financial Assets at Fair Value Through Profit or Loss	972.266	-	972.266	329.994	-	329.994
Loans Given:	187.583.048	4.044.454	191.627.502	141.237.816	3.482.664	144.720.480
Corporate/ Entrepreneurial Loans	101.080.065	1.683.745	102.763.810	69.971.122	1.086.530	71.057.652
Consumer Loans	50.067.212	1.384.628	51.451.840	43.420.080	1.379.139	44.799.219
Specialized Loans	36.435.771	976.081	37.411.852	27.846.614	1.016.995	28.863.609
Available-for-Sale Financial Assets	54.036.938	-	54.036.938	54.430.243	-	54.430.243
Held-to-Maturity Investments	10.223.475	-	10.223.475	10.239.816	-	10.239.816

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

**Information about Credit Quality per Class of Financial Assets (Continued)**

Carrying amount per class of financial assets whose terms have been renegotiated by the Parent Bank and the management of other associates:

	<b>Current Period</b>	<b>Prior Period</b>
Banks	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Loans Given:	4.093.485	3.007.866
Corporate/Entrepreneurial Loans	1.210.992	1.249.581
Consumer Loans	768.734	309.787
Specialized Loans	2.113.759	1.448.498
Other	-	-
Available-for-Sale Financial Assets	-	-
Held-to-Maturity Investments	-	-

**III. EXPLANATIONS ON THE CONSOLIDATED MARKET RISK**

**a) Whether measures are taken to hedge against market risk under the framework of the Parent Bank’s risk management policies, measures taken for the risk management by the Board of Directors when the Parent Bank is exposed to market risks, methods used to measure market risk and timing of market risk measurement:**

The Parent Bank has determined market risk management operations and taken the necessary measures in order to hedge market risk within its financial risk management purposes, in accordance with “Measurement and Assessment of the Capital Adequacy of Banks” and ‘Regulation on the Assessment Process of Banks’ Internal Systems and Internal Capital Adequacy”.

Market risk management strategy policy and implementation procedures of the Parent Bank are determined within the context of “Regulation for Risk Management, Stress Test Program and Internal Capital Adequacy Assessment Process (ICAAP)” which was approved by the Board of Directors.

The Parent Bank performs scenario analysis with measurements that are suitable for structure and complexness of positions related to the market risk management, limiting, scenario analysis and stress test and bank also reports the findings cyclically. Continuing operations are carried out on a trading portfolio determined by Treasury Management of the Parent Bank. New products and services are evaluated from the point of market risk.

The amount subject to the total market risk in the Parent Bank is calculated by using Standard Method as per monthly periods within the context of legal reporting. This amount is included in the calculation of Parent Bank’s Standard Capital Adequacy Ratio.

Excluding Standard Method, Daily Value at Risk (“VAR”) forecasts are made as per daily period for Held-for-Trading accounts and are reported to the related units. Historical Simulation Method is used in daily reporting and limit allocation. VAR results, calculated with Parametric and Monte Carlo Methods, are used for monitoring. Backward testing is performed so as to measure performance of used model. Also, Parent Bank performs as per daily and monthly periods stress tests and scenario analysis so as to observe the effect of excessive market fluctuations that are not covered by models over the Parent Bank’s financial position.

The market risk exposure by VAR based limits (interest rate and currency risk limit) within the context of “Regulation for Risk Management, Stress Test Program and Internal Capital Adequacy Assessment Process (ICAAP)”.

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

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

**Information Related to Group’s Market Risk:**

	<b>Current Period</b>	<b>Prior Period</b>
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	536.420	551.192
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	98.160	87.112
Capital Requirement for Specific Risk of Securitization Positions	-	-
(III) Capital Requirement to be Employed for Currency Risk - Standard Method	731.142	449.680
(IV) Capital Requirement to be Employed for Commodity Risk - Standard Method	-	-
(V) Capital Requirement to be Employed for Settlement Risk - Standard Method	-	-
(VI) Total Capital Requirement to be Employed for Market Risk Resulting from Options - Standard Method	-	-
(VII) Capital Requirement to be Employed for Counter Party Credit Risk - Standard Method	43.729	42.638
(VIII) Total Capital Requirement to be Employed for Market Risk in Banks Using Risk Measurement Model	-	-
(IX) Total Capital Requirement to be Employed for Market Risk (I+II+III+IV+V+VI+VII)	1.409.451	1.130.622
<b>(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x IX)</b>	<b>17.618.138</b>	<b>14.132.775</b>

**b) Average market risk table calculated at the end of each month during the period:**

	<b>Current Period</b>			<b>Prior Period</b>		
	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>
Interest Rate Risk	603.615	588.174	641.480	503.907	594.310	465.079
Equity Share Risk	55.117	58.730	47.276	36.052	43.994	36.502
Currency Risk	589.491	837.430	432.822	433.013	449.680	511.612
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counter Party Credit Risk	48.313	42.655	43.976	34.592	42.638	32.428
<b>Amount Subject to Total Risk</b>	<b>16.206.697</b>	<b>19.087.363</b>	<b>14.569.425</b>	<b>12.594.551</b>	<b>14.132.775</b>	<b>13.070.263</b>

Counter party credit risk is calculated for repurchase agreements and derivative transactions. According to the fair value of valuation method is based on the calculations. Costs of reconditioning of agreements that have positive value are obtained with valuation according to fair value of derivative transactions. Potential credit risk amount is obtained by multiplying agreement amounts with the ratios indicated in Regulation attachment. In repo transactions, risk reduction is applied by using extensive financial collateral method.

**Quantitative Information on Counterparty Risk:**

	<b>Amount</b>
Agreements Based on Interest Rate	-
Agreements Based on Foreign Exchange Currency	283.524
Agreements Based on Commodity	-
Agreements Based on Shares	-
Other	-
Gross Positive Fair Values	852.708
Benefits of Netting	-
Current Net Risk Amount	-
Reserved Guarantee	13.082
Net Position of Derivatives	218.601

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**IV. EXPLANATIONS ON THE CONSOLIDATED OPERATIONAL RISK**

**a) The method used in calculating the operational risk and the interval in which the market risk measurement is done:**

In the Parent Bank, Amount subject to Operational Risk is calculated with Basic Indicator Approach based on yearly. The parameter which determines the amount subject to operational risk in Basic Indicator Approach is gross revenue. Yearly gross revenue is calculated by adding net interest incomes to net fees and commission income, dividend income obtained from shares excluding shares of subsidiaries and associates, trading profit/loss (net) and other operating incomes and also by deducting profit/loss gained from sale of assets monitored out of purchase-sale account, extraordinary incomes, operating expense made against support service and amounts compensated from insurance.

Within the scope of the performances for modeling with the Advanced Measurement Approach of operational risk, based on the data in Operational Risk Loss database, Operational Value at Risk (OpVAR) measurements are calculated using Monte Carlo Simulation within the scope of Loss Distribution Method.

	31.12.2012	31.12.2013	31.12.2014	Total/Positive Year	Rate (%)	Total
Gross Income	8.737.357	9.832.553	10.313.730	9.627.880	15	1.444.182
Amount Subject to Operational Risk						18.052.275

**b) The Parent Bank does not apply standard method.**

**V. 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.

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

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

- 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
<b>24.12.2015</b>	2,9022	3,1761	2,1087	0,4257	0,3457	2,9386	2,0942	0,3340	4,3289	0,7741	2,4114
<b>25.12.2015</b>	2,9032	3,1787	2,1210	0,4267	0,3460	2,9414	2,1016	0,3325	4,3350	0,7740	2,4133
<b>28.12.2015</b>	2,8935	3,1715	2,0989	0,4251	0,3455	2,9242	2,0812	0,3319	4,3066	0,7717	2,4050
<b>29.12.2015</b>	2,8925	3,1594	2,1098	0,4236	0,3453	2,9158	2,0893	0,3320	4,2791	0,7717	2,4018
<b>30.12.2015</b>	2,9076	3,1725	2,1185	0,4252	0,3450	2,9364	2,0911	0,3289	4,3106	0,7749	2,4120
<b>31.12.2015</b>	2,8936	3,1525	2,1169	0,4225	0,3440	2,9034	2,0877	0,3280	4,2726	0,7709	2,4101

- 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
2,9060	3,1698	2,1077	0,4251	0,3428	2,9291	2,1191	0,3338	4,3574	0,7749	2,3923

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V. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (Continued)

Information on the foreign currency risk of the Group:

	EUR	USD	Other FC	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	5.326.619	20.482.818	7.023.015	32.832.452
Banks	459.696	2.340.849	253.832	3.054.377
Financial Assets at Fair Value Through Profit and Loss <sup>(4)</sup>	-	4.377	-	4.377
Money Market Placements	-	8.716	57.049	65.765
Financial Assets Available-for-Sale	3.922.057	7.688.885	66.228	11.677.170
Loans <sup>(1)</sup>	15.709.033	34.927.803	823.179	51.460.015
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(3)</sup>	7.172	71.698	815	79.685
Investments Held-to-Maturity	1.598.418	4.052.847	4.763	5.656.028
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	8.627	1.405	73.216	83.248
Intangible Assets	6.586	-	6.772	13.358
Other Assets <sup>(5)</sup>	1.608.490	883.675	121.621	2.613.786
<b>Total Assets<sup>(4)</sup></b>	<b>28.646.698</b>	<b>70.463.073</b>	<b>8.430.490</b>	<b>107.540.261</b>
<b>Liabilities</b>				
Interbank Deposits	2.720.165	4.149.837	41.512	6.911.514
Foreign Currency Deposits	36.330.660	23.827.663	2.874.891	63.033.214
Money Market Borrowings	1.220.723	13.524.090	-	14.744.813
Funds Provided from Other Financial Institutions	6.292.624	13.279.279	1.725	19.573.628
Issued Marketable Securities	276.860	2.811.413	-	3.088.273
Sundry Creditors	807.484	51.859	10.380	869.723
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	307.330	147.549	60.951	515.830
<b>Total Liabilities</b>	<b>47.955.846</b>	<b>57.791.690</b>	<b>2.989.459</b>	<b>108.736.995</b>
<b>Net Balance Sheet Position</b>	<b>(19.309.148)</b>	<b>12.671.383</b>	<b>5.441.031</b>	<b>(1.196.734)</b>
<b>Net Off-Balance Sheet Position<sup>(2)</sup></b>	<b>19.608.010</b>	<b>(13.277.253)</b>	<b>(5.051.654)</b>	<b>1.279.103</b>
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
<b>Non-Cash Loans</b>	<b>13.108.152</b>	<b>24.916.400</b>	<b>3.076.757</b>	<b>41.101.309</b>
<b>Prior Period</b>				
Total Assets	19.363.677	52.753.191	7.806.899	79.923.767
Total Liabilities	36.326.576	42.473.912	3.235.131	82.035.619
<b>Net Balance Sheet Position</b>	<b>(16.962.899)</b>	<b>10.279.279</b>	<b>4.571.768</b>	<b>(2.111.852)</b>
<b>Net Off-Balance Sheet Position<sup>(2)</sup></b>	<b>18.379.967</b>	<b>(10.306.935)</b>	<b>(5.783.538)</b>	<b>2.289.494</b>
Financial Derivative Assets	18.879.664	3.333.682	936.041	23.149.387
Financial Derivative Liabilities	499.697	13.640.617	6.719.579	20.859.893
<b>Non-Cash Loans</b>	<b>6.299.610</b>	<b>18.953.006</b>	<b>2.043.565</b>	<b>27.296.181</b>

(1) TL 296.717 equivalent of EUR and TL 721.987 equivalent of USD loans are originated as foreign currency indexed loans (31 December 2014: TL 99.687 equivalent of EUR and TL 347.656 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 13.214 among other expenses are not included in the table.

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

**VI. 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):**

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with 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
<b>Total Assets</b>	<b>71.310.991</b>	<b>28.304.372</b>	<b>61.141.732</b>	<b>74.294.769</b>	<b>26.352.144</b>	<b>48.863.810</b>	<b>310.267.818</b>
<b>Liabilities</b>							
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
<b>Total Liabilities</b>	<b>143.381.376</b>	<b>35.001.379</b>	<b>33.062.363</b>	<b>13.894.490</b>	<b>831.363</b>	<b>84.096.847</b>	<b>310.267.818</b>
<b>Balance Sheet Long Position</b>	-	-	<b>28.079.369</b>	<b>60.400.279</b>	<b>25.520.781</b>	-	<b>114.000.429</b>
<b>Balance Sheet Short Position</b>	<b>(72.070.385)</b>	<b>(6.697.007)</b>	-	-	-	<b>(35.233.037)</b>	<b>(114.000.429)</b>
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)
<b>Total Position</b>	<b>(71.449.324)</b>	<b>(5.396.606)</b>	<b>27.967.960</b>	<b>59.222.492</b>	<b>25.520.781</b>	<b>(35.233.037)</b>	<b>632.266</b>

(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 loans given.

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

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VI. 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
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	47.903	-	-	-	-	30.236.843	30.284.746
Banks	1.183.535	931.771	89.358	-	19.404	543.743	2.767.811
Financial Assets at Fair Value Through Profit and Loss	18.580	142	3.626	5.277	4.736	297.633	329.994
Money Market Placements	51.529	-	-	-	-	-	51.529
Financial Assets Available-for-Sale	5.335.944	7.382.602	13.141.150	12.555.925	15.555.925	458.697	54.430.243
Loans Given	50.256.354	16.675.139	33.762.230	37.565.719	6.345.499	916.962	145.521.903
Investments Held-to-Maturity	3.293.568	2.197.294	73.116	3.293.013	1.382.825	-	10.239.816
Other Assets	1.213	201.681	1.139.559	382.337	64.260	7.594.099	9.383.149
<b>Total Assets</b>	<b>60.188.626</b>	<b>27.388.629</b>	<b>48.209.039</b>	<b>53.802.271</b>	<b>23.372.649</b>	<b>40.047.977</b>	<b>253.009.191</b>
<b>Liabilities</b>							
Interbank Deposits	4.150.209	870.979	454.939	14.048	-	250.584	5.740.759
Other Deposits	79.922.073	21.524.339	15.576.005	1.157.545	46.185	32.177.818	150.403.965
Money Market Borrowings	28.011.583	2.599.660	1.182.716	-	-	-	31.793.959
Sundry Creditors	19.423	10.059	9.631	3.835	-	1.750.156	1.793.104
Issued Marketable Securities	338.579	1.632.779	489.145	1.813.374	-	-	4.273.877
Funds Provided from Other Financial Institutions	1.529.929	3.483.353	8.784.231	1.212.865	601.975	-	15.612.353
Other Liabilities	341.761	104.032	120.186	6.358.424	8.806	36.457.965	43.391.174
<b>Total Liabilities</b>	<b>114.313.557</b>	<b>30.225.201</b>	<b>26.616.853</b>	<b>10.560.091</b>	<b>656.966</b>	<b>70.636.523</b>	<b>253.009.191</b>
<b>Balance Sheet Long Position</b>	-	-	<b>21.592.186</b>	<b>43.242.180</b>	<b>22.715.683</b>	-	<b>87.550.049</b>
<b>Balance Sheet Short Position</b>	<b>(54.124.931)</b>	<b>(2.836.572)</b>	-	-	-	<b>(30.588.546)</b>	<b>(87.550.049)</b>
Off Balance Sheet Long Position	98	1.271.454	-	-	-	-	1.271.552
Off Balance Sheet Short Position	(81.721)	(1.250)	(429.810)	(873.417)	-	-	(1.386.198)
<b>Total Position</b>	<b>(54.206.554)</b>	<b>(1.566.368)</b>	<b>21.162.376</b>	<b>42.368.763</b>	<b>22.715.683</b>	<b>(30.588.546)</b>	<b>(114.646)</b>

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

(2) TL 5.326.157 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the “1 - 5 Years” column. TL 100.291 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 OF THE BANK (Continued)**

**VI. 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
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	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 <sup>(2)</sup>	4,09	4,98	-	12,82
Investments Held-to-Maturity	6,42	7,08	-	9,71
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0,65	0,58	-	9,06
Other Deposits <sup>(4)</sup>	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. It does not include the interest rate on required reserves given by Central Bank of Cyprus.

(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
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	7,00
Banks	1,21	1,72	-	8,42
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	6,33
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,73	5,72	-	8,75
Loans Given <sup>(2)</sup>	4,53	5,17	-	11,43
Investments Held-to-Maturity	6,42	7,01	-	8,60
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0,86	1,19	-	9,28
Other Deposits <sup>(4)</sup>	1,54	1,50	-	6,37
Money Market Borrowings	0,75	0,90	-	9,64
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	3,38	-	9,07
Funds Provided from Other Financial Institutions	1,47	1,82	-	7,90

(1) The ratio in TL column shows interest rate applied to reserve requirement for Central Bank of Turkish Republic of Northern Cyprus

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

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

**b) Interest rate risk on banking accounts:**

Banking accounts interest rate risk management strategy policy and implementation procedures are determined within the context of “Regulation for Interest Rate Risk on Banking Accounts”.

The Parent Bank performs scenario analysis with measurements that are suitable for structure and complexness of positions related to the market risk management, limiting, scenario analysis and stress test and also provide to reports the findings cyclically. Banks perform analysis related to interest rate risks for the entire balance sheet. New products and services are also evaluated from the point of interest rate risk that is originated from banking accounts.

In the risk management, the following methods are followed at minimum level: The follow-up of rate and maturity mismatch between sources and uses of fixed and variable interest rates, the analysis and follow-up of the effects of the usual and unusual changes in interest rates which is possibly uptrend and downtrend on the interest margin and on the current value of assets and liabilities, the analysis and follow-up of contractual maturities as well as behavioral maturities assets and liabilities, monitoring closely of interest margins for provided Turkish Liras and foreign currency, the follow-up of the effects of interest rate changes on Parent Bank’s economic value and capital requirement, the follow-up of potential impacts of valuation methods, the calculation and the determination of the size of interest rate shock in Parent Bank 's internal applications, the follow-up of yield curve, basis risk and option risk. Also, in order to limit the impact of interest rate changes on Parent Bank’s financial structure, the interest rate risk limit arising from banking accounts which is approved by the Board of Directors is followed monthly.

**Interest rate risk on banking accounts (Represents the values belong to the Parent Bank):**

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity- (Losses)/Equity
1. TL	(+) 500bp	(4.430.403)	(12,66%)
2. TL	(-) 400bp	4.330.815	12,38%
3. EUR	(+) 200bp	158.733	0,45%
4. EUR	(-) 200bp	(48.048)	(0,14%)
5. USD	(+) 200bp	(1.416.119)	(4,05%)
6. USD	(-) 200bp	1.924.376	5,50%
<b>Total (of negative shocks)</b>		<b>6.207.143</b>	<b>17,74%</b>
<b>Total (of positive shocks)</b>		<b>(5.687.789)</b>	<b>(16,25%)</b>

**c) Risk of stock position on banking accounts (Represents the values belong to the Parent Bank):**

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	120.178	120.178	-

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

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

**VII. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND  
CONSOLIDATED LIQUIDITY RISK 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 (October-November-December) the consolidated ratios are as follows: October FC 114,16, TL+FC82,67; November FC 114,79, TL+FC 81,83; December FC 113,90; TL+FC 78,01.

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

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

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

	Total Unweighted Value (average)		Total Weighted Value (average)	
	TL+FC	FC	TL+FC	FC
<b>Current Period</b>				
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			43.380.868	29.708.281
<b>Cash Outflows</b>				
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
<b>Total Cash Outflows</b>			61.681.982	28.533.901
<b>Cash Inflows</b>				
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
<b>Total Cash Inflows</b>	<b>11.992.629</b>	<b>3.207.262</b>	<b>8.034.859</b>	<b>2.541.339</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>43.380.868</b>	<b>29.708.281</b>
<b>Total Net Cash Outflows</b>			<b>53.647.123</b>	<b>25.992.563</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>80,86</b>	<b>114,30</b>

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

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

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

Prior Period	Total Unweighted Value (average)		Total Weighted Value (average)	
	TL+FC	FC	TL+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			40.693.813	15.855.523
<b>Cash Outflows</b>	<b>253.895.616</b>	<b>95.113.932</b>	<b>49.469.756</b>	<b>17.377.515</b>
Retail and Small Business Customers, of which;	98.242.677	29.471.850	7.151.825	2.296.444
Stable deposits	53.448.860	13.014.813	2.672.443	650.741
Less stable deposits	44.793.817	16.457.037	4.479.382	1.645.703
Unsecured wholesale funding , of which;	46.081.558	12.787.266	25.863.774	8.604.842
Operational deposit	1.128.862	22.855	282.216	5.714
Non-operational deposits	39.959.210	11.064.042	20.588.072	6.898.759
Other unsecured funding	4.993.486	1.700.369	4.993.486	1.700.369
Secured funding			-	-
Other cash outflows, of which;	109.571.381	52.854.815	16.454.158	6.476.228
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	934.648	-	934.647	-
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	34.870.120	10.248.368	11.831.180	4.345.906
Other revocable off-balance sheet commitments and contractual obligations	73.766.613	42.606.447	3.688.331	2.130.322
Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
<b>Total Cash Outflows</b>			<b>49.469.757</b>	<b>17.377.514</b>
<b>Cash Inflows</b>				
Secured lending	-	-	-	-
Unsecured lending	10.975.467	2.484.395	7.014.223	1.686.597
Other cash inflows	273.865	735.809	273.865	735.809
<b>Total Cash Inflows</b>	<b>11.249.332</b>	<b>3.220.204</b>	<b>7.288.088</b>	<b>2.422.406</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>40.693.813</b>	<b>15.855.523</b>
<b>Total Net Cash Outflows</b>			<b>42.181.668</b>	<b>14.955.109</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>96,47</b>	<b>106,02</b>

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

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

**VII. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND  
CONSOLIDATED LIQUIDITY RISK 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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**VII. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND  
CONSOLIDATED LIQUIDITY RISK 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) Information on located the calculation of liquidity coverage ratio, but not located in the second paragraph of disclosure template and other cash inflow and other cash outflow items considered to be related to the bank’s liquidity profile:**

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.

**h) Information on the items of cash flows and cash outflows envisaged to be related to the Bank’s liquidity profile which appear in the calculation of liquidity coverage ratio but not appear in the second article of disclosure template:**

All items present in the calculation of liquidity coverage ratio are included to the calculation as consolidated in the related 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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CONSOLIDATED LIQUIDITY RISK 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
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in vault, effectives, Money in transit, cheques purchased) and Balances with the Central Bank of Turkey	36.820.081	-	-	-	-	-	114.596	36.934.677
Banks	2.304.654	1.157.187	406.252	911.110	186.488	-	-	4.965.691
Financial Assets at Fair Value Through Profit and Loss	3.119	152.360	3.898	67.105	687.336	58.448	-	972.266
Money Market Placements	-	107.506	8.667	-	-	-	-	116.173
Financial Assets Available-for-Sale	11.302	819.591	938.290	3.633.873	27.142.941	20.882.260	608.681	54.036.938
Loans Given	127.379	8.240.794	13.482.900	73.540.439	77.874.726	18.361.264	880.894	192.508.396
Investments Held-to-Maturity	-	164.301	503.843	2.086.099	4.609.547	2.859.685	-	10.223.475
Other Assets	1.837.810	162.112	142.684	547.843	1.400.860	169.570	6.249.323	10.510.202
<b>Total Assets</b>	<b>41.104.345</b>	<b>10.803.851</b>	<b>15.486.534</b>	<b>80.786.469</b>	<b>111.901.898</b>	<b>42.331.227</b>	<b>7.853.494</b>	<b>310.267.818</b>
<b>Liabilities</b>								
Interbank Deposits	279.728	7.354.580	834.458	135.475	1.082.644	-	-	9.686.885
Other Deposits	41.109.772	96.069.363	23.437.875	18.781.084	1.831.488	3.630	-	181.233.212
Funds Provided from Other Financial Institutions	-	982.729	3.501.655	10.680.229	3.443.698	2.179.092	-	20.787.403
Money Market Borrowings	-	36.325.722	4.312.765	1.841.293	654.532	-	-	43.134.312
Issued Marketable Securities	-	932.357	1.717.008	486.509	2.283.523	-	-	5.419.397
Sundry Creditors	1.317.417	963.516	9.851	22.486	1.012	-	64.854	2.379.136
Other Liabilities (3)	3.248.325	673.723	513.421	413.406	6.459.058	901.294	35.418.246	47.627.473
<b>Total Liabilities</b>	<b>45.955.242</b>	<b>143.301.990</b>	<b>34.327.033</b>	<b>32.360.482</b>	<b>15.755.955</b>	<b>3.084.016</b>	<b>35.483.100</b>	<b>310.267.818</b>
<b>Liquidity Gap</b>	<b>(4.850.897)</b>	<b>(132.498.139)</b>	<b>(18.840.499)</b>	<b>48.425.987</b>	<b>96.145.943</b>	<b>39.247.211</b>	<b>(27.629.606)</b>	<b>-</b>
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
<b>Prior Period</b>								
Total Assets	32.663.273	8.647.477	13.815.484	57.871.345	93.017.231	39.913.210	7.081.171	253.009.191
Total Liabilities	36.068.607	114.444.972	28.987.261	27.306.051	11.644.100	2.462.757	32.095.443	253.009.191
<b>Liquidity Gap</b>	<b>(3.405.334)</b>	<b>(105.797.495)</b>	<b>(15.171.777)</b>	<b>30.565.294</b>	<b>81.373.131</b>	<b>37.450.453</b>	<b>(25.014.272)</b>	<b>-</b>
Net Off-Balance Sheet Position	-	(323.722)	(5.154)	40.686	173.681	-	-	(114.509)
Financial Derivative Assets	-	20.095.069	874.606	779.393	1.565.489	-	-	23.314.557
Financial Derivative Liabilities	-	20.418.791	879.760	738.707	1.391.808	-	-	23.429.066
Non-cash Loans	4.404.013	48.524	500.869	1.639.811	1.484.679	33.089.884	-	41.167.780

(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 5.833.179 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 97.950 is not granted as loan and is included under “Up to One Month” column.

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

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

**Presentation of liabilities according to their remaining maturities:**

<b>Current Period<sup>(1)</sup></b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Bank Deposits	7.655.366	1.871.304	153.224	34.739	-	9.714.633
Other Deposits	135.809.027	23.447.423	19.064.948	1.841.496	3.686	180.166.580
Funds Borrowed from Other Financial Institutions	947.247	3.436.293	10.785.315	3.697.676	1.261.495	20.128.026
Funds Borrowed from Interbank Money Market	36.309.740	4.319.621	1.854.917	672.295	-	43.156.573
<b>Total</b>	<b>180.721.380</b>	<b>33.074.641</b>	<b>31.858.404</b>	<b>6.246.206</b>	<b>1.265.181</b>	<b>253.165.812</b>
<b>Prior Period<sup>(1)</sup></b>						
Bank Deposits	4.297.099	904.872	457.203	14.048	-	5.673.222
Other Deposits	111.772.316	21.651.279	15.770.118	1.324.396	46.336	150.564.445
Funds Borrowed from Other Financial Institutions	610.487	1.728.012	9.745.987	2.530.498	1.717.814	16.332.798
Funds Borrowed from Interbank Money Market	28.023.210	2.603.562	1.191.122	-	-	31.817.894
<b>Total</b>	<b>144.703.112</b>	<b>26.887.725</b>	<b>27.164.430</b>	<b>3.868.942</b>	<b>1.764.150</b>	<b>204.388.359</b>

<sup>(1)</sup> Amounts related with the fund balances are not included in the table since decomposition on the basis of their remaining maturities could not be performed.

**VIII. EXPLANATIONS ON SECURITIZATION POSITION**

None (31 December 2014: None).

**IX. EXPLANATIONS ON CREDIT RISK MITIGATION TECHNIQUES**

The Parent Bank makes a credit risk reduction with regard to simple financial collateral in accordance with Article 38 of Communiqué on Credit Risk Reduction Methods.

The Parent Bank does not perform net-off of balance sheet and off-balance sheet items in credit risk mitigation.

Financial collaterals considering as funded credit safe guards in the parent bank are; treasury bills, government bonds, cash, mortgage on deposit and gold. Financial collaterals considering as unfunded credit safe guards in bank are; guarantees and counter guarantees.

Financial collaterals are valued daily in the parent bank. Credibility of guarantors are monitored and evaluated in the scope of revision maturity.

The Parent Bank has no position about credit derivatives.

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

**IX. EXPLANATIONS ON CREDIT RISK MITIGATION TECHNIQUES (Continued)**

**Credit Risk Mitigation Techniques: (Continued)**

**Collaterals in terms of Risk Categories: <sup>(1)</sup>**

<b>Exposure classifications – 31 December 2015</b>	<b>Amount</b>	<b>Financial Collaterals</b>	<b>Other/Physical Collaterals</b>	<b>Guarantees and Credit Derivatives</b>
Conditional and unconditional receivables from central governments or central banks	82.409.901	100.282	-	-
Conditional and unconditional receivables from regional or local governments	460.913	42.875	-	18
Conditional and unconditional receivables from administrative units and non-commercial enterprises	544.699	164.017	-	-
Conditional and unconditional receivables from multilateral development banks	6	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	42.768.143	30.709.601	-	-
Conditional and unconditional corporate receivables	119.243.420	952.933	-	410.794
Conditional and unconditional retail receivables	72.132.472	15.319.650	-	64.722
Conditional and unconditional secured mortgage receivables	18.125.559	7.075	-	1.914
Past due receivables	580.833	3	-	-
Receivables in high risk category defined by BRSA	9.245.190	56.876	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporates	-	-	-	-
Investments of natured collective investment enterprise	105.792	3.694	-	-
Other receivables	15.288.303	-	-	-
<b>Total</b>	<b>360.905.231</b>	<b>47.357.006</b>	<b>-</b>	<b>477.448</b>

<sup>(1)</sup> Prepared based on KR510 AS Form / 4th line distribution of numbers after conversion rate to credit of every risk classes.

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

**X. RISK MANAGEMENT OBJECTIVES AND POLICIES**

**a) Strategies and Practices on Risk Management:**

The Parent Bank, manages the interest and credit risks occurred from the exposed market, liquidity and banking accounts, within the scope of BRSA regulations and by considering the best practices suitable to the volume of operations, qualification and complexity.

**b) Structure and Organization of Risk Management**

Risk Management Operations are conducted in accordance with the regulation on the “Internal Systems and Internal Capital Adequacy Assessment Processes of Banks”, published in the Official Gazette numbered 29057 and dated 11 July 2014 by Banking Regulation and Supervising Agency and within the scope of Regulation on Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”) approved by the Bank’s Board of Directors’ Decision No. 15/18, dated 28 April 2015.

As of 31 December 2015, Risk Management organization consists of operation and market risk management, credit risk management and statement risks management units.

**c) Risk Reporting and Measurement Systems’ Scope and Qualification**

In order to put forward the potential risks which may be encountered by the Parent Bank, it is essential to consider the results of risk measurement and monitoring activities in the process of the Parent Banks’ strategic decisions. In the buy – sell strategy context, the analyses presented below are preformed regarding the measurement and monitoring of the whole balance sheet and portfolios determined by the Parent Bank.

**Liquidity Risk**

In order to put forward the liquidity risk of the Parent Bank, measurement, monitoring, limiting, stress tests and scenario analyses suitable to positions structures and complexity are carried out and the results are periodically reported.

For the purpose of measuring and monitoring activities of liquidity risk, the Parent Bank realizes “Liquidity Gap Analysis”, “Behavioral Liquidity Gap Analysis”, “Average Maturity Analysis” and “Deposit Analysis”. Liquidity Gap Analysis is done based on time to maturity of assets and liabilities. Deposit Analysis is applied separately for time deposits and demand deposits. Also, for the purpose of the evaluation of the discount rates of Parent Bank’s expected cash flows based on each position and each product, and after adjustment its potential liquidity needs on the basis of the maturity groups in line with the Parent Bank’s liquidity creation capacity, liquidity risk stress test is done. For liquidity risk, legal reporting is also done weekly.

**Interest Rate Risk on Banking**

It is conducted to perform measurements, limiting, scenario analysis and stress tests that are suitable for structure and complexness of positions so as to be revealed interest rate on banking accounts that the Parent Bank can face with and report the findings cyclically.

It is made periodically Repricing Gap Analysis, Net Interest Margin/Revenue Analysis and Duration Analysis based on whole balance sheet intended for measurement and monitoring operations of interest rate on banking accounts and Parent Bank’s economic capital adequacy is observed. Repricing Gap Analysis is applied based on assets and liabilities’ time to repricing and Net Interest Margin/Revenue Analysis is applied based on balance sheet items’ time to repricing. Duration Analysis is made through being weighted with quantities of periods that are calculated with effective duration method of assets and liabilities. It is revealed effect of important fluctuations, exchange rates, prices and interest rates in stress tests for interest rate on banking accounts. Also, it is made monthly legal reporting intended for interest rate on banking accounts.

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

**X. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**Market Risk**

In order to put forward the possible interest risks resulted from the banking accounts, the Parent Bank carries out measurement, monitoring, limiting, stress testing and scenario analyses in accordance with the position structure and complexity of the operations and reports the results periodically.

By the Parent Bank, the amount subject to the market risk is calculated monthly by using Standard Method as per monthly periods within the context of legal reporting. This amount is included in Bank’s Standard Capital Adequacy Ratio.

Excluding Standard Method, Daily Value at Risk (“VAR”) forecasts are made as per daily period for buy - sell accounts and is reported to the related units. Backward testing is performed so as to measure performance of used model. Also, the Parent Bank performs as per daily and monthly periods stress tests and scenario analysis so as to observe the effect of excessive market fluctuations that are not covered by models over the Parent Bank’s financial position.

Market risk exposure is limited with VAR based limit (interest rate and currency risk limit) within the context of “Regulation on Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”)”. These limits are daily monitored.

**Operational Risks**

Operational risk represents the possibility of damage from inadequate or failed internal processes, people and systems or from external events and including legal risks. The Operational Risk Management Services in the Parent Bank carried out with the Regulation on Risk Management, Stress Test Program and the Parent Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”) accepted by board of directors.

- The amount subject to operational risk is calculated by Basic Indicator Approach within the scope of “Communiqué on Measurement and Assessment of Capital Adequacy of Banks” in order for keeping adequate shareholder’s equity against losses that could arise due to operational risks in the Parent Bank, and is reported to BRSA based on yearly
- Operational risk profile in the bank is monitored with several effective methods. Actualized operational risks are followed by “Operational Risk Loss Database” which is compatible with accounting system. Advanced Measurement Approach is performed in scope of calculation of economic capital and development of approach is performed.
- An integrated risk mainframe is instituted within the scope of risks management arising from information technologies. In this context, a database regarding Information Technologies risks is constituted and actualised risks and actions taken are monitored via the database.
- Risk arising from purchase of services provided from support service organizations for continuity has been evaluated with the “Regulation on Procurement of Support Services of Banks” published by the BRSA. In this context, Risk Management Program was revised and Risk Analysis Reports regarding support services are being prepared.

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

**X. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**Credit Risk**

As of 1 July 2012, BASEL II legal reporting process based on Standard Method is started in calculation of Credit Risk legal capital need.

It was constituted scoring models for individual customers, rating for Corporate, Commercial and Entrepreneurial customers with the object of customer evaluation within the scope of centralization of credit risk. The studies regarding these models’ validation are conducted by Internal Control and Risk Management Group Presidency as independently from Units that have executive actions. It is also made analysis for performance measurement and accuracy with statistical methods.

In base of segments, risk limits are framed at credit risk weighted assets and are monitored monthly based.

Based on general and sub accounts, credit portfolios’ improvement, tracking portfolio’s improvement and loans under close monitoring are analyzed periodically. Also, it is made vintage analysis for real estate and consumer loans so as to credit monitoring and comparing past performances.

**d) Procedures on Risk Management and Risk Mitigation Policies with Regular Control of Their Effectiveness**

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

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

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

In addition, derivative transactions are made by the Parent Bank, in order to obtain long term liabilities and limit the interest risks occurred from liquidity and banking accounts.

The Parent Bank reduces its risks according to basic financial method, and financial commitments are daily assessed. Credibility of guarantors are monitored and assessed as part of credit revision maturities.

**XI. EXPLANATIONS ON LEVERAGE**

**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 8,33% (31 December 2014: 9,18%). The change on leverage results heavily from the increase on risk amounts of balance sheet assets. The regulation sentenced the minimum leverage as 3%.

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

**XI. EXPLANATIONS ON LEVERAGE (Continued)**

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

		<b>Current Period<sup>(**)</sup></b>	<b>Prior Period<sup>(**)</sup></b>
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards	288.337.293	253.032.945
2	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”	24.491	23.754
3	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	57.881.888	44.213.400
4	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	38.777.772	27.907.274
5	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	362.843	58.881.425
6	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	(42.482.185)	(32.607.865)
7	<b>Total Risk Amount</b>	<b>389.266.248</b>	<b>318.842.889</b>

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

**2) Leverage**

	<b>Current Period<sup>(*)</sup></b>	<b>Prior Period<sup>(*)</sup></b>
<b>On-balance sheet assets</b>		
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	305.987.769	248.438.955
(Assets deducted in determining Tier 1 capital)	(1.358.811)	(264.266)
Total on-balance sheet risks (sum of lines 1 and 2)	304.628.958	248.174.689
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost associated with all derivative financial instruments and credit Derivatives	906.945	263.894
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	294.821	216.051
Total risks of derivative financial instruments and credit derivatives	1.201.766	479.945
<b>Securities or commodity financing transactions (SCFT)</b>		
Risks from SCFT assets	4.611.358	4.964.485
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	4.611.358	4.964.485
<b>Other off-balance sheet transactions</b>		
Gross notional amounts of off-balance sheet transactions	79.187.009	124.105.195
(Adjustments for conversion to credit equivalent amounts)	(362.843)	(58.881.425)
Total risks of off-balance sheet items	78.824.166	65.223.770
<b>Capital and total risks</b>		
Tier 1 capital	32.430.099	29.264.265
Total risks	389.266.248	318.842.889
<b>Leverage ratio</b>		
Leverage ratio	8,33	9,18

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

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

**XII. EXPLANATIONS ON 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 31 December 2015, 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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XII. 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
<b>Total Operating Income and Expense</b>							
<b>Net Operating Profit</b>	<b>5.775.959</b>	<b>7.143.107</b>	<b>3.481.380</b>	<b>5.858.253</b>	-	<b>393.416</b>	<b>22.652.115</b>
Interest on Loans	5.775.959	7.097.986	3.481.380	524.564	-	33.542	16.913.431
Interest Received from Banks	-	39.267	-	53.007	-	90.749	183.023
Interest Received from Marketable Securities Portfolio	-	2.183	-	5.220.380	-	25.159	5.247.722
Other Interest Income	-	3.671	-	60.302	-	243.966	307.939
<b>Interest Expense</b>	<b>5.716.499</b>	<b>2.558.280</b>	-	<b>3.237.389</b>	-	<b>114.818</b>	<b>11.626.986</b>
Interest on Deposits	5.716.499	2.556.806	-	425.029	-	2.563	8.700.897
Interest on Funds Borrowed	-	-	-	403.384	-	38.040	441.424
Interest on Money Market Transactions	-	736	-	2.127.843	-	20	2.128.599
Interest on Securities Issued	-	-	-	281.133	-	13.426	294.559
Other Interest Expense	-	738	-	-	-	60.769	61.507
<b>Net Interest Income/Expense</b>	<b>59.460</b>	<b>4.584.827</b>	<b>3.481.380</b>	<b>2.620.864</b>	-	<b>278.598</b>	<b>11.025.129</b>
<b>Net Fees and Commission Income/Expense</b>	<b>815.605</b>	<b>327.037</b>	<b>79.035</b>	<b>(191.825)</b>	-	<b>200.424</b>	<b>1.230.276</b>
Fees and Commission Received	815.605	327.941	79.035	5.275	-	333.526	1.561.382
Fees and Commissions Paid	-	904	-	197.100	-	133.102	331.106
<b>Dividend Income</b>	-	-	-	<b>213.056</b>	<b>(208.673)</b>	<b>2.036</b>	<b>6.419</b>
<b>Net Trading Income</b>	<b>185</b>	<b>9.623</b>	-	<b>(162.541)</b>	-	<b>11.016</b>	<b>(141.717)</b>
<b>Other Operating Income</b>	<b>24.519</b>	<b>247.764</b>	<b>47.778</b>	<b>3.731</b>	-	<b>2.110.114</b>	<b>2.433.906</b>
<b>Provision for Loan or Other Receivables Losses</b>	<b>402.157</b>	<b>776.519</b>	<b>295.903</b>	<b>1.715</b>	<b>5.026</b>	<b>65.951</b>	<b>1.547.271</b>
<b>Other Operating Expenses</b>	<b>45.338</b>	<b>220.676</b>	<b>35.715</b>	-	<b>(142)</b>	<b>5.845.197</b>	<b>6.146.784</b>
<b>Net Operating Income/Expense</b>	<b>452.274</b>	<b>4.172.056</b>	<b>3.276.575</b>	<b>2.481.570</b>	<b>(213.557)</b>	<b>(3.308.960)</b>	<b>6.859.958</b>
<b>Tax Provision</b>	-	-	-	-	<b>(2.354)</b>	<b>(1.507.655)</b>	<b>(1.510.009)</b>
<b>Net Profit/Losses</b>	<b>221</b>	<b>(48.591)</b>	<b>12.169</b>	<b>12.555</b>	<b>(185.532)</b>	<b>5.587.152</b>	<b>5.377.974</b>
<b>SEGMENT ASSETS</b>							
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
<b>TOTAL SEGMENT ASSETS</b>	<b>51.214.922</b>	<b>95.783.945</b>	<b>37.676.823</b>	<b>79.181.713</b>	<b>(2.497.785)</b>	<b>48.908.200</b>	<b>310.267.818</b>
<b>LIABILITIES</b>							
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
<b>TOTAL LIABILITIES</b>	<b>137.600.974</b>	<b>41.582.894</b>	-	<b>79.004.522</b>	<b>(2.497.787)</b>	<b>54.577.215</b>	<b>310.267.818</b>
<b>OTHER ITEMS</b>							
Capital Investment	-	-	-	-	-	-	-
Amortization Expenses	-	-	-	-	-	335,979	335,979
Reconstruction Cost	-	-	-	-	-	-	-

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XII. 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
<b>Total Operating Income and Expense</b>							
<b>Net Operating Profit</b>	<b>5.143.008</b>	<b>4.737.435</b>	<b>2.521.939</b>	<b>6.210.820</b>	<b>(62.722)</b>	<b>46.786</b>	<b>18.597.266</b>
Interest on Loans	5.143.008	4.737.435	2.521.939	500.847	(35.005)	32.594	12.900.818
Interest Received from Banks	-	-	-	184.146	(27.048)	-	157.098
Interest Received from Marketable Securities Portfolio	-	-	-	5.373.985	(637)	-	5.373.348
Other Interest Income	-	-	-	151.842	(32)	14.192	166.002
<b>Interest Expense</b>	<b>5.127.531</b>	<b>2.042.173</b>	<b>-</b>	<b>2.467.906</b>	<b>(62.722)</b>	<b>51.779</b>	<b>9.626.667</b>
Interest on Deposits	5.127.531	2.042.173	-	403.360	(27.048)	-	7.546.016
Interest on Funds Borrowed	-	-	-	331.330	(35.005)	-	296.325
Interest on Money Market Transactions	-	-	-	1.527.053	-	-	1.527.053
Interest on Securities Issued	-	-	-	206.163	(637)	-	205.526
Other Interest Expense	-	-	-	-	(32)	51.779	51.747
<b>Net Interest Income/Expense</b>	<b>15.477</b>	<b>2.695.262</b>	<b>2.521.939</b>	<b>3.742.914</b>	<b>-</b>	<b>(4.993)</b>	<b>8.970.599</b>
<b>Net Fees and Commission Income/Expense</b>	<b>679.431</b>	<b>415.767</b>	<b>60.070</b>	<b>(157.022)</b>	<b>-</b>	<b>18.571</b>	<b>1.016.817</b>
Fees and Commission Received	679.431	415.767	60.070	5.005	(192.587)	330.184	1.297.870
Fees and Commissions Paid	-	-	-	162.027	(192.587)	311.613	281.053
<b>Dividend Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>191.840</b>	<b>(181.037)</b>	<b>-</b>	<b>10.803</b>
Net Trading Income	-	-	-	(69.960)	-	2.543	(67.417)
<b>Other Operating Income</b>	<b>27.068</b>	<b>82.225</b>	<b>118.087</b>	<b>2.870</b>	<b>(19.584)</b>	<b>1.649.101</b>	<b>1.859.767</b>
<b>Provision for Loan or Other Receivables Losses</b>	<b>362.824</b>	<b>485.070</b>	<b>236.153</b>	<b>23</b>	<b>3.742</b>	<b>496.013</b>	<b>1.583.825</b>
Other Operating Expenses	35.423	152.000	28.905	-	(23.065)	4.709.737	4.903.000
<b>Net Operating Income/Expense</b>	<b>330.389</b>	<b>2.502.499</b>	<b>2.435.038</b>	<b>3.425.272</b>	<b>(183.095)</b>	<b>(3.206.359)</b>	<b>5.303.744</b>
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.214.156)</b>	<b>(1.214.156)</b>
<b>Net Profit/Losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(162.270)</b>	<b>4.272.683</b>	<b>4.110.413</b>
<b>SEGMENT ASSETS</b>							
Financial Assets Where Fair Value Change is Reflected to Income Statement	-	-	-	329.994	-	-	329.994
Money Market Securities	-	-	-	3.846.150	(1.026.810)	-	2.819.340
Financial Assets Available for Sale	-	-	-	54.450.928	(20.685)	-	54.430.243
Loans	44.973.789	62.122.744	29.095.441	9.624.514	(764.851)	470.266	145.521.903
Investments Held to Maturity	-	-	-	10.239.816	-	-	10.239.816
Investments and Associates, Subsidiaries and Joint Ventures	-	-	-	1.678.431	(1.521.797)	-	156.634
Total Assets	-	-	-	-	(75.516)	39.586.777	39.511.261
<b>TOTAL SEGMENT ASSETS</b>	<b>44.973.789</b>	<b>62.122.744</b>	<b>29.095.441</b>	<b>80.169.833</b>	<b>(3,409,659)</b>	<b>40,057,043</b>	<b>253,009,191</b>
<b>LIABILITIES</b>							
Deposits	110.997.850	37.612.275	-	6.716.130	(1.026.809)	1.845.278	156.144.724
Derivative Financial Liabilities Held for Trading	-	-	-	416.397	-	-	416.397
Funds Borrowed	-	-	-	16.377.203	(764.850)	-	15.612.353
Money Market Takings	-	-	-	31.793.959	-	-	31.793.959
Marketable Securities Issued	-	-	-	4.294.722	(20.845)	-	4.273.877
Provisions	-	-	-	-	18.527	5.990.754	6.009.281
Other Liabilities	-	-	-	-	(67.940)	10.209.508	10.141.568
Shareholders' Equity	-	-	-	-	(1,547,740)	30,164,772	28,617,032
<b>TOTAL LIABILITIES</b>	<b>110,997,850</b>	<b>37,612,275</b>	<b>-</b>	<b>59,598,411</b>	<b>(3,409,657)</b>	<b>48,210,312</b>	<b>253,009,191</b>
<b>OTHER ITEMS</b>							
Capital Investment	-	-	-	-	-	-	-
Amortization Expenses	-	-	-	-	-	259.565	259.565
Reconstruction Cost	-	-	-	-	-	-	-

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

**XIII. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES**

**a) Information regarding the fair value of financial assets and liabilities:**

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>261.850.673</b>	<b>213.011.302</b>	<b>263.827.991</b>	<b>213.839.088</b>
Due from Interbank Money Market	116.173	51.529	116.173	51.529
Banks	4.965.691	2.767.811	4.965.691	2.767.811
Available-for-Sale Financial Assets	54.036.938	54.430.243	55.507.902	54.427.789
Held-to-Maturity Investments	10.223.475	10.239.816	10.729.829	11.070.056
Loans	192.508.396	145.521.903	192.508.396	145.521.903
<b>Financial Liabilities</b>	<b>219.506.033</b>	<b>177.824.058</b>	<b>216.928.968</b>	<b>177.886.667</b>
Bank Deposits	9.686.885	5.740.759	9.686.885	5.740.759
Other Deposits	181.233.212	150.403.965	181.233.212	150.403.965
Funds Borrowed from Other Financial Institutions	20.787.403	15.612.353	18.342.129	15.695.644
Issued Marketable Securities	5.419.397	4.273.877	5.287.606	4.253.195
Miscellaneous Payables	2.379.136	1.793.104	2.379.136	1.793.104

Receivables from money markets, receivables from banks and bank deposits are of short term nature, therefore carrying values are considered as fair value.

In determination of book and fair value of available-for-sale securities, market prices are taken into consideration. If these securities are not traded in an active market, the indicator prices calculated by CBRT are taken into account.

The fair value of held to maturity financial assets is calculated by considering market prices. In cases where these prices cannot be determined, the fair value is assessed on the basis of market prices quoted for securities that have the same attributes in terms of interest, maturity and other terms.

The fair value of loans and other deposits represent the sum of the cost and the accrued interest.

**b) Information on fair value measurements recognized in the financial statements:**

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

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XIII. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES (Continued)

b) Information on fair value measurements recognized in the financial statements: (Continued)

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss) (Net)</b>	<b>43.982</b>	<b>928.284</b>	<b>-</b>	<b>972.266</b>
Government Debt Securities	39.408	-	-	39.408
Share Certificates	580	-	-	580
Trading Derivative Financial Assets	3.994	928.284	-	932.278
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets (Net)</b>	<b>53.643.249</b>	<b>275.076</b>	<b>95.427</b>	<b>54.013.752</b>
Equity Securities <sup>(1)</sup>	388.756	101.711	95.028	585.495
Government Debt Securities	53.168.577	-	-	53.168.577
Other Marketable Securities	85.916	173.365	399	259.680
<b>Total Assets</b>	<b>53.687.231</b>	<b>1.203.360</b>	<b>95.427</b>	<b>54.986.018</b>
Trading Derivative Financial Liabilities	6.897	293.285	-	300.182
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>6.897</b>	<b>293.285</b>	<b>-</b>	<b>300.182</b>

<sup>(1)</sup> Since equity securities under the heading of financial assets available for sale amounting to TL 23.186 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

Prior Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss) (Net)</b>	<b>33.418</b>	<b>296.576</b>	<b>-</b>	<b>329.994</b>
Government Debt Securities	32.361	-	-	32.361
Share Certificates	909	-	-	909
Trading Derivative Financial Assets	76	296.576	-	296.652
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	72	-	-	72
<b>Available-for-Sale Financial Assets (Net)</b>	<b>54.163.420</b>	<b>203.079</b>	<b>89</b>	<b>54.366.588</b>
Equity Securities <sup>(1)</sup>	315.636	66.892	89	382.617
Government Debt Securities	53.669.212	21.410	-	53.690.622
Other Marketable Securities	178.572	114.777	-	293.349
<b>Total Assets</b>	<b>54.196.838</b>	<b>499.655</b>	<b>89</b>	<b>54.696.582</b>
Trading Derivative Financial Liabilities	20.813	395.584	-	416.397
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>20.813</b>	<b>395.584</b>	<b>-</b>	<b>416.397</b>

<sup>(1)</sup> Since equity securities under the heading of financial assets available for sale amounting to TL 63.655 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

XIV. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ON ACCOUNT OF OTHER PARTIES

1. Transaction, Custody, Management and Consultancy Services of the Parent Bank on behalf of Third Parties:

The Parent Bank acts as an intermediary for purchases and sales of government securities on behalf of real persons and corporate, conducts repo transactions, and provides custody services. The Parent Bank does not provide consultancy and management services.

2. Transactions with other financial institutions under fiduciary transaction agreements and financial services rendered to other financial institutions under the scope of fiduciary transactions and the effects of such services to the financial position of the Parent Bank or the Group:

The Parent Bank has no fiduciary transactions.

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**SECTION FIVE**

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

**I. EXPLANATIONS AND NOTES RELATED TO 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	1.723.559	853.611	1.162.355	707.074
Central Bank of the Republic of Turkey	2.378.666	31.888.236	1.611.393	26.753.700
Other	-	90.605	1	50.223
<b>Total</b>	<b>4.102.225</b>	<b>32.832.452</b>	<b>2.773.749</b>	<b>27.510.997</b>

**1.a.1) Information on Required Reserves:**

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to Communiqué on Required Reserves of Central Bank of the Republic of Turkey’s numbered 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 31 December 2015, total reserve requirement of the Group is TL 35.484.883 including Central Banks abroad (31 December 2014: TL 28.468.561).

**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	2.310.541	236.684	1.563.450	301.734
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1)(2)</sup>	68.125	31.651.552	47.943	26.451.966
<b>Total</b>	<b>2.378.666</b>	<b>31.888.236</b>	<b>1.611.393</b>	<b>26.753.700</b>

<sup>(1)</sup> Required reserve of branches abroad amounting to TL 78.150.is presented in this line (31 December 2014: TL 75.723).

<sup>(2)</sup> TL 19.082.468 of the current period’s FC required reserve is the part of the TL required reserves that are held in FC (31 December 2014: 18.822.279).

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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	3.960	-	8.756	-
<b>Total</b>	<b>3.960</b>	<b>-</b>	<b>8.756</b>	<b>-</b>

a.1) Information on financial assets at fair value through profit and loss given or blocked as collateral:

	Current Period		Prior Period	
	TL	FC	TL	FC
Stocks	-	-	-	-
Bonds and Similar Securities	3.960	-	8.756	-
Other	-	-	-	-
<b>Total</b>	<b>3.960</b>	<b>-</b>	<b>8.756</b>	<b>-</b>

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	26.116	46.643	5.949	6.583
Swap Transactions	625.959	233.506	259.596	24.496
Futures Transactions	-	-	-	-
Options	9	45	17	11
Other	-	-	-	-
<b>Total</b>	<b>652.084</b>	<b>280.194</b>	<b>265.562</b>	<b>31.090</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	1.884.201	408.643	1.765.968	415.079
Foreign Banks	27.113	2.645.734	23.639	563.125
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>1.911.314</b>	<b>3.054.377</b>	<b>1.789.607</b>	<b>978.204</b>

b) Information on foreign banks accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	251.103	194.211	-	9.108
USA, Canada	1.903.114	242.249	-	705
OECD Countries <sup>(1)</sup>	8.874	7.085	-	-
Off-Shore Banking Regions	-	-	-	-
Other	509.756	132.535	-	871
<b>Total</b>	<b>2.672.847</b>	<b>576.080</b>	<b>-</b>	<b>10.684</b>

<sup>(1)</sup> OECD countries except EU countries, USA and Canada.

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

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

**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:**

	<b>Current Period</b>	<b>Prior Period</b>
Assets Subject to Repurchase Agreements	40.599.081	30.650.483
Assets Blocked/Given as Collateral	5.251.648	5.700.219
<b>Total</b>	<b>45.850.729</b>	<b>36.350.702</b>

**b) Information on financial assets available for sale:**

	<b>Current Period</b>	<b>Prior Period</b>
Debt Securities	54.745.634	54.124.518
Quoted in Stock Exchange	54.688.171	54.096.908
Not Quoted in Stock Exchange	57.463	27.610
Share Certificates	635.564	446.555
Quoted in Stock Exchange	483.687	274.474
Not Quoted in Stock Exchange	151.877	172.081
Provision for Impairment (-)	1.344.260	140.830
<b>Total</b>	<b>54.036.938</b>	<b>54.430.243</b>

**5. Information related to loans:**

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
<b>Direct Loans Granted to Shareholders</b>	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	<b>202</b>	-	<b>224</b>
<b>Loans Granted to Employees</b>	<b>267.353</b>	<b>132</b>	<b>258.116</b>	<b>117</b>
<b>Total</b>	<b>267.353</b>	<b>335</b>	<b>258.116</b>	<b>341</b>

<sup>(1)</sup> Interest rediscount and interest accrual amounting TL 2.079, are not included in the table above.

<sup>(2)</sup> Since the balance of overdraft accounts related to employees amounting TL 14.630, is showed under Table 5-c as overdraft accounts (real person), it is not included to the table above.

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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:**

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 <sup>(1)</sup>	Other		Loans and other receivables with revised contract terms	Other
Non-Specialized Loans	148.205.354	1.223.000	-	2.286.943	756.726	-
Commercial loans	88.430.240	583.333	-	974.104	625.253	-
Export Loans	2.118.287	396	-	18.699	175	-
Import Loans	224.433	59	-	11.559	-	-
Loans Given to Financial Sector	6.079.693	-	-	-	-	-
Consumer Loans	46.445.669	639.143	-	1.217.120	128.516	-
Credit Cards	2.935.186	69	-	58.082	2.782	-
Other <sup>(2)</sup>	1.971.846	-	-	7.379	-	-
Specialized Lending <sup>(3) (4)</sup>	32.899.129	1.904.618	-	791.643	209.142	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals	3.350.947	-	-	-	-	-
<b>Total</b>	<b>184.455.430</b>	<b>3.127.618</b>	<b>-</b>	<b>3.078.586</b>	<b>965.868</b>	<b>-</b>

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

<sup>(2)</sup> 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.

<sup>(3)</sup> Fund sourced agricultural loans are shown under specialized lending

<sup>(4)</sup> Agriculturally qualified farmer standby loans have been displayed under specialized lending.

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended <sup>(*)</sup>	2.989.508	932.119
3 - 4 or 5 Times Extended	138.094	33.564
Over 5 Times Extended	16	185

<sup>(\*)</sup> 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	490.910	160.244
6 Months - 12 Months	549.750	103.438
1 - 2 Years	1.725.424	411.077
2 - 5 Years	327.495	270.947
5 Years and Over	34.039	20.162
<b>Total</b>	<b>3.127.618</b>	<b>965.868</b>



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

**5. Information related to loans: (Continued)**

**c) Loans according to maturity structure:**

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	Loan and Other Receivables <sup>(1)</sup>	Restructured or Rescheduled <sup>(1)</sup>	Loan and Other Receivables <sup>(1)</sup>	Restructured or Rescheduled <sup>(1)</sup>
Short-Term Loans and Other Receivables	30.618.427	998.504	481.809	186.186
Non-Specialized Loans	24.834.491	156.283	375.022	42.863
Specialized Loans	5.783.936	842.221	106.787	143.323
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	150.486.056	2.129.114	2.596.777	779.682
Non-Specialized Loans <sup>(2)</sup>	123.370.821	1.066.718	1.911.962	713.863
Specialized Loans	27.115.235	1.062.396	684.815	65.819
Other Receivables	-	-	-	-

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

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

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

5. Information related to loans: (Continued)

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	365.275	46.979.626	47.344.901
Real Estate Loans	3.168	13.934.101	13.937.269
Vehicle Loans	745	195.004	195.749
Consumer Loans	350.766	23.541.302	23.892.068
Abroad <sup>(2)</sup>	4.165	397.900	402.065
Other	420	120.734	121.154
Consumer Loans- Indexed to FC	-	3	3
Real Estate Loans	-	3	3
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	15.386	79.308	94.694
Real Estate Loans	-	6.640	6.640
Vehicle Loans	-	-	-
Consumer Loans	1.439	35.225	36.664
Abroad	98	35	133
Other	13.849	37.408	51.257
Individual Credit Cards-TL	2.594.891	2.876	2.597.767
With Installment	943.998	72	944.070
Without Installment	1.650.893	2.804	1.653.697
Individual Credit Cards-FC	381	-	381
With Installment	13	-	13
Without Installment	368	-	368
Personnel Loans-TL	8.064	166.269	174.333
Real Estate Loans	-	250	250
Vehicle Loans	13	14	27
Consumer Loans	7.955	164.321	172.276
Abroad <sup>(2)</sup>	96	1.684	1.780
Other	-	-	-
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	1.003	12.531	13.534
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	34	414	448
Other	969	12.117	13.086
Personnel Credit Cards-TL	79.329	145	79.474
With Installment	33.293	85	33.378
Without Installment	46.036	60	46.096
Personnel Credit Cards-FC	12	-	12
With Installment	-	-	-
Without Installment	12	-	12
Overdraft Accounts-TL (Real Person)	802.983	-	802.983
Overdraft Accounts-FC (Real Person)	3	-	3
<b>Total<sup>(1)</sup></b>	<b>3.867.327</b>	<b>47.240.758</b>	<b>51.108.085</b>

<sup>(1)</sup> TL 316.229 of interest income accrual and rediscount are not included in the table above.

<sup>(2)</sup> TL 3.442.911 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)

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

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	501.422	13.178.473	13.679.895
Business Loans	412	432.080	432.492
Vehicle Loans	24.369	842.694	867.063
Consumer Loans	476.641	11.903.699	12.380.340
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	359	359
Business Loans	-	-	-
Vehicle Loans	-	359	359
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	53.565	16.778.149	16.831.714
Business Loans	-	2.109	2.109
Vehicle Loans	-	285	285
Consumer Loans	22.154	16.514.972	16.537.126
Other	31.411	260.783	292.194
Corporate Credit Cards-TL	317.546	214	317.760
With Installment	100.165	195	100.360
Without Installment	217.381	19	217.400
Corporate Credit Cards-FC	725	-	725
With Installment	701	-	701
Without Installment	24	-	24
Overdraft Account-TL (Legal Entity)	94.042	-	94.042
Overdraft Account-FC (Legal Entity)	-	-	-
<b>Total</b> <sup>(1)</sup>	<b>967.300</b>	<b>29.957.195</b>	<b>30.924.495</b>

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

f) Loans according to types of borrowers:

	Current Period	Prior Period
Public	3.328.149	1.749.313
Private	184.948.406	140.721.363
Interest Income Accruals of Loans	3.350.947	2.249.804
<b>Total</b>	<b>191.627.502</b>	<b>144.720.480</b>

g) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	181.834.465	136.525.746
Foreign Loans	6.442.090	5.944.930
Interest Income Accruals of Loans	3.350.947	2.249.804
<b>Total</b>	<b>191.627.502</b>	<b>144.720.480</b>

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

**5. Information related to loans: (Continued)**

**h) Loans granted to subsidiaries and associates:**

None (31 December 2014: None).

**i) Specific provisions provided against loans:**

	<b>Current Period</b>	<b>Prior Period</b>
Loans and other receivables with limited collectability	187.917	104.549
Loans and other receivables with doubtful collectability	480.993	452.657
Uncollectible loans and other receivables	1.672.896	1.411.854
<b>Total</b>	<b>2.341.806</b>	<b>1.969.060</b>

**j) 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:**

	<b>Group III: Loans and Receivables with Limited Collectability</b>	<b>Group IV: Loans and Receivables with Doubtful Collectability</b>	<b>Group V: Uncollectible Loans and Receivables</b>
<b>Current Period</b>	<b>11.844</b>	<b>51.598</b>	<b>92.945</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	11.844	51.598	92.945
Rescheduled loans and other receivables	-	-	-
<b>Prior Period</b>	<b>15.457</b>	<b>61.241</b>	<b>115.881</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	15.457	61.241	115.881
Rescheduled loans and other receivables	-	-	-

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

5. Information related to loans: (Continued)

j) Information on non-performing loans (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
<b>Prior Period Ending Balance</b>	<b>207.045</b>	<b>476.178</b>	<b>2.087.260</b>
Additions (+)	1.475.146	218.427	431.455
Transfers from Other Categories of Loans under Follow-up (+)	-	1.181.982	1.156.391
Transfers to Other Categories of Loans under Follow-up (-)	1.181.982	1.156.391	-
Collections (-) <sup>(1)</sup>	168.486	227.780	1.276.545
Write-offs (-)	-	-	-
Corporate and Entrepreneurial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance</b> <sup>(2)</sup>	<b>331.723</b>	<b>492.416</b>	<b>2.398.561</b>
Specific Provision (-) <sup>(3)</sup>	187.917	480.993	1.672.896
<b>Net Balance on Balance Sheet</b>	<b>143.806</b>	<b>11.423</b>	<b>725.665</b>

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

(2) Includes the loans originated from funds amounting to TL 257.478 whose risk does not belong to the Parent Bank.

(3) As of 31 December 2015, Parent Bank made 100% provision for the portion of TL 156.894 of the loans under follow-up which is TL 627.566 after taking guarantees into consideration.

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
<b>Current Period:</b>			
<b>Period Ending Balance</b>	<b>50.271</b>	<b>8.652</b>	<b>34.694</b>
Specific Provision (-)	38.840	8.652	34.694
Net Balance on Balance Sheet	<b>11.431</b>	-	-
<b>Prior Period:</b>			
<b>Period Ending Balance</b>	<b>32.768</b>	<b>7.975</b>	<b>19.913</b>
Specific Provision (-)	16.053	7.975	19.913
<b>Net Balance on Balance Sheet</b>	<b>16.715</b>	-	-

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

**5. Information related to loans: (Continued)**

**j) Information on non-performing loans (net): (Continued)**

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

	<b>Group III: Loans and Other Receivables with Limited Collectability</b>	<b>Group IV: Loans and Other Receivables with Doubtful Collectability</b>	<b>Group V: Uncollectible Loans and Other Receivables</b>
<b>Current Period (Net)</b>	<b>143.806</b>	<b>11.423</b>	<b>725.665</b>
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)	-	-	-
<b>Prior Period (Net)</b>	<b>102.496</b>	<b>23.521</b>	<b>675.406</b>
Loans to Real Persons and Legal Entities (Gross)	207.045	412.975	2.087.260
Specific Provisions (-)	104.549	389.454	1.411.854
Loans to Real Persons and Legal Entities (Net)	102.496	23.521	675.406
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	63.203	-
Specific Provisions (-)	-	63.203	-
Other Loans and Receivables (Net)	-	-	-

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

Execution proceedings are carried out for the collection of receivables from loan services of the Parent Bank's. During this process, tangible guarantees constituting guarantees of receivables of the Parent Bank and assets of the debtor(s) are realized while receivables of the Parent Bank are also tried to be collected and liquidated by means of administrative procedures. Transactions are performed within the context of legislation agreement, which ensures the collection of receivables through administrative channels, and authorizations transferred to the Branch/Regional Management. When the debtor offers exceed authorizations transferred to the Branch/Regional Management or includes matters outside the scope of current legislation agreements and the Branch/Regional Management submit favorable opinion to the Head Office regarding this issue, receivables should be restructured on a company/debtor basis in accordance with the decisions made by the related authorities.

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

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

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

5. Information related to loans: (Continued)

m) Other explanations and disclosures:

Current Period	Corporate and Entrepreneurial	Consumer <sup>(1)</sup>	Agricultural <sup>(1)</sup>	Total
Neither Past Due nor Impaired Loans	101.080.065	50.067.212	36.435.771	187.583.048
Past Due but not Impaired Loans	1.683.745	1.384.628	976.081	4.044.454
Impaired Loans	1.900.395	767.119	555.186	3.222.700
<b>Total</b>	<b>104.664.205</b>	<b>52.218.959</b>	<b>37.967.038</b>	<b>194.850.202</b>
Specific Provisions of Impaired Loans(-)	1.312.594	738.998	290.214	2.341.806
<b>Net Loan Amount</b>	<b>103.351.611</b>	<b>51.479.961</b>	<b>37.676.824</b>	<b>192.508.396</b>

<sup>(1)</sup> TL 3.442.911 consumer, TL 2.135.499 agricultural, and TL 18 corporate and entrepreneurial loans originated from funds whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

Prior Period	Commercial <sup>(1)</sup>	Consumer <sup>(1)</sup>	Agricultural <sup>(1)</sup>	Total
Neither Past Due nor Impaired Loans	69.971.122	43.420.080	27.846.614	141.237.816
Past Due but not Impaired Loans	1.086.530	1.379.139	1.016.995	3.482.664
Impaired Loans	1.563.861	642.713	563.909	2.770.483
<b>Total</b>	<b>72.621.513</b>	<b>45.441.932</b>	<b>29.427.518</b>	<b>147.490.963</b>
Specific Provisions of Impaired Loans(-)	1.031.876	605.107	332.077	1.969.060
<b>Net Loan Amount</b>	<b>71.589.637</b>	<b>44.836.825</b>	<b>29.095.441</b>	<b>145.521.903</b>

<sup>(1)</sup> TL 2.868.496 consumer, TL 2.235.702 agricultural, and TL 18 commercial loans originated from funds whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

With respect to the classes of loans, the aging analysis of the loans that are past due but not impaired are as follows:

Current Period	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Loans and Receivables <sup>(1)</sup>					
Corporate/Entrepreneurial Loans	132.856	62.928	28.251	6.389	230.424
Consumer Loans	39.264	10.497	3.952	346	54.059
Agricultural Loans	217.663	52.178	12.406	8.144	290.391
<b>Total</b>	<b>389.783</b>	<b>125.603</b>	<b>44.609</b>	<b>14.879</b>	<b>574.874</b>

<sup>(1)</sup> The amounts at the table are the total of the overdue installments for the loans with installments and overdue principals for other loans; the remaining principal amount of loans with installments equals to TL 3.469.580.

Prior Period	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Loans and Receivables <sup>(1)</sup>					
Commercial Loans	316.572	29.157	24.520	16.544	386.793
Consumer Loans	399.851	24.714	20.013	42.989	487.567
Agricultural Loans	334.283	51.199	6.025	24.034	415.541
<b>Total</b>	<b>1.050.706</b>	<b>105.070</b>	<b>50.558</b>	<b>83.567</b>	<b>1.289.901</b>

<sup>(1)</sup> The amounts at the table are the total of the overdue installments for the loans with installments and overdue principals for other loans; the remaining principal amount of loans with installments equals to TL 2.192.763.

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**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	1.114.647	3.567.579	466.841	3.910.057
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>1.114.647</b>	<b>3.567.579</b>	<b>466.841</b>	<b>3.910.057</b>

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	3.009.483	1.987.576	3.024.939	1.157.083
Other	-	-	-	-
<b>Total</b>	<b>3.009.483</b>	<b>1.987.576</b>	<b>3.024.939</b>	<b>1.157.083</b>

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

	Current Period	Prior Period
Government Bonds	10.133.222	10.162.945
Treasury Bills	-	29.947
Other Public Sector Debt Securities	13.407	6.966
<b>Total</b>	<b>10.146.629</b>	<b>10.199.858</b>

**c) Information on held-to-maturity investments:**

	Current Period	Prior Period
Debt securities	10.223.475	10.239.816
Quoted in a Stock Exchange	10.146.629	10.199.858
Not Quoted in a Stock Exchange	76.846	39.958
Provision for Impairment (-)	-	-
<b>Total</b>	<b>10.223.475</b>	<b>10.239.816</b>



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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:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Beginning Balance</b>	<b>10.239.816</b>	<b>15.799.338</b>
Addition to Scope of Consolidation	-	-
Foreign Currency Differences on Monetary Assets	1.064.698	224.816
Purchases During the Year	154.288	288.638
Disposals through Sales and Redemptions	(1.234.485)	(6.072.976)
Provision for Impairment (-)	842	-
<b>Period End Balance</b>	<b>10.223.475</b>	<b>10.239.816</b>

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 11.890 thousand and EUR 2.312 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 30.548 thousand and USD 69.943 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 11.001 would have been recorded. As of 31 December 2015, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL (22.979).

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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 <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)(3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	68.358	29.660	42.972	985	-	3.869	3.490	-
2	146.724	100.690	73.874	4.877	-	33.299	21.834	-

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

<sup>(2)</sup> Current period information of associates has been provided from audited financial statements as of 31 December 2015. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 December 2014.

<sup>(3)</sup> 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 <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	4.023.292	601.823	22.259	114.097	23.738	70.106	70.506	-

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

<sup>(2)</sup> Current period information of Arap Türk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2015. Prior period profit/loss information of ArapTürk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2014.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

2) Information about consolidated associates:

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>82.116</b>	<b>71.283</b>
<b>Movement During the Period</b>	<b>10.745</b>	<b>10.833</b>
Additions	-	-
Bonus Share Certificates	-	30.864
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer to Available for Sale Fin. Assets	-	-
Sales	-	-
Revaluation	10.745	-
Impairment Provision	-	20.031
<b>Ending Balance</b>	<b>92.861</b>	<b>82.116</b>
Capital Commitments	-	-
Period Ending Share of Capital Participation (%)	15,43	15,43

3) Sector information about consolidated associates:

	Current Period	Prior Period
Banks	92.861	82.116
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

4) Consolidated associates quoted to a stock exchange:

None (31 December 2014: None).

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

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

**a) 1) 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 <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	42.956	12.942	9.886	394	74	3.019	5.930	-

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

<sup>(2)</sup> Current period information of subsidiaries has been provided from audited financial statements as of 31 December 2015. Prior period profit/loss information has been provided from audited financial statements as of 31 December 2014.

**b) 1) 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.	Istanbul / TURKEY	100,00	100,00
2	Ziraat Sigorta A.Ş.	Istanbul / TURKEY	100,00	100,00
3	Ziraat Finansal Kiralama A.Ş.	Istanbul / TURKEY	100,00	100,00
4	Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul / TURKEY	100,00	99,60
5	Ziraat Portföy Yönetimi A.Ş.	Istanbul / TURKEY	100,00	99,70
6	Ziraat Katılım Bankası A.Ş. <sup>(1)</sup>	Istanbul / 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 <sup>(3)</sup>	Baku / AZERBAIJAN	100,00	100,00
12	Ziraat Bank Montenegro AD <sup>(4)</sup>	Podgoritsa / MONTENEGRO	100,00	100,00

<sup>(1)</sup> Ziraat Katılım Bankası A.Ş., which was established with the permission of BRSA numbered 6046, dated 10 October 2014 and was registered on 13 February 2015, started its operations by the consent of BRSA, dated 12 May 2015 and numbered 6302, that was published by the Official Gazette, dated 14 May 2015 and numbered 29355.

<sup>(2)</sup> The caption of Ziraat Bank (Moscow) JSC has changed on 14 August 2015 as Ziraat Bank (Moscow) JSC.

<sup>(3)</sup> Ziraat Bank Montenegro AD, started its operations dated 27 July 2015, with the permission of CBRT, 6 April 2015, regarding the Bank’s setting up a subsidiary bank in Montenegro.

<sup>(4)</sup> Ziraat Bank Azerbaycan ASC started its operations dated 27 July 2015 as a subsidiary of the Parent Bank with Head Office and Baku Branch.

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

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

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

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

	Total Assets <sup>(3)</sup>	Shareholders' Equity <sup>(3)</sup>	Total Non-Current Assets <sup>(3)</sup>	Interest Income <sup>(3)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(3)</sup>	Prior Period Profit / Loss <sup>(3)</sup>	Fair Value <sup>(1)</sup>	Shareholders' Equity Needed
1	2.641.099	304.118	2.382	131.377	-	162.829	151.037	-	-
2	593.758	196.286	3.142	55.586	-	86.878	66.947	-	-
3	2.421.713	235.944	1.605	1.156	-	36.304	(59.785)	-	-
4	321.963	94.673	684	8.449	3.305.770	23.538	14.362	-	-
5	21.221	17.884	815	1.729	13.734	5.524	3.051	-	-
6	2.176.809	663.615	59.434	65.993	20.206	(12.897)	-	-	-
7	4.414.530	581.254	3.289	134.238	2.745	40.314	17.828	665.528	-
8	1.164.199	185.867	54.538	44.006	751	13.775	5.608	173.616	-
9	133.758	83.865	3.109	10.384	158	2.415	2.878	89.412	-
10	491.099	176.525	11.408	21.313	2.374	14.774	19.845	226.569	-
11	166.029	98.786	3.207	7.308	920	6.418	-	107.931	-
12	41.880	28.743	3.729	178	-	(3.018)	-	28.647	-

<sup>(1)</sup> 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.

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

<sup>(3)</sup> Information on subsidiaries shown in the above table has been provided from the unaudited financial statements as of 31 December 2015, the prior period profit/loss balances have been provided from audited financial statements as of 31 December 2014.

<sup>(4)</sup> 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
<b>Balance at the Beginning of the Period</b>	<b>1.453.735</b>	<b>1.145.069</b>
<b>Movements During the Period</b>	<b>989.208</b>	<b>308.666</b>
Additions to Scope of Consolidation	-	-
Purchases <sup>(1)</sup>	997.857	100.000
Bonus Shares Obtained	16.921	-
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales	-	-
Revaluation Increase	227.760	208.666
Impairment Provision	253.330	-
<b>Balance at the End of the Period</b>	<b>2.442.943</b>	<b>1.453.735</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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

<sup>(2)</sup> Ziraat Bank Azerbaijan ASC as a subsidiary of Parent Bank contains the amounts belong to Ziraat Katılım Bankası A.Ş. and Ziraat Bank Montenegro.

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Banks	1.966.702	977.494
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 2014: None).

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

<b>Entities under Common Control (Joint Ventures) <sup>(1)</sup></b>	<b>Parent Bank's Share <sup>(2)</sup></b>	<b>Group's Share</b>	<b>Current Assets</b>	<b>Non- Current Assets</b>	<b>Long Term Liabilities</b>	<b>Income</b>	<b>Expense</b>
Turkmen Turkish Joint Stock Commercial Bank	39.937	39.937	552.881	12.180	6.901	69.577	39.875
UTBANK JSC <sup>(3)</sup>	36.355	36.370	244.978	3.258	2.182	23.873	13.660
<b>Total</b>	<b>76.292</b>	<b>76.307</b>	<b>797.859</b>	<b>15.438</b>	<b>9.083</b>	<b>93.450</b>	<b>53.535</b>

<sup>(1)</sup> Information on entities under joint control is provided from the unaudited financial statements as of 31 December 2015

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

<sup>(3)</sup> Title of Uzbekistan Turkish Bank, one of entities under common control of the Parent Bank, was changed to UTBANK JSC on 8 May 2015.

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:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than 1 Year	360.879	317.383	760.492	634.414
1-5 Years	2.192.205	1.874.178	1.341.307	1.155.480
More than 5 Years	190.422	171.841	66.181	61.362
<b>Total</b>	<b>2.743.506</b>	<b>2.363.402</b>	<b>2.167.980</b>	<b>1.851.256</b>

**11. Information on derivative financial assets for hedging purposes:**

The Group has no derivative financial assets for hedging purposes. (31 December 2014: None)

**12. Information on investment property:**

None (31 December 2014: 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 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. (31 December 2014: The Bank’s immovables acquired amount to TL 176.212 consisting of TL 15.038 due to consumer loans, TL 127.458 on its commercial loans and TL 33.716 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 740. Total depreciation expense is TL 2.745 for these held for sale assets).

**14. Explanations on property and equipment:**

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs <sup>(1)</sup>	Other Tangibles	Total
<b>Prior Period End:</b>						
Cost	5.173.711	6.961	38.495	144.560	638.551	6.002.278
Accumulated Depreciation (-)	758.047	1.192	26.067	74.927	331.106	1.191.339
<b>Net Book Value</b>	<b>4.415.664</b>	<b>5.769</b>	<b>12.428</b>	<b>69.633</b>	<b>307.445</b>	<b>4.810.939</b>
<b>Current Period End:</b>						
Net Book Value at the Beginning of the Period	4.415.664	5.769	12.428	69.633	307.445	4.810.939
Change During the Period (Net)	113.560	2.908	7.436	65.618	186.222	375.744
Depreciation – Net (-)	111.273	994	(3.059)	36.451	79.569	225.228
Impairment (-)	3.740	-	-	-	31	3.771
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	5.283.531	9.869	45.931	210.178	824.742	6.374.251
Accumulated Depreciation at Period End (-)	869.320	2.186	23.008	111.378	410.675	1.416.567
<b>Closing Net Book Value</b>	<b>4.414.211</b>	<b>7.683</b>	<b>22.923</b>	<b>98.800</b>	<b>414.067</b>	<b>4.957.684</b>

The Parent Bank has begun to classify the operational leasing development costs under tangible fixed assets in the financial statements dated 31 March 2015, which was previously being followed under intangible assets.

- 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.
- 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.

**15. Explanations on intangible assets:**

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Establishment Costs	5.904	5.398	506	2.074	965	1.109
Goodwill	-	-	-	-	-	-
Intangible Rights	366.035	120.424	245.611	337.070	144.864	192.206
<b>Total</b>	<b>371.939</b>	<b>125.822</b>	<b>246.117</b>	<b>339.144</b>	<b>145.829</b>	<b>193.315</b>

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

**15. Explanations on intangible assets: (Continued)**

- a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.
- b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition : None.
- d) The book value of intangible fixed assets that are pledged or restricted for use: None.
- e) Amount of purchase commitments for intangible fixed assets: None
- f) Information on revalued intangible assets according to their types: None.
- g) Amount of total research and development expenses recorded in income statement within the period if any: None.
- h) Positive or negative consolidation goodwill on the Group basis: Not applicable for the consolidated financial statements.
- i) Information on Goodwill: None.

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

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit in accordance with the Turkish Accounting Standards (TAS 12) “Income Taxes”. In the computation of deferred tax, effective tax rates as of the balance sheet date are used in accordance with the current tax legislation.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Calculated deferred tax assets and deferred tax liabilities are net off in the financial statements.

Information on calculated deferred tax including deductible temporary differences, financial losses, tax deductibles and tax exemptions is shown below:

	<b>Current Period</b>	<b>Prior Period</b>
Deferred Tax Assets	266.827	225.590
Deferred Tax Liabilities	2.357	2.941
Net Deferred Tax Assets	264.470	222.649
Net Deferred Tax Income/Expense	(582.642)	502.520

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for Employment Termination Benefits	141.076	134.158
Short Term Employee Benefits	35.870	30.335
Financial Assets Valuation	49.940	(34.459)
Other	37.584	92.615
<b>Net Deferred Tax Assets</b>	<b>264.470</b>	<b>222.649</b>



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

**16. Information on deferred tax asset: (Continued)**

	<b>Current Period</b>	<b>Prior Period</b>
<b>As of 1 January</b>	<b>222.649</b>	<b>336.566</b>
Addition to Scope of Consolidation	-	-
Effect of Change in the Effective Tax Rate	-	-
Deferred Tax (Expense)/Income	(582.642)	502.520
<b>Deferred Tax Expenses (Net)</b>	<b>(582.642)</b>	<b>502.520</b>
Deferred Tax Recognized Under Shareholders' Equity	624.463	(616.437)
<b>Deferred Tax Assets</b>	<b>264.470</b>	<b>222.649</b>

**17. Information on other assets:**

As of 31 December 2015 and 2014, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

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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	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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>41.389.500</b>	<b>-</b>	<b>26.742.245</b>	<b>84.355.347</b>	<b>12.732.959</b>	<b>9.673.508</b>	<b>15.754.967</b>	<b>271.571</b>	<b>190.920.097</b>

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	11.772.551	-	2.403.145	48.851.579	3.673.378	787.318	643.760	5.053	68.136.784
Foreign Currency Deposits	7.777.702	-	4.248.009	14.179.418	3.545.606	2.319.034	10.790.916	380	42.861.065
Residents in Turkey	6.794.822	-	3.966.163	12.541.984	3.136.388	1.880.975	8.547.352	375	36.868.059
Residents Abroad	982.880	-	281.846	1.637.434	409.218	438.059	2.243.564	5	5.993.006
Public Sector Deposits	5.999.471	-	2.726.721	3.817.762	612.103	3.268.289	427.620	-	16.851.966
Commercial Inst. Deposits	3.707.864	-	4.559.751	4.002.438	111.733	192.822	1.018.718	-	13.593.326
Other Inst. Deposits	1.367.138	-	1.376.527	3.808.751	103.949	453.067	6.114	-	7.115.546
Precious Metals	1.553.092	-	42.462	213.553	17.807	8.436	9.928	-	1.845.278
Interbank Deposits	250.583	-	4.118.592	902.597	432.047	22.892	14.048	-	5.740.759
CBRT	9.480	-	372	16.892	-	-	-	-	26.744
Domestic Banks	22.208	-	3.466.202	287.059	18.000	22.892	-	-	3.816.361
Foreign Banks	110.427	-	652.018	598.646	414.047	-	14.048	-	1.789.186
Participation Banks	108.468	-	-	-	-	-	-	-	108.468
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>32.428.401</b>	<b>-</b>	<b>19.475.207</b>	<b>75.776.098</b>	<b>8.496.623</b>	<b>7.051.858</b>	<b>12.911.104</b>	<b>5.433</b>	<b>156.144.724</b>

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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:**

Saving Deposits	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits <sup>(2)</sup>	52.356.589	45.578.354	25.598.381	22.285.192
Foreign Currency Saving Deposits <sup>(2)</sup>	19.394.479	16.414.992	23.644.817	16.534.145
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(1)</sup>	549.775	507.656	57.489	44.686
Deposits at Off-Shore Banking Regions’ and under Foreign Authorities’ Insurance	-	-	-	-

<sup>(1)</sup> In Bulgaria and Greece, since both real person and legal entity’s saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 57.299 and TL 7.465 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2014: Bulgaria and Greece, TL 27.725 and TL 14.642, respectively).

<sup>(2)</sup> 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 1.558 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 501.824 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):**

	<b>Current Period</b>	<b>Prior Period</b>
Deposits and Other Accounts in Branches Abroad	52.302	51.132
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	3.923	3.731
Deposits Obtained through Illegal Acts Defined in the 282 <sup>nd</sup> Article of the 5237 Numbered Turkish Criminal Code Dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

**2. Information on derivative financial liabilities held for trading:**

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Forward Transactions	24.700	43.551	5.771	4.167
Swap Transactions	3.956	227.951	13.028	393.418
Futures Transactions	-	-	-	-
Options	3	21	7	6
Other	-	-	-	-
<b>Total</b>	<b>28.659</b>	<b>271.523</b>	<b>18.806</b>	<b>397.591</b>

**3. Information on banks and other financial institutions:**

**a) General information on banks and other financial institutions:**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	269.760	1.001.940	319.412	678.240
Foreign Banks, Institutions and Funds	944.015	18.571.688	944.015	13.670.686
<b>Total</b>	<b>1.213.775</b>	<b>19.573.628</b>	<b>1.263.427</b>	<b>14.348.926</b>

**b) Maturity structure of funds borrowed:**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Short-Term	255.656	7.155.010	295.014	10.389.206
Medium and Long-Term	958.119	12.418.618	968.413	3.959.720
<b>Total</b>	<b>1.213.775</b>	<b>19.573.628</b>	<b>1.263.427</b>	<b>14.348.926</b>

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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:

61,53% 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
<b>From Domestic Transactions</b>	<b>27.289.499</b>	-	<b>16.310.776</b>	-
Financial Institutions and Organizations	27.068.715	-	15.777.291	-
Other Institutions and Organizations	212.000	-	510.319	-
Real Person	8.784	-	23.166	-
<b>From Overseas Operations</b>	-	<b>14.744.813</b>	-	<b>15.470.300</b>
Financial Institutions and Organizations	-	14.744.813	-	15.470.300
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
<b>Total</b>	<b>27.289.499</b>	<b>14.744.813</b>	<b>16.310.776</b>	<b>15.470.300</b>

- e) Information on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.199.333	756.233	1.550.328	783.430
Treasury Bills	131.791	2.332.040	67.845	1.872.274
<b>Total</b>	<b>2.331.124</b>	<b>3.088.273</b>	<b>1.618.173</b>	<b>2.655.704</b>

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 2014: None).

6. Information on derivative financial liabilities for hedging purposes:

There are no derivative financial liabilities for hedging purposes (31 December 2014: None).

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

**7. Explanations on provisions:**

**a) Information on general provisions:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>General Provisions</b>	<b>2.925.818</b>	<b>2.363.069</b>
Allocated for Group-I Loans and Receivables	2.506.562	2.066.161
Additional Provision for Loans and Receivables with Extended Maturities	121.600	69.814
Allocated for Group-II Loans and Receivables	152.015	126.660
Additional Provision for Loans and Receivables with Extended Maturities	28.425	18.471
Allocated for Non-Cash Loans	164.752	118.974
Other	102.489	51.274

**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 5.561 (31 December 2014: TL 2.071).

**c) Specific provisions for unindemnified non-cash loans:**

Specific provisions for unindemnified non-cash loans amount to TL 55.629. (31 December 2014: TL 58.774).

**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 1.240.400 (TL 79.600 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 319 exist for cash transfers made by the Parent Bank officials.

	<b>Current Period</b>	<b>Prior Period</b>
Free Provisions for Possible Risks	1.257.419	1.334.053

**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 47.485. 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 88.600 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 55.629 for unindemnified non-cash loans (31 December 2014: TL 58.774), TL 45.625 for other provisions (31 December 2014: TL 20.970). As a result of the provisions mentioned above, the other provision balance on the Group’s balance sheet amounts to TL 1.482.032 (31 December 2014: TL 1.638.656).

**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 31 December 2015, unpaid vacation liability amounted to TL 170.572 (31 December 2014: TL 151.677), and employment termination amounted to TL 689.727 (31 December 2014: TL 670.790) are presented under the “Employee Benefits Provision” in the financial statements.

Movement of employment termination benefits liability in the balance sheet:

	<b>Current Period</b>	<b>Prior Period</b>
As of 1 January	666.464	567.043
Current Service Cost	46.701	55.424
Interest Cost	46.244	58.706
Severance Pay	(93.519)	(82.899)
Payment/Abating Benefits/ Gain (Loss) in consequence of Layoff	(76)	(327)
Actuarial Gain (Loss)	17.455	68.517
<b>Balance at period end</b>	<b>683.269</b>	<b>666.464</b>

**2) Pension Rights**

The technical balance sheet reports which are prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9,80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2015 and 2014.

The liability related to Parent Bank’s benefits to be transferred to SSI as of the balance sheet date is expected payment to be made to SSI during the transfer. Actuarial parameters and results used in calculation of this amount reflects the Act’s, numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, principles related to pension and health benefits to be transferred to SSI (9,80% real discount rate, etc.).

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

**e) Liabilities on reserve for employee termination benefits: (Continued)**

**2) Pension Rights (Continued)**

According to related Actuary Report, the Fund’s surplus is TL 2.284.502 as of 31 December 2015 (31 December 2014: TL 1.635.661)

	<b>Current Period</b>	<b>Prior Period</b>
Present value of funded obligations	911.002	513.661
-Pension benefits transferable to SSI	212.216	(8.029)
-Post employment medical benefits transferable to SSI	698.786	521.690
Fair value of plan assets	1.373.500	1.122.000
<b>Actuarial Surplus</b>	<b>2.284.502</b>	<b>1.635.661</b>

The principal actuarial assumptions used are as follows:

	<b>Current Period</b>	<b>Prior Period</b>
Discount rate		
- Pension benefits transferable to SSI	%9,80	%9,80
- Post employment medical benefits transferable to SSI	%9,80	%9,80

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

Plan assets are comprised as follows:

	<b>Current Period</b>	<b>Prior Period</b>
	<b>Amount</b>	<b>Amount</b>
Bank Placements	1.114.760	917.465
Property and Equipment	149.281	186.316
Marketable Securities	-	6.674
Other	109.459	11.545
<b>Total</b>	<b>1.373.500</b>	<b>1.122.000</b>

**8. Information on tax liability:**

**a) Information on current tax liability:**

**1) Information on tax provisions:**

As of 31 December 2015, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 416.922 (31 December 2014: TL 537.715).



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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)**

**2) Information on current taxes payable:**

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Tax Payable	416.922	537.715
Taxation on Income From Securities	202.372	156.017
Property Tax	2.237	1.847
Banking Insurance Transactions Tax (BITT)	117.824	89.053
Foreign Exchange Transactions Tax	28	20
Value Added Tax Payable	4.341	6.694
Other	59.961	54.673
<b>Total</b>	<b>803.685</b>	<b>846.019</b>

**3) Information on premiums:**

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums - Employee	239	206
Social Security Premiums - Employer	341	298
Bank Social Aid Pension Fund Premium - Employee	330	148
Bank Social Aid Pension Fund Premium - Employer	528	287
Pension Fund Membership Fees and Provisions - Employee	13	21
Pension Fund Membership Fees and Provisions - Employer	45	49
Unemployment Insurance - Employee	559	420
Unemployment Insurance - Employer	1.118	843
Other	-	-
<b>Total</b>	<b>3.173</b>	<b>2.272</b>

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

The Group’s deferred tax liability, for the current term, amounts to TL 2.357 (31 December 2014: TL 2.941).

**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:**

	<b>Current Period</b>	<b>Prior Period</b>
Common Stock	5.000.000	2.500.000
Preferred Stock	-	-

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

11. Information on shareholders’ equity: (Continued)

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.

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 Extraordinary General Assembly, carried out on 11 February 2015, the paid-in capital of the bank which was TL 2.500.000 has been increased by TL 1.825.000 from internal sources, and TL 675.000 cash to TL 5.000.000 and the capital increase has been registered to Trade Registry Gazette No. 8761 dated 18 February 2015.

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

There is TL 543.482 capital reserves in the current period.

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	202.072	214.546
Revaluation Difference	-	61.381	-	214.546
Foreign Exchange Difference	342.182	-	202.072	-
From Available for Sale Marketable Securities	(1.718.652)	809.922	728.357	696.418
Revaluation Difference	(1.618.036)	810.012	1.216.687	696.530
Deferred Tax Effect	275.247	(90)	(358.066)	(112)
Foreign Exchange Difference	(375.863)	-	(130.264)	-
<b>Total</b>	<b>(1.376.470)</b>	<b>871.303</b>	<b>930.429</b>	<b>910.964</b>

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**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:**

	<b>Current Period</b>	<b>Prior Period</b>
Payment Commitments for Cheques	3.079.630	2.737.380
Asset Purchase and Sale Commitments	1.848.592	4.525.137
Commitments for Credit Card Expenditure Limits	7.131.274	7.179.083
Loan Granting Commitments	3.007.694	2.361.448
Other Irrevocable Commitments	4.855.029	4.006.371
Commitments for Credit Cards and Banking Services Promotions	20.185	17.011
Tax and Fund Liabilities from Export Commitments	27	-
Share Capital Commitments to Associates and Subsidiaries	-	-
<b>Total</b>	<b>19.942.431</b>	<b>20.826.430</b>

**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:**

	<b>Current Period</b>	<b>Prior Period</b>
Guarantee Letters	49.707.786	31.927.044
Bank Acceptances	6.957.456	5.626.361
Letter of Credits	4.194.107	3.586.279
Other Guarantees	31.525	28.096
<b>Total</b>	<b>60.890.874</b>	<b>41.167.780</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Letters of Certain Guarantees	31.862.854	21.454.330
Letters of Advance Guarantees	13.052.987	7.792.444
Letters of Temporary Guarantees	2.754.448	1.671.705
Letters of Guarantees Given to Customs Offices	655.110	90.178
Other Letters of Guarantees	1.382.387	918.387
<b>Total</b>	<b>49.707.786</b>	<b>31.927.044</b>

**c) 1) Total non-cash loans:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>1.054.138</b>	<b>934.212</b>
With Original Maturity of One Year or Less	84.954	92.058
With Original Maturity of More than One Year	969.184	842.154
<b>Other Non-Cash Loans</b>	<b>59.836.736</b>	<b>40.233.568</b>
<b>Total</b>	<b>60.890.874</b>	<b>41.167.780</b>

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**III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS  
(Continued)**

**2) Information on sectoral risk concentrations of non-cash loans:**

	Current Period				Prior Period			
	TL	(%)	TL	(%)	TL	(%)	TL	(%)
Agricultural	38.976	0,20	23.711	0,06	25.231	0,18	30.930	0,11
Farming and Raising Livestock	154	0,01	-	-	181	-	-	-
Forestry	38.822	0,20	23.711	0,06	25.050	0,18	30.930	0,11
Fishing	-	-	-	-	-	-	-	-
Manufacturing	5.062.105	25,58	21.697.254	52,79	3.473.646	25,04	16.806.218	61,57
Mining and Quarrying	147.703	0,75	211.946	0,52	69.906	0,50	58.546	0,21
Production	3.215.109	16,25	19.399.630	47,20	2.356.142	16,99	14.300.479	52,39
Electric, Gas and Water	1.699.293	8,59	2.085.678	5,07	1.047.598	7,55	2.447.193	8,97
Construction	4.364.482	22,05	10.932.056	26,60	2.711.421	19,55	5.476.940	20,06
Services	9.218.292	46,58	6.328.226	15,40	6.933.112	49,98	3.366.739	12,33
Wholesale and Retail Trade	5.048.269	25,51	2.875.098	7,00	3.643.985	26,27	1.745.414	6,39
Hotel, Food and Beverage Services	111.654	0,56	176.718	0,43	69.376	0,50	147.753	0,54
Transportation and Telecommunication	844.375	4,27	1.717.099	4,18	614.638	4,43	600.766	2,20
Financial Institutions	2.166.818	10,95	374.183	0,91	1.901.946	13,71	275.628	1,01
Real Estate and Leasing Services	943.923	4,77	1.103.380	2,68	621.570	4,48	575.276	2,11
Self-Employment Services	-	-	4.988	0,01	-	-	-	-
Education Services	52.607	0,27	18.500	0,05	35.371	0,25	16.098	0,06
Health and Social Services	50.646	0,26	58.260	0,14	46.226	0,33	5.804	0,02
Other	1.105.710	5,59	2.120.061	5,16	728.189	5,25	1.615.354	5,92
<b>Total</b>	<b>19.789.565</b>	<b>100,00</b>	<b>41.101.308</b>	<b>100,00</b>	<b>13.871.599</b>	<b>100,00</b>	<b>27.296.181</b>	<b>100,00</b>

**3) Information on the non-cash loans classified under Group I and Group II:**

	Group I:		Group II:	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>19.646.060</b>	<b>40.867.677</b>	<b>143.505</b>	<b>233.632</b>
Letters of Guarantee	19.545.537	29.916.497	143.505	102.247
Bank Acceptances	12.965	4.176.000	-	5.142
Letters of Credit	87.558	6.775.180	-	94.718
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	-	-	31.525

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**III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS  
(Continued)**

**2. Explanations on derivative transactions:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Types of Trading Transactions</b>		
Foreign Currency Related Derivative Transactions (I)	52.280.161	46.743.623
Forward Transactions	5.335.699	1.928.428
Swap Transactions	46.888.042	44.777.433
Futures Transactions	-	-
Option Transactions	56.420	37.762
Interest Related Derivative Transactions (II)	6.235.626	163.125
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	6.235.626	-
Interest Rate Options	-	163.125
Interest Rate Futures	-	-
Other Trading Derivative Transactions (III)	-	-
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>58.515.787</b>	<b>46.906.748</b>
<b>Types of Hedging Derivative Transactions</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
<b>B. Total Hedging Derivative Transactions</b>	<b>-</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>58.515.787</b>	<b>46.906.748</b>

The Parent Bank has no derivative instruments for hedging purposes. There are no unrealized transactions (those are estimated in the prior period and recognized based on this assumption however; it is clear that those transactions would not be realized) or expense and income from agreements in the income statement in the current period.

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III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS  
(Continued)

2. Explanations on derivative transactions: (Continued)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	55.826	13.237	31.571	296.163	-	396.797
- Inflow	21.376.770	853.321	1.705.788	2.402.600	-	26.338.479
- Outflow	(21.320.944)	(840.084)	(1.674.217)	(2.106.437)	-	(25.941.682)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	3.117.813	3.117.813
- Outflow	-	-	-	-	(3.117.813)	(3.117.813)
<b>Derivatives held for hedging</b>	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total inflow</b>	<b>21.376.770</b>	<b>853.321</b>	<b>1.705.788</b>	<b>2.402.600</b>	<b>3.117.813</b>	<b>29.456.292</b>
<b>Total outflow</b>	<b>(21.320.944)</b>	<b>(840.084)</b>	<b>(1.674.217)</b>	<b>(2.106.437)</b>	<b>(3.117.813)</b>	<b>(29.059.495)</b>

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	(304.867)	(7.527)	29.128	168.757	-	(114.509)
- Inflow	19.804.582	1.065.654	875.001	1.569.320	-	23.314.557
- Outflow	(20.109.449)	(1.073.181)	(845.873)	(1.400.563)	-	(23.429.066)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total inflow</b>	<b>19.804.582</b>	<b>1.065.654</b>	<b>875.001</b>	<b>1.569.320</b>	-	<b>23.314.557</b>
<b>Total outflow</b>	<b>(20.109.449)</b>	<b>(1.073.181)</b>	<b>(845.873)</b>	<b>(1.400.563)</b>	-	<b>(23.429.066)</b>

3. Explanations on contingent assets and liabilities:

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

Group's liability resulting from the cheques given to its customers amounts to TL 3.079.630 (31 December 2014: TL 2.737.380).

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

4. Explanations on services in the name of others:

The Parent Bank acts as an intermediary for purchases and sales of government securities on behalf of individuals and entities, conducts repo transactions, and provides custody services. The Parent Bank does not provide consultancy and management services.

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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
<b>Interest on Loans</b> <sup>(1)</sup>	<b>14.653.128</b>	<b>2.260.303</b>	<b>11.412.637</b>	<b>1.488.181</b>
Short Term Loans	3.801.983	108.553	4.008.280	126.265
Medium and Long Term Loans	10.685.902	2.151.457	7.259.548	1.361.888
Interest on Non-Performing Loans	165.243	293	144.809	28
Premiums from Resource Utilization Support Fund	-	-	-	-

<sup>(1)</sup> 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	1.231	2.024	-	-
Domestic Banks	159.958	1.197	143.901	6.036
Foreign Banks	1.547	17.066	1.827	4.824
Head Office and Branches	-	-	-	510
<b>Total</b>	<b>162.736</b>	<b>20.287</b>	<b>145.728</b>	<b>11.370</b>

c) Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	1.299	252	1.760	643
Financial Assets at Fair Value through Profit or Loss	5.432	1.419	1.102	-
Financial Assets Available-for-Sale	3.951.477	495.713	3.984.610	352.415
Investments Held-to-Maturity	424.006	368.124	705.873	326.945
<b>Total</b>	<b>4.382.214</b>	<b>865.508</b>	<b>4.693.345</b>	<b>680.003</b>

d) Information on interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	111	51

2. a) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b> <sup>(1)</sup>	<b>118.534</b>	<b>322.848</b>	<b>107.827</b>	<b>188.498</b>
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	31.347	11.289	25.832	91
Foreign Banks	87.187	311.559	81.995	188.407
Head Office and Branches	-	-	-	-
Other Institutions	-	42	-	-
<b>Total</b>	<b>118.534</b>	<b>322.890</b>	<b>107.827</b>	<b>188.498</b>

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

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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	2.974	6.756

c) Information on interest given on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	187.920	106.639	165.999	39.527

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	-	386.837	-	-	-	-	-	386.837
Saving Deposit	-	183.189	4.438.588	312.235	66.830	46.129	2.087	5.049.058
Public Sector Deposit	149	285.590	419.967	70.822	299.618	1.854	-	1.078.000
Commercial Deposit	158	403.612	386.046	78.149	24.150	1.498	-	893.613
Other Deposit	8.665	100.134	309.321	43.925	55.921	25.475	-	543.441
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>8.972</b>	<b>1.359.362</b>	<b>5.553.922</b>	<b>505.131</b>	<b>446.519</b>	<b>74.956</b>	<b>2.087</b>	<b>7.950.949</b>
FC								
Foreign Currency Deposit	1.813	84.092	257.780	67.078	51.543	232.226	14	694.546
Bank Deposit	41.030	24	25	-	12.607	348	-	54.034
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	134	988	115	64	67	-	1.368
<b>Total</b>	<b>42.843</b>	<b>84.250</b>	<b>258.793</b>	<b>67.193</b>	<b>64.214</b>	<b>232.641</b>	<b>14</b>	<b>749.948</b>
<b>Grand Total</b>	<b>51.815</b>	<b>1.443.612</b>	<b>5.812.715</b>	<b>572.324</b>	<b>510.733</b>	<b>307.597</b>	<b>2.101</b>	<b>8.700.897</b>

3. Explanations on dividend income:

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-Sale Financial Assets	2.188	2.284
Other <sup>(1)</sup>	4.231	8.519
<b>Total</b>	<b>6.419</b>	<b>10.803</b>

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



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

**4. Information on trading profit/loss (net):**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Profit</b>	<b>37.926.627</b>	<b>19.039.390</b>
Profit from the Capital Market Transactions	34.305.620	17.030.572
Profit on Derivative Financial Instruments	3.541.214	1.933.686
Foreign Exchange Gains	79.793	75.132
<b>Loss (-)</b>	<b>38.068.344</b>	<b>19.106.807</b>
Loss from the Capital Market Transactions	33.265.184	15.560.986
Loss on Derivative Financial Instruments	4.801.835	3.544.077
Foreign Exchange Loss	1.325	1.744

**5. Information on profit/loss on derivative financial operations:**

	<b>Current Period</b>	<b>Prior Period</b>
Effect of the change in exchange rates on profit/loss	152.933	(1.411.138)
Effect of the change in interest rates on profit/loss	(1.413.554)	(199.253)
<b>Total</b>	<b>(1.260.621)</b>	<b>(1.610.391)</b>

**6. 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 776.168 (31 December 2014: TL 503.456) and income from sales of assets amounting to TL 98.170 (31 December 2014: TL 79.886).

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

	<b>Current Period</b>	<b>Prior Period</b>
Specific Provisions for Loans and Other Receivables <sup>(1)</sup>	912.964	847.053
Group III Loans and Receivables	175.295	94.143
Group IV Loans and Receivables	414.706	514.202
Group V Loans and Receivables	322.963	238.708
General Provision Expenses <sup>(2)</sup>	552.669	363.312
Provision Expenses for the Possible Losses	7.350	271.600
Marketable Securities Impairment Expense	2.189	43
Financial Assets at Fair Value through Profit and Loss	33	-
Financial Assets Available for Sale	2.156	43
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	60	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Business Partners)	-	-
Investment Securities Held to Maturity	60	-
Other	72.009	101.817
<b>Total</b>	<b>1.547.271</b>	<b>1.583.825</b>

(1) The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL 545.644 are presented in other operating income (31 December 2014: TL 400.512).

(2) The relevant balances include the expenses related to the current period. The provision reversals within the period amounting to TL 553 are presented in other operating income.

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

**8. a) Information on other operating expenses:**

	<b>Current Period</b>	<b>Prior Period</b>
Personnel Expenses	2.205.013	1.910.163
Reserve for Employee Termination Benefits	31.517	49.432
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	284.626	210.055
Intangible Assets Impairment Expense	1.177	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	48.734	54.720
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	2.619	2.156
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	1.261.941	901.544
Operational Leasing Expenses	191.479	147.548
Maintenance Expenses	87.416	68.072
Advertisement Expenses	113.716	60.303
Other Expenses	869.330	625.621
Loss on Sales of Assets	1.605	1.095
Other <sup>(1)</sup>	2.309.552	1.773.835
<b>Total</b>	<b>6.146.784</b>	<b>4.903.000</b>

<sup>(1)</sup> TL 405.201 of the relevant balance is Savings Deposit Insurance Fund expense accrual (31 December 2014: TL 323.833), TL 407.768 is taxes, fees and tolls expenses (31 December 2014: TL 320.741). TL 82.583 is T.R. Ministry of Customs and Trade, which consists of the amounts paid in penalty as a result of the audit conducted within the scope of Regulation numbered 6502 and Regulation abrogated numbered 4077.

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Net Interest Income	11.025.129	8.970.599
Net Fees and Commissions Income	1.230.276	1.016.817
Dividend Income	6.419	10.803
Trading Income/Expense (Net)	(141.717)	(67.417)
Other Operating Income	2.433.906	1.859.767
Provision for Loan or Other Receivables Losses (-)	1.547.271	1.583.825
Other Operating Expenses (-)	6.146.784	4.903.000
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	28.025	20.825
<b>Profit/(Loss) from Continuing Operations</b>	<b>6.887.983</b>	<b>5.324.569</b>

**10. Information on tax provision for continuing and discontinuing operations**

As of 31 December 2015, TL 1.510.009 (31 December 2014 TL 1.214.156) of the Group’s total tax provision expense amounting to TL 927.367 (31 December 2014: TL 1.716.676), consists of current tax expense while the remaining balances amounting to TL 582.642 (31 December 2014: TL 502.520 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)

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

The Group’s net operating income after tax amounts to TL 5.377.974 (31 December 2014: TL 4.110.413).

12. 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 (31 December 2014: None).

13. 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:

	Current Period	Prior Period
Fees of Account Operations, Money Transfer and Other Commissions Income	542.849	480.162
Fees and Commission Income from Credit Cards	402.407	363.890
Commission Income from Insurances	228.281	193.174
Income from Expertise Fees	131.217	92.895
<b>Total</b>	<b>1.304.754</b>	<b>1.130.121</b>

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

**V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY**

**1. In accordance with the Turkish Accounting Standards, the disclosures on shareholders' equity are made accordingly in the order of financial statement items in this section:**

**a) Explanations on inflation adjustment differences for equity items:**

As per the BRSA's Circular numbered 5 announced on 28 April 2005 it is stated that the indicators of hyperinflationary period are eliminated to a large extent, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 on 21 April 2005.

**b) Explanations on profit distribution:**

In accordance with the decision taken in the General Assembly of the year 2014 which was carried out on 27 March 2015, from TL 4.050.509 net profit after the deduction of deferred tax income amounting to TL 503.358, which is not subject to distribution, the remaining TL 3.547.151 of the profit for the year 2014, TL 177.358 is transferred to first legal reserve and TL 18.500 is transferred to second legal reserve. TL 185.000 is distributed as dividend to employees and TL 106.250 is distributed to Treasury after deducting withholding tax of 15% (TL 18.750) in cash. In this context, TL 3.041.293 of the profit is preserved; dividend payment made to Treasury on 15 April 2015, and within the framework of the dividend to be distributed to employees, at total TL 166.086 is paid. The remaining TL 18.914 from the dividends distributed to the personnel as of 31 December 2015 was transferred to the “profit reserves”.

The Parent Bank is planning to distribute its 2015 profit in accordance with its articles of association. However, as of the report date, there is no decision taken regarding the profit distribution.

**c) Explanations on available for sale financial assets:**

Available for sale financial assets are not included in the current income statement, until their collections, disposals, sales or losses are realized and those assets are recognized under the “Marketable Securities Revaluation Fund” under equity. In accordance with TAS 39 and due to the change in the Parent Bank's intention to hold the previously classified as available for sale securities to maturity the Parent Bank has reclassified the securities under available for sale portfolio to held to maturity portfolio. The valuation differences of these securities is presented under shareholders' equity as a “Marketable Securities Valuation Differences” and transferred to profit/loss with subject to redemption with proportional to the maturity of security.

Subsidiaries and jointly controlled entities domiciled and operating abroad are followed by their fair values. For such subsidiaries and entities under common control, the fair value is determined with revaluation report prepared by independent valuation firm and revaluation differences are recognized under “Marketable Securities Revaluation Fund” under equity.

**d) Profit Reserves:**

As of the balance sheet date, profit reserves amount to TL 18.146.025, legal reserves amount to TL 3.061.444, profit reserves amount to TL 13.659.246 and other profit reserves amount to TL 1.425.335.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

1. Explanations about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:

“Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 6.323.398 is composed mainly from interest received from loans and securities amounting to TL 21.545.770 and interest paid to deposit and money market operations which is amounting to TL 9.551.706. Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 589.946 as of 31 December 2015 (31 December 2014: TL 89.113).

Cash in TL, cash in foreign currency, Central Bank of the Republic of Turkey, money in transit, bank cheques purchased and cash on money market operations are defined as “cash”; interbank money transactions placements having maturities less than three months, and time deposits in banks are defined as “cash equivalents”.

Period opening and end cash and cash equivalents balance:

Period Opening	Current Period	Prior Period
Cash in TL and in Foreign Currency	1.869.429	1.821.663
Central Bank of the Republic of Turkey and Other Banks	4.524.233	6.348.809
Money Market Operations	51.529	53.272
<b>Total Cash and Cash Equivalents</b>	<b>6.445.191</b>	<b>8.223.744</b>

Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	2.577.170	1.869.429
Central Bank of the Republic of Turkey and Other Banks	6.424.794	4.524.233
Money Market Operations	116.173	51.529
<b>Total Cash and Cash Equivalents</b>	<b>9.118.137</b>	<b>6.445.191</b>

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**VII. 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 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 <sup>(1)</sup>						
Opening Balance	8.558	-	-	-	-	-
Closing Balance	25.125	-	-	-	-	-
<b>Interest and Commissions Income</b>	<b>111</b>	-	-	-	-	-

<sup>(1)</sup> 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 the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Cash <sup>(2)</sup>	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	-					
Closing Balance	8.558					
<b>Interest and Commissions Income <sup>(2)</sup></b>	<b>51</b>					

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

<sup>(2)</sup> Prior period’s interest and commissions income shows the amount at 31 December 2014.

**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
<b>Deposits</b>						
Opening Balance	261.835	168.049	-	-	-	-
Closing Balance	38.385	261.835	-	-	-	-
<b>Interest Expense on Deposits</b>	<b>2.974</b>	<b>6.756</b>	-	-	-	-

<sup>(1)</sup> The prior period balance of the accrued interest expense of the deposit is the balance as of 31 December 2014.

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

None ( 31 December 2014: None.).

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

Fees paid to the Group’s key management amount to TL 28.787 (31 December 2014: TL 30.418).

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

None.

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

**1) Information on the Parent Bank’s domestic and foreign branches and foreign representatives of the Bank:**

	Number	Number of Employees			
Domestic Branch <sup>(1)</sup>	1.786	25.618			
			<b>Country of Incorporation</b>		
Foreign Representative Office <sup>(2)</sup>	1	-	1- Iran		
				<b>Total Assets</b>	<b>Statutory Share Capital</b>
Foreign Branch <sup>(2)</sup>	1	2	1- USA	3.741.401	339.897
	1	2	2- England	2.784.343	153.224
	4	2	3- Bulgaria	167.909	44.882
	2	5	4- Georgia	94.219	18.358
	2	8	5- Iraq	239.586	40.510
	4	3	6- Greece	343.462	104.033
	1	2	7- Saudi Arabia	82.791	43.404
	1	-	8- Kosovo	35.816	31.525
			9-T.R. of Northern Cyprus		
	10	36		1.133.393	113.571
Off-Shore Banking Region Branches	-	-		-	-

<sup>(1)</sup> Includes the employees of the domestic branches, including the employees of head office and regional management.

<sup>(2)</sup> Excluding the local employees of the foreign branches.

**2) Information on the Parent Bank about opening, closing, changing its organization considerably for domestic and foreign branches and foreign representatives of the Parent Bank:**

In the Parent Bank, 112 new branches were opened, 8 branches were closed within 2015 in Turkey. On the other side, Pristina branch in Kosovo has started to its operations in 8 June 2015 in abroad.

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SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. INFORMATION ON THE PARENT BANK’S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL CREDIT RATING AGENCIES

Information on the assessment done by the international rating agencies Moody’s Investor Services, Fitch Ratings and JCR Eurasia are as follows:

**Moody’s Investor Services: December 2015**

<b>Long term Foreign Currency Deposit</b>	Baa3
Outlook	Negative
<b>Short term Foreign Currency Deposit</b>	P-3
<b>Long term Turkish Liras Deposit</b>	Baa3
Outlook	Negative
<b>Short term Turkish Liras Deposit</b>	P-3
Basic Credit Note	ba1
Adjusted Basic Credit Note	ba1

**Fitch Ratings: November 2015**

<b>Foreign Currency Commitments</b>	
Long Term	BBB-
Short Term	F3
Outlook	Stable
<b>Local Currency Commitments</b>	
Long Term	BBB
Short Term	F3
Outlook	Stable
National	AAA (tur)
Outlook	Stable
<b>Viability Rating</b>	bbb-
<b>Support Rating</b>	2

**JCR Eurasia: November 2015**

<b>Foreign Currency Commitments</b>	
Long Term	BBB-
Short Term	A-3
Outlook	Stable
<b>Local Currency Commitments</b>	
Long Term	BBB-
Short Term	A-3
Outlook	Stable
National	AAA (trk)
Outlook	Stable
<b>Support rating</b>	1
<b>Independence from partnership rate</b>	A

II. OTHER EXPLANATIONS ON THE GROUP’S OPERATIONS

None.



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**SECTION SEVEN**

**EXPLANATIONS ON THE INDEPENDENT AUDITOR’S REPORT**

**I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT**

As of 31 December 2015, consolidated financial statements and explanatory notes of the Bank disclosed herein were audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Independent Auditor’s Report dated 10 February 2016 is presented preceding the financial statements.

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

None.

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