

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

**PUBLICLY ANNOUNCED UNCONSOLIDATED  
FINANCIAL STATEMENTS  
TOGETHER WITH REVIEW REPORT  
AT 31 MARCH 2016**

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

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

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

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

#### **Introduction**

We have reviewed the unconsolidated balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“the Bank”) at 31 March 2016 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders’ equity, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the three-month period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as “BRSA Accounting and Reporting Legislation”) and Turkish Accounting Standard 34 “Interim Financial Reporting” other than subjects regulated by BRSA Accounting and Reporting Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

#### **Scope of Review**

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

#### **Basis for the Qualified Conclusion**

As mentioned in Section II. Note 7.d1 of Explanations and Notes to the Unconsolidated Financial Statements; as of the balance sheet date, the accompanying unconsolidated financial statements include a free provision amounting to TL1.240.400 thousands which is fully carried forward from previous periods provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions.

### Qualified Conclusion

Based on our review, except for the effect of the matter on the financial statements described in the basis for the qualified conclusion paragraph nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true and fair view of the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. at 31 March 2016 and the results of its operations and its cash flows for the three-month period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

### Report on Other Responsibilities Arising From Regulatory Requirements

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

### Additional Paragraph for Convenience Translation

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

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

Didem Demer Kaya, SMMM  
Partner

Istanbul, 10 May 2016



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

**THE UNCONSOLIDATED INTERIM FINANCIAL REVIEW REPORT OF  
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 31 MARCH 2016**

The 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 unconsolidated financial report for three months includes the following sections in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency.

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

The accompanying unconsolidated 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 reviewed.

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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

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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  
Fax Number : 0312 584 59 38

**SECTION ONE**  
**General Information about the Bank**

Page Number

I.	History of the Bank including its incorporation date, initial legal status and amendments to legal status, if any	1
II.	Explanation about the 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	1
III.	Information on the Board of Directors, members of the audit committee, CEO and executive vice presidents, changes in these matters (if any) and shares of the Bank they possess	2
IV.	Information about the persons and institutions that have qualified shares attributable to the Bank	2
V.	Summary information on the Bank's activities and services	3
VI.	The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities	3

**SECTION TWO**  
**Unconsolidated Financial Statements**

I.	Balance sheet (Statement of Financial Position)	4
II.	Statement of off-balance sheet commitments	6
III.	Statement of income	7
IV.	Statement of profit and loss items accounted under shareholders' equity	8
V.	Statement of changes in shareholders' equity	9
VI.	Statement of cash flows	11

**SECTION THREE**  
**Explanations on Accounting Policies**

I.	Basis of presentation	12
II.	Explanations on strategy of using financial instruments and foreign currency transactions	13
III.	Explanations on investments in associates, subsidiaries and joint ventures	13
IV.	Explanations on forward transactions, options and derivative instruments	14
V.	Explanations on interest income and expense	14
VI.	Explanations on fee and commission income and expense	14
VII.	Explanations on financial assets	14
VIII.	Explanations on impairment of financial assets	17
IX.	Explanations on offsetting financial assets and liabilities	17
X.	Explanations on sales and repurchase agreements and securities lending transactions	17
XI.	Information on assets held for sale and related to discontinued operations and explanations on liabilities related with these assets	18
XII.	Explanations on goodwill and other intangible assets	18
XIII.	Explanations on property and equipment	18
XIV.	Explanations on leasing transactions	19
XV.	Explanations on provisions, contingent asset and liabilities	19
XVI.	Explanations on obligations related to employee rights	20
XVII.	Explanations on taxation	22
XVIII.	Explanations on borrowings	23
XIX.	Explanations on issuance of share certificates	23
XX.	Explanations on avalized drafts and acceptances	23
XXI.	Explanations on government grants	24
XXII.	Cash and cash equivalents	24
XXIII.	Explanations on segment reporting	24
XXIV.	Explanations on other matters	24

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

I.	Explanations on the components of shareholders' equity	25
II.	Explanations on the currency risk	31
III.	Explanations on the interest rate risk	33
IV.	Explanations on the position risk of equity securities	36
V.	Explanations on liquidity risk management and liquidity coverage ratio	37
VI.	Explanations on leverage	44
VII.	Explanations on risk management	45
VIII.	Explanations on operating segments	46

**SECTION FIVE**  
**Explanations and Notes Related to the Unconsolidated Financial Statements**

I.	Explanations and notes related to assets	49
II.	Explanations and notes related to liabilities	65
III.	Explanations and notes to off-balance sheet accounts	73
IV.	Explanations and notes related to income statement	74
V.	Explanations and notes related to the risk group of the Bank	79
VI.	Explanations and notes related to subsequent events	80

**SECTION SIX**  
**Other Explanations and Notes**

I.	Other explanations on the Bank's operations	81
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**SECTION SEVEN**  
**Explanations on the Independent Auditor's Report**

I.	Explanations on review report	81
II.	Explanations and notes prepared by the independent auditors	81

**SECTION EIGHT**  
**Explanations on Interim Report**

I.	Interim period report included chairman of the board of directors and Ceo's assesments for the interim activities	82
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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN  
TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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**SECTION ONE**

**GENERAL INFORMATION ABOUT THE BANK**

**I. HISTORY OF THE 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 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 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 Bank is the Republic of Turkey Prime Ministry Undersecretariat of Treasury (“Treasury”).

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UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN  
TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

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

<b>Name</b>	<b>Administrative Function</b>
<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
Feyzi ÇUTUR	Member
Mehmet Hamdi YILDIRIM (*)	Member
Metin ÖZDEMİR	Member
Mustafa ÇETİN	Member
Salim ALKAN	Member
<b>Audit Committee Members</b>	
Muharrem KARSLI	Member
Feyzi ÇUTUR	Member
<b>Executive Vice Presidents</b>	
Alpaslan ÇAKAR	Banking Channels Management
Bilgehan KURU	Treasury and International Banking
Bülent SUER	Operational Transactions
Mehmet Cengiz GÖĞEBAKAN	Loan Policies
Musa ARDA	Loan Allocation and Management
Ömer Muzaffer BAKTIR	Marketing
Peyami Ömer ÖZDİLEK	Financial Coordination
Yüksel CESUR	Internal Systems

(\*) Elected in Ordinary Meeting of the General Assembly dated 30 March 2016 and came into office starting from 5 April 2016.

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

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

<b>Name/Trade Name</b>	<b>Amount of Share</b>	<b>Percentage of Share %</b>	<b>Paid-in Shares</b>	<b>Unpaid Shares</b>
Treasury	5.000.000	100	5.000.000	-

The sole shareholder of the Bank is the Treasury.

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

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

The purpose of activity of the Bank is stated in articles of association as to perform all kinds of banking activities including acceptance of deposits. For this purpose, the 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 March 2016, Bank carries its activities with a grand total of 1.813 branches; 1.787 domestic branches including 22 corporate branches, 80 entrepreneurial branches, 81 dynamic entrepreneurial branches, 1.599 branches and 5 mobile branches (31 December 2015: 1.786 domestic branches including 1.596 branches, 22 corporate branches, 80 entrepreneurial branches, 83 dynamic entrepreneurial branches, 5 mobile branches) and 26 branches abroad including 22 branches and 4 sub branches (New York branch in United States, London branch in England, Tbilisi branch and Batumi sub branch in Georgia, Baghdad and Arbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina in Kosovo, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Akdoğan, Near East University, Karaoğlanoğlu, Karakum and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has 1 representative office in Tehran, Iran.

The 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.

**VI. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE IMMEDIATE TRANSFER OF SHAREHOLDERS’ EQUITY BETWEEN THE BANK AND ITS SUBSIDIARIES OR REIMBURSEMENT OF LIABILITIES**

None.

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

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

**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 MARCH 2016**

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

**SECTION TWO  
UNCONSOLIDATED FINANCIAL STATEMENTS**

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)		Note (Section Five I)	Current Period (31/03/2016)			Prior Period (31/12/2015)		
			TL	FC	Total	TL	FC	Total
<b>ASSETS</b>								
I.	<b>CASH BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	(1)	2.995.387	33.033.863	36.029.250	4.072.948	32.463.015	36.535.963
II.	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)</b>	(2)	699.312	785.799	1.485.111	662.198	282.701	944.899
2.1	Financial Assets Held for Trading		699.312	785.799	1.485.111	662.198	282.701	944.899
2.1.1	Public Sector Debt Securities		12.369	14.953	27.322	12.238	4.377	16.615
2.1.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.1.3	Derivative Financial Assets Held for Trading		686.943	770.846	1.457.789	649.960	278.324	928.284
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1	Public Sector Debt Securities		-	-	-	-	-	-
2.2.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	<b>BANKS</b>	(3)	484.907	4.069.840	4.554.747	735.999	3.710.793	4.446.792
IV.	<b>MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	<b>FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	43.581.799	11.878.599	55.460.398	42.207.247	11.575.061	53.782.308
5.1	Securities Representing a Share in Capital		103.694	465.833	569.527	103.528	500.214	603.742
5.2	Public Sector Debt Securities		43.460.121	11.337.105	54.797.226	42.100.780	11.004.930	53.105.710
5.3	Other Marketable Securities		17.984	75.661	93.645	2.939	69.917	72.856
VI.	<b>LOANS AND RECEIVABLES</b>	(5)	147.169.340	45.989.925	193.159.265	141.002.935	45.809.916	186.812.851
6.1	Loans and Receivables		146.313.020	45.989.778	192.302.798	140.133.474	45.809.385	185.942.859
6.1.1	Loans Granted to Risk Group of The Bank		136.948	954.847	1.091.795	100.929	755.369	856.298
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		146.176.072	45.034.931	191.211.003	140.032.545	45.054.016	185.086.561
6.2	Loans under Follow-up		3.286.095	15.697	3.301.792	3.129.081	11.443	3.140.524
6.3	Specific Provisions (-)		2.429.775	15.550	2.445.325	2.259.620	10.912	2.270.532
VII.	<b>FACTORING RECEIVABLES</b>		-	-	-	-	-	-
VIII.	<b>INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	4.548.446	5.029.469	9.577.915	4.538.342	5.605.800	10.144.142
8.1	Public Sector Debt Securities		4.514.361	5.018.313	9.532.674	4.504.483	5.594.461	10.098.944
8.2	Other Marketable Securities		34.085	11.156	45.241	33.859	11.339	45.198
IX.	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	94.912	-	94.912	94.912	-	94,912
9.1	Accounted with Equity Method		-	-	-	-	-	-
9.2	Unconsolidated Associates		94.912	-	94.912	94.912	-	94,912
9.2.1	Financial Associates		88.846	-	88.846	88.846	-	88.846
9.2.2	Non-financial Associates		6.066	-	6.066	6.066	-	6.066
X.	<b>INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	1.157.477	1.291.703	2,449.180	1,157.477	1,291.703	2,449.180
10.1	Unconsolidated Financial Subsidiaries		1.151.240	1,291.703	2,442.943	1,151.240	1,291.703	2,442.943
10.2	Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237	6.237	-	6.237
XI.	<b>ENTITIES UNDER COMMON CONTROL (Net)</b>	(9)	-	116.995	116.995	-	111.274	111.274
11.1	Accounted with Equity Method		-	-	-	-	-	-
11.2	Unconsolidated Entities Under Common Control		-	116.995	116.995	-	111.274	111.274
11.2.1	Financial Entities Under Common Control		-	116.995	116.995	-	111.274	111.274
11.2.2	Non Financial Entities Under Common Control		-	-	-	-	-	-
XII.	<b>RECEIVABLES FROM LEASING TRANSACTIONS</b>	(10)	-	-	-	-	-	-
12.1	Finance Lease Receivables		-	-	-	-	-	-
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	<b>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		-	-	-	-	-	-
XIV.	<b>TANGIBLE ASSETS (Net)</b>	(14)	4.803.715	11.127	4.814.842	4.830.792	10.846	4.841.638
XV.	<b>INTANGIBLE ASSETS (Net)</b>		237.919	3.715	241.634	207.761	3.750	211.511
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		237.919	3.715	241.634	207.761	3.750	211.511
XVI.	<b>REAL ESTATES FOR INVESTMENT PURPOSE (Net)</b>	(12)	-	-	-	-	-	-
XVII.	<b>TAX ASSET</b>		65.624	-	65.624	262.631	-	262.631
17.1	Current Tax Asset		901	-	901	901	-	901
17.2	Deferred Tax Asset		64.723	-	64.723	261.730	-	261.730
XVIII.	<b>ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(13)	257.957	-	257.957	240.606	-	240.606
18.1	Held for Sale		257.957	-	257.957	240.606	-	240.606
18.2	Held from Discontinued Operations		-	-	-	-	-	-
XIX.	<b>OTHER ASSETS</b>		1.327.039	387.220	1.714.259	1.266.086	703.533	1.969.619
<b>TOTAL ASSETS</b>			<b>207.423.834</b>	<b>102.598.255</b>	<b>310.022.089</b>	<b>201.279.934</b>	<b>101.568.392</b>	<b>302.848.326</b>

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

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

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

**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 MARCH 2016**

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	Current Period (31/03/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES AND EQUITY					
<b>I. DEPOSITS</b>	(1)	<b>123.449.874</b>	<b>68.395.780</b>	<b>191.845.654</b>	<b>120.592.405</b>	<b>65.877.030</b>	<b>186.469.435</b>
1.1 Deposits Held By the Risk Group of the Bank		308.202	343.293	651.495	378.896	175.066	553.962
1.2 Other		123.141.672	68.052.487	191.194.159	120.213.509	65.701.964	185.915.473
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	<b>58.660</b>	<b>405.536</b>	<b>464.196</b>	<b>30.655</b>	<b>261.616</b>	<b>292.271</b>
<b>III. FUNDS BORROWED</b>	(3)	<b>1.166.675</b>	<b>17.526.333</b>	<b>18.693.008</b>	<b>1.392.459</b>	<b>18.150.189</b>	<b>19.542.648</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>28.588.426</b>	<b>14.619.538</b>	<b>43.207.964</b>	<b>28.340.963</b>	<b>14.744.813</b>	<b>43.085.776</b>
4.1 Interbank Money Market Borrowings		-	-	-	1.100.000	-	1.100.000
4.2 Istanbul Stock Exchange Takasbank Borrowings		-	-	-	-	-	-
4.3 Funds Provided under Repurchase Agreements		28.588.426	14.619.538	43.207.964	27.240.963	14.744.813	41.985.776
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		<b>2.118.715</b>	<b>2.552.887</b>	<b>4.671.602</b>	<b>2.199.333</b>	<b>3.088.273</b>	<b>5.287.606</b>
5.1 Bills		2.118.715	243.480	2.362.195	2.199.333	756.233	2.955.566
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		-	2.309.407	2.309.407	-	2.332.040	2.332.040
<b>VI. FUNDS</b>		<b>5.980.540</b>	<b>-</b>	<b>5.980.540</b>	<b>5.931.129</b>	<b>-</b>	<b>5.931.129</b>
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		5.980.540	-	5.980.540	5.931.129	-	5.931.129
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>1.480.106</b>	<b>1.118.597</b>	<b>2.598.703</b>	<b>1.477.006</b>	<b>843.177</b>	<b>2.320.183</b>
<b>VIII. OTHER LIABILITIES</b>	(4)	<b>1.872.828</b>	<b>441.452</b>	<b>2.314.280</b>	<b>2.044.873</b>	<b>389.249</b>	<b>2.434.122</b>
<b>IX. FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. PAYABLES FROM LEASING TRANSACTIONS (Net)</b>	(5)	<b>-</b>	<b>1.121</b>	<b>1.121</b>	<b>-</b>	<b>686</b>	<b>686</b>
10.1 Finance Lease Payables		-	1.146	1.146	-	699	699
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	25	25	-	13	13
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	(6)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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>5.262.846</b>	<b>42.379</b>	<b>5.305.225</b>	<b>5.125.958</b>	<b>34.938</b>	<b>5.160.896</b>
12.1 General Provisions		2.923.548	10.219	2.933.767	2.833.693	10.491	2.844.184
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		905.725	-	905.725	851.869	-	851.869
12.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5 Other Provisions		1.433.573	32.160	1.465.733	1.440.396	24.447	1.464.843
<b>XIII. TAX LIABILITY</b>	(8)	<b>982.611</b>	<b>775</b>	<b>983.386</b>	<b>776.453</b>	<b>852</b>	<b>777.305</b>
13.1 Current Tax Liability		982.611	775	983.386	776.453	852	777.305
13.2 Deferred Tax Liability		-	-	-	-	-	-
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(9)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1 Held for Sale		-	-	-	-	-	-
14.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(10)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	(11)	<b>32.947.042</b>	<b>1.009.368</b>	<b>33.956.410</b>	<b>30.865.420</b>	<b>680.849</b>	<b>31.546.269</b>
16.1 Paid-in Capital		5.000.000	-	5.000.000	5.000.000	-	5.000.000
16.2 Capital Reserves		3.009.808	1.009.368	4.019.176	2.537.588	680.849	3.218.437
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(515.635)	1.009.368	493.733	(1.001.889)	680.849	(321.040)
16.2.4 Tangible Assets Revaluation Reserves		3.593.133	-	3.593.133	3.607.167	-	3.607.167
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		(85.078)	-	(85.078)	(85.078)	-	(85.078)
16.3 Profit Reserves		18.005.564	-	18.005.564	18.005.564	-	18.005.564
16.3.1 Legal Reserves		2.920.983	-	2.920.983	2.920.983	-	2.920.983
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		13.659.246	-	13.659.246	13.659.246	-	13.659.246
16.3.4 Other Profit Reserves		1.425.335	-	1.425.335	1.425.335	-	1.425.335
16.4 Profit or Loss		6.931.670	-	6.931.670	5.322.268	-	5.322.268
16.4.1 Prior Years Profit/Loss		5.322.268	-	5.322.268	159.798	-	159.798
16.4.2 Net Period Profit/Loss		1.609.402	-	1.609.402	5.162.470	-	5.162.470
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>203.908.323</b>	<b>106.113.766</b>	<b>310.022.089</b>	<b>198.776.654</b>	<b>104.071.672</b>	<b>302.848.326</b>

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS OF 31 MARCH 2016  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

II.	STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (31/03/2016)			Prior Period (31/12/2015)		
			TL	FC	Total	TL	FC	Total
			<b>A</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>41.788.257</b>	<b>112.734.639</b>	<b>154.522.896</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>(1)</b>	<b>21.165.072</b>	<b>40.974.989</b>	<b>62.140.061</b>	<b>19.707.145</b>	<b>40.579.030</b>	<b>60.286.175</b>
1.1	Letters of Guarantee		21.045.203	29.786.366	50.831.569	19.606.622	29.635.315	49.241.937
1.1.1	Guarantees Subject to State Tender Law		1.211.154	5.385.856	6.597.010	1.181.920	5.635.033	6.816.953
1.1.2	Guarantees Given for Foreign Trade Operations		17.938.464	24.119.340	42.057.804	16.927.658	23.740.445	40.668.103
1.1.3	Other Letters of Guarantee		1.895.585	281.170	2.176.755	1.497.044	259.837	1.756.881
1.2	Bank Acceptances		32.440	4.264.425	4.296.865	12.965	4.178.340	4.191.305
1.2.1	Import Letter of Acceptance		32.440	4.263.356	4.295.796	12.965	4.173.792	4.186.757
1.2.2	Other Bank Acceptances		-	1.069	1.069	-	4.548	4.548
1.3	Letters of Credit		87.429	6.924.198	7.011.627	87.558	6.765.375	6.852.933
1.3.1	Documentary Letters of Credit		87.429	6.887.018	6.974.447	87.558	6.728.524	6.816.082
1.3.2	Other Letters of Credit		-	37.180	37.180	-	36.851	36.851
1.4	Pre-financing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		-	-	-	-	-	-
1.9	Other Collaterals		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	<b>(1)</b>	<b>17.175.836</b>	<b>10.946.455</b>	<b>28.122.291</b>	<b>15.984.047</b>	<b>3.614.654</b>	<b>19.598.701</b>
2.1	Irrevocable Commitments		17.175.824	10.939.699	28.115.523	15.984.035	3.609.756	19.593.791
2.1.1	Asset Purchase and Sale Commitments		559.110	8.853.410	9.412.520	153.461	1.695.131	1.848.592
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		-	-	-	-	-	-
2.1.5	Securities Issue Brokerage Commitments		2.945.036	136.979	3.082.015	2.693.280	112.533	2.805.813
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		3.364.964	-	3.364.964	3.076.439	-	3.076.439
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		6.995.388	-	6.995.388	7.130.144	-	7.130.144
2.1.10	Commitments for Credit Cards and Banking Services Promotions		21.610	-	21.610	20.185	-	20.185
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		3.289.716	1.949.310	5.239.026	2.910.526	1.802.092	4.712.618
2.2	Revocable Commitments		12	6.756	6.768	12	4.898	4.910
2.2.1	Revocable Loan Granting Commitments		-	6.756	6.756	-	4.898	4.898
2.2.2	Other Revocable Commitments		12	-	12	12	-	12
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>3.447.349</b>	<b>60.813.195</b>	<b>64.260.544</b>	<b>3.119.312</b>	<b>54.430.547</b>	<b>57.549.859</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		3.447.349	60.813.195	64.260.544	3.119.312	54.430.547	57.549.859
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.451.440	3.781.584	5.233.024	1.332.892	4.096.601	5.429.493
3.2.1.1	Forward Foreign Currency Transactions-Buy		689.709	1.928.134	2.617.843	642.706	2.072.867	2.715.573
3.2.1.2	Forward Foreign Currency Transactions-Sell		761.731	1.853.450	2.615.181	690.186	2.023.734	2.713.920
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		1.991.113	57.014.605	59.005.718	1.773.374	50.290.572	52.063.946
3.2.2.1	Foreign Currency Swap-Buy		-	26.926.759	26.926.759	436.624	22.770.642	23.207.266
3.2.2.2	Foreign Currency Swap-Sell		1.991.113	23.957.812	25.948.925	1.336.750	21.284.304	22.621.054
3.2.2.3	Interest Rate Swap-Buy		-	3.065.017	3.065.017	-	3.117.813	3.117.813
3.2.2.4	Interest Rate Swap-Sell		-	3.065.017	3.065.017	-	3.117.813	3.117.813
3.2.3	Foreign Currency, Interest rate and Securities Options		4.796	17.006	21.802	13.046	43.374	56.420
3.2.3.1	Foreign Currency Options-Buy		2.398	8.503	10.901	6.523	21.687	28.210
3.2.3.2	Foreign Currency Options-Sell		2.398	8.503	10.901	6.523	21.687	28.210
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>669.025.011</b>	<b>97.539.690</b>	<b>766.564.701</b>	<b>645.572.139</b>	<b>98.062.897</b>	<b>743.635.036</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>90.551.826</b>	<b>11.623.994</b>	<b>102.175.820</b>	<b>87.769.019</b>	<b>11.281.019</b>	<b>99.050.038</b>
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		31.557.991	4.715.482	36.273.473	30.615.944	4.389.662	35.005.606
4.3	Checks Received for Collection		4.893.433	422.189	5.315.622	4.576.100	342.690	4.918.790
4.4	Commercial Notes Received for Collection		5.360.903	440.946	5.801.849	4.782.653	309.103	5.091.756
4.5	Other Assets Received for Collection		8.934	-	8.934	8.934	-	8.934
4.6	Assets Received for Public Offering		42.118.202	-	42.118.202	44.389.111	-	44.389.111
4.7	Other Items Under Custody		6.610.714	6.045.377	12.656.091	3.394.628	6.239.564	9.634.192
4.8	Custodians		1.649	-	1.649	-	-	1.649
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>577.737.265</b>	<b>84.431.401</b>	<b>662.168.666</b>	<b>557.200.217</b>	<b>85.495.840</b>	<b>642.696.057</b>
5.1	Marketable Securities		1.040.889	31.438	1.072.327	907.730	28.100	935.830
5.2	Guarantee Notes		13.342.198	801.948	14.144.146	13.208.506	808.101	14.016.607
5.3	Commodity		1.089.240	58.673	1.147.913	1.072.015	18.248	1.090.263
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		512.597.121	64.578.752	577.175.873	495.609.918	65.182.872	560.792.790
5.6	Other Pledged Items		49.662.608	18.950.223	68.612.831	46.396.839	19.447.947	65.844.786
5.7	Pledged Items-Depository		5.209	10.367	15.576	5.209	10.572	15.781
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>735.920</b>	<b>1.484.295</b>	<b>2.220.215</b>	<b>602.903</b>	<b>1.286.038</b>	<b>1.888.941</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>			<b>710.813.268</b>	<b>210.274.329</b>	<b>921.087.597</b>	<b>684.382.643</b>	<b>196.687.128</b>	<b>881.069.771</b>

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

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

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

**UNCONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED AT 31 MARCH 2016**

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

<b>III. STATEMENT OF INCOME</b>			
<b>INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five IV)</b>	<b>Current Period 01/01-31/03/2016</b>	<b>Prior Period 01/01-31/03/2015</b>
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>6.448.044</b>	<b>4.957.509</b>
1.1 Interest Income from Loans		4.926.039	3.712.351
1.2 Interest Income From Reserve Deposits		44.470	3.785
1.3 Interest Income from Banks		19.584	14.532
1.4 Interest Income from Money Market Placements		2	2
1.5 Interest Income from Marketable Securities		1.449.728	1.188.297
1.5.1 Financial Assets Held for Trading		486	303
1.5.2 Financial Assets at Fair Value through Profit and Loss		-	-
1.5.3 Financial Assets Available-for-Sale		1.233.572	1.014.633
1.5.4 Investments Held-to-Maturity		215.670	173.361
1.6 Finance Lease Income		-	-
1.7 Other Interest Income		8.221	38.542
<b>II. INTEREST EXPENSES</b>	<b>(2)</b>	<b>3.297.508</b>	<b>2.582.772</b>
2.1 Interest Expense on Deposits		2.398.928	1.988.113
2.2 Interest on Borrowings		101.909	87.788
2.3 Interest on Money Market Borrowings		689.506	428.075
2.4 Interest on Marketable Securities Issued		82.251	60.448
2.5 Other Interest Expense		24.914	18.348
<b>III. NET INTEREST INCOME/EXPENSES (I - II)</b>		<b>3.150.536</b>	<b>2.374.737</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>367.817</b>	<b>293.155</b>
4.1 Fees and Commissions Received		455.163	371.744
4.1.1 Non-cash Loans		76.646	52.000
4.1.2 Other		378.517	319.744
4.2 Fees and Commissions Paid		87.346	78.589
4.2.1 Non-cash Loans		76	41
4.2.2 Other		87.270	78.548
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>2.785</b>	<b>7.990</b>
<b>VI. TRADING PROFIT/LOSS (Net)</b>	<b>(4)</b>	<b>666</b>	<b>(7.187)</b>
6.1 Profit/Loss from Capital Market Operations		5.338	42.903
6.2 Profit/losses on Derivative Financial Transactions	(5)	694.480	(1.500.685)
6.3 Profit/Loss from Foreign Exchanges		(699.152)	1.450.595
<b>VII. OTHER OPERATING INCOME</b>	<b>(6)</b>	<b>336.028</b>	<b>380.761</b>
<b>VIII. TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>		<b>3.857.832</b>	<b>3.049.456</b>
<b>IX. PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)</b>	<b>(7)</b>	<b>446.575</b>	<b>445.543</b>
<b>X. OTHER OPERATING EXPENSES(-)</b>	<b>(8)</b>	<b>1.342.067</b>	<b>1.151.461</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>2.069.190</b>	<b>1.452.452</b>
<b>XII. GAINS RECORDED AFTER MERGER</b>		-	-
<b>XIII. PROFIT/LOSS ON EQUITY METHOD</b>		-	-
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>(9)</b>	<b>2.069.190</b>	<b>1.452.452</b>
<b>XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(10)</b>	<b>(459.788)</b>	<b>(350.792)</b>
16.1 Current Tax Provision		(562.219)	-
16.2 Deferred Tax Provision		102.431	(350.792)
<b>XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>		<b>1.609.402</b>	<b>1.101.660</b>
<b>XVIII. 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. 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. PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(11)</b>	<b>1.609.402</b>	<b>1.101.660</b>
Earnings/ Loss per Share		0,326	0,255

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS'  
EQUITY FOR THE YEARS ENDED AT 31 MARCH 2016**

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

<b>IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		
<b>PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>	<b>Current Period (31/03/2016)</b>	<b>Prior Period (31/03/2015)</b>
<b>I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>1.117.079</b>	<b>(627.768)</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>(14.034)</b>	<b>(6.959)</b>
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>	<b>-</b>
<b>IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	<b>(2.868)</b>	<b>27.304</b>
<b>V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)</b>	<b>-</b>	<b>-</b>
<b>VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	<b>-</b>	<b>-</b>
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES</b>	<b>(299.438)</b>	<b>126.461</b>
<b>X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>800.739</b>	<b>(480.962)</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>1.609.402</b>	<b>1.101.660</b>
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	5.338	42.903
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	1.604.064	1.058.757
<b>XII. TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)</b>	<b>2.410.141</b>	<b>620.698</b>

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 MARCH 2015**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																			
		Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Total Equity	
	31 March 2015																		
I.	Balance at the Beginning of the Period		2.500.000	543.482	-	-	2.725.124	-	11.880.556	850.864	4.050.509	159.798	2.178.133	3.634.310	17.388	-	-	-	28.540.164
II.	Corrections according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	The Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	The Effect of Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I+II)		2.500.000	543.482	-	-	2.725.124	-	11.880.556	850.864	4.050.509	159.798	2.178.133	3.634.310	17.388	-	-	-	28.540.164
IV.	Changes During the Period																		
	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(501.307)	-	-	-	-	-	(501.307)
VI.	Hedging Funds (Active Part)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	(6.959)	-	-	-	-	(6.959)
VIII.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	27.304	-	-	-	-	-	27.304
XI.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Increase in Capital		2.500.000	(543.482)	-	-	-	-	(1.281.518)	-	-	-	-	-	-	-	-	-	675.000
14.1	Cash		675.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	675.000
14.2	From Internal Resources		1.825.000	(543.482)	-	-	-	-	(1.281.518)	-	-	-	-	-	-	-	-	-	-
XV.	Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Net Profit or Losses		-	-	-	-	-	-	-	1.101.660	-	-	-	-	-	-	-	-	1.101.660
XX.	Profit Distribution		-	-	-	-	-	-	-	(4.050.509)	4.050.509	-	-	-	-	-	-	-	-
20.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to Legal Reserves		-	-	-	-	-	-	-	(4.050.509)	4.050.509	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the end of the period (I+II+III+.....+XVIII+XIX+XX)		5.000.000	-	-	-	2.725.124	-	10.599.038	850.864	1.101.660	4.210.307	1.704.130	3.627.351	17.388	-	-	-	29.835.862

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 MARCH 2016  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

v. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																		
31 March 2016	Note (Section Five)	Paid-in Capital	Adjustme nt to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Total Equity	
<b>I. Balance at the Beginning of the Period</b>		5.000.000	-	-	-	2.920.983	-	13.659.246	1.340.257	5.162.470	159.798	(321.040)	3.607.167	17.388	-	-	-	31.546.269
Changes During the Period																		
<b>IV. Increase/Decrease Related to Merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Marketable Securities Valuation Differences</b>		-	-	-	-	-	-	-	-	-	-	817.641	-	-	-	-	-	817.641
<b>VI. Hedging Funds (Active Part)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Revaluation Differences of Tangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	(14.034)	-	-	-	-	(14.034)
<b>VIII. Revaluation Differences of Intangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Foreign Exchange Differences</b>		-	-	-	-	-	-	-	-	-	-	(2.868)	-	-	-	-	-	(2.868)
<b>XI. Changes Resulted from Disposal of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII. Changes Resulted from Reclassification of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Increase in Capital</b>																		
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 From Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Issuance of Share Certificates</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Share Cancellation Profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII. Adjustment to Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVIII. Other</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIX. Net Profit or Losses</b>		-	-	-	-	-	-	-	-	1.609.402	-	-	-	-	-	-	-	1.609.402
<b>XX. Profit Distribution</b>		-	-	-	-	-	-	-	-	(5.162.470)	5.162.470	-	-	-	-	-	-	-
20.1 Dividend Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to Legal Reserves		-	-	-	-	-	-	-	-	(5.162.470)	5.162.470	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at the end of the period (I+II+III+.....+XVIII+XIX+XX)</b>		5.000.000	-	-	-	2.920.983	-	13.659.246	1.340.257	1.609.402	5.322.268	493.733	3.593.133	17.388	-	-	-	33.956.410

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 MARCH 2016  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

VI. STATEMENT OF CASH FLOWS			
	Note (Section Five)	Current Period (31/03/2016)	Prior Period (31/03/2015)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		1.427.513	352.227
1.1.1 Interest Received		5.121.813	4.762.552
1.1.2 Interest Paid		(3.088.681)	(2.458.455)
1.1.3 Dividend Received		886	7.990
1.1.4 Fees and Commissions Received		455.054	378.518
1.1.5 Other Income		790.007	1.276.073
1.1.6 Collections from Previously Written-off Loans and Other Receivables		313.461	366.745
1.1.7 Payments to Personnel and Service Suppliers		(559.419)	(506.654)
1.1.8 Taxes Paid		(466.111)	(588.718)
1.1.9 Other		(1.139.497)	(2.885.824)
1.2 Changes in Operating Assets and Liabilities		1.137.341	1.317.885
1.2.1 Net (Increase)/Decrease in Trading Securities		(10.772)	(6.893)
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3 Net (Increase)/Decrease in Banks		965.767	(5.056.628)
1.2.4 Net (Increase)/Decrease in Loans		(5.692.875)	(15.943.181)
1.2.5 Net (Increase)/Decrease in Other Assets		632.023	52.222
1.2.6 Net Increase/(Decrease) in Bank Deposits		(1.992.725)	10.246.685
1.2.7 Net Increase/(Decrease) in Other Deposits		7.398.305	8.645.258
1.2.8 Net Increase/(Decrease) in Funds Borrowed		(862.149)	2.708.722
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		699.767	671.700
<b>I. Net Cash Provided from Banking Operations</b>		<b>2.564.854</b>	<b>1.670.112</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>		<b>(1.418.417)</b>	<b>(2.121.428)</b>
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		(4.354)	(751.270)
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3 Fixed Assets Purchases		(11.561)	(109.901)
2.4 Fixed Assets Sales		69.034	-
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		(3.984.773)	(5.452.792)
2.6 Cash Obtained from Sale of financial Assets Available for Sale		3.045.129	6.128.443
2.7 Cash Paid for Purchase of Investment Securities		(76.959)	(102.134)
2.8 Cash Obtained from Sale of Investment Securities		545.775	1.164.413
2.9 Other		(1.000.708)	(2.998.187)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>		<b>(521.808)</b>	<b>136.653</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued		1.975.178	2.022.261
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.496.986)	(1.885.084)
3.3 Marketable Securities Issued		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		-	(524)
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>(84.936)</b>	<b>151.227</b>
<b>V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>539.693</b>	<b>(163.436)</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>		<b>8.064.097</b>	<b>4.866.373</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>		<b>8.603.790</b>	<b>4.702.937</b>

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

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards, within the scope of interim reporting Turkish Accounting Standards 34 and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (referred as “Turkish Accounting Standards” or “TAS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) ( “all referred as BRSA Principles”).

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

Balance sheet and statement of off-balance sheet commitments as of 31 March 2016 are presented comparatively with interim reviewed balances as of 31 December 2015 while income statement, statement of income and expense items accounted under shareholders’ equity, statement of cash flows and statement of changes in shareholders’ equity are presented comparatively with balances as of 31 March 2015.

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

The preparation of financial statements requires the use of certain critical estimates on assets and liabilities reported as of balance sheet date or amount of contingent assets and liabilities explained and amount of income and expenses occurred in related period. Although these estimates rely on the management’s best judgment, actual results can vary from these estimates. Judgements 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 XXIV. 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 unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

Loans and securities are instruments from which the 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 commitments for credit card limits are the most important risk areas within the off-balance sheet accounts.

Since the Bank’s total debt to the market is low among its total liabilities, the 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 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 Bank’s prevailing counter currency buying rate. At period ends, foreign currency asset and liability balances are valued at the 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 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**

Based on the TAS 27 “Turkish Accounting Standard for Consolidated and Separate Financial Statements”, Turkish Lira denominated investments in associates and subsidiaries are accounted at cost value and are reflected to the unconsolidated financial statements after deducting the provision for impairment, if any.

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

---

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS**

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

The derivative instruments of the Bank are classified as trading or hedging instruments in accordance with Turkish Accounting Standard on TAS 39 “Financial Instruments: Recognition and Measurement”. The Bank has no derivative instruments for hedging purposes as of the balance sheet date. Accordingly, the 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 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 Bank, if the Bank is a legal party to these instruments.

Financial assets mainly constitute the Bank’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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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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:**

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 value.

**c. Loans and receivables:**

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.

Bank loans and receivables are initially carried at cost value. Bank loans are measured at amortized cost with internal rate of return. Short-term and long-term loans are grouped as open or guaranteed; FC loans are recognized with fixed price and 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.

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**c. Loans and receivables: (Continued)**

The 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 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 Asset at Fair Value Through Profit or Loss”.

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

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

The difference between fair value and cost of available for sale financial assets is booked as interest income accruals or impairment provision. Furthermore, amortized cost using the effective interest method and cost value is compared and the difference is booked as interest income or impairment expense. Fair value and amortised cost of these securities are compared and the difference is recognized in shareholders’ equity as “Marketable Securities Value Increase Fund”. When these financial assets are disposed of or impaired the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement.

When there is no price quotation in an active market for price formations to constitute the basis of the fair value or in such a situation when the reasonable value is not measured confidentially; the fair value of the available-for-sale financial assets are carried at amortised cost using the effective interest method or appropriate valuation methods.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

---

**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 Expense for Subsidiaries, Associates, and Assets Held to Maturity”.

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

Loans and other receivables are classified 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 OF FINANCIAL ASSETS AND LIABILITIES**

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

**X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND 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.

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

---

**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**

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 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 Bank has no discontinued operations.

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

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

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

Other intangible assets are amortized by using the straight line method based on their useful 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 Bank 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 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 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 3.593.133 revaluation difference is followed under shareholders’ equity as of 31 December 2015. As of 30 January 2014, the net book amount of real estates of the tangible assets before valuation was TL 816.950. Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and impairment loss, if any. Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives. No changes made in the current period regarding depreciation method. The 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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT (Continued)**

Applied depreciation rates are as follows;

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

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

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

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

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

**Financial Lease**

The Bank, 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 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.

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

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

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

---

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES (Continued)**

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

Under the Turkish legislation as supplemented by union agreements, Employment Termination Benefit payments are made in case of retirement or employment termination or resignation depending on the arise of the legal conditions. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, Employment Termination Benefit Provision is calculated in two ways; if the employee is a state employee, the calculation is based on retirement pension for the working period of the state employee, and if the employee is a blue-collar worker the calculation is based on the final salary at the date of retirement or leave (to the extent that the payments and/or salary amount does not exceed the Employment Termination Benefit Provision ceiling).

Communiqué on “Turkish Accounting Standard (TAS19) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TL 85.078 was classified as “Other Comprehensive Expense” in the financials.

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

The 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 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.

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

---

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

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

According to the new law Bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution and would be subject to its legislation within three years beginning from the date of publication without any required transaction. Three years transfer period would be extended by two years at most with the decision of Council of Ministers. In accordance with the related legislation, as of the transfer date, the cash value of the liabilities will be calculated by considering the income and expenses of the transferred funds by the insurance branches and by using the actuarial interest rate of 9.80%. Moreover, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

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

Based on the Council of Ministers' decree numbered 2011/1559 and issued in the Official Gazette numbered 27900, dated 9 April 2011, and 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.

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

---

**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)**

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 Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

**XVII. EXPLANATIONS ON TAXATION**

**a. Current Tax**

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

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

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

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

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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**b. Deferred tax**

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

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

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

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

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

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

**XVIII. EXPLANATIONS ON BORROWINGS**

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

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

**XIX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES**

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

**XX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES**

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXI. EXPLANATIONS ON GOVERNMENT GRANTS**

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

**XXII. 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.

**XXIII. 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 Bank, are disclosed in Note IX. of Section Four.

**XXIV. EXPLANATIONS ON OTHER MATTERS**

In accordance with the decision taken in the General Assembly of the year 2015, which was carried out on 30 March 2016, from TL 5.162.470 net profit, which is not subject to distribution, TL 258.124 is transferred to first legal reserve and TL 24.200 is transferred to second legal reserve TL 220.000 was paid to employees and TL 231.200 is distributed to Treasury after deducting withholding tax of 15% (TL 40.800) in cash. In this context, TL 4.388.146 of the profit is preserved; dividend payment made to Treasury on 15 April 2016, and TL 186.086 was paid to employees as an additional premium.

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

**SECTION FOUR**

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

**I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS’ EQUITY**

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

As of 31 March 2016 Bank’s total capital has been calculated as TL 35.816.197, capital adequacy ratio is 14,18%. As of 31 December 2015, Bank’s total capital amounted to TL 34.995.187, capital adequacy ratio was 15,08% calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

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

	Amount	Amount as per the regulation before 1/1/2014*
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.000.000	
Share issue premiums	-	
Reserves	18.005.564	
Gains recognized in equity as per TAS	4.978.723	
Profit	6.439.670	
Current Period Profit	1.609.402	
Prior Period Profit	4.830.268	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17.388	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>34.441.345</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	947.906	
Improvement costs for operating leasing	85.593	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	144.980	241.634
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	29.028	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be Defined by the BRSA (-)	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>1.207.507</b>	
<b>Total Common Equity Tier I Capital</b>	<b>33.233.838</b>	

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

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

**a) Information Related To The Components Of Shareholders' Equity: (Continued)**

	Amount	Amount as per the regulation before 1/1/2014*
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items to be defined by the BRSA (-)	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	96.654	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions from Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>33.137.184</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	<b>2.714.889</b>	
<b>Tier II Capital Before Deductions</b>	<b>2.714.889</b>	
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>2.714.889</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>35.852.073</b>	
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	33.821	
Other items to be defined by the BRSA (-)	2.055	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the % 10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

**I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS’ EQUITY**

**a) Information Related To The Components Of Shareholders' Equity: (Continued)**

	Amount	Amount as per the regulation before 1/1/2014*
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	35.816.197	
Total Risk Weighted Assets	252.557.533	
<b>CAPITAL ADEQUACY RATIOS</b>		
CET I Capital Ratio (%)	13,16	
Tier I Capital Ratio (%)	13,12	
Capital Adequacy Ratio (%)	14,18	
<b>BUFFERS</b>		
Bank-specific total CET I Capital Ratio	-	
Capital Conservation Buffer Ratio (%)	0,63	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-	
Additional CET I Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,16	
<b>Amounts Lower than Excesses as per Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	120.823	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	83.626	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	64.723	
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per the thousand)	2.933.767	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.714.889	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communique on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

(\*) Amounts considered within transition provisions

(\*\*) Amounting TL 492.000 which is decided to distribute mentioned by the General Assembly, are not included in the prior period's profit.

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

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

**a) Information Related To The Components Of Shareholders' Equity: (Continued)**

	<b>Prior Period<sup>(*)</sup></b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>	
Paid-in Capital to be Entitled for Compensation after All Creditors	5.000.000
Share Premium	-
Share Cancellation Profits	-
Reserves	18.005.564
Income recognized under equity in accordance with TAS	4.664.239
Profit	5.322.268
Current Period’s Profit	5.162.470
Prior Period’s Profit	159.798
Free Provision for Possible Risks	1.257.419
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	17.388
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>34.266.878</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 (-)	1.463.190
Leasehold Improvements on Operational Leases (-)	86.055
Goodwill and intangible asset and the related deferred tax liability (-)	84.604
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>1.633.849</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>32.633.029</b>
<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 )	-
<b>Additional Tier 1 Capital before Deductions</b>	<b>-</b>

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

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

**a) Information Related To The Components Of Shareholders' Equity: (Continued)**

	<b>Prior Period<sup>(*)</sup></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>126.907</b>
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier I Capital (-)	126.907
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-
<b>Tier 1 Capital</b>	<b>32.506.122</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	2.490.182
<b>Tier 2 Capital Before Deductions</b>	<b>2.490.182</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>Total Tier 2 Capital</b>	<b>2.490.182</b>
<b>TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS</b>	<b>34.996.304</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
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-
Securitization positions that is deducted -preferably- from the shareholders' equity (Article 20 paragraph 2 ) (-)	-
Other items to be defined by BRSA (-)	73
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%, but exceeding 10% of Common Equity Tier I 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>34.995.187</b>
<b>Amounts below deduction thresholds</b>	
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%	120.823
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%	80.423
Mortgage servicing rights	-
Deferred tax assets arising from temporary differences (net of related tax liability) (-)	261.730

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

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

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

None.

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

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision. In the calculation of Total Capital, general provision up to 1,25% credit risk is taken into consideration as Tier II Capital. Besides, losses that are subject to deductions from Common Equity Tier I and reflected to Equity in line with the TAS, are determined by excluding the losses related to cash flow hedge transactions. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

**II. EXPLANATIONS ON THE CURRENCY RISK**

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

The Bank’s policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, VAR is calculated for 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”, “Repricing Gap Analysis” and “Structural Liquidity Gap Analysis” which takes into account historical repricing rates of foreign currency accounts, are prepared periodically in order to define liquidity and interest rate risks at US Dollar (“USD”) and EUR, which are mainly used by the Bank in its operations. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders’ Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
24.03.2015	2,8636	3,1975	2,1511	0,4291	0,3451	2,9358	2,1579	0,3361	4,0496	0,7636	2,5436
25.03.2015	2,8606	3,1927	2,1478	0,4284	0,3444	2,9250	2,1575	0,3365	4,0412	0,7628	2,5297
28.03.2015	2,8571	3,2029	2,1557	0,4297	0,3449	2,9370	2,1634	0,3380	4,0703	0,7621	2,5231
29.03.2015	2,8477	3,1917	2,1537	0,4283	0,3447	2,9252	2,1680	0,3361	4,0674	0,7596	2,5143
30.03.2015	2,8171	3,1994	2,1661	0,4294	0,3463	2,9326	2,1792	0,3389	4,0679	0,7514	2,5041
31.03.2015	2,8071	3,1976	2,1573	0,4293	0,3466	2,9259	2,1778	0,3375	4,0319	0,7487	2,4970

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
2,8682	3,1954	2,1554	0,4286	0,3441	2,9253	2,1706	0,3379	4,0900	0,7650	2,5403

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

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

II. EXPLANATIONS ON THE CURRENCY RISK (Continued)

Information on the foreign currency risk of the Bank:

	EUR	USD	Other FC <sup>(1)</sup>	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	5.921.832	20.296.793	6.815.238	33.033.863
Banks	934.536	2.713.762	421.542	4.069.840
Financial Assets at Fair Value Through Profit and Loss <sup>(5)</sup>	-	14.953	-	14.953
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	3.657.567	8.173.862	47.170	11.878.599
Loans <sup>(2)</sup>	14.358.448	32.600.921	79.947	47.039.316
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(4)</sup>	884.574	524.124	-	1.408.698
Investments Held-to-Maturity	1.131.168	3.893.806	4.495	5.029.469
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	5.201	1.343	4.583	11.127
Intangible Assets	2.870	2	843	3.715
Other Assets <sup>(6)</sup>	273.818	85.030	23.914	382.762
<b>Total Assets</b>	<b>27.170.014</b>	<b>68.304.596</b>	<b>7.397.732</b>	<b>102.872.342</b>
<b>Liabilities</b>				
Interbank Deposits	4.011.935	4.984.000	123.117	9.119.052
Foreign Currency Deposits	34.789.730	22.013.872	2.473.126	59.276.728
Money Market Borrowings	422.427	14.197.111	-	14.619.538
Funds Provided from Other Financial Institutions	5.157.527	12.367.028	1.778	17.526.333
Issued Marketable Securities	175.913	2.376.974	-	2.552.887
Sundry Creditors	1.028.530	87.266	2.801	1.118.597
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	243.871	209.441	32.415	485.727
<b>Total Liabilities</b>	<b>45.829.933</b>	<b>56.235.692</b>	<b>2.633.237</b>	<b>104.698.862</b>
<b>Net Balance Sheet Position</b>	<b>(18.659.919)</b>	<b>12.068.904</b>	<b>4.764.495</b>	<b>(1.826.520)</b>
<b>Net Off-Balance Sheet Position <sup>(3)</sup></b>	<b>23.179.164</b>	<b>(13.210.704)</b>	<b>(6.924.829)</b>	<b>3.043.631</b>
Financial Derivative Assets	25.130.763	5.716.878	1.080.772	31.928.413
Financial Derivative Liabilities	1.951.599	18.927.582	8.005.601	28.884.782
<b>Non-cash Loans</b>	<b>13.318.281</b>	<b>24.818.204</b>	<b>2.838.504</b>	<b>40.974.989</b>
<b>Prior Period</b>				
Total Assets	25.328.934	69.683.515	7.291.987	102.304.436
Total Liabilities	43.677.501	56.883.928	2.567.778	103.129.207
<b>Net Balance Sheet Position</b>	<b>(18.348.567)</b>	<b>12.799.587</b>	<b>4.724.209</b>	<b>(824.771)</b>
<b>Net Off-Balance Sheet Position <sup>(3)</sup></b>	<b>19.428.812</b>	<b>(12.841.685)</b>	<b>(5.051.656)</b>	<b>1.535.471</b>
Financial Derivative Assets	21.565.135	5.207.441	1.210.433	27.983.009
Financial Derivative Liabilities	2.136.323	18.049.126	6.262.089	26.447.538
<b>Non-cash Loans</b>	<b>12.805.276</b>	<b>24.756.552</b>	<b>3.017.202</b>	<b>40.579.030</b>

1) Of the foreign currencies presented in the other FC column of assets 91,07% is Gold, 4,63% is GBP, 1,07% is IQD, 1,36% is SAR, and the remaining 1,87% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 43,74% is Gold, 28,22% is GBP, 14,50% is CHF, 4,61% is DKK, 2,12% SEK, 1,07% is BGN, 1,97% is SAR and the remaining 3,77% is other foreign currencies. (31 December 2015: Of the foreign currencies presented in the other FC column of assets 94,50% is Gold, 1,43% is GBP, 1,55% is IQD, 0,71% is SAR, and the remaining 1,81% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 47,63% is Gold, 25,49% is GBP, 14,23% is CHF, 4,66% is DKK, 1,53% is BGN, 1,28% is SAR and the remaining 5,18% is other foreign currencies).

2) TL 507.223 equivalent of EUR and TL 542.168 equivalent of USD loans are originated as foreign currency indexed loans (31 December 2015: TL 721.987 equivalent of USD and TL 296.717 equivalent of EUR).

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

4) 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 their domestic currency equivalents. No exchange rate difference arises from such investments.

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

6) Prepaid expenses in other assets amounting to TL 4.458 are not included in the table.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

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

III. EXPLANATIONS ON THE INTEREST RATE RISK

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	30.923.193	-	-	-	-	5.106.057	36.029.250
Banks	1.142.055	528.677	602.496	-	-	2.281.519	4.554.747
Financial Assets at Fair Value Through Profit and Loss	619.740	257.584	544.431	59.284	4.072	-	1.485.111
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	6.949.475	7.265.654	10.999.621	14.707.925	14.940.960	596.763	55.460.398
Loans Given	60.396.649	25.740.203	39.700.791	55.411.067	11.054.088	856.467	193.159.265
Investments Held-to-Maturity	1.035.042	1.153.980	3.958.247	2.081.180	1.349.466	-	9.577.915
Other Assets	-	-	-	-	-	9.755.403	9.755.403
<b>Total Assets</b>	<b>101.066.154</b>	<b>34.946.098</b>	<b>55.805.586</b>	<b>72.259.456</b>	<b>27.348.586</b>	<b>18.596.209</b>	<b>310.022.089</b>
<b>Liabilities</b>							
Interbank Deposits	7.591.007	733.240	2.613.223	-	-	905.190	11.842.660
Other Deposits	94.720.005	26.379.147	17.020.610	374.260	-	41.508.972	180.002.994
Money Market Borrowings	36.476.068	4.392.038	1.694.391	645.467	-	-	43.207.964
Sundry Creditors	-	-	-	-	-	2.598.703	2.598.703
Issued Marketable Securities	736.077	1.075.589	663.829	2.196.107	-	-	4.671.602
Funds provided from Other Financial Institutions	6.971.557	2.952.365	6.143.080	1.347.480	1.278.526	-	18.693.008
Other Liabilities	62.092	280.667	53.368	5.952.566	-	42.656.465	49.005.158
<b>Total Liabilities</b>	<b>146.556.806</b>	<b>35.813.046</b>	<b>28.188.501</b>	<b>10.515.880</b>	<b>1.278.526</b>	<b>87.669.330</b>	<b>310.022.089</b>
<b>Balance Sheet Long Position</b>	-	-	<b>27.617.085</b>	<b>61.743.576</b>	<b>26.070.060</b>	-	<b>115.430.721</b>
<b>Balance Sheet Short Position</b>	<b>(45.490.652)</b>	<b>(866.948)</b>	-	-	-	<b>(69.073.121)</b>	<b>(115.430.721)</b>
Off-Balance Sheet Long Position	1.042.154	1.925.885	-	-	-	-	2.968.039
Off-Balance Sheet Short Position	-	-	(226.210)	(1.761.333)	-	-	(1.987.543)
<b>Total Position</b>	<b>(44.448.498)</b>	<b>1.058.937</b>	<b>27.390.875</b>	<b>59.982.243</b>	<b>26.070.060</b>	<b>(69.073.121)</b>	<b>980.496</b>

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

(2) TL 5.883.376 of fund balance, whose risk does not belong to the Bank, in other liabilities is shown under the “1 - 5 Years” column. TL 97.164 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.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

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

III. EXPLANATIONS ON THE INTEREST RATE RISK (Continued)

a) 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	68.125	-	-	-	-	36.467.838	36.535.963
Banks	1.440.455	261.811	622.259	-	-	2.122.267	4.446.792
Financial Assets at Fair Value Through Profit and Loss	271.581	178.096	435.552	55.405	4.265	-	944.899
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	5.500.374	6.886.623	10.873.456	15.334.272	14.583.841	603.742	53.782.308
Loans Given	59.537.587	17.681.107	45.334.801	53.769.634	9.619.730	869.992	186.812.851
Investments Held-to-Maturity	3.408.301	1.648.784	935.985	2.757.201	1.393.871	-	10.144.142
Other Assets	-	-	-	-	-	10.181.371	10.181.371
<b>Total Assets</b>	<b>70.226.423</b>	<b>26.656.421</b>	<b>58.202.053</b>	<b>71.916.512</b>	<b>25.601.707</b>	<b>50.245.210</b>	<b>302.848.326</b>
<b>Liabilities</b>							
Interbank Deposits	7.360.373	1.894.998	135.475	-	-	336.455	9.727.301
Other Deposits	95.316.420	23.117.617	17.613.731	401.647	-	40.292.719	176.742.134
Money Market Borrowings	36.277.186	4.312.765	1.841.293	654.532	-	-	43.085.776
Sundry Creditors	-	-	-	-	-	2.320.183	2.320.183
Issued Marketable Securities	932.357	1.605.472	486.509	2.263.268	-	-	5.287.606
Funds Provided from Other Financial Institutions	2.636.989	4.182.857	10.332.714	1.518.502	871.586	-	19.542.648
Other Liabilities	101.620	101.760	36.844	5.885.912	-	40.016.542	46.142.678
<b>Total Liabilities</b>	<b>142.624.945</b>	<b>35.215.469</b>	<b>30.446.566</b>	<b>10.723.861</b>	<b>871.586</b>	<b>82.965.899</b>	<b>302.848.326</b>
<b>Balance Sheet Long Position</b>	-	-	<b>27.755.487</b>	<b>61.192.651</b>	<b>24.730.121</b>	-	<b>113.678.259</b>
<b>Balance Sheet Short Position</b>	<b>(72.398.522)</b>	<b>(8.559.048)</b>	-	-	-	<b>(32.720.689)</b>	<b>(113.678.259)</b>
Off Balance Sheet Long Position	621.061	1.300.401	-	-	-	-	1.921.462
Off Balance Sheet Short Position	-	-	(111.409)	(1.222.188)	-	-	(1.333.597)
<b>Total Position</b>	<b>(71.777.461)</b>	<b>(7.258.647)</b>	<b>27.644.078</b>	<b>59.970.463</b>	<b>24.730.121</b>	<b>(32.720.689)</b>	<b>587.865</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 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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

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

**a) Average interest rate applied to the monetary financial instruments:**

	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>	-	0,49	-	3,97
Banks	0,91	2,22	-	9,07
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	6,76
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,75	5,66	-	9,19
Loans Given <sup>(2)</sup>	4,16	5,06	-	13,46
Investments Held-to-Maturity	6,48	7,08	-	10,01
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0,45	0,57	-	9,40
Other Deposits <sup>(4)</sup>	1,15	1,15	-	7,31
Money Market Borrowings	0,86	1,05	-	9,71
Sundry Creditors	-	-	-	-
Issued Marketable Securities	0,57	4,06	-	10,95
Funds Provided from Other Financial Institutions	1,11	1,89	-	8,41

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

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

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

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

	EUR	USD	JPY	TL
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	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

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

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

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

IV. EXPLANATIONS ON THE POSITION RISK OF EQUITY SECURITIES

a) Comparison of carrying, fair and market values of equity shares:

Equity Share Investments	Comparison		
	Balance Sheet Value	Fair Value	Market Value
1. Stock Investment Group A	-	-	-
Stock Exchange Securities	-	-	-
2. Stock Investment Group B	-	-	-
Stock Exchange Securities	-	-	-
3. Stock Investment Group C	-	-	-
Stock Exchange Securities	-	-	-
4. Stock Investment Other Group	-	-	-
Other	119.651	119.651	-

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

The stock investments, partaking in banking accounts according to the credit risk standard method, are amounted TL 119.651 and 100% of them are risk weighted.

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

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

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

The Bank performs “Remaining Maturity Analysis” for the observation of the maturity structure of the balance sheet, “Liquidity Gap” and “Structural Liquidity Gap Analysis” for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank’s liquidity and in the worst case scenario and the loss associated with it. The renewal of deposits which constitutes the 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 İsedes Regulations” 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.

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

---

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

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

**1) Liquidity Risk (Continued)**

**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. 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 Regulation on Risk Management, Stress Test Program and the Bank’s 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 an unconsolidated base. The liquidity coverage ratio sails above the frontier limits determined by BRSA. Within the last 3 months the unconsolidated lowest ratios are as follows: Take place for FC as 103,46 in the week of March 11, 2016; and for the total 72,83. As for the highest ratios take place for FC as 121,70 in the week of February 12, 2016 and for the total as 82,89 in the week of January 15, 2016.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

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

V. EXPLANATIONS ON THE LIQUIDITY RISK MANAGEMENT AND LIQUIDITY 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			42.400.893	27.925.603
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	124.785.295	43.468.073	9.160.562	3.518.793
Stable deposits	66.359.362	16.560.292	3.317.968	828.015
Less stable deposits	58.425.933	26.907.781	5.842.594	2.690.778
Unsecured wholesale funding, of which;	62.772.029	24.650.767	36.928.638	17.478.565
Operational deposit	959.098	42.875	239.774	10.718
Non-operational deposits	51.060.037	16.253.787	25.935.970	9.113.742
Other unsecured funding	10.752.894	8.354.105	10.752.894	8.354.105
Secured funding			-	-
Other cash outflows, of which;	53.992.891	26.718.818	17.798.656	8.559.376
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	1.793.683	2.668.167	1.793.683	2.668.167
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off balance sheet obligations	41.587.628	13.520.100	15.474.394	5.364.682
Other revocable off-balance sheet commitments and contractual Obligations	6.601	6.588	330	329
Other irrevocable or conditionally revocable off-balance sheet Obligations	10.604.979	10.523.963	530.249	526.198
<b>Total Cash Outflows</b>			<b>63.887.856</b>	<b>29.556.734</b>
<b>Cash Inflows</b>				
Secured lending	-	-	-	-
Unsecured lending	11.923.386	4.844.227	8.132.080	4.205.201
Other cash inflows	853.758	556.355	853.758	556.355
<b>Total Cash Inflows</b>	<b>12.777.144</b>	<b>5.400.582</b>	<b>8.985.838</b>	<b>4.761.556</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>42.400.893</b>	<b>27.925.603</b>
<b>Total Net Cash Outflows</b>			<b>54.902.018</b>	<b>24.795.178</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>77,23</b>	<b>112,63</b>

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

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

V. EXPLANATIONS ON THE LIQUIDITY RISK MANAGEMENT AND LIQUIDITY 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			45.308.278	29.686.334
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	121.542.584	42.195.973	8.916.790	3.414.841
Stable deposits	64.749.352	16.095.120	3.237.467	804.756
Less stable deposits	56.793.232	26.100.853	5.679.323	2.610.085
Unsecured wholesale funding , of which;	58.157.462	22.380.140	31.641.440	14.271.644
Operational deposit	941.417	30.185	235.356	7.546
Non-operational deposits	50.614.196	17.065.024	24.804.235	8.979.167
Other unsecured funding	6.601.849	5.284.931	6.601.849	5.284.931
Secured funding			-	-
Other cash outflows, of which;	54.050.254	25.490.090	15.453.351	6.541.385
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	406.059	609.286	406.059	609.286
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	42.314.873	13.638.436	14.480.826	5.369.980
Other revocable off-balance sheet commitments and contractual Obligations	6.409	6.396	320	320
Other irrevocable or conditionally revocable off-balance sheet Obligations	11.322.913	11.235.972	566.146	561.799
<b>Total Cash Outflows</b>			<b>56.011.581</b>	<b>24.227.870</b>
<b>Cash Inflows</b>				
Secured lending	-	-	-	-
Unsecured lending	9.023.285	1.541.481	5.239.401	1.071.973
Other cash inflows	605.197	744.605	605.197	744.605
<b>Total Cash Inflows</b>	<b>9.628.482</b>	<b>2.286.086</b>	<b>5.844.598</b>	<b>1.816.578</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>45.308.278</b>	<b>29.686.334</b>
<b>Total Net Cash Outflows</b>			<b>50.166.983</b>	<b>22.411.293</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>90,31</b>	<b>132,46</b>

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

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

---

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

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

**3) Minimum statements concerning liquidity coverage ratio by Banks**

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

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

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

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

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

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

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

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

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

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

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

---

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

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

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

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

For the counterparty and product based concentration limits are determined under Regulation on Risk Management, Stress Test Program and the 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.

**b) 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.

**c) 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.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

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

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

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

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (1) (2)	Total
<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	36.029.250	-	-	-	-	-	-	36.029.250
Banks	2.281.519	1.142.055	528.677	602.496	-	-	-	4.554.747
Financial Assets at Fair Value Through Profit and Loss	-	575.506	12.274	41.596	759.958	95.777	-	1.485.111
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	443.955	1.168.334	6.312.524	24.973.617	21.992.441	569.527	55.460.398
Loans Given	-	7.654.541	14.821.442	72.974.546	76.349.282	20.502.987	856.467	193.159.265
Investments Held-to-Maturity	-	123.018	8.952	3.641.108	4.455.369	1.349.468	-	9.577.915
Other Assets	1.350.617	-	-	901	20.370	-	8.383.515	9.755.403
<b>Total Assets</b>	<b>39.661.386</b>	<b>9.939.075</b>	<b>16.539.679</b>	<b>83.573.171</b>	<b>106.558.596</b>	<b>43.940.673</b>	<b>9.809.509</b>	<b>310.022.089</b>
<b>Liabilities</b>								
Interbank Deposits	905.190	7.591.007	733.240	2.613.223	-	-	-	11.842.660
Other Deposits	41.508.972	94.719.364	26.377.850	17.017.138	379.580	90	-	180.002.994
Funds Provided from Other Financial Instruments	-	4.443.658	2.435.392	5.570.104	3.650.110	2.593.744	-	18.693.008
Money Market Borrowings	-	36.476.068	4.392.038	1.694.391	645.467	-	-	43.207.964
Issued Marketable Securities	-	736.076	1.055.940	663.829	2.215.757	-	-	4.671.602
Sundry Creditors	1.613.373	985.330	-	-	-	-	-	2.598.703
Other Liabilities <sup>(3)</sup>	2.325.636	534.493	577.879	53.368	6.197.262	971.969	38.344.551	49.005.158
<b>Total Liabilities</b>	<b>46.353.171</b>	<b>145.485.996</b>	<b>35.572.339</b>	<b>27.612.053</b>	<b>13.088.176</b>	<b>3.565.803</b>	<b>38.344.551</b>	<b>310.022.089</b>
<b>Liquidity Gap</b>	<b>(6.691.785)</b>	<b>(135.546.921)</b>	<b>(19.032.660)</b>	<b>55.961.118</b>	<b>93.470.420</b>	<b>40.374.870</b>	<b>(28.535.042)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>480.618</b>	<b>31.208</b>	<b>29.495</b>	<b>439.175</b>	<b>-</b>	<b>-</b>	<b>980.496</b>
Financial Derivative Assets	-	22.722.177	2.803.245	1.165.264	2.864.817	-	-	29.555.503
Financial Derivative Liabilities	-	22.241.559	2.772.037	1.135.769	2.425.642	-	-	28.575.007
Non-cash Loans	30.394.599	952.295	2.845.557	15.617.573	10.003.121	2.326.916	-	62.140.061
<b>Prior Period</b>								
Total Assets	40.433.482	10.400.564	14.888.786	78.261.355	107.451.111	41.553.200	9.859.828	302.848.326
Total Liabilities	44.457.930	142.427.967	34.581.557	29.860.821	12.631.801	3.044.567	35.843.683	302.848.326
<b>Liquidity Gap</b>	<b>(4.024.448)</b>	<b>(132.027.403)</b>	<b>(19.692.771)</b>	<b>48.400.534</b>	<b>94.819.310</b>	<b>38.508.633</b>	<b>(25.983.855)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>42.330</b>	<b>(1.708)</b>	<b>33.271</b>	<b>513.972</b>	<b>-</b>	<b>-</b>	<b>587.865</b>
Financial Derivative Assets	-	21.189.422	719.944	1.615.895	2.425.788	-	-	25.951.049
Financial Derivative Liabilities	-	21.147.092	721.652	1.582.624	1.911.816	-	-	25.363.184
Non-cash Loans	32.422.339	487.504	2.652.182	13.060.132	9.581.201	2.082.817	-	60.286.175

(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 5.883.376 of the funds balance, whose risk is not born by the Bank, is included in other liabilities and shown under the "1-5 years" column, fund balance amounted to TL 97.164 is not granted as loan and is included under "Up to One Month" column.

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

**VI. 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 8,36% (31 December 2015: 8,47%). The change on leverage results heavily from the increase on risk amounts of balance sheet assets. The regulation sentenced the minimum leverage as 3%.

<b>Balance sheet assets</b>	<b>Current Period <sup>(*)</sup></b>	<b>Prior Period <sup>(*)</sup></b>
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	306.658.613	298.737.007
(Assets deducted in determining Tier 1 capital)	(1.616.552)	(1.483.856)
<b>Total on-balance sheet risks (sum of lines 1 and 2)</b>	<b>305.042.061</b>	<b>297.253.151</b>
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost associated with all derivative financial instruments and credit Derivatives	1.143.988	904.739
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	312.040	288.044
<b>Total risks of derivative financial instruments and credit derivatives</b>	<b>1.456.028</b>	<b>1.192.783</b>
<b>Securities or commodity financing transactions (SCFT)</b>		
Risks from SCFT assets	5.171.015	4.564.184
Risks from brokerage activities related exposures	-	-
<b>Total risks related with securities or commodity financing transactions</b>	<b>5.171.015</b>	<b>4.564.184</b>
<b>Other off-balance sheet transactions</b>		
Gross notional amounts of off-balance sheet transactions	85.977.873	78.078.887
(Adjustments for conversion to credit equivalent amounts)	(5.838)	(5.478)
<b>Total risks of off-balance sheet items</b>	<b>85.972.035</b>	<b>78.073.409</b>
<b>Capital and total risks</b>		
Tier 1 capital	33.242.139	32.261.636
<b>Total risks</b>	<b>397.641.139</b>	<b>381.083.527</b>
<b>Leverage ratio</b>		
Leverage ratio %	8,36	8,47

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

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

**VII. EXPLANATIONS ON RISK MANAGEMENT**

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented.

RWA flow statements of credit risk exposures under IRB

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

RWA flow statements of market risk exposures under an IMA

**Overview of RWA**

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	213.744.204	197.100.922	17.099.536
2	Standardised approach	217.191.090	199.214.560	17.375.287
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3.446.886	2.113.638	275.751
5	Standardised approach for counterparty credit risk	3.446.886	2.113.638	275.751
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies-look through approach	-	-	-
9	Investments made in collective investment companies-mandate-based approach	-	-	-
10	Investments made in collective investment companies-1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB Supervisory Formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	16.377.388	16.653.125	1.310.191
17	Standardised Approach	16.377.388	16.653.125	1.310.191
18	Internal model approaches	-	-	-
19	Operational risk	18.989.055	16.271.329	1.519.125
20	Basic Indicator Approach	18.989.055	16.271.329	1.519.125
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity(subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>252.557.533</b>	<b>232.139.014</b>	<b>20.204.603</b>

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

**VIII. EXPLANATIONS ON OPERATING SEGMENTS**

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

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

Known as having the most extensive branch network in retail banking sector, the 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 Bank. By “Finart” system, which is working in a centralized manner, the Bank has the technical infrastructure required by modern banking sector to meet its clients’ needs.

In the context of corporate and entrepreneurial banking, the Bank 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 extends agricultural operations and investment loans from its own sources for vegetable and animal production, fishery products and agricultural mechanization directly to producers and The Central Union of Turkish Agricultural Credit Cooperatives. Besides, it gives support to entities and enterprises having operations in agricultural sector by acting as an intermediary for loans originated from funds.

Investment banking operations are conducted by the Financial Market and Asset-Liability Management and Head of Departments of Economic Researches. By foregoing departments, the 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 Bank. The Bank acts as an intermediary for transaction of securities and Eurobonds by the related departments, for transaction of shares and public offerings as an agency of Ziraat Yatırım Menkul Değerler A.Ş. and for transaction of 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 Bank performs derivative transactions which are accounted as held for trading. As financial derivative transactions, the Bank performs foreign currency forward agreements and currency swap transactions.

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

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

As of 31 March 2016 explanations on segment reporting as shown on the following page are in line with Communiqué on “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures”.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

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

VII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

Table for Segment Reporting:

Current Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>						
<b>Interest Income</b>	<b>1.580.162</b>	<b>2.198.404</b>	<b>1.045.941</b>	<b>1.615.317</b>	<b>8.220</b>	<b>6.448.044</b>
Interest Income from Loans	1.580.162	2.198.404	1.045.941	101.532	-	4.926.039
Interest Income from Banks	-	-	-	19.584	-	19.584
Interest Income from Securities	-	-	-	1.449.728	-	1.449.728
Other Interest Income	-	-	-	44.473	8.220	52.693
<b>Interest Expense</b>	<b>1.593.598</b>	<b>697.711</b>	<b>-</b>	<b>981.285</b>	<b>24.914</b>	<b>3.297.508</b>
Interest Expense on Deposits	1.593.598	697.711	-	107.619	-	2.398.928
Interest Expense on Funds Borrowed	-	-	-	101.909	-	101.909
Interest Expense on Money Market Transactions	-	-	-	689.506	-	689.506
Interest Expense on Securities Issued	-	-	-	82.251	-	82.251
Other Interest Expense	-	-	-	-	24.914	24.914
<b>Net Interest Income/Expense</b>	<b>(13.436)</b>	<b>1.500.693</b>	<b>1.045.941</b>	<b>634.032</b>	<b>(16.694)</b>	<b>3.150.536</b>
<b>Net Fees and Commission Income/Expense</b>	<b>227.378</b>	<b>164.345</b>	<b>26.950</b>	<b>(54.056)</b>	<b>3.200</b>	<b>367.817</b>
Fees and Commissions Received	227.378	164.345	26.950	898	35.592	455.163
Fees and Commissions Paid	-	-	-	54.954	32.392	87.346
<b>Dividend Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.785</b>	<b>-</b>	<b>2.785</b>
<b>Trading Income/Loss (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>666</b>	<b>-</b>	<b>666</b>
<b>Other Operating Income</b>	<b>6.977</b>	<b>67.663</b>	<b>8.662</b>	<b>881</b>	<b>251.845</b>	<b>336.028</b>
<b>Provision for Loans or Other Receivables Losses</b>	<b>125.638</b>	<b>222.287</b>	<b>97.190</b>	<b>125</b>	<b>1.335</b>	<b>446.575</b>
<b>Other Operating Expense</b>	<b>13.300</b>	<b>51.598</b>	<b>13.048</b>	<b>-</b>	<b>1.264.121</b>	<b>1.342.067</b>
<b>Income Before Tax</b>	<b>81.981</b>	<b>1.458.816</b>	<b>971.315</b>	<b>584.183</b>	<b>(1.027.105)</b>	<b>2.069.190</b>
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(459.788)</b>	<b>(459.788)</b>
<b>Net Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.609.402</b>	<b>1.609.402</b>
<b>SEGMENT ASSETS</b>						
Financial Assets at FV Through P/L	-	-	-	1.485.111	-	1.485.111
Banks and Other Financial Institutions	-	-	-	4.554.747	-	4.554.747
Financial Assets Available for Sale (Net)	-	-	-	55.460.398	-	55.460.398
Loans	52.567.160	93.053.767	40.678.044	6.860.294	-	193.159.265
Held to Maturity Investments (Net)	-	-	-	9.577.915	-	9.577.915
Associates, Subsidiaries and Joint Ventures	-	-	-	2.661.087	-	2.661.087
Other Assets	-	-	-	-	43.123.566	43.123.566
<b>Total Segment Assets</b>	<b>52.567.160</b>	<b>93.053.767</b>	<b>40.678.044</b>	<b>80.599.552</b>	<b>43.123.566</b>	<b>310.022.089</b>
<b>SEGMENT LIABILITIES</b>						
Deposits	137.997.387	40.846.804	-	11.849.266	1.152.197	191.845.654
Derivative Financial Liabilities Held for Trading	-	-	-	464.196	-	464.196
Funds Borrowed	-	-	-	18.693.008	-	18.693.008
Money Market Funds	-	-	-	43.207.964	-	43.207.964
Securities Issued (Net)	-	-	-	4.671.602	-	4.671.602
Provisions	-	-	-	-	5.305.225	5.305.225
Other Liabilities	-	-	-	-	11.878.030	11.878.030
Shareholders' Equity	-	-	-	-	33.956.410	33.956.410
<b>Total Segment Liabilities</b>	<b>137.997.387</b>	<b>40.846.804</b>	<b>-</b>	<b>78.886.036</b>	<b>52.291.862</b>	<b>310.022.089</b>
<b>OTHER SEGMENT ITEMS</b>						
Capital Investment	-	-	-	-	-	-
Amortization Expense	-	-	-	-	77.269	77.269
Restructuring Costs	-	-	-	-	-	-

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

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

VII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

Table for Segment Reporting: (Continued)

Prior Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Other /Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>						
<b>31 March 2015</b>						
<b>Interest Income</b>	<b>1.380.148</b>	<b>1.420.574</b>	<b>768.526</b>	<b>1.349.719</b>	<b>38.542</b>	<b>4.957.509</b>
Interest Income from Loans	1.380.148	1.420.574	768.526	143.103	-	3.712.351
Interest Income from Banks	-	-	-	14.532	-	14.532
Interest Income from Securities	-	-	-	1.188.297	-	1.188.297
Other Interest Income	-	-	-	3.787	38.542	42.329
<b>Interest Expense</b>	<b>1.298.127</b>	<b>689.986</b>	<b>-</b>	<b>576.311</b>	<b>18.348</b>	<b>2.582.772</b>
Interest Expense on Deposits	1.298.127	689.986	-	-	-	1.988.113
Interest Expense on Funds Borrowed	-	-	-	87.788	-	87.788
Interest Expense on Money Market Transactions	-	-	-	428.075	-	428.075
Interest Expense on Securities Issued	-	-	-	60.448	-	60.448
Other Interest Expense	-	-	-	-	18.348	18.348
<b>Net Interest Income/Expense</b>	<b>82.021</b>	<b>730.588</b>	<b>768.526</b>	<b>773.408</b>	<b>20.194</b>	<b>2.374.737</b>
<b>Net Fees and Commission Income/Expense</b>	<b>191.923</b>	<b>115.717</b>	<b>15.690</b>	<b>(44.159)</b>	<b>13.984</b>	<b>293.155</b>
Fees and Commissions Received	191.923	115.717	15.690	1.748	46.666	371.744
Fees and Commissions Paid	-	-	-	45.907	32.682	78.589
<b>Dividend Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.990</b>	<b>-</b>	<b>7.990</b>
<b>Trading Income/Loss (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7.187)</b>	<b>-</b>	<b>(7.187)</b>
<b>Other Operating Income</b>	<b>6.004</b>	<b>36.774</b>	<b>15.169</b>	<b>666</b>	<b>322.148</b>	<b>380.761</b>
<b>Provision for Loans or Other Receivables Losses</b>	<b>140.967</b>	<b>208.196</b>	<b>93.337</b>	<b>1.669</b>	<b>1.374</b>	<b>445.543</b>
<b>Other Operating Expense</b>	<b>12.693</b>	<b>50.497</b>	<b>8.186</b>	<b>-</b>	<b>1.080.085</b>	<b>1.151.461</b>
<b>Income Before Tax</b>	<b>126.288</b>	<b>624.386</b>	<b>697.862</b>	<b>729.049</b>	<b>(725.133)</b>	<b>1.452.452</b>
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(350.792)</b>	<b>(350.792)</b>
<b>Net Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.101.660</b>	<b>1.101.660</b>
<b>SEGMENT ASSETS</b>						
<b>31 December 2015</b>						
Financial Assets at FV Through P/L	-	-	-	944.899	-	944.899
Banks and Other Financial Institutions	-	-	-	4.446.792	-	4.446.792
Financial Assets Available for Sale (Net)	-	-	-	53.782.308	-	53.782.308
Loans	51.034.781	90.694.305	37.676.823	7.406.942	-	186.812.851
Held to Maturity Investments (Net)	-	-	-	10.144.142	-	10.144.142
Associates, Subsidiaries and Joint Ventures	-	-	-	2.655.366	-	2.655.366
Other Assets	-	-	-	-	44.061.968	44.061.968
<b>Total Segment Assets</b>	<b>51.034.781</b>	<b>90.694.305</b>	<b>37.676.823</b>	<b>79.380.449</b>	<b>44.061.968</b>	<b>302.848.326</b>
<b>SEGMENT LIABILITIES</b>						
<b>31 December 2015</b>						
Deposits	135.886.429	39.624.867	-	9.734.353	1.223.786	186.469.435
Derivative Financial Liabilities Held for Trading	-	-	-	292.271	-	292.271
Funds Borrowed	-	-	-	19.542.648	-	19.542.648
Money Market Funds	-	-	-	43.085.776	-	43.085.776
Securities Issued (Net)	-	-	-	5.287.606	-	5.287.606
Provisions	-	-	-	-	5.160.896	5.160.896
Other Liabilities	-	-	-	-	11.463.425	11.463.425
Shareholders' Equity	-	-	-	-	31.546.269	31.546.269
<b>Total Segment Liabilities</b>	<b>135.886.429</b>	<b>39.624.867</b>	<b>-</b>	<b>77.942.654</b>	<b>49.394.376</b>	<b>302.848.326</b>
<b>OTHER SEGMENT ITEMS</b>						
Capital Investment	-	-	-	-	-	-
Amortization Expense	-	-	-	-	61.400	61.400
Restructuring Costs	-	-	-	-	-	-

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**SECTION FIVE**

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

**I. EXPLANATIONS AND NOTES RELATED TO ASSETS**

**1. a) Information on Cash and Balances with Central Bank of the Republic of Turkey:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1.012.759	613.145	1.718.357	705.176
Central Bank of the Republic of Turkey	1.982.378	32.415.989	2.354.591	31.753.858
Other	250	4.729	-	3.981
<b>Total</b>	<b>2.995.387</b>	<b>33.033.863</b>	<b>4.072.948</b>	<b>32.463.015</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 maturity 20%; for FC liabilities other than deposits up to 3-years maturity 15%; for FC liabilities other than deposits up to 5-years maturity 7%; and for FC liabilities other than deposits more than 5-years maturity 5%.

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

**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	1.897.481	1.577.694	2.286.466	236.672
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1)(2)</sup>	84.897	30.838.295	68.125	31.517.186
<b>Total</b>	<b>1.982.378</b>	<b>32.415.989</b>	<b>2.354.591</b>	<b>31.753.858</b>

<sup>(1)</sup> Required reserve of branches abroad amounting to TL 65.465 is presented in this line (31 December 2015: TL 78.150).

<sup>(2)</sup> TL 18.155.600 of the current period’s FC required reserve is the part of the TL required reserves that are held in FC (31 December 2015: TL 19.082.468).

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

None.

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	39.596	38.271	25.242	46.642
Swap Transactions	647.347	732.575	624.709	231.637
Futures Transactions	-	-	-	-
Options	-	-	9	45
Other	-	-	-	-
<b>Total</b>	<b>686.943</b>	<b>770.846</b>	<b>649.960</b>	<b>278.324</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	454.400	307.542	708.886	358.580
Foreign Banks	30.507	3.762.298	27.113	3.352.213
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>484.907</b>	<b>4.069.840</b>	<b>735.999</b>	<b>3.710.793</b>

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	42.881.458	40.599.081
Assets Blocked/Given as Collateral	4.346.906	5.251.648
<b>Total</b>	<b>47.228.364</b>	<b>45.850.729</b>

b) Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	55.968.718	54.495.737
Quoted in Stock Exchange	55.915.093	54.444.675
Not Quoted in Stock Exchange	53.625	51.062
Share Certificates	596.403	630.832
Quoted in Stock Exchange	449.877	483.687
Not Quoted in Stock Exchange	146.526	147.145
Provision for Impairment (-)	1.104.723	1.344.261
<b>Total</b>	<b>55.460.398</b>	<b>53.782.308</b>

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

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

**5. Information related to loans:**

**i. Information on all types of loans and advances given to shareholders and employees of the Bank:**

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	-	-	-
<b>Loans Granted to Employees</b> <sup>(1) (2)</sup>	<b>292.119</b>	-	<b>253.756</b>	-
<b>Total</b>	<b>292.119</b>	-	<b>253.756</b>	-

(1) Interest rediscount and interest accrual amounting TL 2.537, are not included in the table above.

(2) Since the balance of overdraft accounts related to employees amounting TL 13.607, is showed under Table 5-d as overdraft accounts (real person), it is not included to the table above.

**ii. 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	145.219.020	1.688.262	-	2.085.275	1.070.065	-
Commercial Loans	86.992.599	1.019.134	-	945.383	911.389	-
Export Loans	1.848.928	385	-	2.522	391	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	5.008.068	-	-	-	-	-
Consumer Loans	47.603.663	668.543	-	1.073.562	155.611	-
Credit Cards	3.004.751	200	-	56.911	2.674	-
Other <sup>(2)</sup>	761.011	-	-	6.897	-	-
Specialized Lending <sup>(3) (4)</sup>	35.477.953	2.107.054	-	687.691	195.937	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals	3.771.541	-	-	-	-	-
<b>Total</b>	<b>184.468.514</b>	<b>3.795.316</b>	-	<b>2.772.966</b>	<b>1.266.002</b>	-

(1) Restructured or rescheduled loans cannot be decomposed systematically. Therefore it is shown in the “Loans and other receivables with revised contract terms” section.

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

(3) Fund sourced agricultural loans are shown under Specialized Lending.

(4) Agriculturally qualified farmer standby loans have been displayed under Specialized Lending.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

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

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

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

<b>No. of extensions</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
1 or 2 Times Extended <sup>(*)</sup>	3.637.785	1.225.779
3 - 4 or 5 Times Extended	157.502	40.024
Over 5 Times Extended	29	199

<sup>(\*)</sup> Number of modification made according to extent of payment plan of individual loans cannot be decomposed systematically therefore it is shown in this line.

<b>Extension Periods</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
0 - 6 Months	566.951	213.094
6 – 12 Months	676.948	85.693
1 - 2 Years	2.114.566	646.597
2 - 5 Years	397.756	288.996
5 Years and Over	39.095	31.622
<b>Total</b>	<b>3.795.316</b>	<b>1.266.002</b>

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	368.363	48.026.706	48.395.069
Real Estate Loans <sup>(2)</sup>	9.683	23.913.901	23.923.584
Vehicle Loans	2.518	189.134	191.652
Consumer Loans <sup>(2)</sup>	352.259	23.606.457	23.958.716
Abroad	3.903	317.214	321.117
Other	-	-	-
Consumer Loans- Indexed to FC	-	2	2
Real Estate Loans	-	2	2
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	1.292	25.832	27.124
Real Estate Loans	-	86	86
Vehicle Loans	-	-	-
Consumer Loans	61	1.260	1.321
Abroad	1.231	24.486	25.717
Other	-	-	-
Individual Credit Cards-TL	2.625.938	3.160	2.629.098
With Installment	871.353	142	871.495
Without Installment	1.754.585	3.018	1.757.603
Individual Credit Cards-FC	305	-	305
With Installment	2	-	2
Without Installment	303	-	303
Personnel Loans-TL	9.849	204.156	214.005
Real Estate Loans	-	277	277
Vehicle Loans	-	-	-
Consumer Loans	9.740	202.101	211.841
Abroad	109	1.778	1.887
Other	-	-	-
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	77.960	137	78.097
With Installment	32.498	70	32.568
Without Installment	45.462	67	45.529
Personnel Credit Cards-FC	17	-	17
With Installment	-	-	-
Without Installment	17	-	17
Overdraft Accounts-TL (Real Person)	865.179	-	865.179
Overdraft Accounts-FC (Real Person)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>3.948.903</b>	<b>48.259.993</b>	<b>52.208.896</b>

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

<sup>(2)</sup> Consumer loans originated from funds amounting to TL 3.442.911 of are included in the table above.

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

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

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

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

	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
Commercial Installment Loans-TL	501.173	13.255.665	13.756.838
Business Loans	244	444.094	444.338
Vehicle Loans	26.280	885.441	911.721
Consumer Loans	474.649	11.926.130	12.400.779
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	13.675	13.210.702	13.224.377
Business Loans	-	822	822
Vehicle Loans	-	27	27
Consumer Loans	13.675	13.209.853	13.223.528
Other	-	-	-
Corporate Credit Cards-TL	356.769	193	356.962
With Installment	118.693	167	118.860
Without Installment	238.076	26	238.102
Corporate Credit Cards-FC	57	-	57
With Installment	-	-	-
Without Installment	57	-	57
Overdraft Account-TL (Legal Entity)	118.307	-	118.307
Overdraft Account-FC (Legal Entity)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>989.981</b>	<b>26.466.560</b>	<b>27.456.541</b>

<sup>(1)</sup> Accruals and rediscounts amounts are not included in the table above.

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

	<b>Current Period</b>	<b>Prior Period</b>
Domestic Loans	183.933.855	177.799.281
Foreign Loans	4.597.402	4.831.632
Interest Income Accruals of Loans	3.771.541	3.311.946
<b>Total</b>	<b>192.302.798</b>	<b>185.942.859</b>

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

f) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	1.068.536	831.174
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>1.068.536</b>	<b>831.174</b>

g) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	133.159	143.144
Loans and other receivables with doubtful collectability	584.908	478.653
Uncollectible loans and other receivables	1.727.258	1.648.735
<b>Total</b>	<b>2.445.325</b>	<b>2.270.532</b>

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

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
<b>Current period</b>	<b>12.597</b>	<b>48.006</b>	<b>92.609</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	12.597	48.006	92.609
Rescheduled loans and other receivables	-	-	-
<b>Prior 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	-	-	-

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
<b>Prior Period Ending Balance</b>	<b>289.920</b>	<b>486.739</b>	<b>2.363.865</b>
Additions (+)	384.024	26.965	63.740
Transfers from Other Categories of Loans under Follow-Up (+)	-	358.253	245.948
Transfers to Other Categories of Loans under Follow-Up (-)	358.253	245.948	-
Collections (-) <sup>(1)</sup>	48.951	35.803	228.707
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance</b> <sup>(2)</sup>	<b>266.740</b>	<b>590.206</b>	<b>2.444.846</b>
Specific Provision (-) <sup>(3)</sup>	133.159	584.908	1.727.258
<b>Net Balance on Balance Sheet</b> <sup>(2)</sup>	<b>133.581</b>	<b>5.298</b>	<b>717.588</b>

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

<sup>(2)</sup> Includes the loans originated from funds amounting to TL 252.685 whose risk does not belong to the Bank.

<sup>(3)</sup> As of 31 March 2016, Bank made 100% provision for the portion of TL 627.591 of the loans under follow-up which is TL 156.900 after taking guarantees into consideration

3) Information on foreign currency non-performing loans:

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
<b>Current Period:</b>			
<b>Period Ending Balance</b>	<b>295</b>	<b>3.499</b>	<b>11.903</b>
Specific Provision (-)	148	3.499	11.903
<b>Net Balance on Balance Sheet</b>	<b>147</b>	<b>-</b>	<b>-</b>
<b>Prior Period:</b>			
<b>Period Ending Balance</b>	<b>1.062</b>	<b>4.690</b>	<b>5.691</b>
Specific Provision (-)	531	4.690	5.691
<b>Net Balance on Balance Sheet</b>	<b>531</b>	<b>-</b>	<b>-</b>

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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

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

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
<b>Current Period (Net)</b>	<b>133.581</b>	<b>5.298</b>	<b>717.588</b>
Loans to Real Persons and Legal Entities (Gross)	266.740	518.628	2.444.846
Specific Provisions (-)	133.159	513.330	1.727.258
Loans to Real Persons and Legal Entities (Net)	133.581	5.298	717.588
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	71.578	-
Specific Provisions (-)	-	71.578	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>146.776</b>	<b>8.086</b>	<b>715.130</b>
Loans to Real Persons and Legal Entities (Gross)	289.920	410.130	2.363.865
Specific Provisions (-)	143.144	402.044	1.648.735
Loans to Real Persons and Legal Entities (Net)	146.776	8.086	715.130
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	76.609	-
Specific Provisions (-)	-	76.609	-
Other Loans and Receivables (Net)	-	-	-

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	940.878	3.361.117	1.114.647	3.567.579
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>940.878</b>	<b>3.361.117</b>	<b>1.114.647</b>	<b>3.567.579</b>

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

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

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

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

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	3.174.489	1.491.495	3.009.483	1.987.576
Other	-	-	-	-
<b>Total</b>	<b>3.174.489</b>	<b>1.491.495</b>	<b>3.009.483</b>	<b>1.987.576</b>

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

	Current Period	Prior Period
Government Bonds	9.532.674	10.098.944
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
<b>Total</b>	<b>9.532.674</b>	<b>10.098.944</b>

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

	Current Period	Prior Period
Debt securities	9.577.915	10.144.142
Quoted in a Stock Exchange	9.532.674	10.098.944
Not Quoted in a Stock Exchange	45.241	45.198
Provision for Impairment (-)	-	-
<b>Total</b>	<b>9.577.915</b>	<b>10.144.142</b>

**d) Movements of held-to-maturity investments:**

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>10.144.142</b>	<b>10.021.056</b>
Foreign Currency Differences on Monetary Assets	(97.411)	1.059.935
Purchases During the Year	76.959	148.236
Disposals through Sales and Redemptions	(545.775)	(1.085.085)
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	<b>9.577.915</b>	<b>10.144.142</b>

Within the year 2008, the 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 the Public Oversight Accounting and Auditing Standards Authority (“POA”).

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

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

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

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 which are accounted under shareholders’ equity are amounted as USD 11.586 thousand and EUR 1.860 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 25.102 thousand and USD 71.087 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 12.486 would have been recorded. As of 31 March 2016, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL (33.338).

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

**a) 1) Information about unconsolidated associates:**

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

	Total Assets <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)(3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	62.558	35.941	45.781	262	-	6.281	2.500	-
2	148.543	106.091	80.099	1.061	-	6.181	9.994	-

<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 unaudited financial statements as of 31 March 2016. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 March 2015.

<sup>(3)</sup> Total fixed assets include tangible and intangible assets.

**b) 1) Explanation regarding consolidated associates:**

	Description	Address (City/ Country)	The Bank’s Share Percentage, if Different, Voting Percentage (%)	The Bank’s Risk Group Share Percentage (%)
1	Arap Türk Bankası A.Ş.	Istanbul/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	4.089.793	616.612	21.899	34.051	20.762	15.154	14.515	-

<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 March 2016. Prior period profit/loss information of ArapTürk Bankası A.Ş. has been provided from audited financial statements as of 31 March 2015.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

2) Information about consolidated associates:

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>88.846</b>	<b>88.846</b>
<b>Movement During the Period</b>		
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer	-	-
Sales	-	-
Revaluation	-	-
Impairment Provision	-	-
<b>Ending Balance</b>	<b>88.846</b>	<b>88.846</b>
Capital Commitments		
Period Ending Share of Capital Participation (%)	15,43	15,43

3) Sector information about consolidated associates:

	Current Period	Prior Period
Banks	88.846	88.846
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

4) Consolidated associates quoted to a stock exchange:

None (31 December 2015: None).

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

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

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

**a) 1) Information about unconsolidated subsidiaries:**

	Description	Address (City/ Country)	The Bank's Share Percentage-if different Voting Percentage (%)	The Bank's Risk Group Share Percentage (%)
1	Ziraat Teknoloji A.Ş.	Istanbul / TÜRKİYE	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 (1)
1	37.842	14.399	3.769	182	20	1.491	(951)	-

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

<sup>(2)</sup> Current period information of subsidiaries has been provided from unaudited financial statements as of 31 March 2016. Prior period profit/loss information has been provided from audited financial statements as of 31 March 2015.

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

Investments related to subsidiaries and joint ventures operating abroad in foreign currency are followed by their fair values. For these subsidiaries, fair value is determined by valuation reports, TL equivalents of investments related to subsidiaries are fixed as of revaluation date and revaluation differences added to subsidiaries' values are recognized in “Marketable Securities Value Increase Fund” under shareholders' equity.

	Description	Address (City/ Country)	The Bank's Share Percentage-if different Voting Percentage (%)	The Bank's Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	Istanbul / TURKEY	100,00	100,00
2	Ziraat Sigorta A.Ş.	Istanbul / TURKEY	100,00	100,00
3	Ziraat Finansal Kiralama A.Ş.	Istanbul / TURKEY	100,00	100,00
4	Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul / TURKEY	100,00	99,60
5	Ziraat Portföy Yönetimi A.Ş.	Istanbul / TURKEY	100,00	99,70
6	Ziraat Katılım Bankası A.Ş.	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	Baku / AZERBAIJAN	100,00	100,00
12	Ziraat Bank Montenegro AD	Podgorica / MONTENEGRO	100,00	100,00

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

8. Information on 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 amount needed
1	2.934.660	333.363	2.052	36.168	-	29.776	36.023	-	-
2	771.044	206.210	3.025	14.316	-	9.919	23.557	-	-
3	2.365.635	249.184	5.202	408	-	12.353	4.729	-	-
4	327.549	96.817	579	2.592	309.612	(18.856)	5.976	-	-
5	22.061	19.752	830	593	4.101	1.867	1.136	-	-
6	3.415.167	661.718	60.512	50.448	3.439	(2.757)	5.487	-	-
7	4.741.082	592.419	12.525	35.871	1.084	7.527	18.876	665.528	-
8	1.246.045	214.598	60.363	13.781	197	6.110	(665)	173.616	-
9	134.771	92.223	6.834	3.528	55	1.688	1.309	89.412	-
10	435.996	147.699	11.352	6.951	1.609	5.984	3.846	226.569	-
11	208.034	111.045	19.289	4.001	-	3.787	228	107.931	-
12	58.007	22.778	3.559	297	92	(1.273)	-	28.647	-

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

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

(3) Information on subsidiaries shown in the above table has been provided from unaudited financial statements as of 31 March 2016, the prior period profit/loss balances have been provided from audited financial statements as of 31 March 2015.

(4) The amounts of Ziraat Katılım Bankası A.Ş. shown in interest income column includes the dividend incomes.

2) Information about consolidated subsidiaries:

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>2.442.943</b>	<b>1.453.735</b>
<b>Movements During the Period</b>	<b>-</b>	<b>989.208</b>
Additions to Scope of Consolidation	-	-
Purchases	-	997.857
Bonus Shares Obtained	-	16.921
Dividends from current year income	-	-
Transfers to available for sale assets	-	-
Sales	-	-
Revaluation Increase	-	227.760
Impairment Provision (-)	-	253.330
<b>Balance at the End of the Period</b>	<b>2.442.943</b>	<b>2.442.943</b>
Capital Commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

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

**8. Information on 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	1.966.702
Insurance Companies	129.972	129.972
Factoring Companies	-	-
Leasing Companies	282.839	282.839
Financing Companies	-	-
Other Financial Subsidiaries	63.430	63.430

**c) Subsidiaries which are quoted on a stock exchange:**

None (31 December 2015: None).

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

<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	34.933	34.933	357.527	11.406	6.024	8.698	5.721
UTBANK JSC	40.571	42.262	282.364	3.199	37.371	8.682	6.354
<b>Total</b>	<b>75.504</b>	<b>77.195</b>	<b>639.891</b>	<b>14.605</b>	<b>43.395</b>	<b>17.380</b>	<b>12.075</b>

(1) Information on entities under joint control is provided from the unaudited financial statements as of 31 March 2016.

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

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

**10. Information on finance lease receivables (net):**

The Bank has no finance lease receivables (31 December 2015: None).

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

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

**12. Information on investment property:**

None (31 December 2015: None).

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

Bank 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 Bank. Those immovables considered for sales are announced at the web site of the Bank.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

The Bank’s immovables acquired amount to TL260.753 consisting of TL 12.561 due to consumer loans, TL 196.397 on its commercial loans and TL 51.795 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1.695. Total depreciation expense is TL 4.491 for these held for sale assets. (31 December 2015: The Bank’s immovables acquired amount to TL 243.415 consisting of TL 13.494 due to consumer loans, TL 184.069 on its commercial loans and TL 45.852 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1.849. Total depreciation expense is TL 4.658 for these held for sale assets.

14. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs <sup>(1)</sup>	Other Tangibles	Total
<b>Prior Period End:</b>						
Cost	5.257.865	9.759	44.735	196.387	721.746	6.230.492
Accumulated Depreciation (-)	902.143	2.090	22.547	110.332	351.742	1.388.854
<b>Net Book Value</b>	<b>4.355.722</b>	<b>7.669</b>	<b>22.188</b>	<b>86.055</b>	<b>370.004</b>	<b>4.841.638</b>
<b>Current Period End:</b>						
Net Book Value at the Beginning of the Period	4.355.722	7.669	22.188	86.055	370.004	4.841.638
Change During the Period (Net)	(29.498)	1.476	(1.828)	(462)	3.516	(26.796)
Cost	5.772	1.762	(1.014)	7.353	22.011	35.884
Depreciation – net (-)	35.270	286	814	7.815	18.495	62.680
Impairment (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	5.263.637	11.521	43.721	203.740	743.757	6.266.376
Accumulated Depreciation at Period End (-)	937.413	2.376	23.361	118.147	370.237	1.451.534
<b>Closing Net Book Value</b>	<b>4.326.224</b>	<b>9.145</b>	<b>20.360</b>	<b>85.593</b>	<b>373.520</b>	<b>4.814.842</b>

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

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

1) For deposit banks:

Current Period	Demand	7 Days 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	16.590.520	-	2.722.417	54.543.143	4.254.287	985.769	735.530	5.929	79.837.595
Foreign Currency Deposits	13.089.959	-	6.819.452	17.661.845	4.521.444	3.572.301	12.494.266	525	58.159.792
Residents in Turkey	11.789.077	-	6.653.982	15.391.715	4.005.474	2.862.801	9.711.231	525	50.414.805
Residents Abroad	1.300.882	-	165.470	2.270.130	515.970	709.500	2.783.035	-	7.744.987
Public Sector Deposits	5.934.013	-	3.711.099	4.707.792	1.233.325	3.206.172	12.232	-	18.804.633
Commercial Inst. Deposits	3.570.735	-	4.874.666	5.152.151	410.188	104.810	57.692	-	14.170.242
Other Inst. Deposits	1.357.219	-	1.352.466	3.813.855	305.821	780.497	268.677	-	7.878.535
Precious Metals	966.526	-	22.882	124.693	18.714	9.232	10.150	-	1.152.197
Interbank Deposits	905.190	-	7.032.513	530.140	733.653	2.252.077	389.087	-	11.842.660
CBRT	1.294	-	-	-	-	-	-	-	1.294
Domestic Banks	48.661	-	5.816.941	125.894	102.116	24.981	2.000	-	6.120.593
Foreign Banks	91.663	-	1.183.596	404.246	631.537	2.227.096	387.087	-	4.925.225
Participation Banks	763.572	-	31.976	-	-	-	-	-	795.548
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>42.414.162</b>	<b>-</b>	<b>26.535.495</b>	<b>86.533.619</b>	<b>11.477.432</b>	<b>10.910.858</b>	<b>13.967.634</b>	<b>6.454</b>	<b>191.845.654</b>

Prior Period	Demand	7 Days 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	15.816.483	-	2.735.768	53.726.579	4.216.969	983.553	725.483	5.538	78.210.373
Foreign Currency Deposits	11.985.041	-	8.833.462	16.142.462	4.764.012	3.584.819	12.365.829	431	57.676.056
Residents in Turkey	10.818.260	-	8.648.524	14.110.439	4.266.621	2.916.587	9.711.963	431	50.472.825
Residents Abroad	1.166.781	-	184.938	2.032.023	497.391	668.232	2.653.866	-	7.203.231
Public Sector Deposits	5.760.534	-	3.350.698	4.464.880	1.246.059	2.865.402	12.219	-	17.699.792
Commercial Inst. Deposits	4.162.028	-	3.961.935	4.971.688	1.051.130	49.035	56.548	-	14.252.364
Other Inst. Deposits	1.529.794	-	1.855.891	3.036.021	258.961	737.257	261.839	-	7.679.763
Precious Metals	1.038.839	-	25.203	123.100	18.600	9.382	8.662	-	1.223.786
Interbank Deposits	336.455	-	6.095.526	989.548	1.078.159	1.116.474	111.139	-	9.727.301
CBRT	875	-	-	-	-	-	-	-	875
Domestic Banks	32.900	-	5.046.468	51.023	93.274	36.885	-	-	5.260.550
Foreign Banks	89.063	-	1.049.058	938.525	984.885	1.079.589	111.139	-	4.252.259
Participation Banks	213.617	-	-	-	-	-	-	-	213.617
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>40.629.174</b>	<b>-</b>	<b>26.858.483</b>	<b>83.454.278</b>	<b>12.633.890</b>	<b>9.345.922</b>	<b>13.541.719</b>	<b>5.969</b>	<b>186.469.435</b>

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

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

**b) Information on 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>	53.751.692	52.356.589	25.836.913	25.598.381
Foreign Currency Saving Deposits <sup>(2)</sup>	20.386.557	19.394.479	24.037.762	23.644.817
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(1)</sup>	562.686	549.775	55.950	57.489
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 47.903 and TL 13.140 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2015: Bulgaria and Greece, TL 57.299 and TL 7.465, respectively).

<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 1.386 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş..

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of the Banks. As total of capital amount and interest expense accruals of saving deposits up to TL 100 attributable to a real person is covered by the insurance, TL 538.981 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 Bank whose head office is abroad, and reasons if it is covered in where the head office is located:**

The Bank’s head office is located in Turkey.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

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

3) Amounts which are not covered by deposit insurance:

a) Saving deposits of real persons not covered by the deposit insurance fund:

	Current Period	Prior Period
Deposits and other Accounts in Branches Abroad	55.682	52.302
Deposits of Ultimate Shareholders and Their Close Family Members	-	-
Deposits of Chairman and Members of the Board of Directors, CEO, Executive Vice Presidents and Their Close Family Members	4.132	3.923
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:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	34.822	35.267	26.696	43.551
Swap Transactions	23.838	370.269	3.956	218.044
Futures Transactions	-	-	-	-
Options	-	-	3	21
Other	-	-	-	-
<b>Total</b>	<b>58.660</b>	<b>405.536</b>	<b>30.655</b>	<b>261.616</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	222.660	452.408	448.444	363.932
Foreign Banks, Institutions and Funds	944.015	17.073.925	944.015	17.786.257
<b>Total</b>	<b>1.166.675</b>	<b>17.526.333</b>	<b>1.392.459</b>	<b>18.150.189</b>

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	202.753	5.408.880	434.340	6.076.594
Medium and Long-Term	963.922	12.117.453	958.119	12.073.595
<b>Total</b>	<b>1.166.675</b>	<b>17.526.333</b>	<b>1.392.459</b>	<b>18.150.189</b>

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

61,88% of the Bank’s liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Bank’s liabilities are not subject to a significant concentration risk.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

3. d) Information on funds supplied from repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Domestic Transactions</b>	<b>28.588.426</b>	-	<b>27.240.963</b>	-
Financial Institutions and Organizations	28.377.996	-	27.020.179	-
Other Institutions and Organizations	203.066	-	212.000	-
Real Person	7.364	-	8.784	-
<b>From Overseas Operations</b>	-	<b>14.619.538</b>	-	<b>14.744.813</b>
Financial Institutions and Organizations	-	14.619.538	-	14.744.813
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
<b>Total</b>	<b>28.588.426</b>	<b>14.619.538</b>	<b>27.240.963</b>	<b>14.744.813</b>

e) Information on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.118.715	243.480	2.199.333	756.233
Treasury Bills	-	2.309.407	-	2.332.040
<b>Total</b>	<b>2.118.715</b>	<b>2.552.887</b>	<b>2.199.333</b>	<b>3.088.273</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 the financial lease agreements, lease payments are determined according to the price of leasehold, the Bank's interest rate of commercial loan and maturity of the agreement. The amounts in the lease agreements are paid in equal installments. There are not any restrictions in these agreements that create significant obligations to the Bank.

Information on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	1.146	1.121	699	686
Between 1-4 Years	-	-	-	-
More than 4 Years	-	-	-	-
<b>Total</b>	<b>1.146</b>	<b>1.121</b>	<b>699</b>	<b>686</b>

6. Information on derivative financial liabilities for hedging purposes:

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

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

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

**7. Explanations on provisions:**

**a) Information on general provisions:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>General Provisions</b>	<b>2.933.767</b>	<b>2.844.184</b>
Allocated for Group-I Loans and Receivables	2.536.111	2.459.607
Additional Provision for Loans and Receivables with Extended Maturities	138.722	121.600
Allocated for Group-II Loans and Receivables	150.346	151.763
Additional Provision for Loans and Receivables with Extended Maturities	32.643	28.425
Allocated for Non-cash Loans	177.332	163.020
Other	69.978	69.794

**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 13.938 (31 December 2015: TL 5.561).

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

Specific provisions for unindemnified non-cash loans amount to TL 72.442 (31 December 2015: TL 55.629).

**d) Information on other provisions:**

**1) Information on free provisions for possible risks:**

These financial statements include a free provision which is not in accordance with BRSA Principles amounting to TL 1.240.400 which is fully carried forward from previous periods, 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 1.281 exist for cash transfers made by Bank officials.

	<b>Current Period</b>	<b>Prior Period</b>
Free provisions for possible risks	1.258.381	1.257.419

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

Based on the information provided by the legal department, lawsuits against the Bank over TL 100 amounts to TL 52.481. 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 71.600 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.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

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

**7. Explanations on provisions: (Continued)**

The Bank also provided provisions amounting to TL 72.442 (31 December 2015: TL 55.629) for undemnified non-cash loans, and TL 28.551 (31 December 2015: TL 28.436) for other provisions. As a result of the provisions mentioned above, the other provision balance on the Bank’s balance sheet amounts to TL 1.465.733 (31 December 2015: TL 1.464.843).

**e) Vacation and employment termination benefits obligations**

**1) Employment termination benefits and unused vacation rights**

The Bank accounts for its vacation and retirement pay obligations in accordance with the TAS 19 “Employee Benefits”. The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation. As of 31 March 2016, unpaid vacation liability amounted to TL 197.100 (31 December 2015: TL 168.600), and employment termination amounted to TL 708.625 (31 December 2015: TL 683.269) are presented under the “Employee Benefits Provision” in the financial statements.

**8. Information on tax liability:**

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

**1) Information on tax provisions:**

As of 31 March 2016, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 562.655 (31 December 2015: TL 402.339).

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

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Tax Payable	562.655	402.339
Taxation on Income From Securities	222.775	201.694
Property Tax	2.226	2.186
Banking Insurance Transactions Tax (BITT)	103.921	113.890
Foreign Exchange Transactions Tax	52	28
Value Added Tax Payable	2.724	4.307
Other	86.609	50.243
<b>Total</b>	<b>980.962</b>	<b>774.687</b>

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

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

**8. Information on tax liability: (Continued)**

**3) Information on premiums:**

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums - Employee	35	30
Social Security Premiums - Employer	48	42
Bank Social Aid Pension Fund Premium - Employee	148	330
Bank Social Aid Pension Fund Premium - Employer	287	528
Pension Fund Membership Fees and Provisions - Employee	12	10
Pension Fund Membership Fees and Provisions - Employer	54	45
Unemployment Insurance - Employee	613	544
Unemployment Insurance - Employer	1.227	1.089
Other	-	-
<b>Total</b>	<b>2.424</b>	<b>2.618</b>

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

The Bank’s deferred tax liability amounts to TL 555.109 (31 December 2015: TL 538.021). However, this amount is netted off against the deferred tax asset and accordingly deferred tax asset amounting to TL 64.723 (31 December 2015: TL 261.730) is presented in the financial statements.

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

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

**10. Explanations on subordinated debts:**

The Bank 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	5.000.000
Preferred stock	-	-

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

The Bank does not have a registered capital system.

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

None.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

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

**11. Information on shareholders’ equity: (Continued)**

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

There is no share capital amount included in capital.

**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 Bank has no capital commitments.

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

In the current period, the Bank follows its operations in line with the previous periods. The 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 Bank’s performance and contributes to the profitability structure to be sustainable.

**g) Information on preferred shares representing the capital:**

The Bank has no preferred shares.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	342.182	61.381	342.182	61.381
Revaluation Difference	-	61.381	-	61.381
Foreign Exchange Difference	342.182	-	342.182	-
From Available for Sale Marketable Securities	(857.817)	947.987	(1.344.071)	619.468
Revaluation Difference	(833.926)	947.987	(1.619.618)	619.468
Deferred Tax Effect	(23.891)	-	275.547	-
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(515.635)</b>	<b>1.009.368</b>	<b>(1.001.889)</b>	<b>680.849</b>

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

III. EXPLANATIONS AND NOTES TO OFF-BALANCE SHEET ACCOUNTS

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	9.412.520	1.848.592
Other Irrevocable Commitments	6.995.388	7.130.144
Payment Commitments for Cheques	5.239.026	4.712.618
Loan Granting Commitments	3.364.964	3.076.439
Asset Purchase Commitments	3.082.015	2.805.813
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	21.610	20.185
Subsidiaries and Associates Capital Contribution Commitments	-	-
<b>Total</b>	<b>28.115.523</b>	<b>19.593.791</b>

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

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

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

	Current Period	Prior Period
Guarantee Letters	50.831.569	49.241.937
Letter of Credits	7.011.627	6.852.933
Bank Acceptances	4.296.865	4.191.305
<b>Total</b>	<b>62.140.061</b>	<b>60.286.175</b>

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

	Current Period	Prior Period
Letters of Certain Guarantees	32.814.404	31.838.860
Letters of Advance Guarantees	13.098.227	12.911.588
Letters of Temporary Guarantees	2.742.183	2.734.608
Letters of Guarantees given to Customs Offices	756.193	655.083
Other Letters of Guarantees	1.420.562	1.101.798
<b>Total</b>	<b>50.831.569</b>	<b>49.241.937</b>

c) 1) Total non-cash loans:

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>775.090</b>	<b>786.280</b>
With Original Maturity of One Year or Less	288	284
With Original Maturity of More than One Year	774.802	785.996
<b>Other Non-Cash Loans</b>	<b>61.364.971</b>	<b>59.499.895</b>
<b>Total</b>	<b>62.140.061</b>	<b>60.286.175</b>

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO 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>4.351.765</b>	<b>574.274</b>	<b>3.272.537</b>	<b>439.814</b>
Short Term Loans	959.054	15.897	989.747	21.491
Medium and Long Term Loans	3.361.221	558.372	2.239.641	418.317
Interest on Non-Performing Loans	31.490	5	43.149	6
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	1.079	-	-	-
Domestic Banks	10.847	293	8.235	80
Foreign Banks	388	6.977	508	5.709
Head Office and Branches	-	-	-	-
<b>Total</b>	<b>12.314</b>	<b>7.270</b>	<b>8.743</b>	<b>5.789</b>

c) Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	287	199	227	76
Financial Assets at Fair Value through Profit and Loss	-	-	-	-
Financial Assets Available-for-Sale	1.089.677	143.895	909.072	105.561
Investments Held-to-Maturity	126.659	89.011	84.506	88.855
<b>Total</b>	<b>1.216.623</b>	<b>233.105</b>	<b>993.805</b>	<b>194.492</b>

d) Information on interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	3.496	3.890

2. a) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b> <sup>(1)</sup>	<b>29.204</b>	<b>72.705</b>	<b>24.011</b>	<b>63.777</b>
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	6.513	984	4.950	978
Foreign Banks	22.691	71.721	19.061	62.799
Head Office and Branches	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>29.204</b>	<b>72.705</b>	<b>24.011</b>	<b>63.777</b>

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	12.113	3.413

c) Information on interest given on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	57.788	24.463	35.909	24.539

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	-	95.559	-	-	-	-	-	95.559
Saving Deposit	-	52.434	1.260.726	88.935	19.499	14.050	126	1.435.770
Public Sector Deposit	41	84.781	116.529	29.411	72.045	178	-	302.985
Commercial Deposit	38	96.234	129.038	16.058	6.908	1.541	-	249.817
Other Deposit	30	31.647	81.920	5.517	19.124	6.669	-	144.907
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>109</b>	<b>360.655</b>	<b>1.588.213</b>	<b>139.921</b>	<b>117.576</b>	<b>22.438</b>	<b>126</b>	<b>2.229.038</b>
FC								
Foreign Currency Deposit	304	19.868	57.430	15.129	13.287	51.487	1	157.506
Bank Deposit	8	12.053	-	-	-	-	-	12.061
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	29	223	34	18	19	-	323
<b>Total</b>	<b>312</b>	<b>31.950</b>	<b>57.653</b>	<b>15.163</b>	<b>13.305</b>	<b>51.506</b>	<b>1</b>	<b>169.890</b>
<b>Grand Total</b>	<b>421</b>	<b>392.605</b>	<b>1.645.866</b>	<b>155.084</b>	<b>130.881</b>	<b>73.944</b>	<b>127</b>	<b>2.398.928</b>

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

	Current Period	Prior Period
<b>Profit</b>	<b>9.777.960</b>	<b>9.240.482</b>
Foreign Exchange Gains	7.832.479	8.486.414
Profit on Derivative Financial Instruments	1.938.037	710.802
Profit from the Capital Market Transactions	7.444	43.266
<b>Loss (-)</b>	<b>9.777.294</b>	<b>9.247.669</b>
Foreign Exchange Loss	8.531.631	7.035.819
Loss on Derivative Financial Instruments	1.243.557	2.211.487
Loss from the Capital Market Transactions	2.106	363

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	940.586	(2.650.064)
Effect of the change in interest rates on profit/loss	(246.106)	1.149.379
<b>Total</b>	<b>694.480</b>	<b>(1.500.685)</b>

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

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

**5. Information on other operating income:**

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

There are no significant matters covering the recent developments which have significant effect on the Bank’s income. Main component of the Bank’s other operating income consists of reversals from prior period provisions amounting to TL (180.712) (31 March 2015: TL 254.813) and income from sales of assets amounting to TL 26.112 (31 March 2015: TL 37.393).

**6. 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>	355.030	259.282
Group III Loans and Receivables	134.283	97.719
Group IV Loans and Receivables	202.412	125.796
Group V Loans and Receivables	18.335	35.767
General Provision Expenses <sup>(2)</sup>	89.750	183.594
Provision Expenses for the Possible Losses	960	300
Marketable Securities Impairment Expense	125	1.669
Financial Assets at Fair Value through Profit and Loss	-	33
Financial Assets Available for Sale	125	1.636
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	-	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Business Partners)	-	-
Investment Securities Held to Maturity	-	-
Other	710	698
<b>Total</b>	<b>446.575</b>	<b>445.543</b>

<sup>(1)</sup> The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL 163.424 are presented in other operating income (31 March 2015: TL 183.208).

<sup>(2)</sup> The relevant balances include the expenses related to the current period. The provision reversals within the period amounting to TL 167 are presented in other operating income.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Personnel Expenses	559.419	506.654
Reserve for Employee Termination Benefits	25.356	22.873
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	68.843	55.650
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	8.426	5.750
Impairment Expense for Equity Shares subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	-	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	298.072	241.058
Operational Leasing Expenses	49.704	40.501
Maintenance Expenses	19.606	16.091
Advertisement Expenses	18.111	12.104
Other Expenses	210.651	172.362
Loss on Sales of Assets	426	40
Other <sup>(1)</sup>	381.525	319.436
<b>Total</b>	<b>1.342.067</b>	<b>1.151.461</b>

<sup>(1)</sup> TL 111.746 of other item consists of Saving Deposit Insurance Fund accrual expense (31 March 2015: TL 83.710) while TL 109.973 consists of taxes, duties and charges expense (31 March 2015: TL 100.507).

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

The Bank 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	3.150.536	2.374.737
Net Fees and Commissions Income	367.817	293.155
Dividend Income	336.028	380.761
Trading Income/Expense (Net)	2.785	7.990
Other Operating Income	666	(7.187)
Provision for Loan or Other Receivables Losses (-)	446.575	445.543
Other Operating Expenses (-)	1.342.067	1.151.461
<b>Profit / (Loss) From Continuing Operations</b>	<b>2.069.190</b>	<b>1.452.452</b>

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

As of 31 March 2016, TL 459.788 (31 March 2015: TL 350.792) of the Bank's total tax provision expense amounting to TL 562.219 (31 March 2015: None), consists of current tax expense while remaining balances amounting to TL 102.431 (31 March 2015: TL 350.792 deferred tax expense) consists of deferred tax income.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

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

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

The Bank’s net operating income after tax amounts to TL 1.609.402 (31 March 2015: TL 1.101.660).

**11. Information on net profit/loss:**

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

The Bank, mainly utilizes its resources from domestic 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 March 2015: None).

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. EXPLANATIONS AND NOTES TO THE RISK GROUP OF THE 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 Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash <sup>(2)</sup>	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	4.693.525	1.919.303	-	-	-	-
Closing Balance	5.048.958	2.293.040	-	-	-	-
Interest and Commissions Income	3.496	-	-	-	-	-

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

<sup>(2)</sup> Placements to foreign banks in the risk group amounting to TL 1.253.678 are included in the cash loans.

b) Prior Period:

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	
	Cash <sup>(2)</sup>	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	3.320.000	1.612.751	-	-	-	-
Closing Balance	4.693.525	1.919.303	-	-	-	-
Interest and Commissions Income	3.890	-	-	-	-	-

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

<sup>(2)</sup> Placements to foreign banks in the risk group amounting to TL 1.177.445 are included in the cash loans.

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Opening Balance	553.962	411.176	-	-	-	-
Closing Balance	651.495	553.962	-	-	-	-
Interest Expense on Deposits	12.113	3.413	-	-	-	-

<sup>(1)</sup> The prior period balance of the accrued interest expense of the deposit is the balance as of 31 March 2015.

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss						
Opening Balance	66.595	-	-	-	-	-
Closing Balance	33.192	66.595	-	-	-	-
Total Profit/Loss	1.349	-	-	-	-	-
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

<sup>(1)</sup> The prior period balance of the total Profit/Loss is the balance as of 31 March 2015.

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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

**V. EXPLANATIONS AND NOTES TO THE RISK GROUP OF THE BANK (Continued)**

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

Fees paid to the Bank’s key management amount to TL 6.622 (31 March 2015: TL 5.932).

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

1) The USD and EUR-denominated syndicated loan that the Parent Bank got in March 2015 was paid back. On 4 April 2016, it was renewed with amount of USD 240,5 million and EUR 762 million, 367 days maturity, and costed LIBOR+0,85% and EURIBOR+0,75% respectively.

2) Bond is planned to sell by the Parent Bank to qualified investors resident outside Turkey according to Rule 144A and Regulation S, and Barclays Bank PLC, Goldman Sachs International, Mizuho Securities USA Inc., Société Générale, Standard Chartered Bank were authorized to issue these bonds to be listed on the Ireland Stock Exchange.

In this context, bookbuilding process from investors regarding issuance of the bonds was completed on 25 April 2016. It was determined that the return of bonds, which is USD 500 million nominal amount, fixed rate with a maturity date of 29 April 2021, 5-year term, and 6 months coupon payment, is MS+350 base point (4,818%), coupon rate is determined as 4,75%.

3) The Parent Bank’s capital; TL 72.000 in cash to be paid by the Treasury and internal resources of TL 28.000 costlessly, increasing TL 100.000 in total, was raised to TL 5.100.000. This decision was approved in the General Assembly on 30 March 2016. In this context, the change of the Articles of Association approved by Banking Regulation and Supervision Agency and Ministry of Customs and Trade was inscribed on 5 May 2016 and proclaimed on Trade Registry Gazette numbered 9071 and dated 9 May 2016.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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**SECTION SIX**

**OTHER EXPLANATIONS AND NOTES**

**I. OTHER EXPLANATIONS ON THE BANK’S OPERATIONS**

None.

**SECTION SEVEN**

**EXPLANATIONS ON REVIEW REPORT**

**I. EXPLANATIONS ON REVIEW REPORT**

As of 31 March 2016, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Review Report dated 10 May 2016 is presented preceding the financial statements.

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

None.

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

**SECTION EIGHT (\*)**

**EXPLANATIONS ON THE INTERIM REPORT**

**I. Chairman’s Assessment**

The first quarter of 2016 showed high volatility due to expectations the Fed would increase interest rates, sign of weak growth from China, drastic fluctuations in oil prices and etc. Comments from the Fed indicating they would act cautiously when considering increased interest rates, new expansionary steps from the European Central Bank, and the stabilisation of oil prices led to a decrease in the volatility of the global market, and the first quarter closed with an increase in risk tolerance leading optimism about the future.

The most important consideration in the first quarter of 2016 was; whether and by how much the Fed would increase interest. Strong datas from the USA economy created a market expectations that the Fed would continue to increase interest rates quickly. The recovery in the US labour market, which started in 2015, continued in the first quarter of 2016, domestic consumption, an important component of growth, was above expectations. This data led to the expectation the Fed would increase interest rates and coupled with concerns about insufficient global growth, led to increased volatility in global markets for the first two months of the year. However, the Fed authorities concerned with developments in global markets emphasized they will act cautiously when considering increasing interest rates mentioning concerns about global risks. These comments led to a significant decrease in the volatility of markets at the end of the quarter. The expectations for 2016, is that interest rates will continue to increase gradually; as the Fed continues to monitor economic data closely.

The eurozone continued to recover in the first quarter of the year, but not at the desired speed. Although preliminary data announced in the quarter showed growth had been limited, it promised hope for expanding growth in the future not only in major countries but throughout the region. Low energy prices support growth by increasing consumer spending and, minimizing inflation. The European Central Bank (ECB) has pursued a more aggressive monetary policy, increasing bond purchases and lowering deposit and policy interest rates in the first quarter. The ECB's new expansionary steps are, expected to increase the pace of recovery in the region. In the next quarter the possibility of England leaving the European Union will be an important issue.

A notable development in the global economy in the first quarter of the year, was the trend in oil prices. Low growth rates in emerging markets compared to previous years has led to decreasing global demand. The downward trend in oil prices starting in second half of 2014, fell to its lowest level since 2003 due to excess supply coupled with lack of demand. Decisions from producers in the next quarter regarding production quantities are expected to affect oil prices.

Expectations related to the Fed’s monetary policy led to the central banks of emerging countries taking a new step in the first quarter of the year. Many emerging country central banks increased interest rates based on the expectation the Fed would increase interest rates in January. After a message urging caution when increasing interest rates at the March Fed meeting, while some emerging country central banks reduced interest rates, other decided to wait.

In the first quarter of 2016 the high volatility in global markets was also felt in the Turkish economy. Towards the end of the first quarter, there was a dramatic increase in the appetite for risk and globally, central banks cautiously began taking broad steps as geopolitical risk declined. In the first quarter inflation and current deficits declined significantly, there was access to the holding and bond market, and, especially towards the end of the quarter declines in foreign currency and interest became clear.

In 2015, despite the fact that there were two elections held that year and despite; geopolitical risk and fluctuations in the global market, Turkey was 4th among the rapidly growing G-20 countries with 4% economic growth; which was higher than expected. The main driver of this growth was domestic demand, while foreign demand was negatively impacted by global developments.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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**EXPLANATIONS ON INTERIM REPORT (Continued)**

**I. Chairman’s Assessment (Continued)**

Industry provided a significant boost to growth over the past year, and remained strong in the first two months of 2016. Low oil prices and wage increases are expected to continue supporting domestic demand through income channel.

Current accounts deficit continued its shrink tendencies within the first quarter of 2016. Depending upon the decrease in oil prices, regress in energy import affected the balance of foreign trade in a positive way and were the significant reason for improvement in current deficit. On the other hand, services balance have reduced the positive contribution made to the downward trend of the current account deficit due to the loss of momentum in net travel revenues. After all, moderate growth of consumer credit and the increase in demand of the European Union has supported the improvement in the current account balance.

The Central Bank, that had announced the road map to be followed in the process of normalization of global monetary policy in August of last year, took a measured step towards simplification depending on reduction in the need for a wide interest corridor in March. The Central Bank has narrowed the corridor prudently by decreasing night marginal funding rate forming the upper band of the interest rate corridor by 25 basis points with the decline observed in global volatility. In April, the Monetary Policy Committee has pointed out that the strategy of simplification of monetary policy will continue by reducing the upper band of the interest rate corridor by half a point. The rest of the year, the Central Bank is expected to continue its simplification steps by taking into account to volatility in global markets and the trend in inflation. While the current indicators has pointed out that the steady growth in economic activity continued during the first quarter of 2016; the steps of the Central Bank is expected to support growth.

The Turkish banking sector continues to contribute to the economy with strong equity structure, compliance with domestic and international regulations, and stable growth despite fluctuations. T.C. Ziraat Bank as the leading bank in the banking sector continues to increase contribution to the reel sector in investments needed by our country by focusing on efficiency rather than size in recent years, as a matter of fact that the Bank continues to provide significant participation in large projects in our country. T.C. Ziraat Bank carry on with success to improve its infrastructure, business model, branches, channels out of branches. Besides, it has also achieved positive results with employees and customers in the first quarter of 2016 as in the previous period.

**II. Assessment of General Manager**

We completed the first quarter of the year shown the positive impact of global developments. In this context, banking sector has endeavored to comply with local and international regulations regarding both the fluctuations in the financial markets and capital management.

Ziraat Bank's consolidated total assets, an increase of 2% in the first quarter of the year, reached 310 billion. The growth in total assets was mainly realized as loans. Cash loans took place 193 billion TL by increasing 3%.

62% of total assets consist of loans, and 75% of these loans consist of corporate loans. Ziraat Bankası is the biggest financier of economy with its total 225 billion TL credit quota which is the leader bank of the sector with cash and noncash credits. Both the balance sheet mainly constituted of loans and loans mainly constituted of the finance of reel sector take place on our strategies of asset-liability management.

The point arrived at, it is indicating that we are implementing our strategy. Besides, management of our credit quality appears to be sustainable. Illiquid claim ratio continues the half of sector-level of 1.7% without any sales on follow-up loans. In loan process, credit risk monitoring, surveillance, early warning system issues, we continue to improve the credit quality of our management tools as in the previous period.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

---

**EXPLANATIONS ON INTERIM REPORT (Continued)**

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

We pay attention to increase deposits which are our main fund source and develop its base spreading structure. We are trying to add variety with the resources other than deposits and continuing to support resource structure with low cost resources. We have renewed syndication loan amounting to 1.1 billion US Dollars at the same amount with an admissible cost.

We continue raising associate and branch activities in domestic and abroad. We provide service in 1.787 branches in domestic and 18 countries 97 points in abroad. Our clients and employees are so significant for us and we sustain improvements as satisfaction-oriented in every point that we provide service.

On the purpose of managing operational intensity at our branches, we continue to use our service channels out of branches such as ATM, Internet branch, call center, mobile banking. 82% of our transactions, are made from non-branch channels. Cost income ratio which was available as a result of our productivity-oriented approach with less than 35%, it is among the best rates in the industry. We maintain the title of bank that has the widespread branch network in country in order to provide clients with banking services. We became the most common bank in ATM network as well.

We continue to support equity with profitability. In the first quarter of the year, net profit of the Bank has risen to TL 1.6 billion increased by 46% comparing to same quarter of the last year.

**III. Shareholding Structure**

Pain in capital of T.C. Ziraat Bank is TL 5.000.000.000, and the sole shareholder is the Republic of Turkey Prime Ministry Undersecretariat of Treasury (“Treasury”). Chairman and Members of the Board of Directors, Members of the Supervisory Board and General Manager and Vice General Managers are not a shareholder in the bank. The decision of increasing capital to TL 5.100.000.000 is approved in General Assembly in 30 March 2016. Increase of capital and amendments according to the relevant materials of the Articles of Association was registered on 5 May 2016. It has been announced in the Trade Registry Gazette numbered 9071 dated 9 May 2016. The offsetting transactions of the capital increase has not been achieved yet.

**IV. Changes in Articles of Association made of the Parent Bank**

Alteration in the Prime Contract according to the affirmed capital increase in Ordinary Meeting of the General Assembly in March 30th, 2016 is in following.

Article 6 of the current state:

Capital:

Article 6- The capital of the Bank is 5.000.000.000 Turkish Liras, all of it belongs to the Treasury. TL 2.500.000.000 of prior capital is totally paid. This time, the capital which was increased by TL 2.500.000.000. TL 543.482.000 pain in capital is met from inflation adjustment difference, TL 90.120.700 is met from inflation adjustment difference in 2003, and TL 1.191.397.300 is met from retained earnings. Cash payment made for TL 675.000.000 and it is free of collusion and committed by the Treasury. The total amount is paid before the registry date.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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**EXPLANATIONS ON INTERIM REPORT (Continued)**

**IV. Changes in Articles of Association made of the Parent Bank**

Article 6 of the new version:

Capital:

Bank’s capital is TL 5.100.000.000 and all of it belongs to the Treasury. TL 5.000.000.000 of prior capital is totally paid. This time TL 28.000.000 amount of TL 100.000.000 increased capital is paid from the prior period’s profit. Cash payment made for TL 72.000.000 and it is free of collusion and committed by the Treasury. The total amount is paid before the registry date.

**V. Main Financial Indicators**

In the first quarter of 2016, total assets of the Bank has risen to TL 310.022 million by increasing 2.4% compared to December 2015.

In Bank’s assets, loans with TL 193.159 million volume share 62.3%, securities portfolios with TL 66.523 million volume share 21.5%, liquid assets and banks with TL 40.584 million volume share 13.1% amounting to TL 9.756 , and other assets share 3.6%.

In the first quarter of 2016, loans of the Bank has risen to TL 193.159 million by increasing 3.4% compared to December 2015. TL loans has reached to TL 147.169, FC loans has reached to TL 45.990.

In Bank’s liabilities, deposits with TL 191.846 million volume share 61.9%, non-deposits resources with TL 66.573 million volume share 21.5%, equities with TL 33.956 million volume share 11.0%, and other liabilities amounting to TL 17.647, share 5.6%.

Bank’s total deposit in first period of 2016 recognised at a level of 191.846 million TL by increasing 2,9% compared to December 2015. Deposit volume of TL is 123.450 million TL and deposit volume of FC is 68.396 million TL.

In the first quarter of 2016, the Bank’s total deposits include 41.6% savings, 30.3% DTH, 9.8% official, 7.4% commercial, 6.2% bank deposits, 4.1% other foundations, 0.6% precious metal deposit accounts.

Bank’s total equity increased 7,6% compared to December 2015 and reached to 33.956 million TL.

By the end of the first quarter of 2016 Bank’s net period profit recognized at a 1.609 million TL level by increasing 46,1% compared to the same period of last year.

By the end of first quarter of 2016, Bank’s capital adequacy ratio recognised at a level of 14,18%.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

EXPLANATIONS ON INTERIM REPORT (Continued)

VI. Main Financial Indicators (Continued)

ASSETS (TL Million)	Mar.16	Dec.15	Change (%)
Liquid Assets and Banks	40.584	40.983	(1,0)
Securities Portfolio	65.066	63.943	1,8
Loans	193.159	186.813	3,4
Other Assets	11.213	11.109	0,9
<b>Total Assets</b>	<b>310.022</b>	<b>302.848</b>	<b>2,4</b>
LIABILITIES (TL Million)	Mar.16	Dec.15	Change (%)
Deposits	191.846	186.469	2,9
Non-deposits Resources	66.573	67.916	(2,0)
Other Liabilities	17.647	16.917	4,3
Shareholders' Equity	33.956	31.546	7,6
<b>Total Liabilities</b>	<b>310.022</b>	<b>302.848</b>	<b>2,4</b>
CHOSEN INCOME-EXPENSES (TL Million)	Mar.16	Mar.15	Change (%)
Interest Income	6.448	4.958	30,1
Interest Expense	3.298	2.583	27,7
Net Interest Income	3.151	2.375	32,7
Net Fees and Commission Income	368	293	25,5
Other Operations Income	336	381	(11,7)
Other Operations Expense	1.342	1.151	16,6
Provision for Losses on Loans Or Other Receivables	447	446	0,2
Income Before Taxes From Continuing Operations	2.069	1.452	42,5
Provision For Taxes On Income From Continuing Operations	460	351	31,1
<b>Net Profit/Losses</b>	<b>1.609</b>	<b>1.102</b>	<b>46,1</b>
RATIOS (%)	Mar.16	Dec.15	
Capital Adequacy Ratio	14,18	15,08	
Equity / Total Assets	11,0	10,4	
Total Loans / Total Assets	62,3	61,7	
Loans under follow-up (Gross) / Total Loans	1,7	1,7	
Saving Deposits/ Total Deposits	22,1	21,8	
FC Assets / FC Liabilities	96,7	97,6	
Liquid Assets / Total Assets	13,1	13,5	
	Mar.16	Mar.15	
Net Profit (Loss) / Average Total Assets	2,1	1,7	
Net Profit (Loss) / Average Equities	19,9	15,3	
Interest Incomes / Interest Expenses	195,5	191,9	

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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**EXPLANATIONS ON INTERIM REPORT (Continued)**

**VII. 2016 I. Interim Activities**

As a part of the studies for diversification of the Bank’s funds and supply of long term funds with a favorable cost for borrowing purposes on international capital markets, GMTN Program (Global Medium Term Notes), amounting to 4 billion US Dollars, is updated on 14 March 2016. As a part of this GMTN program that enables Bank to issue in different maturities and different currencies operations practiced as a “private placement” continued to raise funds in international markets.

As a part of the strategy of diversification of the Bank’s funds and supply of long term funds, syndicated loan which was borrowed in USD and EUR on March 2015, is paid and it’s renewed on 4 April 2016 with 367 days of maturity and a cost of LIBOR + 0,85 and EURIBOR %0,75. Renewal of the syndicated loan amounting to 1.1 billion USD, with 42 participating banks from 19 countries is evaluated as an indicator of reliance on the Bank on international markets.

**VIII. Risk Management**

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

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

**IX. Other Important Activities**

- Akatau Branch of Kazakstan Ziraat International Bank has started its operations.
- At the end of the first quarter of 2016 corporate cash loans has raised to TL 68.5 billion and non-cash corporate loans has raised to 54.4 billion TL.
- Loans for financing the agriculture has increased to 38.5 billion TL at the end of the first quarter of the year 2016.
- Market share has increased from 6,5% to 7,6% in forward and spot derivative transactions with clients and it has increased from 2,7% to 4,1% in forward and spot derivative transactions with banks and continued to increase.
- In the first quarter 34 project has been financed and the total limit for these project has increased to 10.8 billion USD.
- System which enables internet banking customers to log in e-Devlet Kapısı by using their online banking password without any need for specific password for e-Devlet, has put in into the service.
- In the first quarter of the year 2016, 41.241.351 transactions made in the central and centralization level in general has raised to 99%.
- Ziraat Tablet application has been put into the service.
- Branches that are equipped with new technologies, removed from operational charge, high efficiency in sales are targeted and as a result of that digital conversion studies have been started to offer common design in technological platforms.
- In the first quarter of the year 2016, 25.660 personnel has been given trainings and 6,43 hours-training per an employee has been allocated.
- Required advisory support has been supplied for Human Resource Regulations and charge policy which are renewed in Kazakstan Ziraat International Bank.

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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

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**EXPLANATIONS ON INTERIM REPORT (Continued)**

**IX. Other Important Activities (Continued)**

- 2016 Internal Control Program has been prepared for conducting the control activities in accordance with the legislation and internal regulations, making operational risk control to diminish the probability of similar risks that may occur, preparing risk matrixes for providing assurance about units in board and examining the efficiency of measurement models for risk management and internal control procedures.
- Number of debit cards has been 23.4 billion and the Bank has continued as the sector leader with a 24,66% of market share in shopping.
- 45.218.277 TL has been collected as a result of reconstructed loans followed under Non-Performing Loan accounts.
- The analysis part of systematical development studies for corporate loans to be centralized has been completed. After completing the software, process system is expected to be launch in pilot branches in last quarter of the year.

**VIII. Expectations for the Period after 2016 I. Interim**

In the first quarter of the year 2016 it has been a period that resulted in strong data from US, continuing economic concentration, and economic recovery. The economy had been ready for another interest rate hike but because of the fluctuations in the global market Fed gave a signal telling that the interest rate hike process would be on the safe side. New steps by European Central Bank (ECB), referendum that will be voted whether United Kingdom will leave EU, data from China and fluctuations in oil price are the other matters has arisen in this period of time.

Data published in March showed that US Economy has developed when compared to the same quarter of the previous year. Growth rates in US has occurred above the expectations since consumption has increased and dollars keep its strong position. Employment which is one of two major indicators highly followed by Fed to determine the speed of interest rate hike, is strongly recovered as it happened in the first quarter of the year 2015, too. The facts that non-farm payrolls keep its acceleration despite of the winter season and unemployment rate has been in the lowest level since 2008, contributed in households’ consumption so it resulted in a contribution for growth. Another reason for an increase in the households’ consumption is the additive effect of low level of the oil prices on income.

Inflation that is an indicator highly followed by Fed has been still under 2%, which is the targeted level. Despite of the increasing tendency in inflation, this tendency is not expected to be last-long because of decrease in oil prices. Reasons for giving a message about being on the safe side when interest rate hike process in Fed’s summit in March, are that inflation expectations are not well enough and fluctuations international markets. In the mentioned summit, Fed members expectations through the end of the year 2016 have been revised and it’s expected to be in a lower speed to apply an interest rate hike process. Since the other indicators except inflation, show that US Economy is ready for the interest rate hike, global economic risks are taken into account so Fed is expected to increase interest rates once or twice through the year.

In the first quarter of the year refugee crisis, security concerns and the possibility that UK may leave EU have been the major issues in Europe. Growth in this regional economy has been finite but continued. It’s expected that the regional economy is going to lose acceleration when considered the weak indicators in the first quarter of the year 2016 while there was a decrease by 0,3% in growth rates in the first quarter of the year 2015. In the first quarter, the economy in the region is affected negatively by the low level of the growth rates in China that is one of the biggest trading partner of Europe. Low oil prices raised the households’ consumption as it did in US and it has been the main reason of low inflation rates. ECB has taken expansionary steps in monetary policy to face low inflation rates and contribute in growth more. The weekly purchase under bond purchase program has been increased to 80 billion Euro and expended. It also cut its deposit rate and interest rate to -0,40% and 0% respectively.

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**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2016**

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**EXPLANATIONS ON INTERIM REPORT (Continued)**

**IX. Expectations for the Period after 2016 I. Interim (Continued)**

Difference between monetary policies of ECB and FED is expected to continue and expansionary policies are expected to continue by ECB if necessary.

Quite significant improvements will be anticipating for the rest of the year in terms of the future of the union in European Union. UK’s referendum about stay-out decision for European Union has a great importance in July. Leave of United Kingdom from the union may create important negative consequences on both England and European Union, and it can give rise to the possibility of tracing the same path of other countries.

First quarter of the year started quite unfavorable for economy of developing countries. Failure in achieving sufficient economic growth by developing countries, particularly China, and expectation of retardation for funds inflow to that countries originating from normalization in monetary policy by FED lead to rough increase in fluctuations in developing countries. China’s lowest growth rate in the last 25 years as 6.9% and announced pioneer data belongs to first month of the year show negative continuing direction for the first quarter of 2016 lead to sales fluctuation in global markets. Inadequate demand resulting from low growth rates in economy of developing countries also became effective on petroleum prices and petrol prices fell to lowest level of the last 13 years. When in the first two month of the year, outflow of the funds from developing countries markets accelerated, currencies of these countries experienced sharp lose in value against dollar. Development caused to decrease in fluctuations for global economy was the meeting held by Fed in March. Fed provide stabilization in global markets by remarking risks in global markets and giving the signal to be cautious in interest increase process. After the sharp decrease in the first the month of the year, petrol prices gained stability at some point with the expectations that producer countries can agree on preserving the production level. Attitude of petroleum producer countries about determination of supply amount is expected to direct petroleum prices. Instability in petroleum prices cause to further increase for probability of fluctuations in global markets.

Starting with geopolitical developments and pessimistic concerns about the Chinese economy in 2016, markets positively ended the first quarter with the contribution of the ECB's expansionary steps and expectations about Fed's cautious and gradual approach to interest rate increases. Turkey was exposed to portfolio fluctuations with developing countries as well. After all, contractionary monetary policy applied by CBRT limited experienced volatility effects of global markets on Turkish economy.

Even if pioneer indicators of growth started the year with losing acceleration along with Russia tension, geopolitical risks and concerns originating from China, they traced positive path compare to same period of the past year. When petroleum prices negatively affected demand of global risk at the new year, not only petroleum exporters but also petroleum importers like us faced with selling originating from the idea that rough decrease in petroleum prices may cause to decrease in global growth. Selling fluctuation turned in an optimistic way owing to guidance of ECB and Fed with the stable petroleum prices originating from news about clinching petroleum production in March, money inflow to developing countries increased and significant decrease was observed for country risk premiums. Following this, when decrease in domestic interest rates became clear, TL gained stability.

Turkey has finished the year of 2015 with a spiritedly growth by %4 according to equals; despite geopolitics risk and financial fluctuation Turkey has succeeded a compatible growth consistent with estimate of medium dated program. Fundamental source of growth was constituted with 3 point by private consumption, 0.7 point by government consumption and 0.3 point by government investment. It was thought that industrial production, which Industrial production has contributed to growth with raised as 7.2% at the last quarter of 2015, will continue to contribute the growth with compatible raises on first two months.

It is foreseen that with the starting of simplification in Central Bank’s monetary policy CBRT will continue with dimensional interest rate cut and this situation will support the growth. It is seen as global monetary policy providing a favorable growth environment in the current situation.

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**EXPLANATIONS ON INTERIM REPORT (Continued)**

**X. Expectations for the Period after 2016 I. Interim (Continued)**

Current account balance has continued to shrink with positive impact of commodity price’s falls on international terms of trade and crawl on consumer loans at the first quarter of 2016. In this period even if geopolitics developments weaken to export, recovery tendency of Euro region and market alteration tendency of export restricted this risks. Services item which is one of the most important determinant of current accounts coming after from foreign trade, be apted to decrease tendency depending on net journey income in last period. Notwithstanding cumulative current deficit has been into same minimum level since July 2010 with current data

Significant slump has eventuated in inflation resulting from decrease in unprocessed food prices, energy prices and decline in continual cumulative effects of exchange rates on yearly inflation rate at the first quarter of 2016. Central Bank revised year-end inflation estimation from 6.5% level to 7.5% level as medium term program level at its first report of the year. Energy and food prices have decreased to inflation at the first quarter of year and first of all increase on the minimum price has increased to cost elements that has been one of the delimiter factor on the inflation. While there is a considerable decrease in the percentage of annual rise of food price in February is still continue in March, this is mostly caused by vegetable price showed that fluctuations in food prices may continue in the next periods. Recently petroleum price gaining stability on USD 37, which is above the guess at Central Bank for 2016, lead to decrease in the improvement of the energy fees even if a just limitedly.

With the favoring global conditions in the March, the Central Bank sobersidedly initiated the process of tightening the interest rate corridor. The central bank, as to the declaration of the road map of normalization in global monetary policies, reduced the marginal overnight interest rate by seventy five basis points according to the some diminished need for a broader interest rate corridor. As having begun by March, considering the movements in the interest rates and the global trends, the Central Bank is expected to proceed with the simplification process. As having a continuing steady growth in the first quarter of 2016 the actions taken by the Central Bank is also expected to support the growth.

Positive mood in the global markets are expected to continue throughout this year due to assumptions that Fed will not increase interest rates more than 2% and ECB's expansionist moves will continue. Meanwhile, geopolitical risks and fluctuations in petroleum prices are determining factors in risk perception. Exports are expected to have a positive effect on growth, assuming continued stabilization in global markets. While inflation keeps being the focal point domestically; If global fluctuations continue to fall, it is expected that tight stance on liquidity policy will be preserved. On the other hand, limited improvement in recovery tendency of inflation is refers to preservation on tight stance in liquidity policy for a while.

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