

# All together to achieve more



2015 Annual Report



**Ziraat Bank**

More than a bank



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# Introduction

## Our Vision-Our Mission-Our Strategies

### Our Mission

To be a bank that understands customer needs and expectations, thereby offering them the best solutions and value proposition from the most appropriate channel; a bank that brings to every segment of society a wide range of products and services in the fastest, most effective way through its extensive network of branches and alternative distribution channels; a bank that operates with profitability and productivity at global standards by recognizing its ethical values and social responsibility; a bank that holds customer satisfaction to be more important than anything else.

### Our Vision

To be a leading bank that is universal, respected and has high market value; a bank that provides extensive, reliable service everywhere in Turkey and the world at the same quality, and meets the needs of every segment; a bank that sees human resources as its most valuable asset; a bank that continuously makes a difference and creates value in a way that befits its deep-rooted past; a bank that promises more from a bank at every stage and serves as a model for its competitors.

### Our Strategies

#### Banking for Everyone

- To be a “Morale Bank” that derives satisfaction and happiness from working with its customers,
- To provide universal service at the same high level of quality everywhere in the world,
- To manage its agricultural – especially industrial agricultural-financing more effectively,
- To ensure organic growth in the local and global distribution network.

#### Effective Banking

- To ensure the optimization of sectoral distribution in the portfolio of the corporate customer,
- To proactively manage credit quality through more effective credit processes,
- To ensure effective business and expenditure management.

#### Global Player

- To obtain a rapid increase in the share of foreign trade transactions sector,
- To provide global level value to customers,
- To more effectively integrate with the international financial structure,
- To be in the markets of North Africa, the Middle East, the Gulf Region and the Far East.

**For more than a century and a half Ziraat Bank has been serving Turkey by putting its deep-rooted and sound structure, its advanced and innovative approach to management, and its experienced and specialist personnel to work all over the country.**

### **The founder and natural leader of our country's banking industry**

When Ziraat Bank commenced operations in 1863, it was the first example of a nationally-owned bank in a country that neither had a national banking system nor whose own capital accumulation was adequate. Owing to the ventures and undertakings in the years that followed, Ziraat Bank today is regarded as both the founder and the natural leader of Turkey's banking industry.

For more than a century and a half Ziraat Bank has been serving Turkey by putting its deep-rooted and sound structure, its advanced and innovative approach to management, and its experienced and specialist personnel to work all over the country. The scope of Ziraat Bank's service delivery capability is huge: in more than 400 of Turkey's towns and cities it is the only bank with a physical presence.

Ziraat Bank provides comprehensive and integrated financial solutions to the real sector by adding dynamism to the economy. The Bank serves a huge and diversified customer base ranging from humble farms

to major corporations, from small- and medium-sized enterprises to students, and from pensioners to every conceivable professional and occupational group. The products, services, and solutions supplied to this huge audience both by the Bank itself and through the subsidiaries that make up the Ziraat Finance Group contribute as much to the effective functioning of markets as they do to that of the Turkish economy.

### **The Turkish bank with the largest global presence**

Ziraat Bank has operations at 97 locations in 18 countries around the world. Ziraat Bank is the center of an extensive international service network consisting of 9 international subsidiary banks as well as of 22 branches, 4 sub-branches, and 1 representative's office.

In 2015 Ziraat Bank opened 112 new domestic branches and further expanded its geographical reach in its home market. Deploying its effective delivery channels, experienced personnel, and strong technological infrastructure, the Bank delivers uninterrupted and superior-quality service to customers in the

corporate, entrepreneurial, and retail banking business lines through:

- 1,812 branches located in Turkey and abroad
- 25,697 employees
- 6,566 ATMs
- Ziraat Internet Branch
- Ziraat Mobile Branch
- Ziraat Bank Call Center

### **Sustainable profitability and productivity**

In 2015, Ziraat Bank's total assets increased by 22.3% and reached TL 302.8 billion in value compared to the previous year. Focusing on sustainable profitability and productivity, Ziraat Bank once again increased its net profit, just as it has done consistently every year. In 2015, net profit grew by 27.5% to TL 5.2 billion.

Because it is more than just a bank, Ziraat Bank is committed to contributing to the long-term wellbeing of society and to supporting the Turkish economy's developmental processes by effectively deploying both its knowledge and experience and its extensive service reach.



**During the last decade,**

We have supplied water to 6,000,000 decares of land  
and tractors to 180,446 farms.

We've provided TL 94.3 billion in loans to 4,068,706 farmers.

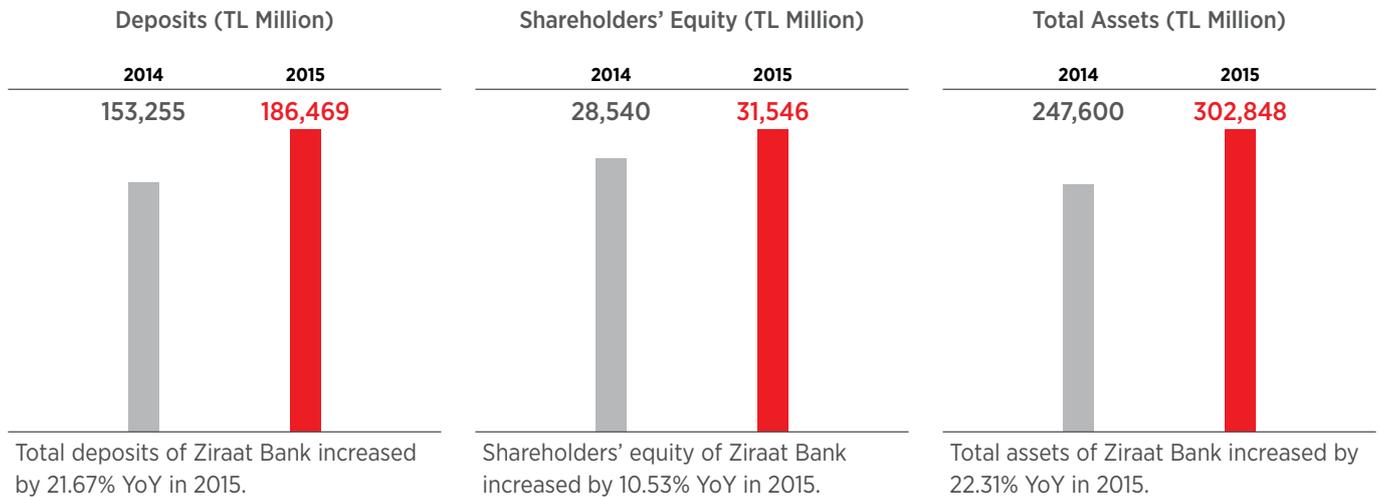
**Just so this land can  
benefit even more**

**Ziraat has been hand in hand with farmers  
for 152 years.**

## Financial Indicators

Focusing on sustainable profitability and productivity, Ziraat Bank once again increased its net profit, just as it has done consistently every year. In 2015, net profit grew by 27.5% to TL 5.2 billion.

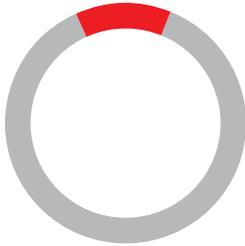
(TL Million)	2014	2015	Change (%)
<b>Total Assets</b>	<b>247,600</b>	<b>302,848</b>	<b>22.31</b>
Liquid Assets and Banks	32,340	40,983	26.72
Securities Portfolio	64,563	64,871	0.48
Loans	141,915	186,813	31.64
Deposits	153,255	186,469	21.67
Shareholders' Equity	28,540	31,546	10.53
Interest Income	18,165	22,050	21.39
Interest Expense	9,558	11,542	20.75
Pretax Profit	5,179	6,568	26.82
Net Profit/Loss	4,051	5,162	27.45



## Ziraat Bank's Market Shares

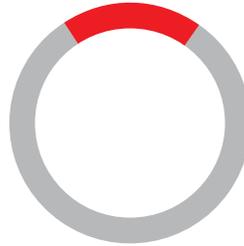
Total Assets (%)

12.8



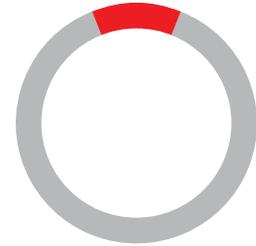
Securities Portfolio (%)

19.0



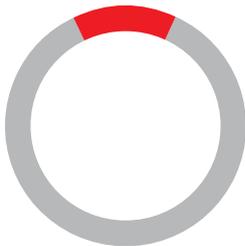
Loans (%)

12.2



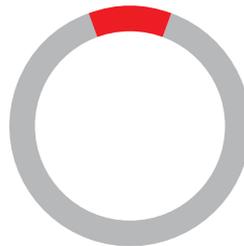
Deposits (%)

14.1



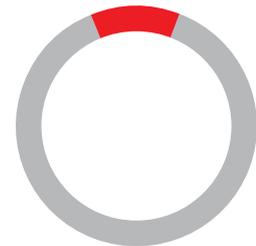
Non-Deposit Resources (%)

11.2



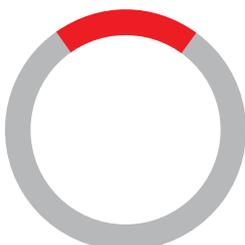
Shareholders' Equity (%)

12.0



Net Profit (%)

19.8



### Ziraat Bank Shareholding Structure

The Undersecretariat of the Treasury of the Republic of Turkey is the sole owner of Ziraat Bank. The Chairman and Members of the Board of Directors, Members of the Board of Auditors, the CEO and Executive Vice Presidents do not hold shares in the Bank.

Taking both sectoral expectations and technological developments into account, Ziraat Bank identified seven key objectives and incorporated them into its 2015 roadmap.

## customer experience excellence

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**Aware that corporate progress is a never-ending journey, Ziraat Bank continues to grow, develop, and advance together along with its employees and customers.**

Ziraat Bank continues to proliferate and advance the gains that it is achieving through the Change and Transformation Project that Ziraat Bank launched in 2012 in order to turn itself into a superior-quality service provider and solution partner capable of satisfying all of its customers' financial needs.

Ziraat Bank's goal is to craft effective solutions that will make it possible for its customers to satisfy all of their financial needs within the Ziraat Finance Group no matter what global or sectoral conditions may be.

As it moves forward, the Bank's intention is to ensure that the Ziraat Finance Group is capable of serving customers in every segment in three basic business lines: Corporate Banking, Mass Banking, and International Banking. In order to achieve this strategic goal, the Bank identified seven key objectives and laid out the 2015 Roadmap taking both

sectoral expectations and technological developments into account. These key objectives are discussed briefly below.

**1. Sustainable Customer Relationship Management: Ziraat Bank will focus on cultivating value-creating, sustainable relationships with all of its customers.**

In 2015 the Bank once again continued to build value-creating, sustainable relationships with customers in line with its principle of achieving customer experience excellence in every channel through which it comes into contact with customers.

Uninterrupted efforts continued to be made to develop new products and to improve existing ones so as to better address customers' financial needs. One example is the spot loan product that we introduced for our corporate customers. Another is the [www.evinziraatten.com](http://www.evinziraatten.com) website that we launched to help retail customers get detailed information about home-ownership financing, find answers to any questions they may have about such matters, and learn what residential development projects Ziraat Bank has entered into financing agreements with.

“Başakkart”, the bank-card product originally introduced for the agricultural sector, has been expanded so as to additionally embrace the needs of those in the entrepreneurial and corporate banking segments in keeping with Ziraat Bank’s intention to play a role in every aspect of commercial life. An important step was taken in the direction of improving the experience of foreign-national customers at Ziraat Bank branches by adding English, German, and Russian language options to the branches’ paging systems. By incorporating smartphone-connectivity into branches’ queue paging systems, our mobile banking customers can now reserve a queuing number for themselves in the nearest or whatever Ziraat Bank branch they want. Ziraat Bank is the first bank in Turkey to introduce an appointment system that allows customers to make an appointment at a branch so that they do not have to wait and can take care of their banking business as soon as they arrive.

Efforts continued in 2015 to further enhance the customer experience in all branch and non-branch channels through “channel optimization” projects undertaken to provide customers with effective banking service through every channel. Continuous improvements were made in the functionality of our online, ATM, and mobile banking channels to benefit both our retail and corporate banking customers. Online branch customers are now able to define flexible as well as fixed transaction limits (transaction amounts and counts) according to their particular requirements. Thanks to recently introduced innovations, online banking customers can view the status of checks and notes that they have received and/or sent to the Bank for collection on an individual branch basis; and they can also now close accounts through the Ziraat Bank Call Center. A multichannel integration project has been initiated in order to standardize service quality so that customers may be sure of receiving a consistently high level of

service quality across all of our delivery channels.

Under the “Limitless Banking” project that was initiated in 2015, conceptual and physical modifications were undertaken at more than 200 branches in order to make it easier for physically-challenged customers to access financial products and services. Ziraat Bank has also introduced a “Limitless Banking Support Package” that brings together an assortment of banking products that address the special needs of such customers.

In order to come up with faster and more effective solutions addressing customers’ needs, the existing customer communication infrastructure was strengthened and a new call center was opened in Samsun.

Ziraat Bank continued to expand its branch network in 2015 in a drive to broaden its customer reach. In addition to a new branch in Pristina, Kosovo, 112 domestic branches were added to the Bank’s network bringing the total number of national and international branches to 1,812 as of year-end.

Happy to work with all segments of society and recognizing that its mission involves standing by its customers in bad times as well as good, Ziraat Bank allowed customers affected by disastrous floods in the Black Sea counties of Hopa, Borçka, Murgul, and Arhavi to reschedule and defer repayments on loans that they had taken out from the Bank.

## **2. Institutionalized Business Processes: Productivity will be increased through business process institutionalization as well as through continuous improvement and development.**

Increases in productivity achieved through the Bank’s transformation process are amplified through medium- and long-term corporate sustainability practices so as to further bolster Ziraat Bank’s

strong national market position while also enhancing its global competitive strength. Efforts focused on contributing to Turkey’s sustainable development are carried out under the leadership of Ziraat Bank’s CEO in coordination with the Bank’s Strategic Guidance Committee.

Ziraat Bank’s first sustainability report, which includes the Bank’s 2013 operations, received an A+ rating from the Global Reporting Initiative. The second report, comprising the Bank’s 2014 operations and which, thanks to the dedicated efforts of all the units involved, was prepared in full compliance with the requirements of G4 comprehensive reporting, has also been published on Ziraat Bank’s corporate website. Recognizing its fundamental duty to conserve natural resources, Ziraat Bank helped reduce paper consumption by not publishing a hard-copy version of its 2014 sustainability report.

Seeking to achieve end-to-end digitalization of all of its business processes, Ziraat Bank continues to work with public institutions such as Turksat, TOKI, Turkvet, and the Public Notaries Association to integrate their functions into its own.

Under the heading of enterprise architecture, projects have been initiated to effectively integrate all of the Bank’s business, data, and application architectures and technological infrastructure. In order both to model business processes and IT processes so as to operate compatibly with one another on a common platform and to increase the interaction of business processes by providing input for software development, work began in the last quarter of 2015 to develop management systems that will be integrated into the processes of Ziraat Teknoloji, a member of the Ziraat Finance Group.

**Ziraat Bank is continuing its intensive efforts to expand its international service network.**

## **new branches in target markets**

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## **operations at 97 locations in 18 countries**

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**3. Integrated Subsidiary Management: Ziraat Bank will seek to increase synergies among its domestic and international subsidiaries and affiliates and international branches through expansion of the Ziraat Finance Group.**

The newest addition to the Ziraat Finance Group is Ziraat Katılım Bankası, which joined in the second quarter of 2015 in order to more effectively address the different financial product and service needs of its customers. Work is currently in progress to set up Ziraat GYO, a bank-owned real estate investment trust.

Ziraat Bank is currently working on other projects whose aim is to expand its international service network both increasing the number of branches it has in its existing operational territory and by opening new international branches and/or financial services subsidiaries in target markets. The most salient of such targets

have been identified by Ziraat Bank as those markets which have developed significantly in recent years, which have deep-rooted historical and/or cultural ties with Turkey, and in which Turkish investors are already active or there exists a potential for them to become so.

In line with the Ziraat Finance Group's efforts to enlarge its international presence, the Bank's Pristina branch located in the capital of Kosovo commenced operations in the second quarter of 2015. Having completed their own incorporation processes, Ziraat subsidiaries in Azerbaijan and Montenegro officially began doing business in the third quarter of the year. Ziraat Bank's operations at 97 locations in 18 countries meant that it commanded an international presence more extensive than that of any Turkish bank as of end-2015.

# products and services focused on solutions

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## digitalized operations

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In keeping with its international banking strategy and vision, Ziraat Bank will continue to:

- Increase its effectiveness in every country in which one of its subsidiaries or branches has an operational presence
- Take part in efforts to expand commercial and economic relationships between such countries and Turkey
- Play an increasingly stronger role in and take an ever-bigger share of their foreign trade finance
- Respond to the banking product and service needs of Turkish investors in these countries
- Provide customers with fast, superior-quality, solution-focused products and services
- Increase the effectiveness of the synergies among the Bank, its local subsidiaries and its offices abroad, within the context of the fundamental Ziraat Finance Group approach.

Under the heading of renovating the core banking systems of its international subsidiaries, new banking software became operational in Bosnia-Herzegovina in February 2015. Work on a similar project that began at the Bank's German subsidiary is scheduled for completion in the first quarter of 2016.

#### **4. Operational Excellence: Ziraat Bank will be a bank which can rapidly adapt to technology and whose operations are highly digitalized and centralized.**

In 2015 Ziraat Bank once again continued to work on projects to improve and centralize business processes in order both to reduce branches' operational workloads and so that branches may spend more and better-quality time with customers and thus more accurately identify customers' financial needs and develop solutions that more effectively address them.

As a result of a project undertaken jointly with the General Directorate of Land Registry and Cadastre, it has been possible for mortgages on real estate properties to be released electronically by the Bank's headquarters since March 2015. Ziraat Bank is the first and still the only bank in Turkey with this capability.

With the introduction of Aztec (data-matrix) codes on checks, an important step has been taken towards reducing the risk of fraud.

Work is continuing on a joint Ziraat Bank - TOKİ (Mass Housing Administration) project to systematize data communication between the two. The aim of this project is to permit TOKİ-related operations to be processed at every Ziraat Bank branch, thereby reducing the workloads of the limited number of branches currently authorized to handle them. Work is also continuing on another project that eventually will centralize all such operations.

In the first quarter of 2015 a project was initiated concerning the allocation and collection of loans out of special-purpose government funds which Ziraat Bank handles but does not originate. The goal of this project is to standardize, simplify, and centralize such lending processes so as to reduce the workloads they impose on branches.

The centralization of all lending processes also continued apace in 2015. Ziraat Bank regards this as the most crucial component of its overall business process centralization efforts, the aim of which is to reduce branches' operational workloads. The project got under way in 2014 with the headquarters centralization of all contract-related processes. Current efforts are focusing on centralizing credit-collateralization processes. The project will be completed with the centralization of credit-disbursements sometime before the end of 2016.

The scope of e-learning and mobile training functions was expanded in order to make information accessible to more personnel faster and at a lower cost.

## objective and transparent HR

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## Competency Evaluation System

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The final stage has been reached in Ziraat Bank's e-archive project, the aim of which is to ensure that all archivable documentation that is generated or received is retained in electronic format in a manner that ensures both its long-term security and its convenient accessibility. This project is slated for completion during the first quarter of 2016. Besides reducing Ziraat Bank's financial and operational costs, the electronic-format archiving of documents will also increase the long-term security and usefulness of the information they contain.

While operational efficiency is being improved through the automation of these and similar processes at branch, regional, and headquarters units, efforts are also being made to shift existing operational personnel to more customer-focused tasks and functions. Between 2012-2015, a total of 3,754 labor saving has been achieved and these employees were reassigned to sales-oriented positions.

**5. Objective and Transparent HR Management: Ziraat Bank will ensure the sustainability of its business model both by improving its existing employees' skills and by also being a center of attraction for new talent.**

Ziraat Bank has set up a performance management system whose aims are to strengthen its customer-focused business model, to inculcate a sales- and productivity-focused work ethic, to motivate employees and thereby enhance their loyalty to the company, and to reward individuals whose success is consistent with the Bank's objectives. The scope of this system is currently being expanded to embrace headquarters units as well.

Efforts have been initiated to expand the scope of e-learning and mobile training functions in order to make more information more accessible to more personnel faster and at a lower cost. It is planned to have this process completed as of the first quarter of 2016.

The Ziraat Bank Banking School, an institutional hallmark in banking industry education and training, is once again turning out young bankers who espouse the Bank's vision and strategies after reopening its doors as of the third quarter of 2015. The school currently has an enrollment of 119 specialist assistants: 98 from Ziraat Bank and 21 from its Ziraat Katılım Bankası subsidiary.

In 2014 a Competency Evaluation System project was begun with the aim of making it possible both for employees' target-based performance to be measured and for assessments of their skills to be integrated into their performance score. Under this project so far, the competencies required for branch, regional, and headquarters units have been identified and training programs have been designed so as to be compatible with the results of the competency evaluation process. The Competency Evaluation System will become operational as of 2016.

**6. Effective IT: Ziraat Bank will take maximum advantage of the opportunities afforded by technology in order to secure a competitive advantage.**

Work continues on information technology infrastructure and IT hardware replacement projects that were initiated in order to make effective use of technology both to ensure that all operations can be conducted without interruption and also to optimize costs.

Work that was begun in 2014 to renovate Ziraat Bank's data center continued in 2015.

In the last quarter of 2014 a project was initiated to set up a central software testing team to ensure that software under development is tested effectively.

The central software testing team's testing and certifying software for compliance with international standards is underway.

Under the heading of banking software improvement: a project was initiated in 2014 to simplify screen layouts and make them more ergonomic. In 2015 this work continued with the unification of associated screens and the design of more user-friendly menus.

Another important project that was undertaken in 2015 in line with Ziraat Bank's Effective IT objective is the development of core banking software in light of the Bank's business model and strategies. Once infrastructure design work has been completed, the first new screens will go into use during the first quarter of 2016.

**7. Strong Balance Sheet: Ziraat Bank will continue to transform its balance sheet to make its structure more customer-focused while also managing expenditures without hindering revenue growth.**

The principle of equity-compatible balance sheet management continued to be an important source of guidance for the strategic decisions that were made in 2015.

In order to increase the diversity of its funding, Ziraat Bank renewed its syndicated loan.

A Corporate Expense Management module has been installed in the Bank's IT system. This module, which became operational in the first quarter of 2015, is designed to allow expense and stock management to be performed more effectively and to exploit cost advantages. Work to further expand the capabilities of this module is currently in progress.

# IT infrastructure and hardware replacement projects

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# customer-focused balance sheet

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We've financed large projects like airports,  
highways, bridges, energy, and communications.

**Just so every corner of  
this country can have  
even more**

**Ziraat has been hand in hand with people  
for 152 years.**



## Milestones in the History of Ziraat Bank

Having effectively managed change ever since its inception, Ziraat Bank remains as committed as ever to its mission of supplying the highest-quality banking products and services to millions of customers everywhere in the country.

### 1863-1888

- On 20 November 1863, Mithat Paşa spearheads the establishment of Memleket Sandıkları (Homeland Funds) in the town of Piro, which later served as the core from which Ziraat Bank grew.
- Turkey's first statutorily regulated credit system is launched.
- Mithat Paşa's Homeland Funds are reconstituted as Menafi Sandıkları (Benefit Funds) to become stronger and more sustainable.
- Ziraat Bank's headquarters are opened in İstanbul.

### 1889-1913

- Ziraat Bank extends credit to the Imperial Treasury for the first time.
- Ziraat Bank supplies credit to supply grain to needy refugees and others in drought-stricken İzmit.
- A project to fund purchases of European agricultural equipment using Ziraat Bank's capital is studied.
- Ziraat Bank offices are opened in Kerek, İpek, Prizren, Timișoara, and Karacasu.
- Ziraat Bank provides drought-stricken Kosovo farmers with low-cost credit on convenient terms.
- Ziraat Bank opens a branch in Medina.

- Ziraat Bank branches open in Baghdad and Basra.
- Ziraat Bank branches provide earthquake-stricken farmers with loans.

### 1914-1938

- Ziraat Bank begins lending to commercial enterprises.
- The first seed-finance loans are provided.
- First general deferment is granted on agricultural loans.
- With the opening of the Grand National Assembly in Ankara, the city's Ziraat Bank branch is made responsible for the administration and oversight of all bank branches and offices in localities controlled by the Nationalists.
- Control of Ziraat Bank's İzmir and İstanbul operations are given to Ankara.

### 1939-1963

- Work is completed on the set of operational regulations called for by Statute 3202. Consisting of 198 articles, the regulations governing the operations of Ziraat Bank go into effect.
- Ziraat Bank becomes a member of Confédération Internationale du Crédit Agricole (CICA), a non-profit worldwide

- association of banks and other entities interested and involved in rural financial processes.
- Under Statute 7052, Ziraat Bank is authorized to restructure agricultural loan repayments.

### 1964-1988

- Ziraat Bank's representative office opens in Hamburg.
- Ziraat Bank opens its Lefkoşa, Gazimağusa, and Güzelyurt branches in the Turkish Republic of Northern Cyprus.
- Ziraat Bank's representative office in New York is transformed into a branch while new offices are opened in Duisburg, Berlin, Munich, Stuttgart, and Rotterdam.
- Under the Ziraat Bank 86 project, the first steps to adapt improvements in technology to banking services so as to deliver them faster, more efficiently, and at better quality are taken with the automation of a total of seven branches located in Ankara and İstanbul.
- Ziraat Bank ranks 452nd among the world's 500 biggest banks as measured by equity according to Euromoney, a magazine.

## 1989-2014

- The Ziraat Bank Banking School begins instruction in order to keep the Bank supplied with the qualified human resources that it needs.
- The first investment fund (Fund I) was established.
- Gold sales were initiated under the name of Ziraat Gold. The first consumer loan was issued, along with the first credit card. The Bingöl-Muş Rural Development Project was initiated.
- As well as ATM machines, foreign currency exchange machines were brought into service for the first time in Turkey, along with self-service information terminals, voice messaging systems and the Bingöl-Muş Rural Development Project, which included a branch not requiring human staffing, aiming to provide uninterrupted 24-hour service.
- Ziraat Bank Moscow, Kazkommerts Ziraat International Bank (KZI Bank), Turkmen Turkish Commercial Bank (TTC Bank) and Uzbekistan Turkish Bank (UT Bank) were established and entered operation.
- Ziraat Bank was ranked 202nd in Euromoney's top 500 banks, 41st in terms of net profit, and the world's first in terms of its return on equity. Moreover, the Bank ranked 12th in the "World's 50 most rapidly developing banks" listing.
- The Sofia Branch entered operation.
- The Stuttgart, Hannover, Frankfurt and Duisburg representative offices began to operate as branches. Newly-launched banking software makes it easier to create and offer new products and services.
- Turkish-Ziraat Bank Bosnia DD receives Visa and Europay International licenses and begins processing Visa acquiring and issuing transactions for the first time in Bosnia- Herzegovina in coordination with Ziraat Kart A.Ş.
- The Law numbered 4603 passed on 25 November 2000 paved the way for Ziraat Bank to be transformed into a joint-stock company.

- The scope of the banking software centralization project (Fin@rt) is expanded.
- In Greece, the Athens and Komotini branches entered operation.
- The Bank announced TL 3,511 million net profit, the highest profit ever announced by a Turkish company until 2009.
- Branches were opened in Baghdad, Erbil and Jeddah.
- Ziraat Bank purchases the rights to the Turkish Cup name.
- Ziraat Bank launches its "Together, to a Better Future" Change & Transformation Project.
- Ziraat Bank celebrates its first century and a half in business with its employees.
- On 30 September 2014, the Board of Directors approved and announced the Sustainability Policy which summarizes Ziraat Bank's sustainability vision, goals and approach and defines the Bank's stance on the pillars of the environment, society and products and services.
- Ziraat Bank published its first sustainability report, which was GRI rated at A+ standards.

## 2015

- Ziraat Bank tops the 2014 corporate income tax league table.
- Ziraat Katılım Bankası commences operations.
- The Bank's Pristina branch opens in Kosovo.
- Ziraat Bank Azerbaijan ASC commences operations.
- Ziraat Bank is designated "Europe's 2<sup>nd</sup> Most Robust Bank"
- Ziraat Bank Montenegro AD commences operations.
- In keeping with its principle of sustainable profitability, Ziraat Bank reports 2015 profits amounting to TL 5,162 million, the highest of Turkish banking sector.

# Europe's 2<sup>nd</sup> Most Robust Bank

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## Ziraat Bank tops the corporate income tax league table

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**During the last decade,**

We've made 630 thousand customers car and homeowners.

**Just so people can have  
even more**

**Ziraat has been hand in hand with people  
for 152 years.**

## Chairman of the Board's Message

**2015 was overshadowed by the Fed's impending interest-rate decisions, fears that China's economy was stumbling, plummeting commodity prices, and geopolitical risks.**

**Muharrem KARSLI**  
Chairman of the Board



Esteemed stakeholders,

Overshadowed as it was by the US Federal Reserve Bank's impending interest rate decisions, fears that China's economy was stumbling, plummeting commodity prices, and geopolitical risks, 2015 was a year in which investors' appetite for risk was volatile and developed countries' monetary policies significantly diverged from one another. It is expected that this situation will likely prevail in 2016, though that will depend on the course of both inflation and growth.

2015 was shaped by expectations as to what the Fed might or might not do about its monetary policy. With markets' attentions focused on macroeconomic data, they were wracked by volatilities from time to time. Healthy employment figures and a strong economic outlook in the US set the stage for the Fed's decision to begin raising interest rates late in the year. In December the Fed reiterated its belief that the US economy would remain on track and therefore

announced its first interest rate hike after nearly a decade.

Now that uncertainties as to the specifics of the Fed's monetary policy have waned, it is thought that financial market volatility in 2016 will be rather less than what prevailed in 2015. Persistently low commodity prices and a strong US dollar combine with the Fed's assurances that future interest rate hikes would be gradual are contributing to markets' optimism.

Like the Bank of Japan, the European Central Bank also had to devote much of its attention to policies aimed at managing deflationary risks in 2015. Suffering from the expansionist monetary policies of the latter, the euro continued to slide all year long. Although it reduced its principal interest rate components (including those on bank deposits) in order to encourage lending and to manage deflationary risk, the ECB has yet to achieve what it hoped it would insofar as inflation is concerned. Although there is some evidence that lending is on

the mend, commodity prices continue to slide and this is what is preventing inflation from reaching the bank's target. Despite glimmerings in leading growth indicators due to the ECB's measures, any improvement in economic data is being constrained by the euro area's chronically high unemployment and by a huge accumulation of debt. What with oil prices still low and inflation below expectations as we entered 2016, it is likely that the ECB will remain on its expansionary course for yet some time to come.

For the developing countries, the most important issues on their 2015 agenda were worries about the Chinese economy, the crash in commodity prices, and the fallout from US monetary policy. The long-evident downturn in China's economy manifested itself as emerging-economy stock market losses and falling exchange rates. Meanwhile the effects of the country's slowdown spread beyond its own borders and adversely affected global growth as well. With China no longer demanding so much in the way

of raw and other materials, the ensuing glut of them on world markets further depressed commodity prices. While that was bad news for countries that export commodities, it helped reduce the costs of countries that import them. However the protracted nature of this cycle upset exporting countries' debt and growth balances and that is what is making global markets so uneasy. If the slowdown in China persists for long in 2016, it is likely that its trading partners will also remain fragile and that can be expected to further dampen commodity prices.

The effects of global market volatilities manifested themselves in Turkey principally as a higher risk premium and a weaker Turkish lira. Turkish market risk perceptions were also exacerbated by heightened geopolitical risks in the country's immediate neighborhood.

As of this writing, we can expect that overall growth in 2015 will be modest at best. That could be construed as not at all shabby in the context of so much global volatility. Overshadowed by uncertainty and volatility in 2015, the Turkish economy's growth was nourished largely by domestic demand: indeed, as the end of the year approached, the net contribution of exports to growth shifted from positive to negative. Expectations are that growth performance in 2016 will be better than it was in 2015 and that it will be supported by an anticipated package of reforms on the one hand and a boost in the minimum wage on the other.

Twelve-month inflation at year-end was around 8.81%. High food prices and a weak Turkish lira were the main contributors to such a high rate of inflation. According to the Medium-Term Program, the CPI target for 2016 is 7.50%. As it appears that inflation has peaked and is now on its way down, it is thought that this is still an achievable target.

Improvements in Turkey's current account deficit that were registered in 2015 were supported by a lower energy import bill resulting from the crash in oil prices and by an increase in exports—primarily automobiles and gold. Overall however Turkey's exports, especially those destined for Iraq and Russia, suffered owing to geopolitical tensions while developments in the EUR/USD parity were another reason why export targets could not be met. Fiscal discipline on the public-sector side combined with prudent borrowing and modest growth in consumer credit on the private are expected to continue supporting the country's current account balance.

The Central Bank (TCMB) adhered to a tight-money policy all year long in 2015 in order to restrain exchange rate movements and to mitigate the inflationary impact of higher food prices. Declaring its intention to "simplify" its own monetary policy once global monetary policy had returned to a semblance of normalcy, the bank announced that it was going to narrow its interest rate corridor and make it more symmetrical around an axis defined by the one-week repo auction interest rate. TCMB also made it clear that this simplification would be contingent on the durability of any reduction in volatility observed once the Fed had raised its own interest rate. All of these pronouncements were made with the intention of informing market expectations.

Having emerged from a period of significantly high volatility Turkish banking sector remains steadily on course. Its balance sheet growth remains satisfactory. While the increase in consumer credit is losing momentum, improvements in its corporate-customer lending are a sign that it is continuing to support real-sector endeavors.

As it embarks upon another year with a robust balance sheet and a productivity-

focused new business model, Ziraat Bank serves customers all over the country. Our Bank will maintain its leading position in the sector and continue benefiting the national economy through a service approach that puts the customer at its focal point.

Speaking personally and on behalf of the Ziraat Bank Board of Directors, I take this opportunity to thank all of our customers, correspondents, business partners, employees, and other stakeholders who helped us to maintain our growth momentum in 2015.

So long as we can count on your confidence and support, I know that Ziraat Bank will continue to advance its leading position.

Yours sincerely,



**Muharrem KARSLI**  
Chairman of the Board

Continuing to pursue profitable and productive growth, Ziraat Bank has completed yet another year with a superior performance.

Hüseyin AYDIN  
Member of the Board and CEO



Esteemed stakeholders,

Continuing to pursue profitable and productive growth, increasing its contributions to the real sector year after year, developing its branch and non-branch services in order to serve its customers more effectively, and supplying financial products and services to virtually every town and city in this country, Ziraat Bank has completed yet another year with a superior performance.

Beset as it was by volatilities at home and abroad and by geopolitical developments, 2015 was a tough year indeed but Ziraat Bank nevertheless successfully achieved its targets thanks to its coherent business model and robust balance sheet. Last year our Bank's total assets increased by 22% and reached TL 303 billion while its total lendings grew by 35% to TL 247 billion.

In line with our goal of maintaining a lending-driven asset structure, Ziraat Bank's cash loans at end-2015 amounted to TL 187 billion, which corresponded to 62% of its total balance sheet and was five

percentage points higher than the previous year's 57%. While loans once again accounted for a bigger share of the Bank's total assets, care was also given to focus on lending mainly to real-sector customers in 2015.

Increasing its support for all sectors, including agriculture, Ziraat Bank continued to be a bank serving a vast audience whose members range from the smallest of businesses to the biggest of firms and from farmers to pensioners. Ziraat Bank also numbers among the banks that supply financing for major investment projects being undertaken in our country.

In 2015 we also made significant progress not just in cash loans but also in non-cash credit too, the latter of which has trebled over the last three years. Ziraat Bank has succeeded in becoming the sector's leader as measured by total credit placements. As we continue to move forward, we will remain just as committed to our lending-driven growth and customer-focused balance sheet strategy.

Even as our lending continues to grow, so too does our attention to protecting our balance sheet quality. Ziraat Bank's 1.7% NPL ratio is substantially below the sectoral average. The fact that this ratio was achieved without selling off even a single NPL is a further indication of the excellent quality of our loan book. A comprehensive framework that embraces everything from credit-worthiness assessment and models to early warning and risk monitoring continues to be developed so as to ensure that the greatest possible care is given to protecting credit quality at our Bank.

Although deposits remain the primary source of Ziraat Bank's funding, there has been some additional diversification into non-deposit resources as well: while deposits grew by 22% year-on in 2015, the Bank's non-deposit sources of funding were up by 34% over the same period. A syndicated loan in which 41 banks from 19 countries had taken part was renewed upon maturity at USD 1.1 billion and thus was oversubscribed by USD 300 million. Another USD 300 million or so worth of funding was obtained through medium-

## As our country's leading bank in so many respects, Ziraat Bank is able to focus on sustainably profitable growth through improvements in productivity rather than having to compete on "scale".

term bond issues which Ziraat Bank had undertaken in order to continue tapping international capital markets. Last year the Bank continued to secure resources from international financial institutions through its bilateral agreement and post-financing channels. Ziraat Bank is the deposit-taking leader in its home market even though it does not compete with other banks for them on the basis either of term or of interest rate.

Last year Ziraat Bank opened another 112 domestic branches and one foreign branch (in Kosovo), thereby bringing the total number to 1,812. We are currently in the process of opening a second branch in Kosovo, a third in Georgia, and our first in Bahrein. We have launched a new bank in Montenegro and our second one in Azerbaijan. As a result of these and similar undertakings, Ziraat Bank now has an operational presence at 97 locations in 18 countries, which gives it a direct international service reach more extensive than that of any other bank in our country.

Ziraat Katılım Bankası, which also opened its doors last year, has further enhanced the financial service diversity of the Ziraat Finance Group. It gives me pleasure to note here that Ziraat Katılım Bankası has already achieved significant growth and success in a relatively short period of time.

We are continuing to undertake non-branch channel and operation centralization investments in order to more efficiently manage branches' workloads and to increase branch network productivity. We have reached the point where a majority of transactions are being conducted through our Operations Center and other non-branch channels.

As our country's leading bank in so many respects, Ziraat Bank is able to focus on sustainably profitable growth through improvements in productivity rather than having to compete on "scale".

In 2015 Ziraat Bank booked a net profit of TL 5,162 million. We regard profitability as the most important means of supporting our equity and we advance confidently and

committedly towards our goal of being a global bank whose equity structure is strong.

In closing, I thank all of our stakeholders who had contributed to our 2015 performance.

Yours sincerely,



**Hüseyin AYDIN**  
Member of the Board and CEO



**During the last decade,**

We've provided TL 725 billion of financing  
to 800 thousand Entrepreneurial SMEs.

**Just so our country can  
benefit even more**

**Ziraat has been hand in hand with  
Entrepreneurial SMEs for 152 years.**

The Fed's long-anticipated interest rate hike finally arrived in late 2015 while the European Central Bank continued to pursue expansionist monetary policies on the grounds that economic recovery in the Eurozone was still too weak and inflation was too low.

## inadequate global growth

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## 25 basis points

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**Fed had raised its prime rate by 25 basis points.**

### Outlook for the World Economy

2015 was a year in which the process of recovery became quite apparent in the US economy whereas elsewhere growth lost momentum and monetary policies diverged in both developed and developing countries around the world.

2015 began with expectations that the US Federal Reserve Bank would begin raising interest rates once again during the year, that both Europe's and Japan's central banks would continue to adhere to expansionist monetary policies, and that geopolitical risks arising from disputes between Russia and the West would remain high on the world's agenda. The Fed's long-anticipated interest rate hike finally arrived in late 2015 while the European Central Bank continued to pursue expansionist monetary policies on the grounds that economic recovery in the Eurozone was still too weak and inflation was still too low. While various embargoes continued to be imposed on Russia all year long, the geopolitical risks arising from violence in Iraq and Syria were never far from sight.

Weak demand stemming from inadequate global growth and the unwillingness on the part of oil-producing countries to rein in supply triggered sharp declines in oil prices. The contraction in commodity prices owing to weak growth in the Chinese economy exerted pressure on emerging markets as they watched their exports shrink.

The recovery in the US economy continued and even gained momentum in 2015. Expectations that the Fed would begin the process of raising interest rates once again were nourished by improvements in growth figures, by wages increasing faster than inflation, and by a strong (200,000+) rise in average one-month non-agricultural employment numbers that reduced the unemployment rate to levels not witnessed since the start of the 2007-2008 global financial crisis. Ostensibly, inflation ought to have been the only issue prompting questions about higher interest rates; but in the Fed's view, the current low level of inflation was due to external factors -in this case low commodity prices in general and the collapse in oil prices in particular-and

## **In the Eurozone, economic recovery remained weak due to low inflation, mainly caused by depressed commodity prices, and due to inability of the emerging economies to restart growth.**

the bank therefore decided that the time had come for its first interest rate hike in nearly ten years: in December the Fed announced it had raised its prime rate by 25 basis points.

Long before the advent of its rate hike, the Fed sought to ready markets for it through a calculated forward guidance strategy in which the bank frequently repeated that the rise would be both gradual and slow. Thus because markets began pricing an impending Fed rise as early as the beginning of the year, when the increase finally did come in December their reaction was not very strong. Expectations are that the Fed will continue raising interest rates gradually in 2016 but that the pace of this rise will be determined by macroeconomic considerations, foremost among them being inflation.

For Europe's economy as a whole, 2015 was a difficult year indeed. For quite a long time the most serious issue on the continent's agenda was the latest Greek debt crisis.

A process in which Greece's abandoning the euro became a real possibility and the EU's monetary and fiscal policies were stridently criticized eventually culminated when a new Greek government that had been voted into power with a mandate to oppose austerity agreed, after prolonged and acrimonious negotiations, to a plan to restructure the country's mountain of debt.

The European Central Bank maintained its expansionary stance throughout 2015. In March it initiated a program in which the bank committed itself to buy EUR 60 billion worth of bonds every month until September 2015. It was expected at the time that this would add about EUR 1.1 trillion to ECB's balance sheet. However when inflation remained low due mainly to depressed commodity prices and economic recovery among the emerging economies remained weak due mainly to their inability to restart growth, the bank announced in December that its asset purchases would continue at least until March 2017.

As far as Europe is concerned, it is generally expected that 2016 will be another year in which inflation will again be too low and structural problems like high unemployment will again be opined upon. One of the issues most talked about in 2015 was China's inability to demonstrate an adequate growth performance and contingently the impact that this would have especially on emerging economies. From the double-digit rates of annual growth to which it had become accustomed in the early 2000s, the Chinese economy slipped to a 6.9% growth rate in the third quarter of 2015, the lowest witnessed in fifteen years. This slowdown in what is the world's second biggest economy significantly depressed the global demand for commodities whose prices, along with that of oil, continued to decline all year long.

**As was the case in other developing countries, 2015 was a year in which the Turkish economy was impacted by global economic developments. In the face of such adversities however, it still managed to register growth.**

### economy outperformed expectations

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### disciplined public finance policy

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The numerous Asian, Oceanian, and Latin American countries that are among China's biggest trading partners suffered from this downturn in the Chinese economy. Growth-related worries also plagued Chinese bourses, where sharp declines in equity prices led to concerns in global markets in the year's second half. China is currently attempting to turn its economy away from export-based growth in favor of one that is more services-oriented and driven by domestic demand and consumption. The country's efforts in this direction can be expected to continue in 2016.

Owing both to the slowdown in the Chinese economy and to the reluctance of oil-producing countries to cut back output, oil prices fell by 35% in 2015. This sharp decline in the price of oil made life especially difficult for oil-exporters like Russia and Brazil, whose currencies depreciated significantly.

For Middle Eastern countries whose revenues are mostly if not entirely dependent on oil exports, the collapse in

oil prices has brought fiscal policy to the point of ruin in some cases. In light of the weakness of global growth, it seems likely that the global oil glut will continue and that oil and other commodity prices will remain depressed for yet some time to come.

#### **Outlook for the Turkish Economy**

**As was the case in other developing countries, 2015 was a year in which Turkey's economy was impacted by global economic developments. Suffering from exacerbated geopolitical risks owing to developments in the country's immediate neighborhood and from inflation brought on by food price rigidities and by erosion in the value of its currency, the Turkish economy still managed to register growth in the face of such adversities.**

2015 began with risk perceptions concerning developing countries deteriorating as expectations grew stronger that the US Federal Reserve Bank was about to raise interest rates. The realization that any normalization of the Fed's

monetary policy would mean the end of loose money and that this in turn would make it harder and/or more expensive for countries like Turkey to finance their current account deficits fueled concerns about developing countries. Such concerns, which occasionally set markets aflutter, were happily assuaged once it was made clear when and how fast the Fed would begin raising its rates. For much of the year however, Turkey's country risk perceptions were heightened by the adverse impact that the slowdown in the Chinese economy was presumed to have on emerging economies and by the increasingly more severe regional geopolitical risks to which the country found itself exposed.

Owing to the beneficial impact that a strong currency and weak commodity prices had on import costs, the current account deficit gradually narrowed during the year. For the first time in six years, Turkey's one-month current account showed a surplus in 2015 while its ratio to GDP fell to below 5%. Although the strength of the Turkish lira did constrain growth somewhat by depressing domestic demand, the Turkish economy nevertheless outperformed expectations. In a year in which exports' net contribution to growth was negative because of problems in the global economy and currency mismatches, growth dynamics were provided mainly by domestic and public-sector consumption.

Turkey's foreign trade performance last year was certainly not helped by the fact that the country's export revenues are priced largely in euros while its imports are priced largely in dollars. But the conjunction of a strong USD and a weak EUR was only one of the reasons why exports' net contribution to growth was negative in 2015: unwantedly weak economic recovery in Europe and economic hardships in neighboring countries like Iraq and Russia also hampered Turkey's exports as well.

Both the pass-through effect of a 20% loss in the value of the Turkish lira in 2015 and soaring food prices drove inflation to levels well above TCMB's projections much less its targets. What with the structural measures that the bank has since taken it is thought that inflation will begin to subside in 2016 and move towards the 7.50% target set in the Medium-Term Program, though this will also be dependent on market conditions being less volatile.

Overshadowed by global uncertainties as to the direction of monetary policy from the very beginning of the year, during the first two months of 2015 TCMB lowered both the upper and lower boundaries of its one-week repo rate corridor and was also expected to continue reducing interest rates thereafter. The bank was prevented from taking any further monetary policy action for the rest of the year however by erosion in the value of the lira and by high levels of inflation. In August TCMB announced that it would be taking steps to "simplify" monetary policy while also stressing that this was contingent on (1) the Fed's starting to raise its interest rates and (2) a durable reduction in global volatility.

Despite a second round of parliamentary elections in 2015 made necessary by the inability of any party to secure a majority or form a coalition in the first, public finance policy implementation remained consistent and disciplined without any serious interruption in the trend towards improved budget performance. This commitment appears to be continuing.

While the point that oil prices reached in 2015 was good for our own country, cheap oil did put the global economy's growth problems firmly on the agenda. With the Fed having begun to normalize its monetary policy and in view of developments in the Chinese economy, 2016 can be expected to be a difficult year for developing countries in general though ECB's continued adherence to

expansionist policies may have a positive on our country's economy, not least on its export trade. Likewise the structural reform package announced by the government should engender enduring benefits in the medium and long terms by providing opportunities of consistent and sustainable growth and a macroeconomic framework compatible with it.

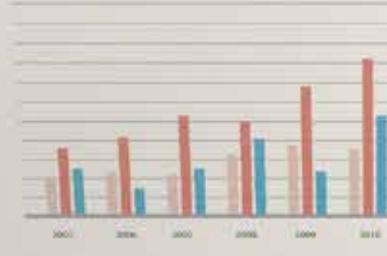
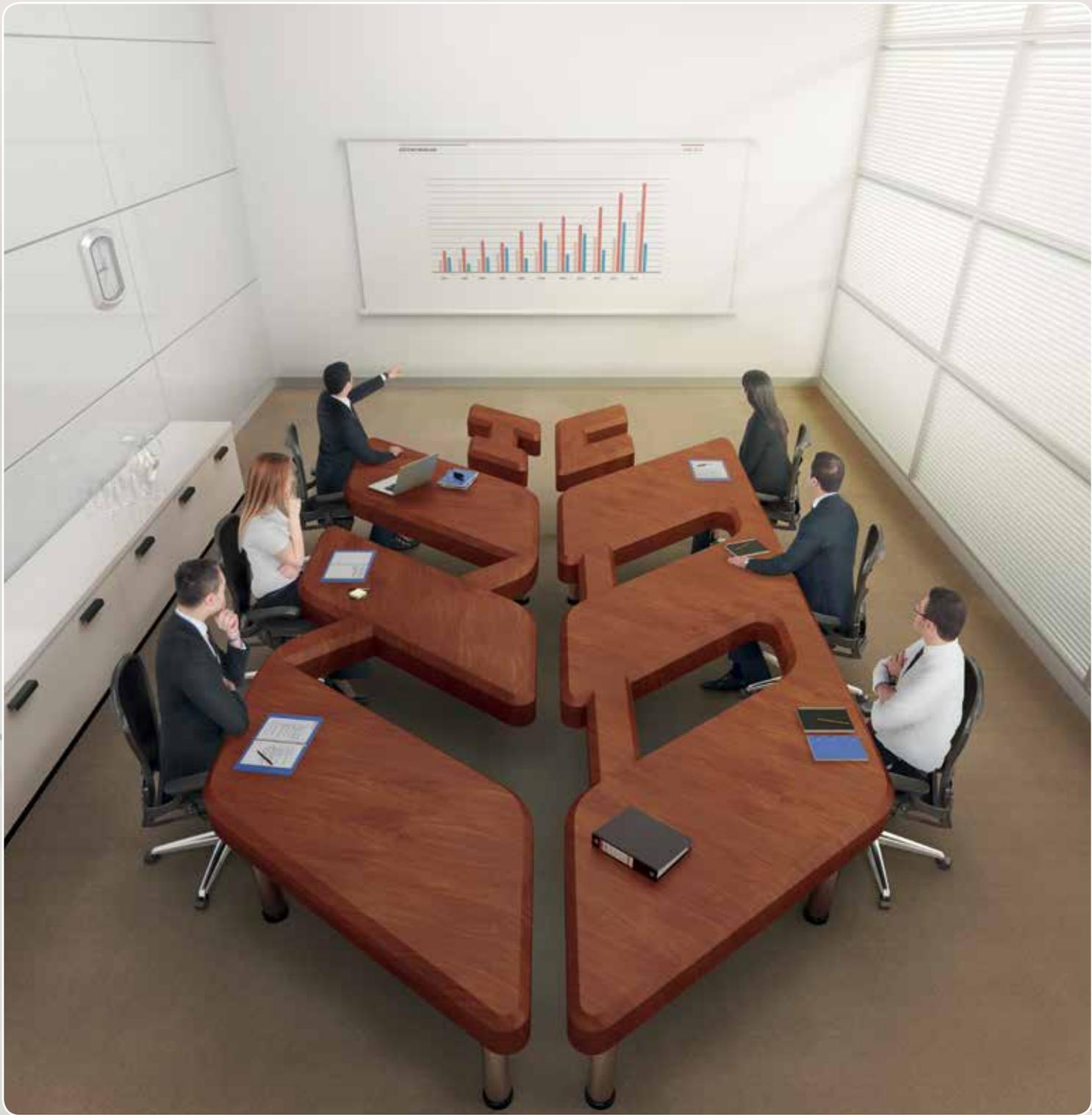
## **inflation moving above targets**

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# **7.50%**

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**Inflation target set in the Medium-Term Program for 2016.**



**During the last decade,**

We've provided nearly TL 800 billion of financing to customers who shape the course of production and trade.

**Just so our country's  
economy can grow even  
stronger**

**Ziraat has been hand in hand with  
companies for 152 years.**



In 2015 Ziraat Bank booked a profit of TL 5.2 billion, which was 27.5% higher than that of the previous year, while it also performed well as measured by numerous profitability and productivity indicators.

## high value added products and services

# 112

112 new branches are opened in 2015.

Ziraat Bank continued to fulfill the commitments laid out in the 2015 roadmap and achieved many successful results.

In line with the seven key objectives that it has identified, Ziraat Bank supplied an increasingly greater stream of high value added products, services, and solutions to customers in every segment in all three of its basic business lines of Corporate Banking, Mass Banking, and International Banking.

While doing so, Ziraat Bank also focused on generating as much value added as possible in line with the Integrated Partnership Management approach to which it adheres in its dealings with the domestic and international subsidiaries and affiliates that make up the Ziraat Finance Group.

Pursuing growth consistent with its customer-focused balance-sheet structure, its robust equity mix, and its sustainable profitability objective, in 2015 Ziraat Bank booked a profit of TL 5.2 billion, which was 27.5% higher than that of the previous year, while it also performed well as measured by numerous profitability and productivity indicators.

While maintaining its broadly-based deposit structure, the Bank nonetheless abstained from the destructive competition in the market for deposits whose consequences are so injurious to the sector as a whole. Efforts were also made to diversify Ziraat Bank's non-deposit sources of funding.

At more than 400 locations all over Turkey, Ziraat Bank remains the only supplier of financial solutions to which its customers may have recourse. The Bank's already extensive domestic branch network reach was further expanded with the addition of 112 new branches in 2015.

In the "Bonds & Loans Turkey 2015" event organized by Global Financial Conferences, one of the world's leading organizers of prestigious international financing and investment gatherings, Ziraat Bank won awards in seven different categories including first-places for four of the projects for which its supplied financing and which made it to the final: the Gebze-İzmir Motorway, Dalaman Airport, the Kayseri Health Campus, and the Yeniköy Kemerköy Thermal Power Plant.

## Corporate/Entrepreneurial Banking

### Towards Turkey's 2023 Vision...

One of the goals set out in Turkey's 2023 Vision is that the country will join the ranks of the world's ten biggest economies by that year.

Ziraat Bank is playing an increasingly greater role in Turkey's long-term growth and development processes by supplying funding resources, products, and services that are compatible with that goal while also contributing to job-creation and to economic growth in the broadest sense.

Mindful of its own vision of being both its sector's leader and an ethical and global bank, Ziraat Bank therefore continues to play a leading role in the financing of high value added, feasible, and medium- and large-scale projects that will especially contribute to the national economy and reduce its external dependency.

### Goal: Work with all sectors and all economic actors

A fundamental Ziraat Bank objective is to work with all economic actors irrespective of their sector.

In addition to its core business activities of financing agricultural production, agroindustry, and industrial endeavors, trade finance has also emerged recently as one of the business lines in which Ziraat Bank is increasing its presence and competitive strength.

### Ziraat Bank has 22 corporate branches.

Twenty-two of Ziraat Bank's branches have been designated "corporate branches" and given the mission of managing existing corporate customers' portfolios in the most productive way possible while also increasing the number of such customers with which they actively work. By virtue both of the business volumes they generate and of the range of firms they deal with, corporate branches continued to play an effective and leading role in diversifying

Ziraat Bank's balance sheet and customer base in 2015.

### Ziraat Bank's real-sector financing grew faster than the sectoral average.

The support that Ziraat Bank provides to real-sector endeavors grew faster than the overall sectoral average in 2015. Cash loan disbursements to corporate-segment customers increased by 44% year-on and reached TL 68 billion in value while non-cash credit was also up by 45% and amounted to TL 53 billion.

In 2015 Ziraat Bank also made important progress towards achieving its goal of deepening relationships with customers and becoming their primary and actively-serving bank.

The Bank's essential focus is that a Ziraat customer should be working with every member of the Ziraat Finance Group insofar as is possible. To the degree that groupwise synergistic collaboration increases so too will it be possible to more effectively satisfy the real sector's needs for financing its domestic and international business endeavors. That in turn will further strengthen Ziraat Bank's position as the Turkish banking industry's front-runner and leader.

### The right value at the right time through the right channel

The ongoing "We're Going Together, Further Ahead" transformation program that Ziraat Bank originally launched with the "Together, to a Better Future" slogan is aimed at correctly identifying customers' financial needs and then supplying them with the right value, at the right time, and through the right channel.

In this context and within the framework of Ziraat Bank's "Customer-Focused Banking" approach, a large number of projects have been initiated at the Bank's headquarters, regional, and branch units since the introduction of the Ziraat Bank Customer Service Model.

In 2015 the Bank commissioned its flexible payment plan infrastructure in order to

ensure that its corporate banking products and services are sectorally competitive and address customers' needs. Infrastructure has also been installed for the pricing of the fees and commissions charged on foreign trade finance and these are now being systematically monitored.

Preliminary work has been completed on infrastructure that will allow the systematic processing of the Hermes, SEP, CERV, and GSM credits that are obtained from abroad to finance imports into the country. This system scheduled to go into operation by midyear 2016.

System- and legal-framework infrastructures related to free-zone branch business processes have been installed and were ready to go into service at the beginning of 2016.

Ongoing projects and personnel training aimed at streamlining process, system, and regulatory processes so as to deliver better-quality service within the framework of Ziraat Bank's "Customer-Focused Banking" approach will continue in 2016 as well.

### 2015 highlights in the Corporate & Entrepreneurial Banking segments

#### EUR 100 million from the French Development Agency

A twelve-year, EUR 100 million line of credit was obtained from the French Development Agency to provide attractively-priced financing to agricultural-sector SMEs that process animal-source foods. Ziraat Bank began lending this to its customers at attractive rates in 2015.

This line of credit is to be used as loans to SMEs engaged in the non-primary (in other words other than animal husbandry) aspects of animal-source food production in order to finance modernization projects that will bring them into compliance with EU hygiene and environment standards and with the requirements of Turkish laws and regulations governing veterinary services, plant health, food, and animal feed.

**Ziraat Bank correctly identifies customers' financial needs and then supplies them with differentiated banking products through the right channel, at the right time, and at the right value.**

## working capital for SMEs

**USD 200 million**

**World Bank credit to finance SMEs**

### **Council of Europe Development Bank credit agreement**

In 2014 a seven-year agreement was signed with the Council of Europe Development Bank (to provide a total of EUR 50 million in credit through Ziraat Finansal Kiralama, Ziraat Bank's leasing subsidiary. Having been transferred to Ziraat Bank in 2015, the first tranches of this credit were then turned over to ZFK. Under the terms of the credit agreement, at least 15% of the total amount must be lent to businesses that are operating in Turkey's priority-development regions.

The main goal of this program is to enable micro-, small-, and medium-sized businesses active in many different endeavors such as manufacturing, construction, agroindustry, tourism, trade, and logistics to undertake productive investments and also to meet their working capital requirements for such investments. Other objectives include helping these businesses create new jobs and improving their ability to protect existing ones, creating a positive social impact, and supporting the leasing industry.

### **World Bank credit for SMEs and larger-sized enterprises**

Funding received from the World Bank is used to support small businesses (those that employ no more than 250 people) and medium-sized businesses (those that employ no more than 1,500 people) by meeting their needs for investment and working capital, overcoming difficulties in obtaining credit, and helping them to create jobs.

World Bank credit is characterized by lengthy grace periods, flexible repayment options, long terms, and low cost, which makes it suitable as a source of both investment and operating capital. Lending under this USD 200 million line of credit, the agreement for which was originally signed in 2010, was successfully completed in the first quarter of 2015.

During 2015 Ziraat Bank also continued to provide financing under two other agreements signed with the World Bank:

- A USD 67 million line of credit which is being used to finance the energy-efficiency investments of SMEs and larger-sized enterprises,

- A USD 300 million line of credit which is being supplied to SMEs both through leasing companies and through banks licensed to provide leasing products and services.

Besides supporting SMEs in their efforts to grow, these agreements also give leasing companies convenient access to the medium- and long-term funding that they need.

#### **European Investment Bank credit financing for SMEs and larger-sized enterprises**

In 2015 Ziraat Bank began lending from the second EUR 100 million tranche of a EUR 200 million line of credit which it had obtained under an agreement with the European Investment Bank to finance SMEs and larger-sized enterprises.

As per the agreement, this credit is being used both to support borrowers' efforts to pursue growth by increasing output, productivity, and employment and to provide them with the investment and operating capital they need. Another stated objective is to help reduce interregional disparities in development levels.

EIB approved this EUR 200 million line of credit based on Ziraat Bank's previous success in other projects of this nature. Under an agreement signed with EIB in May 2015, Ziraat Bank continued to lend investment and operating capital to SMEs and larger-sized enterprises from the first EUR 100 million tranche as well.

Seeking other ways in which to extend the scope of its collaboration with EIB into other areas as well, in September 2014 Ziraat Bank signed a EUR 100 million Instrument For Pre-Accession Assistance In Rural Development (IPARD) agreement with EIB to finance rural development projects in Turkey. This funding, which is to be used to finance projects that comply with terms set out by the Turkish Agricultural and Rural Development Support Agency, is also the first IPARD agreement that EIB has entered into with a bank in Turkey. In 2015

Ziraat Bank began supplying micro-, small-, medium-sized, and larger businesses in order to help overcome rural areas' difficulty in gaining access to financing.

#### **Saudi Export Program credit**

In 2013 Ziraat Bank secured a USD 50 million line of credit from the Saudi Export Program to finance the importation of goods of Saudi Arabian origin into Turkey. Disbursements continued successfully in 2015. Under this SEP program, customers who import a wide range of goods other than petroleum from Saudi Arabia are provided with low-cost financing on terms of up to three years to pay for them.

#### **German Development Bank (KfW) credit**

In 2014 Ziraat Bank signed a 10-year agreement with the German Development Bank (KfW) to supply EUR 150 million in financing to SMEs that are located in rural areas or are part of the agricultural value-creation chain. Under this agreement credit is now being provided to micro-, small-, and medium-sized customers whose businesses are located in priority-development regions or in a few other localities that are stipulated in the agreement. The goals of this KfW project are to help reduce interregional disparities in development levels by providing Ziraat Bank customers with access to investment and operating capital.

#### **KOSGEB Support Programs**

Ziraat Bank and the Small and Medium Enterprises Development Organization (KOSGEB) have entered into an agreement to give businesses that apply to that agency under its support programs easier access to sources of financing. Under the terms of this protocol, financing is provided if the application has been or will be supported by KOSGEB. Since 2011, the protocol has also been covering businesses that take part in KOSGEB's SME Loan Interest Support programs.

The protocol covers the KOSGEB R&D, Innovation & Industrial Application Support Program and the KOSGEB Cooperation &

Alliance Support Program as well as some others. Businesses taking part in such programs qualify for reductions of up to 20% on the interest charged on the cash loans they receive from Ziraat Bank.

Qualifying businesses benefit from reductions of up to 100% on many banking products and services (such as EFT etc.) that they avail themselves through the Bank's non-branch banking channels. They may also take advantage of lower rates on loans financed from funding secured by Ziraat Bank from such sources as the European Investment Bank, the World Bank Energy Efficiency Program, the French Development Agency, and the German Development Bank.

#### **Pharmacy Support Package**

On 23 March 2015, Ziraat Bank introduced its "Pharmacy Support Package" and began offering it to pharmacists whose Social Security Corporation collections and payments are made through the Bank. This comprehensive package of advantageous banking and credit products and services is designed both to assist the country's pharmacies and pharmacists and to support the Bank in its efforts to achieve leadership in this business line.

#### **No-Barriers Support Package**

In April 2015 Ziraat Bank introduced its "No-Barriers Support Package", the aim of which is to support the business endeavors of the physically handicapped by providing them with the financing they need in order to play a bigger role in the national economy.

The Ziraat Bank No-Barriers Support Package contains a variety of advantageous banking products and is offered to:

- Sole proprietorships that belong to individuals who can prove that they lack at least 40% of their physical capacity but are nevertheless in full possession of their legal rights and capacity to act; commercial concerns in which such individuals own at least a 10% share

**Ziraat Bank seeks to be a customer's primary and actively-serving bank at every stage from agricultural production to financial consumption and to contribute to the development of agroindustry by collectively exploiting all the links of agricultural value-creation chain.**

## contract production model

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**TL 35.8 billion**

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**Financial support for agricultural production in 2015**

- Firms that employ at least one more physically handicapped person than they are required to under the Labor Code
- Firms that employ at least one physically handicapped person even though they are not by law obliged to do so.

### **Credit Guarantee Fund collaboration**

Ziraat Bank has signed a new protocol with Credit Guarantee Fund Incorporated (KGF) setting out principles and procedures pertaining to the guarantees of credit products supplied under the fund's "Portfolio Guarantee System". To date, a total of TL 40 million worth of KGF guarantees have been provided for loans made to SMEs operating in priority-development regions.

### **Ziraat Women Entrepreneurs Support Package**

On 4 December 2015 Ziraat Bank launched the "Ziraat Women Entrepreneurs Support Package", whose aim is to help women entrepreneurs to play a bigger role in the national economy by supporting their business activities.

This package consists of an assortment of banking and/or credit products and services which have been put together with a focus on encouraging women to go into business and on strengthening their presence in economic and social life. The package is offered both to sole proprietorships that belong to women and to companies at least 50% of whose share capital belongs to partners who are women.

Under another agreement between Ziraat Bank and the Credit Guarantee Fund, KGF support may be provided to women taking advantage of the Ziraat Women Entrepreneurs Support Package who are in need of guarantees to cover loans they borrow from the Bank.

### **Financing the Agricultural Sector**

#### **Financing agricultural endeavors is one cornerstone of Ziraat Bank's mission.**

In the provision of agricultural sector financing, Ziraat Bank's priority is to come up with quick and low-cost solutions that completely address its customers' needs for finance throughout the agricultural value-

creation chain while also helping the sector achieve competitiveness on a global scale.

Ziraat Bank seeks to be a customer's primary and actively-serving bank in every stage from agricultural production to financial consumption and to contribute to the development of agroindustry by collectively exploiting all the links of the agricultural value-creation chain.

Standing by its customers with sustainable funding models which will enable businesses that are involved in agricultural production to increase their capacity, modernization, profitability, and productivity and which will create added value, Ziraat Bank also gives especial importance and priority to those funding models that will bring about organic links between small- and medium-sized producers and larger industrial concerns.

#### **Financial solutions which are compatible with national agricultural policy**

While Ziraat Bank provides financial support in line with national agricultural policy for projects that will encourage investment in strategic products and/or production methods whose added value is high, which need to be introduced, or whose availability needs to be increased, that is not all that it does. The Bank also supplies financial solutions whose terms, repayment methods, and attractive pricing can be tailored according to every product and/or production model in line with every producer's needs and wishes.

#### **The importance of the contract production model**

The contract production model is of the utmost importance to the integration of those who produce agricultural products and those who use them as industrial inputs. While resolving producers' marketing problems, this model also ensures that manufacturers have convenient and reliable access to consistent-quality produce. Ziraat Bank gives special importance to the contract production model when financing projects that involve the production of

things like fresh fruits & vegetables, tomato paste, sugar beets, poultry, and seed stock for which the model is especially apt.

#### **Collaboration with agricultural associations**

Besides granting convenient access to credit and advantageous term, guarantee, and pricing conditions to producers who sell their produce through associations of which they are members or in which they are partners, Ziraat Bank also encourages producers to join agricultural associations in order to benefit from the associations' marketing, storage, and pricing opportunities.

Ziraat Bank takes part in the congresses, symposiums, workshops, training programs, and similar activities organized by producers' associations. The Bank demonstrates its willingness to aid the sector and its representatives by analyzing problems and coming up with solutions.

#### **Support for agricultural production amounted to TL 35.8 billion in 2015.**

The total volume of credit extended to finance the agricultural sector by Ziraat Bank amounted to TL 35.8 billion in 2015. As of year-end, the Bank had 634,689 agricultural credit customers.

As of the same date, TL 33.7 billion worth of the Bank's total lending to the agricultural sector was supplied from Ziraat Bank's own resources and the number of these borrowers was 549,432. The remaining TL 2.1 billion was lent to 85,257 customers.

In 2015 the Bank lent TL 22.2 billion to 442,114 individual/corporate customers out of its own resources and TL 87 million to 15,471 producers from resources supplied by special-purpose funds not controlled by the Bank. An analysis of Ziraat Bank's agricultural credit portfolio shows that while TL 12,688 million (38%) of it consisted of investment credit, TL 21,013 million (62%) consisted of working capital.

The specific categories of agricultural credit that the Bank extended to customers in 2015 are summarized below.

**Crop production:** A total of TL 8,617 million in credit was extended to 205,422 producers to finance their production of field crops, fruits & vegetables, oilseed crops, strategic crops, and seed stock, seedlings & saplings. As of end-2015, Ziraat Bank's crop production credit risk exposure amounted to TL 11,433 million.

**Livestock production:** A total of TL 6,067 million in credit was extended to 112,898 producers to finance their production of cattle, sheep & goats, poultry, bees, and other livestock. As of end-2015, Ziraat Bank's livestock production credit risk exposure amounted to TL 10,352 million.

**Agricultural mechanization:** A total of TL 2,775 million in credit was extended to 58,087 producers to finance the acquisition of agricultural machinery & equipment such as tractors, harvesters, etc. As of end-2015, Ziraat Bank's agricultural mechanization credit risk exposure amounted to TL 5,728 million.

**Subsidized tractor acquisition:** This is a special tractor financing product offered to borrowers who qualify for a fixed rate of interest. Last year a total of TL 2,096 million was lent to 41,511 customers in this way. Since the introduction of this product in 2004, a total of TL 7,973 million has been lent to 211,197 customers to finance their tractor purchases.

**Greenhouse production:** A total of TL 232 million worth of greenhouse production credit was extended to 5,151 producers. Over the last twelve years, Ziraat Bank has lent TL 2.7 billion to 94,848 customers to finance such activities as greenhouse construction & modernization as well as crop production.

In 2015, Ziraat Bank lent a total of TL 16.4 billion to 301,917 agricultural-sector producers and firms at reduced interest rates.

## reduced interest rates

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TL **4.9** billion

The part of agricultural loan limit  
used by Başakkart

**Land acquisition:** Last year a total of TL 528 million in credit was extended to 4,159 customers to finance their purchase of land. As of end-2015, Ziraat Bank's land acquisition credit risk exposure amounted to TL 1,098 million.

**Fishing & fish-farming:** TL 195.1 million was lent to 1,707 customers engaged in fishing, fish-farming, and similar activities. As of end-2015, Ziraat Bank's fishing & fish-farming credit risk exposure amounted to TL 250 million.

### **Subsidized lending to the agricultural sector**

In keeping with its mission to support agricultural endeavors Ziraat Bank supplies subsidized credit as specified in government decrees to customers who are engaged in various aspects of agricultural production. The rates charged on such lending typically vary between 0% and 8.25% on annual basis.

In 2015 Ziraat Bank extended a total of TL 16.4 billion worth of such subsidized credit to 301,917 agricultural-sector producers and firms.

### **Financing convenience with Başakkart**

Ziraat Bank also makes use of Başakkart, a payment-card and overdraft product which it offers to agricultural sector customers, as a way of providing them with interest-free credit on terms of up to five months. In 2015 the Bank extended TL 4.9 billion worth of its aggregate Başakkart overdraft limit of TL 6.4 billion to 239 thousand producers, who used the low-cost financing to purchase fuel, seeds, fertilizer, pesticides, feed, veterinary services, and other agricultural inputs from the Bank's nationwide network of Başakkart merchant partners.

In 2015 Ziraat Bank also processed:

- Price-support payments totaling TL 9,148 million made to 4,135,899 individual producers and associations of them;
- TL 3,053 million worth of Turkish Grain Board payments;
- TL 749 million worth of Turkish Sugar Mills sugar beet payments and advances.

## Retail Banking

In order to address the needs of individuals in different customer groups for a wide range of retail banking products and services, Ziraat Bank supplies them through an extensive distribution network consisting of:

- Branches
- ATMs
- Internet and mobile banking applications
- Ziraat Bank Call Center

Under the heading of Ziraat Bank retail banking, efforts to address the needs and expectations of different retail banking segments, to enhance customer relationship management, to improve business processes, and to comply with applicable laws and regulations gained additional momentum in 2015.

For the development of the Bank's customer-focused business model, a Retail Banking Project has been launched in order to make Ziraat Bank the primary financial institution that its customers prefer and one capable of giving them a satisfaction-based banking experience through an approach that addresses their financial needs in an integrated way.

Under this project, attention is being given to:

- Customer acquisition processes;
- Help and customer login screens;
- Improvements in the retail credit application process and in the overdraft account product;
- Optimizing processes so as to minimize the number of clicks needed to carry them out;
- Standardizing screens' task and function flow layouts;
- Eliminating redundant information input requirements;
- Allowing fields to be automatically filled as much as possible with information obtained from in-house and external databases;
- Improvements in visual displays.

### **A retail credit pricing module and a commission refund module were brought online in 2015.**

A new retail credit pricing module that allows retail credit products to be precisely priced according to specific criteria became operational at all Ziraat Bank branches last year. The benefits of this model are that it facilitates price transparency and standardization, rationalizes and objectifies credit application assessment, suggests price ranges based on such parameters as customer and product particulars and bank policies, simplifies task and approval workflows, and shows the impact of pricing decisions on portfolio profitability.

Another new application that went into use in 2015 was the Commission Refund Module. This module reduces the operational workloads involved in refunding mandatory service commission fees on subsidized loans etc. through the use of standardized templates. This module also ensures that refund processes are properly checked and systematically recorded.

### **New product packages**

Three new product packages have been introduced for customers who receive their salary or pension payments through a Ziraat Bank account. Intended to increase customer loyalty, the contents of each package have been designed taking into consideration different customer group's product and service preferences and the degree to which products are owned and actively used.

### **Regulatory compliance**

Ziraat Bank has achieved full compliance with all of the changes in the regulatory framework that were introduced by new rules pertaining to consumer credit contracts and mortgage contracts that went into effect in 2015.

Ziraat Bank has also brought itself into compliance with the requirements of the E-Commerce Regulation Act (Statute 6563) concerning such matters as obtaining customers' permission in order to communicate with them by e-mail, SMS, and telephone.

### **New business and customer acquisition**

In 2015 efforts were made to ascertain, based on available sectoral data and information about public-sector payments, the dimensions of Ziraat Bank customers' financial transactions that did not flow through the Bank itself. In March of the year a project was launched both to direct increasingly more of such business to the Bank while also seeking to attract new customers as well.

In the third quarter another project was initiated to develop a customer product-propensity model that allows retail customers' needs to be determined proactively so as to ensure that the right products are offered to the right customers. As a result of this, it is now possible to display product offers and customer-based product-propensity scores on customer profile and portfolio management screens.

### **Turkey's leading provider of bancassurance products**

In 2015 Ziraat Bank once again maintained its position as Turkey's leading provider of bancassurance products. The Bank booked TL 2.1 billion worth of premiums on credit-linked and stand-alone policies on which it earned TL 243.9 million in commissions.

### **Other developments in retail banking**

Other developments in the retail banking business line in 2015 are highlighted below.

- Contracts covering 28 new housing projects were signed with developers.
- A new website dedicated to mortgage financing was launched at [www.evinziraatten.com](http://www.evinziraatten.com).
- Loans to finance Urban Renewal Program property acquisition, construction, and reinforcement projects were added to Ziraat Bank's portfolio.
- Under a customer loyalty program for pensioners, Ziraat Bank customers whose pensions are paid through the Bank were allowed to take advantage of discount campaigns conducted by companies, organizations, etc. with which the Bank has entered into agreements.

**Efforts to address the needs and expectations of different retail banking segments, to enhance customer relationship management, to improve business processes, and to comply with applicable laws and regulations gained additional momentum in 2015.**

## new product packages

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**TL 26.2 billion**

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**Total retail loans granted by Ziraat Bank in 2015**

### **Growth in retail lending volumes**

Retail lending makes up a significant share of Ziraat Bank's loan book.

In 2015 Ziraat Bank continued to increase its share of the sector's retail lending by reaching out to its huge customer base through branch and electronic service channels that give it access to every part of the country.

In 2015 Ziraat Bank granted 1,459,258 retail loans whose aggregate value amounted to TL 26,170,620,053.

That corresponds to averages of:

- 28,063 loans and TL 503,281,155 every week
- 5,700 loans and TL 102,228,985 every day
- 713 loans and TL 12,778,623 every hour.

In 2015 the Ziraat Bank Credit Allocation Center also received and reviewed 345,440 credit applications whose aggregate value amounted to TL 6,700,248,540.

That corresponds to averages of:

- 6,643 applications and TL 128,850,933 every week
- 1,349 applications and TL 26,172,846 every day.

In order to ensure the problem-free performance of customers' retail loans by rescheduling or extending their repayment terms, 57,451 loans whose aggregate value amounted to TL 569,509,650 were restructured during 2015.

## Electronic service channels

Delivering effective, quality service to customers through its electronic service channels as well as through its extensive branch network, Ziraat Bank once again achieved growth and registered successful results in this area.

### Credit cards

The 3.5 million credit cards issued by Ziraat Bank as of end-2015 gave the Bank a 5.93% share of the domestic credit card market by number and a 3.07% of its total annual turnover.

### Bankkart

As of end-2015 there were 22.2 million Ziraat Bank-issued debit (bank) cards whose use by its customers made the Bank the sector's leader with an 18.71% share of its direct-debit payments turnover.

### TSK Bankkart

TSK Bankkart is a chip-equipped (smart) debit card issued to members of the Turkish Armed Forces. As of end-2015, 1.2 million of them were in use.

### Genç Bankkart

Genç Bankkart is a chip-equipped (smart) debit card. As of end-2015, 1.6 million of them were in use.

### Merchant partners and POS units

As of end-2015 Ziraat Bank's merchant partner and POS network consisted of:

- 124,000 merchant partners
- 114,000 POS units
- 25,000 electronic cash registers (used on merchant partners' premises).

Together these generated an aggregate merchant partner turnover amounting to TL 14.8 million and gave Ziraat Bank a 2.77% share of this business line's total turnover.

### Ziraat Bank Operations Center

Focusing on increasingly greater efficiency in the conduct of operations, the Ziraat Bank Operations Center ranked third most

cost-efficient service channel of Ziraat Bank after online banking and the ATM network.

In 2015 the Ziraat Bank Operations Center processed 153,322,723 individual transactions, a performance which boosted the Bank's overall operational centralization score by two points to 98%.

Ziraat Bank continued its efforts to achieve operational excellence and standardization and to enhance operational efficiency all year long in 2015. Some of the highlights of these activities are summarized below.

- The center has begun processing first-mortgage policies.
- Registrar of deeds mortgage release procedures pertaining to retail loan accounts has been centralized.
- The center has begun processing checks issued by Ziraat Bank branches in the Turkish Republic of Northern Cyprus.
- All regular salary payments on behalf of corporate customers are now being processed electronically and handled through the Ziraat Bank Operations Center. All manual intervention on the part of branches in these payments has ceased.
- A pilot project has been initiated to enable branch managers to delegate specific authorities through the online system.
- A "Returns Tracking" screen has been added to the Operations Center's online system. This makes it possible to keep track of detailed information about task requests sent to the center by branches and returned by the center to them.
- The Operations Center has begun sending out safe-deposit box related notifications.
- Mortgages pertaining to corporate customers' loans can now be released by all of the Banks' branches.
- The letter of credit processing system has been improved so that the unique identifier which is generated by the customs & trade ministry for a letter of credit to be submitted to customs offices and which is received from the Credit Bureau of Turkey is automatically printed on the letter itself.
- The processing of domestically-issued foreign currency checks has been centralized at all branches.
- The dispatch of retail loan dunning notices and of corporate loan acceleration-clause notices has been centralized at all branches other than those in Northern Cyprus.
- The center has begun sending out retail overdraft account statements.
- For the central bank's Visual Electronic Check Processing and Clearing System project, Ziraat Bank has initiated trials in which the fronts and backs of checks being sent for clearance are scanned and sent to TCMB. The image quality of these scans has also been improved.
- A project to integrate health-insurance payments for Ziraat Bank retirees, employees, and their family members who are not covered by Ziraat Bank and Halkbank Foundation into the Fintek online system was completed. These payments are no longer being processed manually by the Bank in Turkey.
- Both Turkish-lira and foreign-currency Eximbank Pre-Shipment FX Export Credit processing has been centralized.
- A pilot project has been initiated under which all leases on properties (other than those whose rent is paid against an invoice or receipt) that the Bank rents will be processed by the Operations Center, which will also be responsible for having their payments made on the designated dates.
- A project was initiated in coordination with the International Branch Banking Department under which the foreign trade transactions of Ziraat Bank's foreign branches will be processed by the Operations Center. As a first step in this project, the required technical infrastructure was installed at the Jeddah, Athens, Tbilisi, Arbil, and Baghdad branches and the center is now able to process foreign trade transactions coming from them.

**The unchallenged leader of the sector with the Turkish banking industry's most extensive branch network, Ziraat Bank also makes intensive and effective use of alternative delivery channels as well.**

## On-line appointments

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**6,566**

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**The number of ATM units in operation in Ziraat Bank's network at end-2015**

### **Superior-quality cash management services and technological solutions**

Ziraat Bank offers superior-quality, technology-focused cash management product and service solutions capable of addressing a customer's every need.

Besides increasing a customer's effectiveness and productivity, these solutions also enhance their satisfaction with and loyalty to the Bank while helping to lower Ziraat Bank's operational costs and improve its profitability.

The number of agencies and companies whose bill and other payments Ziraat Bank handles has reached 401. Customers can make such payments conveniently through the Bank's ATM, online banking, mobile banking, and standing-order channels as well as through its branches.

In 2015 Ziraat Bank processed 98 million collections under its Corporate Collections System on behalf of the agencies and companies that it has entered into agreements with. The total volume of

payments processed in this way amounted to TL 117 billion.

The number of firms subscribing to the Ziraat Bank Direct Debit System (DBS) reached 260 in 2015. The total volume of payments processed in this way amounted to TL 1.6 billion last year.

The scope of Ziraat Bank's DBS cash management services was expanded by equipping the system with card-reading capabilities. Thanks to new software that allows terminals to check a dealer's DBS limit:

- A firm's sales are guaranteed,
- Invoices are automatically forwarded to the Bank,
- Collections are made through the Bank.

Other Ziraat Bank cash management services provided last year included payment and electronic check & note collection solutions tailored according to a customer's particular requirements, private school tuition fee collections, account activity integration, web-based online transactions, and cash pooling and collection services.

## Operations at Ziraat Bank

### Payments and Collections

#### EFT/RPS

During 2015, 25,438,413 EFT (electronic funds transfer) and RPS (retail payment system) messages worth a total of TL 3,232,103,996,194 were sent from Ziraat Bank while it received 34,95,338 such messages worth a total of TL 4,146,497,859,657 from other banks.

#### Western Union

As a member of the Western Union system, Ziraat Bank sent 147,584 money orders worth a total of USD 77,181,699.33 and received and paid out USD 459,410,304.73 on a total of 651,478 money orders. Ziraat Bank branches booked commission fees totaling USD 6,064.365.96 for having processed these transfers.

#### Insolvent T. İmar Bankası TAŞ payments

Ziraat Bank processed TL 225,461.62 worth of transfers to one firm and 26 individuals while also paying another TL 1,848,602.97 to 213 individuals within the scope of insolvent T. İmar Bankası T.A.Ş between 1 January and 31 December 2015. This account still showed a net balance of TL 12,128,941 payable to customers as of the latter date.

#### TTH

In 2015 Ziraat Bank made TL 179,719 worth of payments related to the liquidation of the Savings Encouragement Fund to 260 people.

#### KEY

In 2015 Ziraat Bank made TL 1,154,738 worth of payments related to the liquidation of the Home-Ownership Fund to 8,561 people.

Ziraat Bank processed 410 bankruptcy court warrants under which it remitted TL 34,297 to authorities.

### Agricultural support payments

In 2015 Ziraat Bank processed 4,137,228 agricultural support payments worth a total of TL 9,170,657,949. The Bank also offset TL 1,366,412,429 of revenue losses arising from loans extended by itself and the Central Union of Agricultural Credit Cooperatives of Turkey.

### Social Security

Ziraat Bank processed 56,476,412 social security and monthly pension payments worth a total of TL 67,517,488,698 and another 790,258 of such payment amounting to EUR 323,550,464 in 2015.

### Other Operational Activities

#### Computerization of customer signature specimens

Between 1 January and 31 December 2015, 2,098,873 customer signature specimens were incorporated into the online system.

#### Scanning and computerization of customer ID documentation

Between 1 January and 31 December 2015, 4,248,750 pieces of customer ID documentation were incorporated into the online system.

#### Investigation reports

Eighty-six original or cc'd investigation reports were examined covering issues subject to the oversight of the Branch Operations Department. Ninety-five instructions were sent to regional or branch managers' offices concerning issues involving statutory/regulatory compliance and/or payments to depositors.

### Alternative Delivery Channels

The unchallenged leader of the sector with the Turkish banking industry's most extensive branch network, Ziraat Bank also makes intensive and effective use of alternative delivery channels as well.

At end-2015 there were 6,566 ATM units in operation in Ziraat Bank's network, an 8.66% increase over the previous year's number. The number of deposit-accepting units in the network reached 4,347.

As of the same date, 6.3 million Ziraat Bank customers had made use of its online banking services in the last twelve months. This corresponds to a 64% year-on-rise over the previous year's 3.8 million.

In 2015, the number of Ziraat Bank customers making use of its mobile banking channel increased by 154% from 404 thousand to 1.03 million.

### Online appointments improve branch efficiency

Ziraat Bank continued to explore ways in which to come up with solutions addressing customers' needs through the more effective use of its alternative delivery channels in 2015. Last year the Bank introduced an appointment system which allows customers who use mobile devices to make an appointment and reserve a queuing number at a convenient date and time at whatever branch they want before they actually arrive there.

# 64%

**Increase in number of customers using the online banking services**

In 2015, Ziraat Bank maintained its position of a primary dealer in the Turkish Government Debt Securities market. The Bank ranked second, as measured by total transaction volume in the Borsa İstanbul Debt Securities Market, for which performance it was awarded by the exchange.

## the third syndicated loan

29%

The rise of Ziraat Bank's FX trading volume in 2015

### Treasury Management and International Banking

#### Proactive balance sheet management focusing on funding optimization

For several years now Ziraat Bank's balance sheet management has been focusing on:

- Making it more customer-weighted
- Strengthening its shareholders' equity through improvements in profitability
- Augmenting a funding structure that is still predominantly funded by a broad depositor base with the addition of long-term, low-cost non-deposit funding.

The ratio of loans to total assets in Ziraat Bank's balance sheet increases while the share of the marketable securities portfolio continues to fall. Even as the latter does however, the portfolio is extensively used both for trading purposes and for Turkish lira and FX repo contracts in order to enhance the effectiveness and flexibility of the Bank's balance sheet management.

Ways other than repo in which Ziraat Bank seeks to diversify the structure, lengthen the maturity, and reduce the cost of its funding include syndicated loans, bilateral lending agreements, funding from IFIs,

Eurobond issues, and a global medium term note program. Besides ensuring that the Bank has access to the funds it needs to finance its balance sheet assets, funding diversification also balances the Bank's risk exposure and contributes to its profitability.

Continuing to manage its marketable securities portfolio in line with its core strategies in 2015, the share of both Turkish-lira and foreign-currency securities in total securities portfolio was reduced from 26.1% in 2014 to 21.4% in 2015.

A designated primary dealer in the Turkish government debt market, Ziraat Bank continued to successfully maintain that position in 2015. The Bank played an active role not only in the primary market but also in secondary markets, where it traded on behalf of its own customers as well as for national and international financial institutions. As a result of such trading last year the Bank ranked second, as measured by total transaction volume in the Borsa İstanbul Debt Securities Market, for which performance it was awarded by the exchange.

Ziraat Bank's FX trading was up by 29% year-on in 2015.

### **Syndicated loans diversify Ziraat Bank's strong funding capabilities**

In 2015 Ziraat Bank conducted its third syndicated loan. Forty-one banks from 19 countries took part in the syndication when it was undertaken in April. Coordinated by Bank of America Merrill Lynch International Limited, the deal secured for Ziraat Bank a total of USD 1.1 billion in two tranches, one with a 354-day maturity at 6-month LIBOR/EURIBOR + 0.70% and the other with a 367-day maturity at 6-month LIBOR/EURIBOR + 0.80%.

Ziraat Bank will be using this funding in its ongoing efforts to effectively support its customers through the increasingly broader and more diversified range of foreign trade finance products and services that it offers.

### **GMTN Program limit increased to USD 4 billion**

In line with its efforts to diversify its resource structure and to lengthen its borrowing maturities, Ziraat Bank's Global Medium Term Note (GMTN) Program limit was increased and updated to USD 4 billion on 2 April 2015. Under this program, which makes it possible to issue notes in different currencies and at a variety of maturities, Ziraat Bank secured USD 637.7 million and EUR 137.7 million worth of funding in 44 international private placements which were undertaken during the remainder of the year.

### **Ziraat Bank's funding management approach and the increasing importance of saving**

Ziraat Bank's liability-management strategy is rooted in the principle of diversifying and deepening its non-deposit resources on the one hand while concurrently expanding its own deposit base on the other.

One way in which the Bank seeks to increase both its customer numbers and its broadly-based deposit balance is to encourage saving by offering a wide range of deposit products.

Ziraat Bank believes that, owing in part to changes in the legal framework, the propensity to save among the public at large will increase in 2016 and for this reason the Bank is developing products that will encourage its customers to put their savings to work on a long-term basis. Two of the savings accounts products that the Bank plans to introduce in 2016 are a "Trousseau Account" and a "Home-Ownership Account". Both accounts qualify for advantageous state contributions if their maturity is at least three years.

### **The success of "Ziraat Bank Gold Time"**

The "Gold Time" program that Ziraat Bank launched in 2013 continued to successfully encourage customers to convert their physical gold assets into gold-based savings products. About 4.2 tons of gold have been brought into the formal banking system as a result of this program.

Ziraat Bank has long been one of the sector's leading proponents of gold banking. As of end-2015, 12.4 tons worth of gold were held in the Bank's gold deposit accounts. Ziraat Bank also makes it easy for customers to trade in gold through their investment accounts.

### **Ziraat Finance Group mutual funds: "There's one just right for you!"**

The Ziraat Finance Group investment funds controlled by Ziraat Bank and its subsidiaries outperformed sectoral growth averages in 2015.

Marketed under the "There's one that's just right for you!" slogan, Ziraat Finance Group investment funds are capable of appealing to a broad range of investors with different risk profiles. The group's stock (equity) fund grew by 30.9% in 2015, a year in which the sectoral average was just 5.4%, and reached a total value of TL 3.18 billion at year-end. During the same twelve months, the ZFG funds' combined investor base grew from 193,622 to 234,565.

When private pension funds are also taken into account, the investment funds industry grew by 16.7% overall in 2015. The Ziraat Finance Group's investment funds by comparison grew by 42.1% and reached a total value of TL 4.64 billion during the same period.

### **Complying with CMB regulations**

Another important development in 2015 took place when, in compliance with Capital Markets Board regulations, ten investment funds set up by Ziraat Bank and four investment funds set up by Ziraat Yatırım were turned over to Ziraat Portföy Yönetimi (ZPY), a specialist portfolio management firm.

Under a CMB license that was obtained to provide portfolio custody services, such services are now being provided for twenty-one investment funds belonging to members of the Ziraat Finance Group. The scope of this license is such that ZPY may provide these services for all collective investment schemes, not just those belonging to ZFG members. Fund-management services are also being provided by ZPY to the same twenty-one funds as per the CMB license.

### **Seven new mutual funds were launched.**

In order to diversify the range of collective investment options that are made available to Ziraat Finance Group customers, last year seven new mutual funds were added to the existing lineup. These are:

- A hedge fund
- A fund of funds
- A real estate investment trust equity fund
- A sharia-compliant hedge fund
- A sharia-compliant equity fund
- A sharia-compliant FX fund
- A sharia-compliant lease certificate participation fund.

Of the seven newly-launched funds, the last four were introduced as alternatives for customers who prefer interest-free collective investment schemes.

**Strong and sustainable relationships with correspondents, superior-quality service, and high value added products are the fundamental reasons why Ziraat Bank is an increasingly preferred partner in foreign trade finance.**

## **strong correspondent network**

**1,770**

**Number of the banks that  
Ziraat Bank had correspondent  
relationships**

### **Safe hands for customers' assets**

The aggregate value of all retail customer portfolios for which portfolio custody services were being provided as of end-2015 was TL 2.89 billion. Similarly the combined value of retail customer portfolios for which Ziraat Portföy Yönetimi was providing general custody services was TL 2,887 million as of the same date.

### **Turkish Electronic Fund Trading Platform: More effective access to investment funds**

Ziraat Bank customers can use their Ziraat Bank investment accounts to trade in the shares of investment funds belonging to other banks, brokerages, and portfolio management companies via the Turkey Electronic Fund Trading Platform (TEFAS), a central electronic platform that is shared by all of the investment funds traded in Turkey. Similarly, investors who are not Ziraat Bank customers can also trade in ZFG investment funds through the same platform.

### **Continuous, regular investment with a single instruction**

Ziraat Bank customers may now issue instructions to purchase shares in all ZFG investment fund on a regular basis, a service that previously was available only to those

who placed standing orders to purchase shares in a ZPY fund designed to encourage saving among children. When issuing such instructions, customers may specify what shares are to be purchased in what quantities every month.

### **Ziraat Bank capital market licenses have been renewed.**

As required by CMB regulations, Ziraat Bank applied to that agency to have its capital market licenses renewed. The Bank's applications were approved at two CMB meetings on 7 December and 28 December of last year. As a result of these renewals, Ziraat Bank is currently authorized to engage in the investment activities and to provide the primary and ancillary investment services indicated below.

### **Primary investment services and activities that may be performed on behalf of customers:**

- Order transmission
- Trading
- Portfolio management
- Limited custody services
- General custody services

### Ancillary services

- Capital markets advisory services
- Margin trading services
- FX services
- General investment advisory services
- Brokerage services
- Financial intermediary services
- Wealth management and financial planning services

### International Relations that Enhance Customer Value

In keeping with its customer-focused business model, Ziraat Bank cooperates with international financial institutions in order to provide its customers with financial solutions which are both appropriate and create value.

As of end-2015, Ziraat Bank had correspondent relationships with about 1,770 banks in more than 130 countries.

Ziraat Bank continuously expands its extensive correspondent network and deepens its bilateral relationships in order to keep pace both with customer demand and with changes and trends in the global economy.

Thanks to the synergistic collaboration that arises from a strong correspondent network, the Bank has the ability to provide global-scale trade intermediation services and to develop bespoke solutions no matter what its customers' foreign trade finance requirements may be. Strong and sustainable relationships with correspondents, superior-quality service, and high value added products are the fundamental reasons why Ziraat Bank is an increasingly preferred partner in foreign trade finance.

The consistent growth in Ziraat Bank's share of Turkey's foreign trade finance remained on course in 2015, with the Bank ranking among the leading players in this business line as of year-end. Ziraat Bank registered about a 30% rate of growth in the number of customers for which it provided foreign

trade finance product and service last year and was involved in deals involving more than 150 countries.

Under the heading of foreign trade finance, Ziraat Bank offers products such as letter of credit discounting and endorsed bill discounting. It works closely with such export credit agencies as Hermes, COFACE, SERV, and SACE in order to give its customers access to their medium- and long-term country credit resources.

### Global service reach

With branches, subsidiaries, and representatives at 97 locations in 18 countries around the world, Ziraat Bank continues to strengthen its position as the center of a service network whose international reach is more extensive than that of any other Turkish bank.

Ziraat Bank's broad international service network consists of 9 international subsidiaries, 22 branches, 4 sub-branches, and 1 representative's office.

Seeking to fulfill their missions of providing high-quality service by undertaking projects and devising new products appropriate to the countries in which they are located, Ziraat Bank's global service points consist of nine international subsidiary banks and its:

- New York branch (USA)
- London branch (UK)
- Tbilisi branch and Batumi sub-branch (Georgia)
- Sofia branch and Plovdiv, Kardzhali, and Varna sub-branches (Bulgaria)
- Athens, Komotini, Xanthi, and Rhodes branches (Greece)
- Baghdad and Erbil branches (Iraq)
- Jeddah branch (Saudi Arabia)
- Lefkoşa, Girne, Gazimağusa, Güzelyurt, Gönyeli, Akdoğan, Near East University, Karaoğlanoğlu, Karakum, and İskele branches (Northern Cyprus)
- Pristina branch (Kosovo)
- Teheran representative office (Iran)

### Overseas Branch Banking

Overseas branch banking activities are carried out in line with Ziraat Bank's international banking strategies and vision in order to achieve the following aims:

- To increase the number of countries in which the Bank has a presence,
- To contribute to the expansion of commercial and economic ties between such countries and Turkey,
- To play a leading role in trade finance activities with increased market share in those countries.
- To deliver fast, efficient, and superior-quality service to Turkey's entrepreneurs and firms as well as all other countries in every territory in which the Bank has an operational presence,
- To effectively exploit synergies in keeping with the underlying principles of the Ziraat Finance Group.

### Expanding our global reach and effectiveness

Ziraat Bank's goal is to be Turkey's and its region's strongest and most active bank as it continues to exploit the dynamics of developments in global and local markets and to take advantage of business potential and opportunities that arise in every territory in which it has a presence.

2015 developments in Ziraat Bank's overseas branch banking activities are summarized below.

The Bank's Pristina branch in **Kosovo** commenced operations on 8 June 2015. Work is currently in progress to open a second branch in the city of Prizren.

Work is currently in progress to open a branch in **Bahrain**, which is the first step in Ziraat Bank's plan to build up a presence in the Gulf Region. This branch is expected to commence operations by midyear 2016.

With an eye on the particular dynamics and needs of **London** as a financial center, Ziraat Bank's London branch has been reorganized so as to expand its product and service

**Ziraat Bank believes that its employees should be individuals who are capable of keeping pace with the necessities of the time and open to change and improvement, who are focused to success, who have an affinity for teamwork, and a heightened sense of responsibility.**

## support for women employment

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**25,697**

**Ziraat Bank's total number of employees as of 2015**

range and to increase its effectiveness especially in such business lines as secondary market trading, structured finance, and foreign trade finance.

Ziraat Bank's operations in **Bulgaria** consist of four branches located one each in the cities of Sofia, Plovdiv, Kardzhali, and Varna. Work is in progress to broaden the Bank's presence in the country by enlarging the reach of its ATM network and online banking, non-branch, and alternative delivery channels.

In **Greece**, Ziraat Bank currently has an operational presence at four locations in the form of its Athens, Komotini, Xanthi, and Rhodes branches.

In **Northern Cyprus (TRNC)**, Ziraat Bank's customer- and market-focused operations are conducted through ten branches, which are giving increasingly greater attention to product line expansion and service quality improvement. Loans to farmers, which were introduced in 2011, have been attracting much attention and reached about TL 63 million in value at end-2015, as of which date total lending to all customers in this market amounted to TL 672 million. Not only are TRNC branches able to provide the

same banking products and services as their siblings in Turkey, they also position the Ziraat brand among the country's leading banks as measured by size and profitability and continue to play an important role in Northern Cyprus's economic development.

Ziraat Bank's Tbilisi branch in **Georgia** first opened its doors for business in 2001. In line with the Bank's core goal and strategy of increasing the Ziraat brand's regional clout and pursuing growth in Turkey's near abroad, a sub-branch was opened in the city of Batumi in 2013. Work is currently in progress to open a third branch, to be located in the city of Marneuli, and it is planned to have it commence operations by midyear 2016.

Ziraat Bank's **Jeddah** branch has been in business since 14 March 2011. While providing letters of guarantee for Turkish contractors in the country remains an important business line, the branch is seeking to expand its product and service capabilities in order to satisfy the banking needs of Saudi as well as Turkish corporate and retail customers.

Having first gained a presence in **Iraq** when it opened a branch in Baghdad in 2008, on 14 February 2011 Ziraat Bank became

the first Turkish bank to open a branch in the city of Erbil. Last year Ziraat's branches continued to play an increasingly greater role in issuing letters of guarantee for Turkish contractors active in the region and in processing money transfers for Turkish companies and nationals in Iraq.

## Human Resources and Training

Ziraat Bank owes its leading position in the Turkish banking industry to its employees. Taking this simple fact as its point of departure, Ziraat Bank manages a human resources policy which puts the employee at its center and whose aim is to let the Bank's personnel view the future with confidence.

Regarding its employees as the architects of its banking business sustainability, Ziraat Bank fulfills its obligations towards its personnel by compensating them appropriately and equitably and by providing them with modern working conditions and with opportunities for professional and personal advancement.

Believing that its employees should be individuals who are capable of keeping pace with the necessities of the time and open to change and improvement, who are focused to success, who have an affinity for teamwork, and a heightened sense of responsibility, Ziraat Bank supports its personnel throughout their careers in line with its philosophy of constant progress.

In 2015 Ziraat Bank continued to implement the progressive human resources management system to which it has committed itself.

### Ziraat Bank human resources highlights

- As of 31 December 2015 Ziraat Bank had 25,697 people on its payroll.
- Ziraat Bank hired 3,486 new personnel during the previous twelve months.
- 86% of Ziraat Bank's employees have a university bachelor's degree or higher academic qualifications.
- The average age of Ziraat Bank employees is 34.5; their average length of service is 10.5 years.

- Ziraat Bank has more master's and doctorate degree-holders on its payroll than any other bank in Turkey.
- Ziraat Bank gives importance to the presence of women in the workforce. According to Capital, a magazine, Ziraat Bank ranks fifth among the top one hundred in a survey of companies in Turkey based on the number of women on their payroll.

### Personnel training in 2015

A total of 19,534 Ziraat Bank employees took part in training activities in 2015 with average training time per person amounting to 16.41 hours.

Ziraat Bank engages in an ongoing effort to train its human resources and equip them with the skills required to do their jobs

Training activities in 2015 were conducted under the following headings:

- "Banking School & Orientation Training", which is given to newly-recruited personnel to introduce them to the Bank, to help them adapt to its corporate culture, and to equip them with basic knowledge and skills;
- "Management Trainee Program Training", which is given to personnel who have reached the Authorized level in order to prepare them for management-level positions and duties;
- "Development Training", which is given to employees sometimes to satisfy the training requirements of the Bank's goals and strategies and sometimes to inform them about new products and services or about changes in the legal framework, and "Mandatory Training", which is training given to employees as mandated by law;

2015 training statistics are provided in the accompanying chart.

Classroom Training	Number of Employees that Took Part in Training Activities	19,534
	Average Training Time per Total Employees	16.41
	Average Training Time per Employees who Took Part in Training Activities	20.55
Number of Employees that Took Part in E-learning Activities		136,423
Total Cost of Trainings/Last 3 Months (TL)		2,203,255
Total Cost of Trainings/Annual (TL)		4,965,495

- "Licensing & Certification Training", which is given to employees to help them prepare for national and international licensing and certification examinations.

### E-learning: A low-cost and effective training alternative

Besides making it possible to provide more training to more people in less time at a lower cost and without interrupting work schedules, e-learning also means that people can access training materials and resources whenever and wherever it is convenient for them to do so and also proceed at their own pace. In 2015, 136,423 Ziraat Bank employees took part in e-learning activities in support of their regular classroom training. Last year a project was completed to make the Bank's new training management app accessible to all personnel from both inside and outside the Bank's premises. Apps that will permit mobile device access to e-learning materials have been developed for the App Store (iOS) and Google Play (Android) marketplaces. These are currently undergoing security auditing and are to be uploaded in the near future.

### Supporting the bankers of tomorrow with traineeship opportunities today

During the 2014-2015 academic year Ziraat Bank provided professional skills training to 1,064 high school students and 23 university students and traineeship positions at the Bank to 2,294 university students. During the 2015-2016 academic year these numbers were 1,071, 24, and 2,543 respectively.

### 2015 promotion qualification exams

5,038 Ziraat Bank personnel sat for the 2015 series of promotion qualification examinations, which was conducted in collaboration with Anadolu University.

As the author of cultural, educational, and sport-related projects that contribute to the cultural assets of society as a whole, Ziraat Bank is committed to constantly and methodically advancing the social responsibility mission that it has undertaken.

### “Through Art For Art”

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**+25,000**

**Number of visitors who attended twenty-one exhibitions during 2015**

**In 2015 Ziraat Bank continued to engage in a multidimensional array of social responsibility and public relations projects.**

Ziraat Bank undertakes activities that seek to improve both individuals and society as a whole in the areas of culture, art, education, and sport.

Especially as the author of projects that contribute to the cultural assets of society as a whole, the Ziraat Bank is committed to constantly and methodically advancing the social responsibility mission that it has undertaken.

#### **Public relations in 2015**

As in the previous six years, Ziraat Bank once again served as the Turkish Cup name sponsor for the 2015/2016 season. Since the 2007/2008 season the Bank has been the sponsor of a team that has been successfully representing Ziraat Bank in the Aroma Men’s Premier Volleyball League and it continued to support the team once again in the 2015/2016 season as well.

#### **Popular, attention-getting advertisements and commercials**

Four Ziraat Bank advertisements released in 2015 were highly popular, attracted considerable attention, and strongly enhanced the Bank’s visibility in the various channels in which they were appeared all year long:

- “Dev Projeler”, which showed how Ziraat Bank finances major investment projects around the country and also drew attention to the “Turkey’s oldest new bank” slogan;
- “Likapa”, which highlighted the added value that Ziraat Bank creates for its agricultural customers;
- “Mobil Bankacılık”, in which an elderly retired couple demonstrate how convenient Ziraat Bank’s mobile banking app is;
- “KOBİ Lades”, which focused on Ziraat Bank’s “SME Branch” concept.

Ziraat Bank’s “Likapa” was voted one of the year’s top ten advertising films by YouTube users in 2015.

A publicity film broadcast in conjunction with the Bank's 152nd anniversary provided a chronological panorama of the reasons why Ziraat Bank has been "More Than Just A Bank" for more than a century and a half. This film attracted considerable attention in both traditional and social media.

### **Protecting the cultural heritage**

Informed by its spirit of social collaboration, Ziraat Bank provides ongoing support for culture and art.

In keeping with this and as a component of its social responsibility policy, Ziraat Bank continued to support health, education, service, and sport-related activities in 2015 as well.

### **Supporting the arts is a Ziraat Bank tradition.**

The support that Ziraat Bank has been giving to art and artists since the day it was founded is summed up in its slogan "Through Art For Art". The Bank continues to take part in and support artistic activities in a variety of ways.

In the 1990s Ziraat Bank began adding new landmarks to its support for the arts by opening its Mithatpaşa, Kuğulu, Tünel, and Kızıltan Ulukavak art galleries and with the inauguration of the Ömer Nafi Güvenli Exhibition Hall.

Twenty-one exhibitions mounted in the Bank's Ankara Kuğulu and İstanbul Tünel galleries attracted more than 25 thousand visitors during 2015.

Ziraat Bank's support for culture and art also extends into the domain of theater. Under an agreement with the General Directorate for State Theaters, the resources of the Bank's Mithat Paşa Cultural Center are made available for State Theaters company performances as the "State Theaters at Ziraat Stage".

### **The Ziraat Bank Museum**

Located in the ceremonial hall of the Bank's original headquarters building in the Ulus district of Ankara, the Ziraat Banking Museum opened its doors to the public on 20 November 1981. Turkey's first museum devoted to banking, the Ziraat Banking Museum provides a panoramic view of a corporate history that is intimately associated with that of nearly every aspect of the Republic of Turkey. Besides displaying the commercial, economic, political, cultural, artistic, and educational progress and transformation that Turkey has undergone in the course of more than a century and a half, the Ziraat Banking Museum also houses examples of objects used in the Turkish banking industry in a historical setting.

### **Digital platforms and field research**

As part of Ziraat Bank's efforts to ensure that its corporate identity is used in accordance with bank-specified standards so that its brand image is correctly perceived among customers, that its corporate identity is properly integrated into all appropriate environments, and that any misapprehensions of the Ziraat brand and identity are avoided, all branches were visited and checked for their compliance with the Bank's Visual Identity Standards in 2015.

The Ziraat Bank Secret Customer Program continued in 2015, with every branch being visited at least once. These visits are conducted in order to obtain performance evaluation input by determining such issues as the degree to which employees are complying with business targets and standards, the adequacy of employees' efforts to acquire new customers for the Bank, and how effective employees are in imparting their product knowledge to customers.

### **Ziraat Bank and social media**

Ziraat Bank makes active use of social media as a way to interact with its stakeholders. The Bank maintains a social media presence on every platform where its customers are likely to be found in order to satisfy their wishes and expectations in the best way possible and to maximize customer satisfaction.

- The 764 thousand "Likes" received by the Bank's Facebook page as of end-2015 made it one of the most active of those owned by any member of the Turkish banking industry.
- Ziraat Bank's effectiveness in other social media continues to grow steadily. In 2015 the Bank had more than:  
71 thousand Twitter followers  
27 thousand Instagram followers  
10,000,000 YouTube views.

According to the results of a survey conducted by Roamlar Türkiye measuring and analyzing brand perceptions among Turkish consumers, Ziraat Bank ranked among the top three banks regarded as being "the most social" in Turkey in 2015.

### **Other activities**

In 2015 Ziraat Bank once again took part in the conduct of projects of significant national importance as a sponsor at numerous fairs and similar events in Turkey and abroad.

Ziraat Bank is constantly on the lookout for alternative ways in which to pursue organic and inorganic growth in every country and sector which it deems to be in line with its strategies and objectives and which it sees being potentially profitable and productive.

# competitively strong portfolio of subsidiaries

## 15%

The target of Ziraat Bank's subsidiaries for contributing in Ziraat Finance Group's total profits in the medium term

### A strategy based on sustainable profitability and growth

Ziraat Bank's subsidiary and affiliate strategy is rooted in the principle of achieving sustainable profitability and growth for the entire Ziraat Finance Group by:

- Maximizing synergies among domestic business concerns active in a wide range of sectors on the one hand and geographically-dispersed foreign ones on the other;
- Ensuring that every subsidiary/affiliate is a viable business concern that is both the most preferred by customers and the most profitable one in its respective business line.

In keeping with this strategy, Ziraat Bank's primary goal therefore is to develop and maintain a portfolio of subsidiaries and affiliates which command leading and competitively strong positions in whatever business line and/or locality they may be active by virtue of their:

- broad product range,
- delivery channel diversity,
- competent human resources,
- lean business processes,
- advanced technological infrastructure.

An equally important consideration is that they should be able to respond to Ziraat Finance Group customers' financial product and service needs with the best possible solutions no matter what those needs may be.

Ziraat Bank is constantly on the lookout for alternative ways in which to pursue organic and inorganic growth in every country and sector which it deems to be in line with its strategies and objectives and which it sees being potentially profitable and productive.

A fundamental issue for Ziraat Bank is that its subsidiaries and affiliates should be contributing about 10% of the Ziraat Finance Group's total assets and about 15% of its total profits in the medium term.

### In 2015 Ziraat Bank made three new additions to its service network.

Three new members of the Ziraat Finance Group commenced operations in 2015:

- Ziraat Katılım Bankası A.Ş., a Turkish-based participation bank founded on 29 May 2015 with the equivalent of USD 300 million in capital;
- Ziraat Bank Azerbaijan ASC (AZN 50 million) and Ziraat Bank Montenegro AD (EUR 10 million), both incorporated on 27 July 2015.

Other subsidiary and affiliate developments in 2015:

- Ziraat Bank International AG's 32% stake in Bosnia-Herzegovina headquartered ZiraatBank BH d.d. was taken over by Ziraat Bank, thereby turning it into a direct and wholly-owned Ziraat Bank subsidiary. At the same time, ZiraatBank BH d.d.'s paid-in capital was increased to KM 100,000,000 by a cash injection of KM 30,000,000 and a non-cash addition of KM 10,000,000.
- Turkmenistan-based Turkmen Turkish JSC Bank's capital was increased to TMT 61,100,000 as a result of the capitalization of TMT 19,085,300 worth of various balance sheet items.
- Ziraat Bank's Uzbekistan-based subsidiary Uzbekistan Turkish Bank JSC was renamed UTBANK JSC and its capital was increased from UZS 30,894,600,000 to UZS 36,146,682,000.
- Moscow-based Ziraat Bank JSC's paid-in capital was increased by a USD 15,000,000 cash injection.

## International Subsidiaries

### Ziraat Bank International AG

Active in Germany for fifty-one years, Ziraat Bank International AG supplies an extensive array of retail and corporate banking products and services through nine branches located in the cities of Berlin, Duisburg, Frankfurt, Hamburg, Hannover, Cologne, Munich, Nuremburg, and Stuttgart. The bank also has an Istanbul-based representative's office that it opened in April 2014.

Employing a staff of 149 people, Ziraat Bank International AG's paid-in capital at end-2015 amounted to EUR 130 million. As of the same date the bank reported EUR 184.5 million in shareholders' equity, EUR 1,401 million in total assets, EUR 1,272 million in total lendings, and EUR 1,194 million in total deposits. In the year to end-2015, the bank's credit placements increased by 3.5% while its net profit grew by 35.7% to EUR 13.7 million.

### ZiraatBank BH d.d.

When it commenced operations in 1997, ZiraatBank BH d.d. was the first and only entirely foreign-owned bank in Bosnia-Herzegovina.

ZiraatBank BH d.d. supplies a complete range of banking products and services to corporate, small-business, and retail customers through a service network that includes 44 ATM and 781 POS units. As of end-2015 the bank had issued 10 thousand credit cards and 23 thousand bank cards and employed a staff of 265.

As of the same date, ZiraatBank BH d.d. reported total assets of USD 402 million, total lendings of USD 277 million, total deposits of USD 251 million, and USD 65 million in shareholders' equity. Last year the bank posted a profit of USD 5 million. In February it successfully completed the installation of new basic banking software in order to provide its customers with better-quality service.

### Ziraat Bank (Moscow) JSC

Moscow-based Ziraat Bank JSC commenced operations in 1993.

Focusing primarily on the corporate banking segment, Ziraat Bank (Moscow) JSC at end-2015 showed total assets of USD 46.2 million, total lendings of USD 22 million, and a profit of USD 892 thousand. Last year the bank's capital was increased by USD 15 million.

### Kazakhstan Ziraat International Bank (KZI Bank)

Headquartered in Almaty, Kazakhstan Ziraat International Bank (KZI Bank) was the country's first foreign-owned financial institution when it was founded in 1993. The bank serves retail and corporate customers through branches located in the cities of Almaty, Astana, and Shymkent.

According to its independently-audited financial statements dated 31 December 2015, KZI Bank showed total assets worth USD 169.7 million, USD 617 million in shareholders' equity, and a net profit of

USD 5.4 million. Last year the value of the bank's loan book amounted to USD 91.3 million, a figure that corresponds to a 34.4% twelve-month rise on a local-currency basis. Bank-held customer deposits were worth USD 81 million.

### Turkmen Turkish JSC Bank

Founded in 1993 as a Ziraat Bank and Dayhan Bank joint venture in which each controlled a 50% stake, Turkmen Turkish JSC Bank was the first bank in Turkmenistan in which there was a foreign capital interest.

Headquartered in Ashgabat and employing a staff of 272 in operations in that city and elsewhere, the bank reported total assets and a net profit worth USD 195.3 million and USD 8.8 million respectively in 2015. Turkmen Turkish JSC Bank supplies a complete range of banking products and services to the corporate, small-business, and retail segments.

### UTBANK JSC

UTBANK JSC was founded as a joint venture of Ziraat Bank and Agrobank of Uzbekistan in which each controlled a 50% stake. Headquartered in Tashkent, it was the first bank in which there was a foreign capital interest to be licensed in the country.

The bank supplies a complete range of banking products and services conforming to international standards of quality to corporate and retail customers. In 2015 UTBANK registered an 86% year-on rise in its lendings, which reached USD 33 million in value, while its total assets were up by 28% to USD 85.8 million and its total deposits by 91% to USD 37 million. In the twelve months to end-2015, UTBANK's net profit grew by 48% to USD 3.1 million. In line with its growth vision, in 2016 the bank will be opening new branches in Samarkand and Fergana, which will bring the total number in the country to four.

**Ziraat Bank Azerbaijan ASC and Ziraat Bank Montenegro AD, the two newest members of the Ziraat Finance Group's international organization, both commenced operations in July 2015.**

# maximum synergy among subsidiaries

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# 3

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**The number of new additions to Ziraat Bank's service network**

### **Ziraat Bank Azerbaijan ASC**

One of the two most recent additions to the Ziraat Finance Group's international organization is Ziraat Bank Azerbaijan ASC, which commenced operations in July 2015, having been issued its license on 30 December 2014. This is reputedly the fastest that any bank in the country's banking industry has opened its doors for business after being issued its license.

Set up mainly to serve the corporate banking segment, Ziraat Bank Azerbaijan ASC conducts its operations through its headquarters office in Baku and İçerişehir branch. The bank's registered capital is AZN 50 million, of which Ziraat Bank controls a 99.98% stake.

### **Ziraat Bank Montenegro AD**

Having been issued its license by Montenegrin authorities in April 2015, Ziraat Bank Montenegro AD became one of the Ziraat Finance Group's two newest members when it opened its doors for business in July 2015.

Headquartered in Montenegro's capital Podgorica, the bank has one branch located in the same city. The bank, whose registered capital amounts to EUR 10 million, is a wholly-owned subsidiary of Ziraat Bank.

### **Domestic Subsidiaries**

#### **Ziraat Sigorta A.Ş.**

Ziraat Sigorta A.Ş., a general (non-life) insurance company, was incorporated on 11 May 2009 and commenced operations in 2010. The company quickly gained a reputation as a noteworthy and successful example of bancassurance by virtue of its sustainable and profitable sector-leading growth in premium production.

With its growth and development firmly on course in its sixth year of operation, Ziraat Sigorta generated about TL 934 million in premiums in 2015, about 33% more than those of the previous year. Such performance is what clinches the company's position among Turkey's top ten non-life insurers as measured by premium production.

As of year-end 2015, Ziraat Sigorta had total assets of TL 594 million and shareholders' equity amounting to TL 196 million. The company's net profit, which weighed in at TL 87 million, was up by 34% year-on.

#### **Ziraat Hayat ve Emeklilik A.Ş.**

Ziraat Hayat ve Emeklilik is a life insurance and pension provider that was founded in 2009. The company commenced operations in the life and personal accident insurance branches at the beginning of 2010 and began offering pension products in July 2011. The consistent premium production leader of the Turkish life insurance industry since its inception, ZHE's TL 630 million worth of premiums taken in during 2015 corresponded to a 16% market share.

One of the founders of Turkey's private pension system, ZHE's pension funds grew by 75% to TL 1,462 million year-on in 2015 while the number of its pension account customer was up by 56% to 395 thousand. As of end-2015 the company reported total assets of TL 2.6 billion, shareholders' equity of TL 304 million, and a net profit of TL 163 million.

#### **Ziraat Finansal Kiralama A.Ş.**

Founded in 1991 and having consistently grown both its assets and its net leasing receivables faster than sectoral averages ever since, Ziraat Finansal Kiralama is a leasing company and leader of the Turkish leasing industry. In 2015 the company's total assets, net leasing receivables, and net profit reached TL 2.4 billion, TL 2.3 billion, and TL 36 million respectively.

#### **Ziraat Yatırım Menkul Değerler A.Ş.**

Ziraat Yatırım Menkul Değerler is Ziraat Bank's brokerage house. Founded in 1997, the company conducts its operations through eight branches, twelve liaison offices, an online platform, and a call center.

In 2015 the company wrote business worth TL 23 billion on the BIST equities market, TL 7 billion on the derivatives market, and TL 83 billion on the repo & reverse-repo and the bond & bill markets.

Ziraat Yatırım is also an active player in the corporate finance product and service business line: last year the company underwrote TL 7.2 billion worth of private-sector bond and bill issues that were sold to qualified investors. As of end-2015 t Ziraat Yatırım showed shareholders' equity in the amount of TL 90 million.

#### **Ziraat Portföy Yönetimi A.Ş.**

Ziraat Portföy Yönetimi, an asset & portfolio management company that Ziraat Bank set up in 2002, provides management services for portfolios consisting mainly of capital market vehicles. The company has USD 8.5 million in capital. Licensed last year to establish collective investment schemes (investment funds) of its own, ZPY has since set up 21 of them, which it manages along with 11 pension funds.

With 81 individual and 12 corporate clients, ZPY was cited as Turkey's "Biggest Private Portfolio Manager" by the Turkish Institutional Investment Managers' Association in 2015.

In 2015 ZPY made many new additions to its business lineup. The company undertook major investments in the areas of investment advisory services and online trading infrastructure & technology and marketing that give it the ability to manage institutional and private portfolios in real time not just in Turkey but anywhere in the world. Portfolio management software which ZPY purchased and installed has brought the system's technology security to international standards. The company also continued to investment in human resources in order to sustain its rapid growth.

Every Ziraat Bank branch is authorized to act as a ZPY agent. The company has also moved into alternative delivery channels through active marketing and distribution agreements that it has entered into with its sister company Ziraat Yatırım and with Odeabank to trade in the shares of investment funds that are quoted on the Turkey Electronic Fund Trading Platform.

At end-2015 ZPY had TL 7.5 billion worth of funds under its management, a 90% increase over the previous year's TL 3.9 billion. Having boosted its share of private portfolio management services from 2.91% to 18.77% and that of institutional portfolio management services from 11.21% and 24.63% during the previous twelve months, it now ranks in first and second place in those markets respectively. When company-managed investment funds and pension funds are also taken into account, ZPY's market share grew from 5.06% in 2014 to 7.77% in 2015 and boosted the company to fifth place in the sector.

#### **Ziraat Teknoloji A.Ş.**

An IT solutions provider founded in 2001, Ziraat Teknoloji employs a knowledgeable and dynamic staff of nearly 550 to provide application development, systems management, project management, and technology consultancy services to Ziraat Bank and to its domestic and international subsidiaries and affiliates.

Based in Yıldız Technical University's technopark and holding both ISO 9001 Quality Management System and ISO 27001 Information Security Management System certifications, Ziraat Teknoloji plays an important role as an effective technology services provider through the software and apps that it develops for the Ziraat Finance Group's IT projects.

#### **Ziraat Katılım Bankası A.Ş.**

Founded on 10 October 2014 under Banking Regulation and Supervision Agency license number 6046 that was published in issue 29146 of the official gazette on 15 October 2014, Ziraat Katılım Bankası commenced operations as of 29 May 2015.

ZKB's underlying philosophy is to listen to its customers' needs at all times and to come up with bespoke solutions that are consistent with the principles of Islamic banking. The bank strives to create value not just for its customers and shareholders but for all of its stakeholders and society as a whole as well. The bank's registered capital is TL 675 million, of which Ziraat Bank controls a 99.99% stake.

## Changes in the Articles of Association in 2015

### Bank's paid-in capital was increased to TL 5,000,000,000 by the amount of TL 2,500,000,000.

Pursuant to a resolution passed at an extraordinary general meeting held on 11 February 2015, the Bank's paid-in capital was increased to TL 5,000,000,000.00 by the amount of TL 2,500,000,000.00, of which TL 1,825,000,000.00 was from internal resources and TL 675,000,000.00 consisted of a cash injection. This share capital increase was registered on 13 February 2015 and was announced in the 8761 issue of the trade registry gazette on 18 February 2015. Concerning this matter, the Bank's articles of association were also amended as indicated below.

#### Article 6 (previous version)

##### Capital

Article 6: The Bank's capital is 2,500,000,000.00 Turkish liras. This capital is divided into 2,500,000,000 registered shares each with a par value of one Turkish lira. All of this capital has been paid in and is belongs entirely to the Treasury.

#### Article 6 (new version)

##### Capital

Article 6: The Bank's capital is 5,000,000,000.00 Turkish liras and belongs entirely to the Treasury. All of the previous capital amounting to 2,500,000,000.00 Turkish liras had been paid in. Of the 2,500,000,000.00 Turkish lira increase that has been made, 543,482,000.00 liras consists of adjustments in the paid-in capital to account for inflation, 90,120,700.00 liras consists of adjustments in current profit to account for inflation, and 1,191,397,300.00 liras consists of prior-year profits. The amount of 675,000,000.00 Turkish liras was freely and unambiguously pledged in cash and paid in its entirety by the Treasury before the registration date.



## CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

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

**Auditor's Report on the Board of Directors' Annual Report within the Scope of Independent Audit Standards**

We have audited the annual report of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (the "Bank") and its consolidated subsidiaries (collectively referred to as the "Group") for the period ended 31 December 2015.

*Board of Directors' responsibility for the Annual Report*

The Bank management is responsible for the fair preparation of the annual report and its consistency with the consolidated financial statements ("consolidated financial statements") which are issued in accordance with the "Regulation on Principles and Procedures Regarding Preparation and Promulgation of Annual Reports by Banks" published in Official Gazette No. 26333 dated 1 November 2006 and Article 514 of Turkish Commercial Code ("TCC") No. 6102 and "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, other regulations on accounting records of Banks published by BRSA, circulars and interpretations published by BRSA, and Turkish Accounting Standards for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of the annual report.

*Independent Auditor's Responsibility*

Our responsibility is to express an opinion on whether the financial information in this annual report is consistent with the Bank's consolidated financial statements and reflects the truth, based on our independent audit of the Bank's annual report within the scope of "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015 and article 397 of the TCC.

Our independent audit was conducted in accordance with Independent Auditing Standards ("ISA") that are part of Turkish Standards on Auditing published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information in the annual report is fairly presented and consistent with the consolidated financial statements.

An independent audit requires applying audit procedures to obtain audit evidence on the historical financial information. The procedures selected depend on the professional judgement of the independent auditor.

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



*Opinion*

Based on our opinion, the financial information in the annual report of the Board of Directors of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. is consistent with the audited consolidated financial statements and presented fairly, in all material.

**Other Responsibilities Arising from Regulatory Requirements**

Pursuant to subparagraph 3 of Article 402 of the TCC No. 6102, within the context of ISA 570 "Going Concern", we have not encountered any significant issue which we are required to be reported with regard to the inability of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. to continue its operations for the foreseeable future.

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

A large, stylized handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Haluk Yalçın, SMMM  
Partner

Istanbul, 10 February 2016

# Management and Corporate Governance Practices

## Ziraat Bank Board of Directors



**FAHRETTİN ÖZDEMİR**  
Member of the Board

**METİN ÖZDEMİR**  
Member of the Board

**FEYZİ ÇUTUR**  
Member of the Board and  
Member of the Audit  
Committee

**SALİM ALKAN**  
Member of the Board

**HÜSEYİN AYDIN**  
Member of the Board and  
CEO



**MUHARREM KARŞLI**  
Chairman of the Board and  
Member of the Audit  
Committee



**YUSUF DAĞCAN**  
Vice Chairman  
of the Board



**MUSTAFA ÇETİN**  
Member of the Board



**CEMALETTİN BAŞLI**  
Member of the Board



**GÖKHAN KARASU**  
Audit Board Member

# Ziraat Bank Board of Directors

## **MUHARREM KARSLI**

Chairman of the Board and  
Member of the Audit Committee

Muharrem Karslı graduated from İstanbul University (Faculty of Economics, Department of Business Administration and Finance) in 1959, where he later completed a master's degree in money and banking. As he worked as an assistant inspector and inspector at T. İş Bankası from 1965 until 1974, he also pursued one-year research studies in banking in the UK and France. Based on his research studies, he introduced ATM devices to Turkey for the first time in 1972. In 1974, he set up the Securities Department at the same bank, a first in the Turkish banking industry, and continued to lead this process for 11 years until 1985. In 1985, he assumed the duty of establishing İstanbul Stock Exchange and served as its chairman for 5 years. During his presidency, he established IMKB Settlement and Custody Centre (Still TAKASBANK A.Ş.). He subsequently established his own brokerage firm, which he transferred 10 years later in 2001. On 3 November 2002, he was elected as a member of the Parliament representing İstanbul during the 22nd government of the republic. During his employment at T. İş Bankası, he served as a board member with Tofaş Türk Otomobil Fabrikaları A.Ş., the bank's subsidiary, for 5 years and for Dışbank A.Ş. (Fortis Bank) for 1 ½ years. During his term of office as a member of Parliament, he served as a member on the Turkey-EU Joint Parliamentary Commission for 2½ years and on the NATO Parliamentary Assembly for 2½ years. Mr. Karslı has been serving as the Chairman of the Bank since May 2010. His published work includes a book entitled "Sermaye Piyasası Borsa Menkul Kıymetler" (Capital Markets, Stock Exchange and Securities), which is used as a textbook at universities.

## **YUSUF DAĞCAN**

Vice Chairman of the Board

Yusuf Dağcan graduated from Eskişehir Academy of Economic and Commercial Sciences. He worked as an assistant inspector, inspector and

branch manager at Vakıfbank from 1977 through 2001. He held a seat on the Board of Directors of TAIB Yatırım Bank A.Ş. from 5 September 2007 until 30 June 2008. After assuming responsibility as a member of the Audit Committee at Halkbank from 27 March 2003 until 18 April 2012, Mr. Dağcan was also the chairman of the Board of Directors of Halk Leasing, a Board member of Halk Banka A.D. Skopje operating in Macedonia, and Vice Chairman of the Arab Turkish Bank. Serving as a member on our Bank's Board of Directors since April 2012, Mr. Dağcan is Vice Chairman of the Board of the Ziraat Katılım Bankası A.Ş. Yusuf Dağcan is also a member of both the Bank's Credit Committee and the board of the Ziraat Bank Azerbaijan ASC.

## **HÜSEYİN AYDIN**

Member of the Board and CEO

Hüseyin Aydın graduated from the Ankara Academy of Economics and Commercial Sciences (Faculty of Economics) in 1981. He began his career as an Assistant Inspector at Ziraat Bank and served as a director in various departments at Ziraat Bank until 27 March 2003. After working as an Executive Board member at Halkbank, as a Board member at Pamukbank and as Vice Chairman of the board at Ziraat Bank, Mr. Aydın worked as the General Manager and Board member at Halkbank between 31 May 2005 and 14 July 2011. Having joined Ziraat Bank as the CEO on 15 July 2011, Mr. Aydın also serves as the Chairman of both the Banks Association of Turkey and the Board of Directors of the Ziraat Katılım Bankası A.Ş.

## **FAHRETTİN ÖZDEMİRÇİ**

Member of the Board

He graduated from Ankara University, Faculty of Political Sciences, Business Administration Department in 1996. He got his MA at Ankara University, Faculty of Political Sciences, and Business Administration Department in 2006. After passing the entrance exam, he was appointed as an Assistant Accountant in 1997

and after succeeding the proficiency exam he was appointed as an Account Expert in 2001. He had been a Vice President of Provincial Treasury of Antalya between 29 July 2003 and 1 September 2005 and he had been the Group Director of Revenue Administration of Antalya Directorate of Tax Administration between 1 September 2005 and 15 March 2006 by proxy. He was appointed as the Chief Account Expert in 12 March 2008. He worked as a Group Leader in Revenue Administration, Application and Data Management Department between 28 July 2008 and 31 December 2010. He worked as the Head of The Department in Revenue Administration between 1 January 2011 and 31 December 2011. He worked as the Group Leader of Major Taxpayers in Tax Inspection Board of İstanbul between 1 January 2012 and 3 February 2014. He has been working as head of provincial treasury of İstanbul as of 3 February 2014. He has been selected to be a Member of the Board of Directors of our Bank since 2 April 2013.

## **FEYZİ ÇUTUR**

Member of the Board and  
Member of the Audit Committee

Audit Committee Member Feyzi Çutur graduated from Gazi University (Faculty of Economics and Administrative Sciences, Department of Banking) in 1983. After working as accounting and finance manager at various private sector companies from 1977 until 1990, he functioned as General Accounting Manager at Bayındır Menkul Değerler A.Ş. (1990-1998), as Finance and Operations Director, Assistant General Manager and General Manager at Eti Yatırım A.Ş. (1998-2010). He served as the Fund Board member and Fund Board Chairman at Eti Yatırım and various Mutual Funds owned by Etibank, and held a seat on the Board of Directors of İktisat Yatırım A.Ş. in 2006. From July 2011 until March 2012, he was a Board member representing the Savings Deposit Insurance Fund (SDIF) at Arab Turkish Bank and its subsidiary A&T Leasing. Being a member of the Bank's Board of Directors since April 2012, Mr.Çutur is a member of the Bank's

Audit Committee and Remuneration Committee, an alternate member of the Credit Committee and the Board of Directors of the Ziraat Katılım Bankası A.Ş. Mr. Çutur has both independent accountant financial advisor and public oversight accounting and auditing standards authority independent auditor certificates.

### **METİN ÖZDEMİR**

Member of the Board

Metin Özdemir graduated from İstanbul University (Faculty of Business Administration) in 1990. He is currently pursuing his graduate studies in the Department of Economics at Marmara University, Institute of Middle East Studies. He started his career at Kuveyt-Türk Finans Kurumu A.Ş. in 1992, and from 1996, he carried on with his business life as an executive in the retail sector. Mr. Özdemir functioned as a member of İstanbul Metropolitan Municipal Council between 2004-2014. Being a member of the Bank's Board of Directors since April 2012, Mr. Özdemir is also a member of the Bank's Remuneration Committee, the Board of Directors of the Ziraat Katılım Bankası A.Ş. and an alternate member of the Credit Committee.

### **MUSTAFA ÇETİN**

Member of the Board

Mustafa Çetin graduated from Ankara University (Faculty of Law) in 1974. He served as a Governor and Mayor in the Hadim, Akçakale and Pasinler districts between 1979 and 1985. Then he went on to work as a Chief Civil Inspector, Vice Chairman of the Board of Inspectors, Minister's Advisor and General Secretary at the Ministry of Internal Affairs between 1985 and 1996. He worked as the Governor of Gümüşhane between 1996 and 1999, as a Chairman of the Committee of Research, Planning and Coordination at the Ministry of Internal Affairs from 1999 to 2000, a Central Governor from 2000 to 2002, and Prime Ministry Deputy Undersecretary from 2002 to 2007. While he was serving as the Prime Ministry Deputy Undersecretary, he was a member of the General Assembly of the Press and Publication Agency

and a member of the board of Anadolu Agency. He also served as a member of parliament representing the province of Uşak between 2007 and 2011. Mr. Çetin has been serving as a member of the Board of Ziraat Bank since July 2011.

### **CEMALETTİN BAŞLI**

Member of the Board

Cemalettin Başlı graduated from Hacettepe University Department of Business Administration in 1981. He got a start in business as Air Traffic Controller at General Directorate of State Airports Authority in 1977. Mr. Başlı who worked as Assistant to Financial analyst at Vakıfbank between 1984-1985, as Auditor and Credit Foreign Exchange Director at Garanti Bank between 1985-1991, as Branch Manager at Albaraka Türk Inc. between 1991-1998, as Credits and Central Branch Manager at Faisal/Family Finance Inc. between 1998-2002, as Deputy General Manager at Haliç Financial Leasing Inc. between 2004-2006, as Deputy General Manager at Ziraat Bank-Moscow between 2009-2012, as member of the Board and General Manager at Kıbrıs Faisal İşlem Bank between 2012-2014 serves as a member of the Board of our Bank since June 2014. Mr. Başlı is also a member of the Board of the Ziraat Katılım Bankası A.Ş.

### **SALİM ALKAN**

Member of the Board

Salim Alkan graduated from Ankara University (Faculty of Political Sciences, Department of Business Administration). He worked as an inspector, branch and department manager and assistant general manager at various banks from 1971. After functioning as Vice President of the Savings Deposit Insurance Fund (SDIF), Advisor to the Chairman of the SDIF, and general manager, board member and chairman of various banks taken over by the SDIF from 2005 to 2010, he held a seat on the Board of Directors of Halkbank from 24 May 2010 until 18 April 2012, as well as on the boards of Halk Gayrimenkul Yatırım Ortaklığı A.Ş., and Halk Yatırım Menkul Değerler

A.Ş. Serving as a member of the Bank's Board of Directors starting from April 2012, he is also Chairman of the Supervisory Board in Ziraat Bank BH d.d. Mr. Alkan is also a member of both the Bank's Credit Committee and the Board of the Ziraat Katılım Bankası A.Ş. which was established in 2015.

### **DAVUT KARATAŞ**

Audit Board Member

Davut Karataş graduated from İstanbul University Faculty of Political Science, Public Administration Department. Currently serving as the General Director for Laws and Resolutions at the Prime Ministry, Mr. Karataş has been a member of the Bank's Board of Auditors since March 2013.

### **GÖKHAN KARASU**

Audit Board Member

Gökhan Karasu graduated from İstanbul University (Faculty of Law). Currently functioning as a General Manager in the Directorate General of Insurance at the Turkish Treasury, Mr. Karasu has been serving as a member of the Bank's Audit Board since September 2012.

## Ziraat Bank Senior Management



**YÜKSEL CESUR**  
Executive Vice President for  
Internal Systems

**BÜLENT SUER**  
Executive Vice President for  
Operational Transactions

**ALPASLAN ÇAKAR**  
Executive Vice President for  
Retail Banking

**BİLGEHAN KURU**  
Executive Vice President for  
Treasury and International  
Banking



**ÖMER M. BAKTIR**  
Executive Vice President for  
Marketing

**MUSA ARDA**  
Executive Vice President for  
Credit Allocation and  
Management

**M. CENGİZ GÖĞEBAKAN**  
Executive Vice President for  
Loan Policies

**PEYAMİ ÖMER ÖZDİLEK**  
Executive Vice President for  
Financial Coordination

# Ziraat Bank Senior Management

## **ÖMER M. BAKTIR**

Executive Vice President for Marketing

Ömer Muzaffer Baktır graduated from İstanbul Technical University (Department for Mining Engineering). He joined Pamukbank in 1990, where he worked as an assistant inspector, inspector, service director and as a department manager. Having joined Halkbank in December 2004, Mr. Baktır was appointed as an Executive Vice President on 14 June 2005 and he was responsible for Corporate Commercial Marketing, Corporate and SME Marketing, and Credit Allocation and Management respectively until March 2010. He then joined Cengiz Holding in March 2010 where he served as a CFO and member of the Executive Committee until October 2011. Mr. Baktır has been serving at Ziraat Bank as Executive Vice President for Marketing since November 2011.

## **MUSA ARDA**

Executive Vice President for  
Credit Allocation and Management

Musa Arda graduated from Çukurova University (Faculty of Economics and Administrative Sciences). He began his career at Pamukbank in 1994 as a financial analyst. He worked at the same bank as an analyst, a service manager in various units at the headquarters and a marketing director

at Güneşli Corporate Branch between 1994 and 2004. He joined Halkbank in 2005 as a division manager at the Commercial Marketing Department before working as the head of the Financial Analysis Department, the head of the Department of Credit Policies and Project Evaluation, the head of the Department of Commercial Loans and, most recently, as the coordinator responsible for the İstanbul 2nd Region. He has been serving at Ziraat Bank as Executive Vice President for Credit Allocation and Management since November 2011.

## **ALPASLAN ÇAKAR**

Executive Vice President for Retail Banking

Alpaslan Çakar graduated from Ankara University (Department of Public Administration, Faculty of Economics and Administrative Sciences). He joined Ziraat Bank in 1996 as an assistant inspector and later served as an inspector and branch manager. Mr. Çakar was appointed as the regional head manager in 2005. Promoted to the position of Senior Vice President in August 2007, Mr. Çakar has served as the Executive Vice President for Retail Banking and Executive Vice President for Operational Transactions respectively. He has been serving as Executive Vice President for Retail Banking since August 2014.

## **M. CENGİZ GÖĞEBAKAN**

Executive Vice President for Loan Policies

Mehmet Cengiz Göğebakan graduated from Ankara University (Department of Economics, Faculty of Political Sciences) in 1987. He began his career at Pamukbank as an assistant inspector in the same year. He served at the same bank between 1994 and 2004 as a manager of the Department of Firm Evaluation, Department of Credit Monitoring, Department of Credit Allocation, Department of Administrative Follow-up and Department of Credit Policies. He joined Halkbank on 17 November 2004 where he worked as an executive responsible for Retail Loans; he was promoted to the post of Assistant General Manager responsible for risk liquidation on 9 June 2005. He served as an Assistant General Manager of credit policies from 2007 to 2010 at the same bank. He worked at Anadolubank as an Assistant General Manager responsible for loans from May 2010 to October 2011. Mr. Göğebakan has been serving at Ziraat Bank as Executive Vice President for Loan Policies since November 2011.

### **BİLGEHAN KURU**

Executive Vice President for Treasury and International Banking

Bilgehan Kuru graduated from the Middle East Technical University (Department of Mining Engineering). He studied for a master degree in finance at the Institute of Physical Sciences of the same university. He began his career as a foreign exchange clerk at Halkbank, where he worked from 1986 to 1988. He joined Pamukbank in 1988 as an assistant specialist before serving as a service director and manager of the Treasury Department at the same bank. He was appointed as the Head of the Department of Foreign Exchange and Money Markets at Halkbank in November 2004. Having held the position of Assistant General Manager for Retail Banking at Halkbank from June 2007 until July 2011, Mr. Kuru was appointed as Executive Vice President for Treasury and Strategy Management at our Bank in July 2011 and he has been working as Executive Vice President for Treasury and International Banking since August 2014.

### **PEYAMI ÖMER ÖZDİLEK**

Executive Vice President for Financial Coordination

Mr. Özdilek graduated from the Middle East Technical University, Department of Political Science and Public Administration. He has begun to work in our Bank in 1996 as the an assistant inspector, after working at the various positions of the staff, he has served respectively as London Branch Manager, Gayrettepe Branch Manager, Senior Vice President of the Human Resources Department and Executive Vice President for Human Resources. Mr. Özdilek has been serving as Executive Vice President for Financial Coordination since July 2015.

### **BÜLENT SUER**

Executive Vice President for Operational Transactions

Mr. Suer graduated from Ankara University, Faculty of Political Sciences, Department of the Labor Economy. He has begun to work in our Bank in 1991 as the Assistant Inspector at the Board of Inspectors. Thereafter having

performed his duty as the Inspector, Branch Manager, Senior Vice President and Regional Head Manager, Mr. Suer has been proceeding his service as Executive Vice President for Operational Transactions since September 2013.

### **YÜKSEL CESUR**

Executive Vice President for Internal Systems

Yüksel Cesur graduated from Boğaziçi University, Faculty of Economics & Administrative Sciences. He has begun to work in our Bank in 1996 as an Assistant Inspector, and later on he has been appointed as the Inspector. He has performed his duty as the Senior Vice President of Training Section since 2005. Mr. Cesur who was appointed to the Department of Treasury Operations in 2007 has served thereafter as the Head of Agricultural Marketing Group. Mr. Cesur has been serving as Executive Vice President for Internal Systems since April 2014.

## Summary Report - Board of Directors

The two main items on global markets' agendas in 2015 were the US Federal Reserve Bank's interest rate decisions and heightened geopolitical risks. At home, the financial market issues of concern to the Turkish banking sector were an apparent slowdown in emerging markets, fluctuations in exchange rates, and political uncertainties in neighboring countries. A solid equity structure supported by sustainable profitability and a uniquely formulated business model enabled Ziraat Bank to continue meeting the real sector's needs for financing despite the volatile financial market conditions that prevailed throughout the year.

During 2015 Ziraat Bank served as its customers' solution partner by supplying them with the right value at the right time in its three basic business lines of Corporate Banking, Mass Banking, and International Banking within the framework of its Customer-Focused Banking approach and its Customer Service Model. The natural leader of Turkey's banking industry for 152 years, Ziraat Bank continues to stand by customers in every segment and to quickly and effectively provide them with an extensive lineup of products and services. Ziraat Bank remains the only financial services provider at more than 400 locations in the country.

Seeking to pursue sustainable growth along with its stakeholders and to improve its asset quality, Ziraat Bank once again adhered to a real-sector-focused growth strategy in 2015. In keeping with the customer-weighted balance sheet management approach called for by that strategy, the total volume of the Bank's

cash lendings increased by 32% to TL 186.8 billion while cash and non-cash credit of all kinds amounted to more than TL 247 billion. Total assets increased by 22.3% in the twelve months to end-2015 and reached TL 302.8 billion in value.

Ziraat Bank continues to rank among Turkey's leading banks in the financing of increasingly more important large-scale agroindustry, infrastructure, and energy-sector investments. As of end-2015, the Bank had supplied totals of USD 10.5 billion worth of credit limits and of USD 6 billion worth of cash loans to finance major projects, such as the third international airport called for in the Turkey's strategic vision projects.

Total deposits, which reached TL 186.5 billion, provided a resource structure that remains as broadly-based and diversified as ever. Last year the Bank developed new deposit products designed to counteract the relatively low level of saving from which the national economy suffers.

Ziraat Bank continues to craft solutions aimed at dealing with the agricultural sector's need for production-related equipment and mechanization. Particular importance is given to funding models that will bring about organic links between small- and medium-sized producers on the one hand and larger industrial concerns on the other. In 2015 agriculture remained the preferred focus of Ziraat Bank's lending.

The robustness of Ziraat Bank's equity structure continues to draw special attention. Noting that "size alone is no guarantee of safety", The Banker,

a magazine, conducted a review to determine the safety and stability of the largest 250 banks in its database of more than 5,000 in 2015 and found that TC Ziraat Bankası ranked second in Western Europe. As of end-2015, the Bank's TL 31.5 billion in equity corresponded to 10.4% of its total liabilities. As Turkey's leading financial institution in terms of sustainable profitability for many years, Ziraat Bank defended its standing as the sector's most profitable bank by increasing its net profit to TL 5.2 billion.

Last year Ziraat Bank continued its efforts to enhance the customer experience through the optimization projects that it carried out in all branch and non-branch channels. Under the "Banking Without Barriers", conceptual and physical modifications were undertaken at more than 200 branches in order to make it easier for physically-challenged customers to access financial services. At end-2015 there were 1,786 branches in the Bank's domestic network consisting of 22 Corporate, 80 Entrepreneurial, 83 Dynamic Entrepreneurial, 1,596 Standard, and 5 Mobile branches. In the twelve months to year-end the number of units in Ziraat Bank's ATM network grew by 8.7% to 6,566.

With its wide service network, strong corporate governance, unrivalled market familiarity, matchless knowledge and experience, and outstanding global reputation, Ziraat Bank continues to shape the futures of both its customers and its country.

Muharrem KARSLI  
Chairman of the Board



Hüseyin AYDIN  
Member of the Board and CEO



# Human Resources Practices

## 2015 Activities

In an intensively competitive sector in which there is a significant international capital presence, Ziraat Bank advances its stature as the biggest and strongest nationally-owned bank year after year. Recognizing that it owes its unique and distinguished position in the sector to superior human resources whose unrivalled market knowledge and experience enable them to supply customers with the right value, at the right time, and through the right channel, Ziraat Bank continues to implement the progressive human resources management system that it has adopted.

Seeking to deliver innovative and trustworthy products and services that satisfy the requirements of both the banking industry and of international competition, Ziraat Bank had a total of 25,697 people on its payroll as of end-2015. As of the same date the average age and length of service of the Bank's workforce were 34.5 years and 10.5 years respectively while 86% of the Bank's employees held associate, undergraduate, graduate, and/or doctoral university degrees.

As in previous years, in 2015 Ziraat Bank once again continued to seek out and recruit young people wishing to pursue a career in banking.

Interviews with those who successfully passed the written exams that were conducted in collaboration with Anadolu University on 11 October 2014 to fulfill the Bank's 2015 manpower requirements were completed last year and a total of 2,008 people were taken on, 973 as tellers and 1,035 as service desk officers.

As a result of written and oral exams conducted in 2015, 144 personnel consisting of 32 assistant inspectors, 93 assistant specialists, and 19 attorneys were also hired last year. Another 85 people joined the Ziraat Bank family in various positions in line

both with the Bank's needs and with the requirements of laws and regulations.

As a result of new branch openings, mutual agreements, voluntary retirements, and the like, there has been a substantial decline in the number of personnel employed in "Permanent Security Guard" positions at the Bank in recent years. As a result of the shortage in Permanent Security Guard personnel which caused by the transfer of a significant number of people in this job category to Banking Staff positions in 2014, a total of 1,249 people who had previously been employed as guards at the Bank for at least five years and who had been provided by private security companies, were enrolled under Private Security Guard title at the Bank as of 31 December 2015.

In keeping with the transparent career management approach to which it adheres, Ziraat Bank seeks to train its own managers itself as much as possible. 3,196 existing employees who successfully took the written and oral promotion exams that were conducted in 2015 were promoted to a higher job category. The average pass rate on these exams was 63%.

As a huge family of more than 25,000 members, Ziraat Bank gives great importance to its employees' job satisfaction and it provides its personnel with career-path opportunities that allow them to advance themselves in different aspects of banking. For example to meet its requirements for internal controllers, interviews were conducted among banking staff on 15-16 April 2015 and eleven people were transferred from their existing positions to new ones.

A management trainee program was conducted for personnel who have reached the Authorized level in order to ready them for branch and headquarters management-level positions and duties. About 350 existing personnel were appointed to branch or

unit management positions shortly after successfully completing this program.

The Finart Transfer Request program is conducted twice a year to increase Bank personnel motivation, minimize operational workloads, and ensure that transfer processes are carried out quickly, effectively, and methodically. Applications to take part in this program are accepted in December-January and in June-July. Last year 1,223 transfer requests were submitted in the first round and 1,096 were submitted in the second. Of these, 742 and 708 transfers were approved respectively.

The highlights of the new payroll management system governing salary and other payment practices that was introduced in 2015 are summarized below.

- The salaries of employees covered by the collective bargaining agreement signed on 31 December 2014 were adjusted as mandated by that contract.
- Payments that previously used to be made by hand for such things as return from leave without pay and out-of-pocket expenses and for performance bonuses are now being calculated by the system and added to the appropriate monthly payroll.
- Unearned salary and bonus payments that were made to terminated personnel or to personnel on leave without pay are now being recovered through the Finart system.
- As part of the overall process of systematizing personnel-related payments and collections, interim payments are being made through the bank's internal system while unearned amounts are being recovered through the Finart system.
- As a result of a project undertaken jointly by the Subsidiaries & IT Management Group and the International Branch Banking Department, a career progression and remuneration system has been set up for the bank's international operations.

# Human Resources Practices

Support was also provided for the preparation of human resources regulations and the formulation of remuneration systems for three members of the Ziraat Finance Group (Ziraat Insurance, Ziraat Life & Pension, Ziraat Technology) and for the conduct of Ziraat Technology's 2015 recruitment exams.

Human resources consultancy and support services were provided during the establishment of Ziraat Katılım Bankası, a Ziraat Bank subsidiary that was incorporated on 10 October 2014. Support was also provided prior to the conduct of the recruitment exams which that bank held on 27 February 2016 to fulfill its staffing requirements.

## Ziraat Bank Individual Performance Bonus System

Created in 2013 to be compatible with the bank's new marketing and sales-focused organizational structure and strategy and informed by the principle that earnings should match success, the Ziraat Bank Individual Performance Bonus System was designed so as to reward employees who demonstrate superior performance and productivity by paying them more. Determined and paid on the basis of periodically conducted individual performance reviews, individual performance bonuses are intended to strengthen the bank's customer-focused business model, to promote a marketing and effectiveness-focused approach to work, to increase company loyalty by motivating personnel, and to provide tangible benefits to those whose individual achievements are compatible with the bank's corporate objectives.

Beginning in 2014, a current bonus budget was allocated taking the Bank's profitability and operational results into account with the proviso that the budget's total amount not exceeds 8% of the Bank's aggregate monthly salary payments. The same procedure was followed in 2015. This allocation is paid out to recipients as an individual performance bonus at three-month intervals along with

their February, May, August, and November salaries based on objectively defined and numerically expressible specific criteria. In this system, which has been set up to focus mainly on marketing in line with the Bank's strategies and targets, bonuses are paid so as to enhance the earnings of those who contribute more to the realization of those strategies and targets.

Branch segment and scale group rankings that have been determined according to individual performance report cards in line with the numerical performance measurement results at three-month intervals are notified to employees based on their performance bonus coefficients.

The different coefficients that are used when calculating bonuses are determined jointly by business units according to branch segment and scale, individual performance ranking, and job position criteria. Marketing group personnel bonuses are calculated in direct proportion to the numerical performance points in each section. Beginning with the fourth quarter of 2014, the bonuses of counter personnel started being calculated based on the performance of the counter to which they were assigned. The same procedure was also followed in 2015.

As is the case with other banks in Turkey, the Ziraat Bank Individual Performance Bonus System has been designed to reward superior performance and essentially to increase the productivity of sales personnel. However individual performance bonuses are also paid to operational personnel in branches and to headquarters employees in line with stipulated criteria.

In the period ahead the Bank plans to start differentiating not only the individual performance bonus payments that are currently being made to personnel in headquarters units whose numerical performance is being measured but also in line with the results of the numerical performance system that is being set up for headquarters sales units.

## Human resources in 2016

In 2016 Ziraat Bank will continue to provide its employees with position-compatible career-path opportunities and with progressive working conditions.

722 of the prospective teller and service desk officer candidates who were shortlisted on the basis of the interviews conducted among 2,000 people who sat for the 11 October 2014 written exams will be hired in 2016.

Promotion exams will be held for existing employees in the second half of the year as prescribed by the Bank's human resources principles, procedures, and practices.

The results of the Competency Evaluation System will be integrated into the Career Management System.

Authorized-level personnel who are successful in the management trainee programs conducted in 2016 will continue to be appointed to branch/unit manager positions as needs dictate.

Continuing to provide its employees with new career-path opportunities, Ziraat Bank will conduct an exam for those wishing to transfer to an internal controller position.

A project is currently being conducted to allow requests and opinions concerning changes in employees' job assignments and locations to be submitted online. For the time being, personnel transfer requests will continue to be accepted in June-July and in December-January.

Under the heading of the transformation projects being undertaken to increase both synergies among Ziraat Finance Group members and the operational effectiveness of the Bank's international units, the work of matching the staff and job-positions of all of our international units and of revising remuneration systems and other entitlements was largely completed in 2015. Work will continue on updating HR regulations accordingly in 2016.

## Information on the Activities of the Committees

### Information on the Activities of the Credit Committee

#### Chairman

Hüseyin AYDIN  
Member of the Board and CEO

#### Members

Yusuf DAĞCAN  
Vice Chairman of the Board

Salim ALKAN  
Member of the Board

#### Alternate Members

Feyzi ÇUTUR  
Member of the Board

Metin ÖZDEMİR  
Member of the Board

Credit Committee fulfils the duties and powers specified in the Banking Law, the Bank's articles of association, and other legislation issued by BRSA. Within the framework of the authority delegated by the Board of Directors, the Committee makes decisions on loan extensions and restructuring issues such as extending maturity, increase and change in terms. Credit Committee performs other duties related to lending assigned to it by the Board of Directors.

Credit Committee met 43 times during 2015 and passed 760 decisions.

### Information on the Activities of the Audit Committee

#### Members

Muharrem KARSLI  
Chairman of the Board

Feyzi ÇUTUR  
Member of the Board

Pursuant to the Bank's "Regulation on Organizational Structuring", the Audit Committee is obliged to satisfy the duties, powers and responsibilities set out by the Banking Law and the Banking Regulation and Supervision Agency (BRSA). The Committee is responsible for the execution of the Compliance Program that will be formed pursuant to the "Regulation on Compliance Program concerning Prevention of Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism" issued in relation to the enforcement of the Law on the Prevention of Legalization (Laundering) of Proceeds from Crime, and fulfills the duties, powers and responsibilities set out in the legislation issued concerning these matters.

### Information on the Activities of the Corporate Governance Committee

#### Members

Muharrem KARSLI  
Chairman of the Board

Mustafa ÇETİN  
Member of the Board

Corporate Governance Committee monitors and audits the Bank's compliance with corporate governance principles. The Committee suggests proposals to the Board of Directors and works to ensure improvements. The Committee keeps reports of its activities in written form.

### Information on the Activities of the Remuneration Committee

#### Members

Feyzi ÇUTUR  
Member of the Board

Metin ÖZDEMİR  
Member of the Board

The Remuneration Committee is responsible for overseeing and supervising the remuneration practices on behalf of the Board of Directors. The Committee assesses the remuneration policy and practices within the framework of risk management to ensure that remuneration policies are aligned with the Bank's ethical values and strategic goals, and submits its recommendations to the Board of Directors.

## Attendance by the Members of the Board of Directors and of the Audit Committee in Meetings Held During the Reporting Period

### Board of Directors

The Board of Directors meets regularly at least once a month upon summons by the chairman, vice chairman or any member of the Board. The Board met 53 times during 2015 and passed 756 resolutions.

### Audit Committee

The Audit Committee meets regularly at least once a month with the attendance of all members. The committee met 19 times during 2015 and passed 38 resolutions.

## Related Party Transactions

In accordance with article 49 of the Banking Law no 5411 and because the Bank's capital belongs entirely to the Turkish Treasury, the risk group of which Ziraat Bank is a member consists of itself and the companies over which it exercises control over, either directly or indirectly.

Relations between the Bank and the members of the risk group in which it controls a stake consist of banking transactions conducted in compliance with the Banking Law within the framework of normal bank-customer relationships carried out at arm's length, and consist primarily of borrowing and lending and of accepting and extending deposits.

Details of the amounts of the transactions that Ziraat Bank engaged in with members of its own risk group in 2015 and their reasons are presented in Footnote VII of section five of the year-end financial report that is included in this annual report.

## Companies from which Support Services are Obtained

The services obtained by our Bank within the scope of the "Regulation Concerning the Outsourcing of Support Services by Banks and the Authorization of Organizations Providing Such Services", and the companies providing these services are presented below.

1. Ziraat Teknoloji A.Ş.; information technologies infrastructure and its integration, system management, support-operation, application development and technical consultancy,
2. Bileşim A.Ş.; card printing service,
3. Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.; software, applications and development for card-based payment systems,
4. Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizmetleri Tic. A.Ş.; internet banking software and applications development,
5. Smart Soft Kartek Kart ve Bilişim Teknolojileri Tic. Ltd. Şti.; TSK (Turkish Armed Forces) smart card software, application, development,
6. Güzel Sanatlar Çek Basım Ltd. Şti.; printing of cheques,
7. Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş.; security services,
8. KRL Özel Güvenlik Koruma ve Eğitim Hizmetleri Ltd. Şti.; security services,
9. Başkent Güvenlik Hizmetleri Ltd. Şti.; security services,
10. Ekol Grup Güvenlik Koruma ve Eğt. Hizm. Ltd. Şti.; security services,
11. Gram Altın Pazarlama Sanayi ve Ticaret A.Ş.; expertise services,
12. UZ Gayrimenkul Yatırım Danışmanlık A.Ş.; support services for the creation and registration of mortgages,
13. Avi Gayrimenkul Yatırım Değerleme ve Danışmanlık A.Ş.; support services for the creation and registration of mortgages,
14. Fu Gayrimenkul Yatırım Danışmanlık A.Ş.; support services for the creation and registration of mortgages,
15. Tulu Yapı Müşavirlik Sanayi ve Ticaret A.Ş.; support services for the creation and registration of mortgages,
16. Global Bilgi Pazarlama Danışma ve Çağrı Servisi Hizmetleri A.Ş.; call center operations,
17. Plaza Peyzaj Taahhüt ve İnşaat San. Tic. A.Ş.; outsources personnel.

# Financial Information and Risk Management

# Audit Committee's Assessment of the Operation of the Internal Audit, Internal Control & Compliance, and Risk Management Systems

Internal audit, internal control, and risk management activities at Ziraat Bank are performed by the Board of Inspectors, the Internal Control & Compliance Department, and the Risk Management Department. These units' duties and responsibilities, which are strictly segregated from one another, are coordinated by the Assistant General Manager for Internal Systems.

This organization is structured so as to embrace all Bank units and branches as well as Bank-owned subsidiaries subject to the Bank's oversight. Its purpose is to minimize any risks that might adversely affect the thoroughgoing and secure conduct of banking operations, the fulfillment of long-term profit targets, the reliability of financial and administrative reporting, and/or the Bank's reputation and financial stability.

## Internal Audit System

The Board of Inspectors takes a risk-focused approach in the fulfillment of its responsibilities to ensure that the activities and operations of the Bank's headquarters units, domestic and international branches, and subsidiaries comply with the requirements of laws and regulations and are compatible with the Bank's own strategies, policies, principles, and objectives. The board conducts its activities in such a way as both to keep the Bank's senior management informed and to contribute to their decision-making processes.

The Board of Inspectors has 185 Bank inspectors on its staff. The board conducts

its activities in line with internationally-accepted internal auditing standards. Besides checking the Bank's operations for their compliance with statutorily mandated procedures, in 2015 the board also reviewed and assessed the effectiveness and efficiency of the transaction procedures involved in both primary and secondary processes. In addition, processes governed by Banking Regulation and Supervision Agency (BDDK) regulations pertaining to information systems and banking processes were also audited by information technology inspectors in line with the Bank's own practices.

## Board of Inspectors activities in 2015

- The Central Audit Team continued its intensive operations in 2015 by performing scenario analyses which not only identify irregularities that may have occurred but which are also influential in preventing potential ones from being committed. The team reviewed the effectiveness of its existing scenarios and developed new ones to cope with the possible abuses made possible by newly-introduced business processes. It has also begun developing systematic procedures aimed at minimizing risks arising from the remaining manually-conducted processes involved in internal audit.
- The R&D Team kept a close watch on all of the Bank's other business units, revised and kept the auditing module up to date in light of changes in business processes and the regulatory framework, and modified auditing points as made

necessary by laws, BDDK decisions, and changes demanded by Bank's senior management and headquarters units. Improvements also continued to be made in all processes from the development of an auditing index to the monitoring of audit findings. Systemic changes that make it possible for inspection findings concerning critically important transactions to be drawn to the attention of business units increased the effectiveness of the finding follow-up process and had a beneficial impact on the overall percentage of findings subjected to corrective action.

The majority of recommendations that inspectors in the field included in their reports or made with respect to a particular transaction or practice were also circulated among the business units concerned and the outcomes of such recommendations were observed.

A Global Auditing Module project was initiated at Ziraat Bank in the last quarter of 2015. Work on this module's operating system has largely been completed, as have also the task analyses for adapting it to different banking systems.

- The Inspection Scenario Team that was set up and charged with formulating scenarios both to identify shortcomings in bank processes and to develop and improve the effectiveness of such processes and with submitting these scenarios to the appropriate business unit so as to ensure that speedy and

effective solutions for dealing with them are devised throughout the bank continued to operate in 2015. Keeping a close watch on what action business units took and what improvements they made with respect to these scenarios, the team observed that action was taken in more than 90% of the completed scenarios.

- During 2015, the Central Inspection Team that was set up to increase the frequency and effectiveness of inspections by constantly and centrally monitoring designated branch groups performed centralized inspections on 343 of the Bank's branches in accordance with the same criteria employed for on-site inspections.

Inspectors are given the opportunity to constantly improve their professional knowledge and experience by conducting inspections at different Bank units from time to time. They also continued to be provided with training on personal and professional issues at regular intervals during 2015.

The practice of recruiting qualified human resources for the Bank's administrative staff by allowing inspectors to transfer to such positions continued in 2015. Twenty inspectors were in this way. Last year thirty-four new assistant inspectors were also recruited and hired by the Bank.

In keeping with its strong sense of responsibility and awareness of its duties, the Board of Inspectors will continue to execute the internal auditing plan in line with goals and policies set forth by Ziraat

Bank's senior management and within the framework of current auditing approaches, to report its findings to the Board of Directors through the Audit Committee, and to observe what action is taken on the basis of its reports.

### **Internal Control & Compliance System**

Internal control activities at Ziraat Bank are structured so as to embrace the operations of all headquarters units and of all domestic and international branches as required by BDDK's "Regulation on bank internal system and intrinsic capital adequacy assessment processes".

Such activities are conducted so as to be compatible with the Bank's primary objectives and strategies from the standpoint of their scope and methodology; however a proactive approach is adopted in order to more readily accommodate changes in strategies and conditions arising from altered risk perceptions and from the changeover to a new service model.

Work has been finalized on the New Control Model that was introduced and put into effect in 2014: it is no longer just a reporting model but one that requires action to be taken. The goal of this more proactive structure is to help ensure that Ziraat Bank's operations exceed sectoral norms and that they are conducted in a manner that is compatible with both internal and external regulations as well as with the demands of competition.

Domestic branch checks are performed both on location and centrally within the

framework of a program that is prepared taking into account branches' current levels of risk exposure. Control functions, which for the most part are structured so as to be technology-intensive and centralized, are intended to ensure that commonly-occurring mistakes are quickly corrected at the appropriate business-unit level.

Taking full advantage of the improvements in the Bank's technological infrastructure, the Ziraat Bank Instant Control Project is unique in the Turkish banking industry. This system is now being used to check operational transactions and their accounting in real time. Transactions are evaluated in light of specific scenarios and if a transaction is deemed to be in error, it can be corrected the same day. Based on the principle of preventing errors and omissions from occurring when assets and liabilities are recorded and subsequently being used as input for financial reporting, the Instant Control System has become an integral part of the Bank's day-to-day activities because of the significant improvement in operational effectiveness that is achieved by checking transactions immediately rather than in retrospect. Headquarters unit control cycles are determined taking into account the units' functions, potential risks, terms of reference, and impact on the Bank's balance sheet. These cycles are revised as needs may require.

Internal control operations at Ziraat Bank branches located outside Turkey are carried out in line with control programs that are prepared for each year.

# Audit Committee's Assessment of the Operation of the Internal Audit, Internal Control & Compliance, and Risk Management Systems

The findings ascertained as a result of all of these activities are periodically circulated among appropriate business units and the members of senior management.

Besides performing their internal control functions in 2015, internal control personnel also continued to prepare and issue reports containing suggestions of ways to improve existing processes at the Bank and to mitigate the risks inherent in them. The aim of this practice is to preclude risks by spotting them in advance, to make the Bank more competitive by improving its business processes, and to increase customer satisfaction while also taking measures to cut costs.

As a result of a complete change in the internal controller recruitment process, Ziraat Bank began recruiting such personnel from among its existing personnel in 2015. By taking advantage of the Bank-specific knowledge and experience that employees already have and thereby accelerating their adaptation to the department's work processes, this new procedure significantly reduces the time it takes to train new internal controllers. One natural outcome of this is that they also become more productive in their new duties sooner. The other is that the internal control department and its team benefit significantly from their banking and field experience.

The practice of recruiting qualified human resources for the Bank's administrative

staff by allowing internal control personnel to transfer to such positions continued in 2015.

In addition to such matters, compliance reviews were also carried out by internal control personnel as required by article 18 of BDDK Regulation on bank internal system and intrinsic capital adequacy assessment processes. In the course of these reviews, all operations conducted or planned by the Bank as well as new transactions and products are checked to be sure that they comply with laws and regulations, with the Bank's own policies and rules, and with generally-accepted banking practices. During such compliance reviews, existing Bank-internal rules and proposed changes in them are also examined and views concerning them are circulated among appropriate units.

Activities to prevent money-laundering in accordance with the compliance program that was formulated at Ziraat Bank as per BDDK Regulation concerning programs to comply with obligations to prevent money-laundering and terrorism financing are conducted as required by national and international guidelines. Ziraat Bank's anti-money laundering and terrorism financing policy is publicly disclosed on the Bank's corporate website. All Ziraat Bank personnel are also provided with training on issues related to the prevention of money-laundering and terrorism-financing.

## **Risk Management System**

Ziraat Bank risk management activities are conducted subject to the requirements of BDDK's Regulation on bank internal system and intrinsic capital adequacy assessment processes and other pertinent regulations as well as of BDDK Best Practices Guidelines. They are carried out with the aim of aligning the Bank's risk management functions with best practices by fostering a risk culture throughout the entire and constantly improving system and human resources. The principal risk categories are defined as "Credit Risk", "Market Risk", "Operational Risk", and "Balance Sheet Risks", the last including the interest rate risks and liquidity risks to which the Bank is exposed on account of its banking business operations. Care is given to ensure that all risk management system activities are coordinated through the involved participation of the operational branches with which each type of risk is associated.

Under the heading of credit risk management, Basel III-compatible methods are used to define, measure, monitor, and report credit risk. The Bank has been calculating its core credit risk exposure and reporting it monthly on the basis of its solo and consolidated accounts to BDDK ever since this practice was mandated by law as of 1 July 2012.

Under the heading of measuring creditworthiness using advanced quantification methods, work is currently being carried out at the Bank based on the results generated by applying scoring models to different loan portfolios. Statistical methods are employed both to verify these rating models and to quantify the effectiveness of their performance. Credit risk limits approved by the Board of Directors are also monitored while scenario analyses and stress tests are carried out based on non-performing loan ratios.

Under the heading of market risk management, such risk is measured, analyzed, reported, and monitored. Analyses are supported by conducting stress tests. Risk measurements are performed on all accounts whose inclusion in the Bank's capital adequacy ratio calculation is mandatory as well as by means of the "value-at-risk" (VaR) methodology. The results of VaR measurements are validated by means of backtest analyses. The values on which market risk is calculated are periodically reviewed and compared with of Board of Directors-approved limits while senior management is kept informed about the results of mandatory and internal limit monitoring.

Under the heading of operational risk management, the operational risks to which the Bank is exposed are defined, classified, quantified, and analyzed. Operational risk limits approved by the Board of Directors are also monitored at regular intervals. The operational risk loss database in the Finart environment allows actual instances of operational risk to be tracked. Information technology risks and associated actions are followed up. Risk exposure assessments are conducted for companies providing outsourced support services as required by current BDDK regulations.

Under the heading of balance sheet risk management, liquidity and interest rate risks arising from banking business accounts are measured, analyzed, delimited, reported, and monitored. Analyses are also supported by means of stress tests. Such liquidity risk limits as may be approved by the Board of Directors are also monitored at regular intervals. The results of mandatory and internal limit monitoring and of liquidity and interest rate gap analyses are circulated among appropriate units for presentation at Asset & Liability Committee (ALCO) meetings. A "Liquidity Coverage Ratio" is now being calculated as per BDDK regulations published in line with Basel III criteria. Reporting of this ratio has been mandatory since the beginning of 2015.

Besides the stress test analyses that are the subject of periodic reporting within the Bank, year-end Stress Test and Internal Capital Adequacy Assessment Process (ICAAP) reports are also prepared and sent to BDDK. In the latter reports, the Bank's capital adequacy is analyzed over the next three-year period on the basis of a set of Base/Negative/Overly Negative scenarios not supplied by BDDK.

The results of the risk management analyses and the associated risk indicators are reported to the Board of Directors and to the Audit Committee at six-month intervals and to executive units and internal system units on a daily, weekly, and monthly basis.

Ziraat Bank will continue to make use of internationally-recognized advanced risk management techniques in order to carry out its risk management activities for all risk categories and to make such risk management an integral part of its strategic decision-making processes in the future as well.

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



Feyzi ÇUTUR  
Member of the Audit Committee



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Publicly Announced Unconsolidated Financial Statements**

**Together with Independent Auditor's Report At 31 December 2015**

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

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

**Report on the Unconsolidated Financial Statements**

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

*Management's Responsibility for the Unconsolidated Financial Statements*

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

*Independent Auditor's Responsibility*

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

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

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

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Independent Auditor's Report

### *Basis for the qualified opinion*

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 TL 1,240,400 thousand (TL 79,600 thousand of this provision amount was reversed from the income statement in the current year), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions.

### *Qualified Opinion*

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

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

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

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

### **Additional Paragraph for Convenience Translation**

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying 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



Haluk Yalçın, SMMM  
Partner

Istanbul, 10 February 2016

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**The Unconsolidated Financial Report of**

**Türkiye Cumhuriyeti Ziraat Bankası A.Ş. as of 31 December 2015**

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

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- EXPLANATIONS ON INDEPENDENT AUDITOR'S 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 audited.



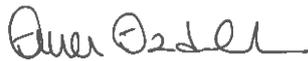
Muharrem KARSLI  
Chairman of the Board,  
Member of the Audit Committee



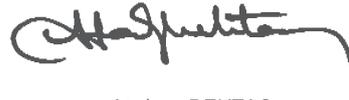
Hüseyin AYDIN  
Member of the Board,  
CEO



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



Peyami Ömer ÖZDİLEK  
Financial Coordination  
Executive Vice President



Atakan BEKTAŞ  
Senior Vice President of Financial Reporting  
and Budget Management

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

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

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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## **Notes to the Unconsolidated Financial Statements at 31 December 2015**

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

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

### **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”).

## Notes to the Unconsolidated Financial Statements at 31 December 2015

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

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

### 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

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

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

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

Name/Trade Name	Amount of Share	Percentage of Share %	Paid-in Shares	Unpaid Shares
Treasury	5,000,000	100	5,000,000	-

The sole shareholder of the Bank is the Treasury.

**Notes to the Unconsolidated  
Financial Statements at 31 December 2015**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish,  
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**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 December 2015, Bank carries its activities with a grand total of 1,812 branches; 1,786 domestic branches including 22 corporate branches, 80 entrepreneurial branches, 83 dynamic entrepreneurial branches, 1,596 branches and 5 mobile branches (31 December 2014: 1,682 domestic branches including 1,486 branches, 24 corporate branches, 80 entrepreneurial branches, 90 dynamic entrepreneurial branches, 2 mobile branches) and 26 branches abroad including 22 branches and 4 sub branches (New York branch in United States, London branch in England, Tbilisi branch and Batumi sub branch in Georgia, Baghdad and Arbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina in Kosovo, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Akdoğan, Near East University, Karaoğlanoğlu, Karakum and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has 1 representative office in Tehran, Iran.

The 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.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Unconsolidated  
Financial Statements at 31 December 2015**

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

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

**SECTION TWO**

**UNCONSOLIDATED FINANCIAL STATEMENTS**

- I. Balance sheet
- II. Statement of off-balance sheet commitments
- III. Statement of income
- IV. Statement of profit and loss items accounted under shareholders' equity
- V. Statement of changes in shareholders' equity
- VI. Statement of cash flows
- VII. Profit appropriation statement

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Unconsolidated Balance Sheet (Statement of Financial Position) as of 31 December 2015

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
ASSETS	Note (Section Five I)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	4,072,948	32,463,015	36,535,963	2,773,721	27,375,262	30,148,983
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	662,198	282,701	944,899	275,730	35,012	310,742
2.1 Financial Assets Held for Trading		662,198	282,701	944,899	275,730	35,012	310,742
2.1.1 Public Sector Debt Securities		12,238	4,377	16,615	10,168	3,998	14,166
2.1.2 Securities Representing a Share in Capital		-	-	-	-	-	-
2.1.3 Derivative Financial Assets Held for Trading		649,960	278,324	928,284	265,562	31,014	296,576
2.1.4 Other Marketable Securities		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	(3)	735,999	3,710,793	4,446,792	510,164	1,680,877	2,191,041
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	42,207,247	11,575,061	53,782,308	45,767,453	8,463,400	54,230,853
5.1 Securities Representing a Share in Capital		103,528	500,214	603,742	131,802	314,208	446,010
5.2 Public Sector Debt Securities		42,100,780	11,004,930	53,105,710	45,620,600	8,013,570	53,634,170
5.3 Other Marketable Securities		2,939	69,917	72,856	15,051	135,622	150,673
VI. LOANS AND RECEIVABLES	(5)	141,002,935	45,809,916	186,812,851	110,379,211	31,535,451	141,914,662
6.1 Loans and Receivables		140,133,474	45,809,385	185,942,859	109,594,502	31,535,409	141,129,911
6.1.1 Loans Granted to Risk Group of The Bank		100,929	755,369	856,298	46,385	701,738	748,123
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		140,032,545	45,054,016	185,086,561	109,548,117	30,833,671	140,381,788
6.2 Loans under Follow-up		3,129,081	11,443	3,140,524	2,709,827	7,093	2,716,920
6.3 Specific Provisions (-)		2,259,620	10,912	2,270,532	1,925,118	7,051	1,932,169
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENTS HELD TO MATURITY (Net)	(6)	4,538,342	5,605,800	10,144,142	4,927,297	5,093,759	10,021,056
8.1 Public Sector Debt Securities		4,504,483	5,594,461	10,098,944	4,916,189	5,093,120	10,009,309
8.2 Other Marketable Securities		33,859	11,339	45,198	11,108	639	11,747
IX. INVESTMENTS IN ASSOCIATES (Net)	(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. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	1,157,477	1,291,703	2,449,180	482,478	977,494	1,459,972
10.1 Unconsolidated Financial Subsidiaries		1,151,240	1,291,703	2,442,943	476,241	977,494	1,453,735
10.2 Unconsolidated Non-Financial Subsidiaries		6,237	-	6,237	6,237	-	6,237
XI. ENTITIES UNDER COMMON CONTROL (Net)	(9)	-	111,274	111,274	-	76,401	76,401
11.1 Accounted with Equity Method		-	-	-	-	-	-
11.2 Unconsolidated Entities Under Common Control		-	111,274	111,274	-	76,401	76,401
11.2.1 Financial Entities Under Common Control		-	111,274	111,274	-	76,401	76,401
11.2.2 Non Financial Entities Under Common Control		-	-	-	-	-	-
XII. RECEIVABLES FROM LEASING TRANSACTIONS	(10)	-	-	-	-	-	-
12.1 Finance Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1 Fair Value Hedges		-	-	-	-	-	-
13.2 Cash Flow Hedges		-	-	-	-	-	-
13.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(14)	4,830,792	10,846	4,841,638	4,677,693	5,921	4,683,614
XV. INTANGIBLE ASSETS (Net)	(15)	207,761	3,750	211,511	181,843	3,223	185,066
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		207,761	3,750	211,511	181,843	3,223	185,066
XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-	-	-	-
XVII. TAX ASSET		262,631	-	262,631	221,479	-	221,479
17.1 Current Tax Asset		901	-	901	656	-	656
17.2 Deferred Tax Asset	(16)	261,730	-	261,730	220,823	-	220,823
XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	240,606	-	240,606	173,255	-	173,255
18.1 Held for Sale		240,606	-	240,606	173,255	-	173,255
18.2 Held from Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	1,266,086	703,533	1,969,619	1,303,761	584,514	1,888,275
<b>TOTAL ASSETS</b>		<b>201,279,934</b>	<b>101,568,392</b>	<b>302,848,326</b>	<b>171,768,997</b>	<b>75,831,314</b>	<b>247,600,311</b>

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

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Unconsolidated Balance Sheet (Statement of Financial Position) as of 31 December 2015

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
LIABILITIES AND EQUITY	Note (Section Five II)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(1)	120,592,405	65,877,030	186,469,435	107,593,086	45,662,162	153,255,248
1.1 Deposits Held By the Risk Group of the Bank		378,896	175,066	553,962	40,127	371,049	411,176
1.2 Other		120,213,509	65,701,964	185,915,473	107,552,959	45,291,113	152,844,072
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	30,655	261,616	292,271	18,806	376,778	395,584
<b>III. FUNDS BORROWED</b>	(3)	1,392,459	18,150,189	19,542,648	1,149,257	13,458,450	14,607,707
<b>IV. MONEY MARKET BALANCES</b>		28,340,963	14,744,813	43,085,776	16,310,776	15,470,300	31,781,076
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		27,240,963	14,744,813	41,985,776	16,310,776	15,470,300	31,781,076
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		2,199,333	3,088,273	5,287,606	1,563,102	2,655,704	4,218,806
5.1 Bills		2,199,333	756,233	2,955,566	1,563,102	783,430	2,346,532
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		-	2,332,040	2,332,040	-	1,872,274	1,872,274
<b>VI. FUNDS</b>		5,931,129	-	5,931,129	5,426,448	-	5,426,448
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		5,931,129	-	5,931,129	5,426,448	-	5,426,448
<b>VII. MISCELLANEOUS PAYABLES</b>		1,477,006	843,177	2,320,183	1,214,414	532,089	1,746,503
<b>VIII. OTHER LIABILITIES</b>	(4)	2,044,873	389,249	2,434,122	1,737,591	305,622	2,043,213
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. PAYABLES FROM LEASING TRANSACTIONS (Net)</b>	(5)	-	686	686	-	1,389	1,389
10.1 Finance Lease Payables		-	699	699	-	1,425	1,425
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	13	13	-	36	36
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	(6)	-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(7)	5,125,958	34,938	5,160,896	4,719,883	37,954	4,757,837
12.1 General Provisions		2,833,693	10,491	2,844,184	2,304,896	6,685	2,311,581
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		851,869	-	851,869	816,564	-	816,564
12.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5 Other Provisions		1,440,396	24,447	1,464,843	1,598,423	31,269	1,629,692
<b>XIII. TAX LIABILITY</b>	(8)	776,453	852	777,305	825,874	462	826,336
13.1 Current Tax Liability		776,453	852	777,305	825,874	462	826,336
13.2 Deferred Tax Liability		-	-	-	-	-	-
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(9)	-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(10)	-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	(11)	30,865,420	680,849	31,546,269	27,422,276	1,117,888	28,540,164
16.1 Paid-in Capital		5,000,000	-	5,000,000	2,500,000	-	2,500,000
16.2 Capital Reserves		2,537,588	680,849	3,218,437	5,184,311	1,117,888	6,302,199
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(1,001,889)	680,849	(321,040)	1,060,245	1,117,888	2,178,133
16.2.4 Tangible Assets Revaluation Reserves		3,607,167	-	3,607,167	3,634,310	-	3,634,310
16.2.5 Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6 Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7 Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17,388	-	17,388	17,388	-	17,388
16.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other Capital Reserves		(85,078)	-	(85,078)	472,368	-	472,368
16.3 Profit Reserves		18,005,564	-	18,005,564	15,527,658	-	15,527,658
16.3.1 Legal Reserves		2,920,983	-	2,920,983	2,725,124	-	2,725,124
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		13,659,246	-	13,659,246	11,880,556	-	11,880,556
16.3.4 Other Profit Reserves		1,425,335	-	1,425,335	921,978	-	921,978
16.4 Profit or Loss		5,322,268	-	5,322,268	4,210,307	-	4,210,307
16.4.1 Prior Years Profit/Loss		159,798	-	159,798	159,798	-	159,798
16.4.2 Net Period Profit/Loss		5,162,470	-	5,162,470	4,050,509	-	4,050,509
<b>TOTAL LIABILITIES AND EQUITY</b>		198,776,654	104,071,672	302,848,326	167,981,513	79,618,798	247,600,311

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

**Unconsolidated Statement of  
Off-Balance Sheet Commitments as of 31 December 2015**

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

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

II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS							
	Note (Section Five III)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>38,810,504</b>	<b>98,624,231</b>	<b>137,434,735</b>	<b>64,836,961</b>	<b>118,824,939</b>	<b>183,661,900</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>(1), (3)</b>	<b>19,707,145</b>	<b>40,579,030</b>	<b>60,286,175</b>	<b>13,898,227</b>	<b>27,139,272</b>	<b>41,037,499</b>
1.1 Letters of Guarantee		19,606,622	29,635,315	49,241,937	13,812,313	18,048,875	31,861,188
1.1.1 Guarantees Subject to State Tender Law		1,181,920	5,635,033	6,816,953	910,333	2,860,858	3,771,191
1.1.2 Guarantees Given for Foreign Trade Operations		16,927,658	23,740,445	40,668,103	12,183,495	14,931,500	27,114,995
1.1.3 Other Letters of Guarantee		1,497,044	259,837	1,756,881	718,485	256,517	975,002
1.2 Bank Acceptances		12,965	4,178,340	4,191,305	21,260	3,565,824	3,587,084
1.2.1 Import Letter of Acceptance		12,965	4,173,792	4,186,757	21,260	3,562,096	3,583,356
1.2.2 Other Bank Acceptances		-	4,548	4,548	-	3,728	3,728
1.3 Letters of Credit		87,558	6,765,375	6,852,933	64,654	5,524,573	5,589,227
1.3.1 Documentary Letters of Credit		87,558	6,728,524	6,816,082	64,654	5,365,487	5,430,141
1.3.2 Other Letters of Credit		-	36,851	36,851	-	159,086	159,086
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		-	-	-	-	-	-
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>(1), (3)</b>	<b>15,984,047</b>	<b>3,614,654</b>	<b>19,598,701</b>	<b>48,069,144</b>	<b>48,516,112</b>	<b>96,585,256</b>
2.1 Irrevocable Commitments		15,984,035	3,609,756	19,593,791	14,616,463	6,068,659	20,685,122
2.1.1 Asset Purchase and Sale Commitments		153,461	1,695,131	1,848,592	114,630	4,410,506	4,525,136
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		2,693,280	112,533	2,805,813	2,120,280	146,672	2,266,952
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		3,076,439	-	3,076,439	2,737,371	-	2,737,371
2.1.8 Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9 Commitments for Credit Card Limits		7,130,144	-	7,130,144	7,160,308	-	7,160,308
2.1.10 Commitments for Credit Cards and Banking Services Promotions		20,185	-	20,185	17,011	-	17,011
2.1.11 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		2,910,526	1,802,092	4,712,618	2,466,863	1,511,481	3,978,344
2.2 Revocable Commitments		12	4,898	4,910	33,452,681	42,447,453	75,900,134
2.2.1 Revocable Loan Granting Commitments		-	4,898	4,898	33,452,669	42,447,453	75,900,122
2.2.2 Other Revocable Commitments		12	-	12	12	-	12
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>3,119,312</b>	<b>54,430,547</b>	<b>57,549,859</b>	<b>2,869,590</b>	<b>43,169,555</b>	<b>46,039,145</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		-	-	-	-	-	-

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

**Unconsolidated Statement of  
Off-Balance Sheet Commitments as of 31 December 2015**

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

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

II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS		Note (Section Five III)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
			TL	FC	Total	TL	FC	Total
3.2	Trading Transactions		3,119,312	54,430,547	57,549,859	2,869,590	43,169,555	46,039,145
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1,332,892	4,096,601	5,429,493	286,378	1,637,583	1,923,961
3.2.1.1	Forward Foreign Currency Transactions-Buy		642,706	2,072,867	2,715,573	143,281	820,042	963,323
3.2.1.2	Forward Foreign Currency Transactions-Sell		690,186	2,023,734	2,713,920	143,097	817,541	960,638
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		1,773,374	50,290,572	52,063,946	2,567,412	41,510,010	44,077,422
3.2.2.1	Foreign Currency Swap-Buy		436,624	22,770,642	23,207,266	-	21,988,978	21,988,978
3.2.2.2	Foreign Currency Swap-Sell		1,336,750	21,284,304	22,621,054	2,567,412	19,521,032	22,088,444
3.2.2.3	Interest Rate Swap-Buy		-	3,117,813	3,117,813	-	-	-
3.2.2.4	Interest Rate Swap-Sell		-	3,117,813	3,117,813	-	-	-
3.2.3	Foreign Currency, Interest rate and Securities Options		13,046	43,374	56,420	15,800	21,962	37,762
3.2.3.1	Foreign Currency Options-Buy		6,523	21,687	28,210	7,900	10,981	18,881
3.2.3.2	Foreign Currency Options-Sell		6,523	21,687	28,210	7,900	10,981	18,881
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
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>645,572,139</b>	<b>98,062,897</b>	<b>743,635,036</b>	<b>467,636,468</b>	<b>74,910,665</b>	<b>542,547,133</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>87,769,019</b>	<b>11,281,019</b>	<b>99,050,038</b>	<b>67,199,141</b>	<b>8,405,823</b>	<b>75,604,964</b>
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		30,615,944	4,389,662	35,005,606	26,678,975	3,195,814	29,874,789
4.3	Checks Received for Collection		4,576,100	342,690	4,918,790	3,025,848	170,446	3,196,294
4.4	Commercial Notes Received for Collection		4,782,653	309,103	5,091,756	4,761,985	225,708	4,987,693
4.5	Other Assets Received for Collection		8,934	-	8,934	8,664	-	8,664
4.6	Assets Received for Public Offering		44,389,111	-	44,389,111	32,504,064	-	32,504,064
4.7	Other Items Under Custody		3,394,628	6,239,564	9,634,192	217,956	4,813,855	5,031,811
4.8	Custodians		1,649	-	1,649	1,649	-	1,649
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>557,200,217</b>	<b>85,495,840</b>	<b>642,696,057</b>	<b>400,406,085</b>	<b>65,902,136</b>	<b>466,308,221</b>
5.1	Marketable Securities		907,730	28,100	935,830	961,803	23,822	985,625
5.2	Guarantee Notes		13,208,506	808,101	14,016,607	11,659,528	735,362	12,394,890
5.3	Commodity		1,072,015	18,248	1,090,263	1,175,668	20,477	1,196,145
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		495,609,918	65,182,872	560,792,790	352,218,251	49,849,878	402,068,129
5.6	Other Pledged Items		46,396,839	19,447,947	65,844,786	34,385,626	15,263,897	49,649,523
5.7	Pledged Items-Depository		5,209	10,572	15,781	5,209	8,700	13,909
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>602,903</b>	<b>1,286,038</b>	<b>1,888,941</b>	<b>31,242</b>	<b>602,706</b>	<b>633,948</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>			<b>684,382,643</b>	<b>196,687,128</b>	<b>881,069,771</b>	<b>532,473,429</b>	<b>193,735,604</b>	<b>726,209,033</b>

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

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Unconsolidated Statement of Income For the Year Ended at 31 December 2015

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

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

III. STATEMENT OF INCOME		Note (Section Five IV)	Current Period 01/01-31/12/2015	Prior Period 01/01-31/12/2014
<b>INCOME AND EXPENSE ITEMS</b>				
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>22,050,495</b>	<b>18,165,007</b>
1.1	Interest Income from Loans		16,676,949	12,754,847
1.2	Interest Income From Reserve Deposits		59,963	4,531
1.3	Interest Income from Banks		66,961	58,405
1.4	Interest Income from Money Market Placements		8	8
1.5	Interest Income from Marketable Securities		5,197,221	5,333,024
1.5.1	Financial Assets Held for Trading		1,551	2,403
1.5.2	Financial Assets at Fair Value through Profit and Loss		-	-
1.5.3	Financial Assets Available-for-Sale		4,417,016	4,299,242
1.5.4	Investments Held-to-Maturity		778,654	1,031,379
1.6	Finance Lease Income		-	-
1.7	Other Interest Income		49,393	14,192
<b>II.</b>	<b>INTEREST EXPENSES</b>	<b>(2)</b>	<b>11,541,569</b>	<b>9,558,161</b>
2.1	Interest Expense on Deposits		8,668,465	7,512,243
2.2	Interest on Borrowings		403,341	270,463
2.3	Interest on Money Market Borrowings		2,127,843	1,527,007
2.4	Interest on Marketable Securities Issued		281,151	197,882
2.5	Other Interest Expense		60,769	50,566
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSES (I - II)</b>		<b>10,508,926</b>	<b>8,606,846</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>1,300,081</b>	<b>1,077,115</b>
4.1	Fees and Commissions Received		1,636,694	1,356,514
4.1.1	Non-cash Loans		242,486	166,197
4.1.2	Other		1,394,208	1,190,317
4.2	Fees and Commissions Paid		336,613	279,399
4.2.1	Non-cash Loans		204	111
4.2.2	Other		336,409	279,288
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(3)</b>	<b>213,056</b>	<b>191,840</b>
<b>VI.</b>	<b>TRADING PROFIT/LOSS (Net)</b>	<b>(4)</b>	<b>(165,539)</b>	<b>(69,960)</b>
6.1	Profit/Loss from Capital Market Operations		76,423	71,482
6.2	Profit/losses on Derivative Financial Transactions	(5)	(1,245,827)	(1,591,702)
6.3	Profit/Loss from Foreign Exchanges		1,003,865	1,450,260
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(6)</b>	<b>1,339,895</b>	<b>911,050</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>		<b>13,196,419</b>	<b>10,716,891</b>
<b>IX.</b>	<b>PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)</b>	<b>(7)</b>	<b>1,420,554</b>	<b>1,443,194</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(8)</b>	<b>5,208,242</b>	<b>4,094,964</b>
<b>XI.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>6,567,623</b>	<b>5,178,733</b>
<b>XII.</b>	<b>GAINS RECORDED AFTER MERGER</b>		-	-
<b>XIII.</b>	<b>PROFIT/LOSS ON EQUITY METHOD</b>		-	-
<b>XIV.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV.</b>	<b>INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>(9)</b>	<b>6,567,623</b>	<b>5,178,733</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(10)</b>	<b>(1,405,153)</b>	<b>(1,128,224)</b>
16.1	Current Tax Provision		(821,329)	(1,631,582)
16.2	Deferred Tax Provision		(583,824)	503,358
<b>XVII.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>(11)</b>	<b>5,162,470</b>	<b>4,050,509</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1	Income from Non-current Assets Held for Sale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
18.3	Other Income From Discontinued Operations		-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1	Expenses for Non-current Assets Held for Sale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3	Other Expenses From Discontinued Operations		-	-
<b>XX.</b>	<b>PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXI.</b>	<b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
<b>XXII.</b>	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII.</b>	<b>NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(12)</b>	<b>5,162,470</b>	<b>4,050,509</b>
	Earnings/Loss per Share		1.049	0.937

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

## Unconsolidated Statement of Profit and Loss Items Accounted Under Shareholders' Equity for the Years Ended at 31 December 2015

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

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

IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Current Period (31/12/2015)	Prior Period (31/12/2014)
I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	(3,278,164)	3,231,049
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	(27,143)	3,634,310
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	157,751	179,696
V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)	-	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	(17,455)	(29,356)
IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	624,731	(616,117)
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(2,540,280)	6,399,582
XI. CURRENT YEAR PROFIT/LOSS	5,162,470	4,050,509
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	76,423	74,969
11.2 Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3 Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4 Other	5,086,047	3,975,540
XII. TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	2,622,190	10,450,091

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

## Unconsolidated Statement of Changes in Shareholders' Equity at 31 December 2014

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

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

### V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	31 December 2014	Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves	Statutory Reserves
I.	Balance at the Beginning of the Period		2,500,000	543,482	-	-	2,541,114	-
	Changes During the Period							
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-
IV.	Hedging Funds (Active Part)		-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-	-
XII.	Increase in Capital		-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-
12.2	From Internal Resources		-	-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	184,010	-
18.1	Dividend Distributed		-	-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	184,010	-
18.3	Other		-	-	-	-	-	-
	Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)		2,500,000	543,482	-	-	2,725,124	-

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

	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
	9,011,091	905,677		3,489,872	(641,945)	-	17,388	-	-	18,366,679
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	2,640,382	-	-	-	-	2,640,382
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	3,634,310	-	-	-	3,634,310
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	179,696	-	-	-	-	179,696
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	(54,813)	-	7	-	-	-	-	-	(54,806)
	-	-	4,050,509	-	-	-	-	-	-	4,050,509
	2,869,465	-	-	(3,330,081)	-	-	-	-	-	(276,606)
	-	-	-	(276,606)	-	-	-	-	-	(276,606)
	2,869,465	-	-	(3,053,475)	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	11,880,556	850,864	4,050,509	159,798	2,178,133	3,634,310	17,388	-	-	28,540,164

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

## Unconsolidated Statement of Changes in Shareholders' Equity at 31 December 2015

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

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

### V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	31 December 2015	Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves	Statutory Reserves
I.	Balance at the Beginning of the Period		2,500,000	543,482	-	-	2,725,124	-
	Changes During the Period							
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-
IV.	Hedging Funds (Active Part)		-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-	-
XII.	Increase in Capital		2,500,000	(543,482)	-	-	-	-
12.1	Cash		675,000	-	-	-	-	-
12.2	From Internal Resources		1,825,000	(543,482)	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	195,859	-
18.1	Dividend Distributed		-	-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	195,859	-
18.3	Other		-	-	-	-	-	-
	Balance at the End of the Period (I+II+III+.....+XVI+XVII+XVIII)		5,000,000	-	-	-	2,920,983	-

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

	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
	11,880,556	850,864	-	4,210,307	2,178,133	3,634,310	17,388	-	-	28,540,164
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	(2,656,924)	-	-	-	-	(2,656,924)
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	(27,143)	-	-	-	(27,143)
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	157,751	-	-	-	-	157,751
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	(1,281,518)	-	-	-	-	-	-	-	-	675,000
	-	-	-	-	-	-	-	-	-	675,000
	(1,281,518)	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	(13,964)	-	-	-	-	-	-	-	(13,964)
	-	-	5,162,470	-	-	-	-	-	-	5,162,470
	3,060,208	503,357	-	(4,050,509)	-	-	-	-	-	(291,085)
	-	-	-	(291,085)	-	-	-	-	-	(291,085)
	3,060,208	503,357	-	(3,759,424)	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	13,659,246	1,340,257	5,162,470	159,798	(321,040)	3,607,167	17,388	-	-	31,546,269

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

**Unconsolidated Statement of Cash Flows as of 31 December 2015**

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

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

VI. STATEMENT OF CASH FLOWS		Note (Section Five VI)	Current Period (31/12/2015)	Prior Period (31/12/2014)
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		5,395,793	2,543,466
1.1.1	Interest Received		20,944,150	15,376,432
1.1.2	Interest Paid		(9,420,130)	(9,429,187)
1.1.3	Dividend Received		185,475	157,093
1.1.4	Fees and Commissions Received		1,634,368	1,358,451
1.1.5	Other Income		436,439	2,011,491
1.1.6	Collections from Previously Written-off Loans and Other Receivables		1,671,510	1,470,590
1.1.7	Payments to Personnel and Service Suppliers		(2,065,716)	(1,820,293)
1.1.8	Taxes Paid		(1,278,128)	(1,509,612)
1.1.9	Other		(6,712,175)	(5,071,499)
1.2	Changes in Operating Assets and Liabilities		226,160	(9,085,637)
1.2.1	Net (Increase)/Decrease in Trading Securities		(2,512)	1,359
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3	Net (Increase)/Decrease in Banks		(6,091,291)	(5,074,796)
1.2.4	Net (Increase)/Decrease in Loans		(44,196,157)	(30,577,479)
1.2.5	Net (Increase)/Decrease in Other Assets		(252,980)	(38,480)
1.2.6	Net Increase/ (Decrease) in Bank Deposits		7,254,219	9,672,137
1.2.7	Net Increase/ (Decrease) in Other Deposits		37,132,471	8,969,313
1.2.8	Net Increase/ (Decrease) in Funds Borrowed		4,913,141	6,008,282
1.2.9	Net Increase/ (Decrease) in Payables		-	-
1.2.10	Net Increase/ (Decrease) in Other Liabilities		1,469,269	1,954,027
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>5,621,953</b>	<b>(6,542,171)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>		<b>(3,490,193)</b>	<b>3,208,423</b>
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		(997,857)	(100,000)
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3	Fixed Assets Purchases		(457,000)	-
2.4	Fixed Assets Sales		47,741	35,608
2.5	Cash Paid for Purchase of Financial Assets Available for Sale		(16,560,939)	(26,048,601)
2.6	Cash Obtained from Sale of financial Assets Available for Sale		16,452,628	24,454,122
2.7	Cash Paid for Purchase of Investment Securities		(148,236)	(182,093)
2.8	Cash Obtained from Sale of Investment Securities		1,085,085	6,050,057
2.9	Other		(2,911,615)	(1,000,670)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>		<b>516,030</b>	<b>1,429,190</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued		2,990,333	4,207,495
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(2,367,350)	(2,671,114)
3.3	Marketable Securities Issued		-	-
3.4	Dividends Paid		(106,250)	(106,250)
3.5	Payments for Finance Leases		(703)	(941)
3.6	Other		-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>(1)</b>	<b>549,935</b>	<b>101,353</b>
<b>V.</b>	<b>Net Decrease/Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>3,197,725</b>	<b>(1,803,205)</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>(1)</b>	<b>4,866,372</b>	<b>6,669,577</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	<b>(1)</b>	<b>8,064,097</b>	<b>4,866,372</b>

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

## Unconsolidated Statement of Profit Appropriation as of 31 December 2015

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

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

VII. PROFIT APPROPRIATION STATEMENT <sup>(1)</sup>		Current Period (31/12/2015)	Prior Period <sup>(2)</sup> (31/12/2014)
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>			
1.1	Current Year Income	6,567,623	5,178,733
1.2	Taxes And Duties Payable (-) <sup>(3)</sup>	1,405,153	1,631,582
1.2.1	Corporate Tax (Income tax)	821,329	1,631,582
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	583,824	-
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>5,162,470</b>	<b>3,547,151</b>
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	258,124	177,358
1.5	Other Statutory Reserves (-)	-	-
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [ (A- (1.3+1.4+1.5)) ]</b>	<b>4,904,346</b>	<b>3,369,793</b>
1.6	First Dividend To Shareholders (-)	-	125,000
1.6.1	To Owners Of Ordinary Shares	-	125,000
1.6.2	To Owners Of Privileged Shares	-	-
1.6.3	To Owners Of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.7	Dividends To Personnel (-)	-	185,000
1.8	Dividends To Board Of Directors (-)	-	-
1.9	Second Dividend To Shareholders (-)	-	-
1.9.1	To Owners Of Ordinary Shares	-	-
1.9.2	To Owners Of Privileged Shares	-	-
1.9.3	To Owners Of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	18,500
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	3,041,293
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
<b>II. DISTRIBUTION OF RESERVES</b>			
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends To Shareholders (-)	-	-
2.3.1	To Owners Of Ordinary Shares	-	-
2.3.2	To Owners Of Privileged Shares	-	-
2.3.3	To Owners Of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders Of Profit And Loss Sharing Certificates	-	-
2.4	Dividends To Personnel (-)	-	-
2.5	Dividends To Board Of Directors (-)	-	-
<b>III. EARNINGS PER SHARE</b>			
3.1	To Owners Of Ordinary Shares	1.0488	0.9365
3.2	To Owners Of Ordinary Shares (%)	104.88	93.65
3.3	To Owners Of Privileged Shares	-	-
3.4	To Owners Of Privileged Shares (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>			
4.1	To Owners Of Ordinary Shares	-	-
4.2	To Owners Of Ordinary Shares (%)	-	-
4.3	To Owners Of Privileged Shares	-	-
4.4	To Owners Of Privileged Shares (%)	-	-

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

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

<sup>(3)</sup> The deferred tax asset of prior period amounting to TL 503,358 is not subject to profit distribution.

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

## Notes to the Unconsolidated Financial Statements at 31 December 2015

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

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

### SECTION THREE

#### EXPLANATIONS ON ACCOUNTING POLICIES

##### I. BASIS OF PRESENTATION

The unconsolidated financial statements are prepared in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette No. 26333 dated 1 November 2006 by the BRSA (“Banking Regulation and Supervision Agency”) which refers to “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards” (“TFRS”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”), and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA (all referred as “BRSA Principles”). The format and content of the publicly announced 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.

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.

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.

**Notes to the Unconsolidated  
Financial Statements at 31 December 2015**

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

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

**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.

**Notes to the Unconsolidated  
Financial Statements at 31 December 2015**

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

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

**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.

## Notes to the Unconsolidated Financial Statements at 31 December 2015

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

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

### 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.

#### 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.

**Notes to the Unconsolidated  
Financial Statements at 31 December 2015**

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

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

**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.

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.

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**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.

**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.

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### **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.

### **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%.

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**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 3,607,167 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.

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”.

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**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.

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).

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The Bank uses independent actuaries in determining liability, and also makes assumptions relating to the discount rate, future salary increases, and the employee turnover. These assumptions are reviewed on an annual basis. Retirement benefit obligation is TL 683,269 as of 31 December 2015. (31 December 2014: TL 666,464)

	Current Period	Prior Period
Discount rate (%)	10.70	8.60
Expected inflation rate (%)	7.00	6.00

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. (31 December 2014: TL 71,114 actuarial loss)

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. As of 31 December 2015 the number of personnel who benefit from the Fund, excluding dependents, is 21,347 (2014: 18,220). 17,644 of these members are active while 3,703 are passive members. (2014: 14,572 active members, 3,648 passive members).

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

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

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

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

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

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

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

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

The technical balance sheet report as of 31 December 2015 which is prepared in accordance with the new law and the rate determined as 9.80%, concluded no technical deficit arises in the above mentioned fund. Since the 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 14<sup>th</sup> and paid by the 17<sup>th</sup> 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.

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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 25<sup>th</sup> of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

**b. Deferred tax**

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

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

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

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

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 BRSB.

**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.

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

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

**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 XII. of Section Four.

**XXIV. EXPLANATIONS ON OTHER MATTERS**

In accordance with the decision taken in the General Assembly of the year 2014, which was carried out on 27 March 2015, from TL 4,050,509 net profit after the deduction of deferred tax income amounting to TL 503,358, which is not subject to distribution, the remaining TL 3,547,151 of the profit for the year 2014, TL 177,358 is transferred to first legal reserve and TL 18,500 is transferred to second legal reserve TL 185,000 is distributed as dividend to employees and TL 106,250 is distributed to Treasury after deducting withholding tax of 15% (TL 18,750) in cash. In this context, TL 3,041,293 of the profit is preserved; dividend payment made to Treasury on 15 April 2015, and within the framework of the dividend to be distributed to employees, at total TL 166,086 is paid. The remaining TL 18,914 from the dividends distributed to the personnel as of 31 December 2015 was transferred to the “profit reserves”.

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### SECTION FOUR

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

##### I. EXPLANATIONS ON THE CAPITAL ADEQUACY STANDARD RATIO

###### 1. The Bank's unconsolidated capital adequacy ratio, reasons and anticipated solutions in case the ratio is lower than the amount pre-determined by the Communiqué:

The Bank's unconsolidated capital adequacy ratio calculated in accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" is 15.08%. (31 December 2014: 18.22%)

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

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

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

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

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

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

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

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**Information related to capital adequacy standard ratio:**

	Risk Weights		
	Bank Only		
Current Period	0%	10%	20%
<b>Credit Risk Based Amount-31 December 2015</b>	<b>76,475,984</b>	<b>-</b>	<b>32,836,640</b>
<b>Risk Classes</b>			
Conditional and unconditional receivables from central governments or central banks	67,401,476	-	-
Conditional and unconditional receivables from regional or local governments	-	-	458,547
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-
Conditional and unconditional receivables from multilateral development banks	6	-	-
Conditional and unconditional receivables from international organisations	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	6,301	-	30,880,165
Conditional and unconditional corporate receivables	619,881	-	1,497,925
Conditional and unconditional retail receivables	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-
Past due receivables	-	-	-
Receivables defined in high risk category by BRSA	-	-	-
Securities collateralised by mortgages	-	-	-
Securitisation positions	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-
Investments similar to collective investment funds	-	-	-
Other receivables	8,448,320	-	3

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

Risk Weights

Bank Only

	50% Real Est. Mort. Coll.	50%	75%	100%	150%	200%	250%	1250%
	-	27,569,776	88,583,269	118,702,297	2,705,355	6,272,798	261,941	-
	-	14,263,747	-	321,681	-	-	-	-
	-	70	-	1,741	-	-	-	-
	-	-	-	544,010	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	12,072,743	-	1,033,545	-	-	-	-
	-	1,233,214	-	108,827,693	-	-	-	-
	-	2	70,675,495	685,494	-	-	-	-
	-	-	17,907,774	217,785	-	-	-	-
	-	-	-	569,931	-	-	-	-
	-	-	-	-	2,705,355	6,272,798	261,941	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	105,792	-	-	-	-
	-	-	-	6,394,625	-	-	-	-

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	Risk Weights		
	Bank Only		
Prior Period	0%	10%	20%
<b>Value at Credit Risk Exposure Categories</b>	<b>74,247,665</b>	<b>-</b>	<b>20,225,324</b>
Risk Classes			
Conditional and unconditional receivables from central governments or central banks	67,174,099	-	-
Conditional and unconditional receivables from regional or local governments	-	-	444,032
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-
Conditional and unconditional receivables from multilateral development banks	6	-	-
Conditional and unconditional receivables from international organisations	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	18,400,822
Conditional and unconditional receivables from corporate	-	-	1,380,349
Conditional and unconditional retail Receivables	-	-	111
Conditional and unconditional receivables secured by mortgages	-	-	-
Past due receivables	-	-	-
Receivables defined in high risk category by BRSA	-	-	-
Securities collateralised by mortgages	-	-	-
Securitisation positions	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-
Investments similar to collective investment funds	-	-	-
Other receivables	7,073,560	-	10

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

Risk Weights

Bank Only

	50% Real Est. Mort. Coll.	50%	75%	100%	150%	200%	250%	1250%
	1,341	21,710,058	58,356,840	82,423,409	4,028,651	18,026,785	222,268	-
	-	10,676,895	-	200,653	-	-	-	-
	-	86	-	-	-	-	-	-
	-	-	-	443,990	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	8,713,576	-	653,169	-	-	-	-
	-	2,317,373	-	72,697,239	-	-	-	-
	-	2,128	45,693,435	668,370	-	-	-	-
	-	-	12,663,405	216,913	-	-	-	-
	1,341	-	-	563,813	-	-	-	-
	-	-	-	-	4,028,651	18,026,785	222,268	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	62,682	-	-	-	-
	-	-	-	6,916,580	-	-	-	-

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**Summary Information Related to the Capital Adequacy Standard Ratio:**

	<b>Current Period</b>	<b>Prior Period</b>
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	15,937,165	11,641,473
Capital Requirement for Market Risk (CRMR)	1,332,250	1,087,412
Capital Requirement for Operational Risk (CROR)	1,301,706	1,098,374
Shareholders' Equity	34,995,187	31,484,041
Shareholders' Equity/ ((CRCR+CRMR+CROR)*12.5)*100	15.08	18.22
Tier 1 Capital/ ((CRCR+CRMR+CROR)*12.5)*100	14.00	17.18
Common Equity Tier 1 Capital/ ((CRCR+CRMR+CROR)*12.5)*100	14.06	17.23

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

	Current Period	Prior Period
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	5,000,000	3,043,482
Share Premium	-	-
Share Cancellation Profits	-	-
Reserves	18,005,564	15,527,658
Income recognized under equity in accordance with TAS	4,664,239	5,812,443
Profit	5,322,268	4,210,307
Current Period's Profit	5,162,470	4,050,509
Prior Period's Profit	159,798	159,798
Free Provision for Possible Risks	1,257,419	1,334,053
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	17,388	17,388
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>34,266,878</b>	<b>29,945,331</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	71,114
Leasehold Improvements on Operational Leases (-)	86,055	69,634
Goodwill and intangible asset and the related deferred tax liability (-)	84,604	23,086
Net Deferred Tax Asset/Liability (-)	-	-
Excess amount expressed in the law (Article 56 4 <sup>th</sup> 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 (2 <sup>nd</sup> 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>163,834</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>32,633,029</b>	<b>29,781,497</b>

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	Current Period	Prior Period
<b>ADDITIONAL TIER 1 CAPITAL</b>		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	-	-
<b>Additional Tier 1 Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier 1 Capital</b>	-	-
Bank's a direct or indirect investment in Tier 1 Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other Items Determined by BRSA (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
<b>Total Deductions from Additional Tier 1 Capital</b>	-	-
<b>Total Additional Tier 1 Capital</b>	-	-
<b>Deductions From Tier 1 Capital</b>	<b>126,907</b>	<b>92,346</b>
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	126,907	92,346
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>29,689,151</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	1,818,980
<b>Tier 2 Capital Before Deductions</b>	<b>2,490,182</b>	<b>1,818,980</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>1,818,980</b>

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	Current Period	Prior Period
<b>TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS</b>	<b>34,996,304</b>	<b>31,508,131</b>
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	1,044	757
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-	23,199
Securitization positions that is deducted -preferably- from the shareholders' equity (Article 20 paragraph 2) (-)	-	-
Other items to be defined by BRSA (-)	73	134
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%, but exceeding 10% of Common Equity Tier 1 not deducted from Common Equity Tier 1, Tier 1 or Tier 2 (-)	-	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of the bank (-)	-	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of bank (-)	-	-
<b>TOTAL CAPITAL</b>	<b>34,995,187</b>	<b>31,484,041</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	165,247
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability) (-)	261,730	220,823

### Information Related to the Components which Subject to Temporary Implementation in the Calculation of Equity:

None.

### Information Related to the Debt Instruments which will be Included in the Calculation of Equity:

None.

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

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

Therefore, in the Bank,

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

## II. EXPLANATIONS ON THE CREDIT RISK

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

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

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

In order to prevent the risk intensity on the commercial loan portfolio, limits are determined and followed on the basis of group companies, private and public firms, and different debtor groups. Similarly, in determining the limits of the agricultural loan portfolio the structures of the regions are considered. The bank's credit authority limits on given consumer loans are defined with the separation of type and guarantee and these limits are updated according to economic conjuncture and demands of Regional Managements/Branches.

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

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

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

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

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On January 2011 the Bank started applying internal ratings processes as a decision support system for analysing credit worthiness and determining credit allocation for Corporate/Commercial/Entrepreneurial consumer loans.

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

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

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

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

Foreign financial institution and country risks of the Bank are generally taken on financial institutions and countries which are rated by international rating institutions. Treasury operations are executed in the frame of pre-

determined authorization and limits, these authorization and limits are monitored. Client transactions within the context of Fund Management are done in the frame of general loan limits determined for the clients

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

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

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

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

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

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

General provision made by the Bank for the credit risk is TL 2,844,581 (31 December 2014: TL 1,970,093).

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	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Current Period</b>							
Domestic	79,800,139	457,492	542,487	6	-	29,495,171	110,297,369
European Union Countries	37,219	1,125	-	-	-	8,805,518	294,202
OECD Countries <sup>(1)</sup>	-	-	-	-	-	265,921	-
Off-shore Banking Regions	-	-	-	-	-	-	-
USA, Canada	1,823,929	-	1,234	-	-	553,170	349,733
Other Countries	325,617	1,741	289	-	-	1,119,173	181,669
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	3,753,801	1,055,740
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>81,986,904</b>	<b>460,358</b>	<b>544,010</b>	<b>6</b>	<b>-</b>	<b>43,992,754</b>	<b>112,178,713</b>

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Prior Period</b>							
Domestic	77,825,891	444,118	443,984	6	-	9,473,379	75,033,100
European Union Countries	9,695	-	-	-	-	14,502,433	47,646
OECD Countries <sup>(1)</sup>	-	-	-	-	-	398,992	-
Off-shore Banking Regions	-	-	-	-	-	-	-
USA, Canada	16,568	-	-	-	-	271,955	93,295
Other Countries	199,493	-	6	-	-	565,239	199,376
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	2,555,569	1,021,544
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>78,051,647</b>	<b>444,118</b>	<b>443,990</b>	<b>6</b>	<b>-</b>	<b>27,767,567</b>	<b>76,394,961</b>

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

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada

<sup>(2)</sup> Assets and liabilities that could not be distributed on a consistent basis

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
	71,239,492	18,125,101	567,395	9,210,227	-	-	-	105,708	14,842,948	334,683,535
	32,527	-	523	16,653	-	-	-	84	-	9,187,851
	-	-	-	-	-	-	-	-	-	265,921
	-	-	-	-	-	-	-	-	-	-
	586	-	-	610	-	-	-	-	-	2,729,262
	88,386	458	2,013	12,604	-	-	-	-	-	1,731,950
	-	-	-	-	-	-	-	-	-	4,809,541
	-	-	-	-	-	-	-	-	-	-
	71,360,991	18,125,559	569,931	9,240,094	-	-	-	105,792	14,842,948	353,408,060

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
	46,242,346	12,875,452	563,668	22,264,215	-	-	-	62,682	13,990,150	259,218,991
	24,468	4,391	472	8,793	-	-	-	-	-	14,597,898
	-	-	-	-	-	-	-	-	-	398,992
	-	-	-	-	-	-	-	-	-	-
	885	-	-	53	-	-	-	-	-	382,756
	96,345	475	1,014	4,643	-	-	-	-	-	1,066,591
	-	-	-	-	-	-	-	-	-	3,577,113
	-	-	-	-	-	-	-	-	-	-
	46,364,044	12,880,318	565,154	22,277,704	-	-	-	62,682	13,990,150	279,242,341

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Current Period	Risk Classes								
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	
<b>Sectors/Counter Parties</b>									
Agriculture	-	-	-	-	-	-	5,363,985	29,522,167	
Farming and Stockbreeding	-	-	-	-	-	-	5,008,120	29,327,342	
Forestry	-	-	-	-	-	-	249,657	101,415	
Fishing	-	-	-	-	-	-	106,208	93,410	
Manufacturing	-	-	99,937	-	-	-	49,121,631	3,600,766	
Mining and Quarrying	-	-	17	-	-	-	2,924,632	65,519	
Production	-	-	99,910	-	-	-	36,772,043	3,522,344	
Electric, Gas and Water	-	-	10	-	-	-	9,424,956	12,903	
Construction	-	-	25,807	-	-	-	15,431,147	2,133,204	
Services	2,997,074	420	255,292	6	-	26,723,466	38,705,529	11,750,851	
Wholesale and Retail Trade	-	17	4,292	-	-	-	16,568,568	8,233,270	
Hotel Food and Beverage Services	-	132	65	-	-	-	2,546,186	745,067	
Transportation and Telecommunication	-	79	73,236	-	-	-	5,609,959	1,517,944	
Financial Institutions	2,997,074	192	120	6	-	25,904,352	3,785,764	4,985	
Real Estate and Leasing Services	-	-	78,240	-	-	819,114	9,481,909	952,003	
Self Employment Services	-	-	-	-	-	-	-	-	
Education Services	-	-	69,774	-	-	-	252,627	102,145	
Health and Social Services	-	-	29,565	-	-	-	460,516	195,437	
Other	78,989,830	459,938	162,974	-	-	17,269,288	3,556,421	24,354,003	
<b>Total</b>	<b>81,986,904</b>	<b>460,358</b>	<b>544,010</b>	<b>6</b>	<b>-</b>	<b>43,992,754</b>	<b>112,178,713</b>	<b>71,360,991</b>	

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

Risk Classes

	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	372,434	939	14,733	-	-	-	-	2,135,195	37,033,999	375,454	37,409,453
	350,326	868	13,201	-	-	-	-	2,135,195	36,736,566	98,486	36,835,052
	2,844	52	956	-	-	-	-	-	118,741	236,183	354,924
	19,264	19	576	-	-	-	-	-	178,692	40,785	219,477
	129,349	13,205	55,337	-	-	-	-	-	21,203,317	31,816,908	53,020,225
	3,897	726	768	-	-	-	-	-	603,581	2,391,978	2,995,559
	124,765	12,468	53,360	-	-	-	-	-	17,896,667	22,688,223	40,584,890
	687	11	1,209	-	-	-	-	-	2,703,069	6,736,707	9,439,776
	50,527	476,783	28,053	-	-	-	-	-	6,733,479	11,412,042	18,145,521
	713,311	25,290	235,952	-	-	-	105,792	-	55,144,375	26,368,608	81,512,983
	420,414	14,299	85,580	-	-	-	-	-	20,673,414	4,653,026	25,326,440
	66,732	1,509	13,478	-	-	-	-	-	1,383,255	1,989,914	3,373,169
	93,141	1,122	13,982	-	-	-	-	-	2,675,591	4,633,872	7,309,463
	1,044	35	89,157	-	-	-	3,694	-	24,562,680	8,223,743	32,786,423
	101,853	8,043	25,614	-	-	-	102,098	-	4,975,912	6,592,962	11,568,874
	-	-	-	-	-	-	-	-	-	-	-
	5,540	94	1,326	-	-	-	-	-	356,120	75,386	431,506
	24,587	188	6,815	-	-	-	-	-	517,403	199,705	717,108
	16,859,938	53,714	8,906,019	-	-	-	-	12,707,753	99,970,482	63,349,396	163,319,878
	<b>18,125,559</b>	<b>569,931</b>	<b>9,240,094</b>	-	-	-	<b>105,792</b>	<b>14,842,948</b>	<b>220,085,652</b>	<b>133,322,408</b>	<b>353,408,060</b>

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Prior Period	Risk Classes								
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	
<b>Sectors/Counter Parties</b>									
Agriculture	-	-	-	-	-	-	8,833,825	17,666,954	
Farming and Stockbreeding	-	-	-	-	-	-	8,450,346	17,504,057	
Forestry	-	-	-	-	-	-	128,843	125,393	
Fishing	-	-	-	-	-	-	254,636	37,504	
Manufacturing	-	419,469	158,304	-	-	-	28,480,731	4,151,249	
Mining and Quarrying	-	36	101	-	-	-	462,651	144,170	
Production	-	419,433	157,450	-	-	-	25,112,950	3,997,961	
Electric, Gas and Water	-	-	753	-	-	-	2,905,130	9,118	
Construction	-	-	3,673	-	-	-	9,994,595	1,292,433	
Services	8,795,417	17,776	228,017	6	-	16,532,896	22,558,525	9,364,424	
Wholesale and Retail Trade	-	-	62,019	-	-	-	13,472,842	3,024,997	
Hotel Food and Beverage Services	-	31	44,799	-	-	-	1,325,518	254,774	
Transportation and Telecommunication	-	15,959	22,952	-	-	-	1,151,453	222,344	
Financial Institutions	8,795,417	222	85	6	-	9,215,598	3,830,976	1,251,023	
Real Estate and Leasing Services	-	1,564	27,904	-	-	7,317,298	2,349,136	4,423,112	
Self Employment Services	-	-	-	-	-	-	-	-	
Education Services	-	-	67,497	-	-	-	103,642	187,417	
Health and Social Services	-	-	2,761	-	-	-	324,958	757	
Other	69,256,230	6,873	53,996	-	-	11,234,671	6,527,285	13,888,984	
<b>Total</b>	<b>78,051,647</b>	<b>444,118</b>	<b>443,990</b>	<b>6</b>	<b>-</b>	<b>27,767,567</b>	<b>76,394,961</b>	<b>46,364,044</b>	

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

Risk Classes

	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	23,893	315	4,757	-	-	-	-	-	21,662,654	4,867,090	26,529,744
	18,554	315	689	-	-	-	-	-	21,284,206	4,689,755	25,973,961
	4,635	-	-	-	-	-	-	-	255,791	3,080	258,871
	704	-	4,068	-	-	-	-	-	122,657	174,255	296,912
	463,540	486,157	423,861	-	-	-	43,374	-	17,619,787	17,006,898	34,626,685
	22,926	-	44	-	-	-	-	-	210,989	418,939	629,928
	439,378	486,157	422,747	-	-	-	43,374	-	15,394,977	15,684,473	31,079,450
	1,236	-	1,070	-	-	-	-	-	2,013,821	903,486	2,917,307
	17,513	-	18,167	-	-	-	-	-	6,865,867	4,460,514	11,326,381
	535,821	42,784	145,719	-	-	-	15,601	-	33,564,846	24,672,140	58,236,986
	23,159	9,416	6,429	-	-	-	-	-	6,799,974	9,798,888	16,598,862
	6,279	1,661	3,152	-	-	-	-	-	202,287	1,433,927	1,636,214
	3,361	2,042	105,006	-	-	-	-	-	377,257	1,145,860	1,523,117
	65,520	706	23,987	-	-	-	156	-	12,716,664	10,467,032	23,183,696
	190,267	580	2,846	-	-	-	-	-	12,812,830	1,499,877	14,312,707
	-	-	-	-	-	-	-	-	-	-	-
	2,727	28,379	1,928	-	-	-	15,445	-	397,957	9,078	407,035
	244,508	-	2,371	-	-	-	-	-	257,877	317,478	575,355
	11,839,551	35,898	21,685,200	-	-	-	3,707	13,990,150	105,929,580	42,592,965	148,522,545
	<b>12,880,318</b>	<b>565,154</b>	<b>22,277,704</b>	-	-	-	<b>62,682</b>	<b>13,990,150</b>	<b>185,642,734</b>	<b>93,599,607</b>	<b>279,242,341</b>

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### Analysis of maturity-bearing exposures according to remaining maturities:

Exposure Classifications	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	2,311,437	1,173,882	1,106,383	8,448,976	68,946,226
Conditional and unconditional exposures to regional governments or local authorities	5,825	32	38	6,010	448,453
Conditional and unconditional receivables from administrative units and non-commercial enterprises	131,673	2,391	2,264	75,319	332,363
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	6
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	28,650,907	3,414,858	976,894	1,141,379	9,808,716
Conditional and unconditional exposures to corporates	4,512,453	2,593,507	3,868,295	30,019,207	71,185,251
Conditional and unconditional retail exposures	2,218,813	1,987,619	3,226,563	17,957,986	45,970,010
Conditional and unconditional exposures secured by real estate property	39,381	100,771	179,479	868,450	16,937,478
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	471,911	-	-	68,561	8,699,622
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	3,694	-	-	75,582	26,516
<b>Grand Total</b>	<b>38,346,094</b>	<b>9,273,060</b>	<b>9,359,916</b>	<b>58,661,470</b>	<b>222,354,641</b>

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

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

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Rating Scores are used in the following risk classes;

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

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

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

**Exposures by risk weights:**

	Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1	Exposures before Credit Risk Mitigation	76,475,984	-	32,836,640	27,569,776	88,583,269	118,702,297	2,705,355	6,272,798	261,941	-	212,628
2	Exposures after Credit Risk Mitigation	119,272,256	-	9,728,650	42,531,264	55,383,847	117,308,817	2,681,848	6,239,437	261,941	-	212,628

Prepared with the numbers after conversion rate to credit.

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**Information in terms of major sectors and type of counterparties:**

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

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

	Credits			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture	558,429	977,165	22,187	294,979
Farming and Stockbreeding	549,681	968,151	21,982	286,419
Forestry	3,257	2,639	60	3,086
Fishery	5,491	6,375	145	5,474
Manufacturing	367,412	401,537	9,117	323,259
Mining and Quarrying	15,734	10,465	237	14,707
Production	339,809	311,013	7,062	296,694
Electricity, Gas and Water	11,869	80,059	1,818	11,858
Construction	807,370	133,354	3,029	319,175
Services	577,062	994,401	22,579	526,717
Wholesale and Retail Trade	451,058	694,687	15,773	416,435
Accommodation and Dining	28,497	92,261	2,095	26,534
Transportation and Telecom.	36,252	91,865	2,086	34,521
Financial Institutions	834	2,791	63	781
Real Estate and Rental Services	47,932	94,496	2,146	36,656
Professional Services	-	-	-	-
Educational Services	2,839	10,380	236	2,765
Health and Social Services	9,650	7,921	180	9,025
Other	830,251	1,503,853	94,851	806,402
<b>Total</b>	<b>3,140,524</b>	<b>4,010,310</b>	<b>151,763</b>	<b>2,270,532</b>

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

		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	1,932,169	884,007	(545,644)	-	2,270,532
2	General Provisions	2,311,581	533,156	(553)	-	2,844,184

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

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	944,899	310,742
Banks	4,446,792	2,191,041
Interbank Money Market Placements	-	-
Available-for-sale Financial Assets	53,782,308	54,230,853
Held-to-maturity Investments	10,144,142	10,021,056
Loans	186,812,851	141,914,662
Other Assets	1,771,166	1,758,727
<b>Total credit risk exposure of balance sheet items</b>	<b>257,902,158</b>	<b>210,427,081</b>
Financial Guarantees	60,286,175	41,037,499
Commitments	19,598,701	96,585,256
<b>Total credit risk exposure of off-balance sheet items</b>	<b>79,884,876</b>	<b>137,622,755</b>
<b>Total credit risk exposure</b>	<b>337,787,034</b>	<b>348,049,836</b>

	Current Period			Prior Period		
	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
<b>Financial Assets</b>						
Banks	4,446,792	-	4,446,792	2,191,041	-	2,191,041
Financial Assets at Fair Value Through Profit or Loss	944,899	-	944,899	310,742	-	310,742
Loans:	181,932,549	4,010,310	185,942,859	137,649,443	3,480,468	141,129,911
Corporate/Entrepreneurial Loans	95,869,566	1,651,939	97,521,505	66,510,828	1,084,334	67,595,162
Consumer Loans	49,627,211	1,382,290	51,009,501	43,292,001	1,379,139	44,671,140
Specialized Loans	36,435,772	976,081	37,411,853	27,846,614	1,016,995	28,863,609
Available-for-sale Financial Assets	53,782,308	-	53,782,308	54,230,853	-	54,230,853
Held-to-maturity Investments	10,144,142	-	10,144,142	10,021,056	-	10,021,056

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**Information about credit quality per class of financial assets**

Carrying amount per class of financial assets whose terms have been renegotiated:

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Loans:	4,091,650	3,005,476
Corporate/Entrepreneurial Loans	1,209,157	1,247,487
Consumer Loans	768,734	309,491
Specialized Loans	2,113,759	1,448,498
Other	-	-
Available-for-sale Financial Assets	-	-
Held-to-maturity Investments	-	-

**III. EXPLANATIONS ON THE MARKET RISK**

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

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

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

In order to manage the market risk, the Bank performs monitoring, limiting, stress testing and scenario analysis activities suitable to its position structure and complexity, and periodically reports the results. Operations are carried out through a trading portfolio defined by the Treasury Management of the Bank. New products and services are evaluated from the point of market risk.

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

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

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

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### Information Related to Market Risk:

	Current Period	Prior Period
(I) Capital Requirement Calculated for General Market Risk - Standard Method	534,830	548,621
(II) Capital Requirement Calculated for Specific Risk - Standard Method	94,354	77,176
Capital requirement Calculated for Specific Risks of Securitisation Positions	-	-
(III) Capital Requirement Calculated for Currency Risk - Standard Method	659,453	419,103
(IV) Capital Requirement Calculated for Commodity Risk - Standard Method	-	-
(V) Capital Requirement Calculated for Exchange Risk - Standard Method	-	-
(VI) Capital Requirement Calculated for Market Risk Resulting From Options - Standard Method	-	-
(VII) Capital requirement Calculated for the Counterparty Credit Risks - Standard Method	43,613	42,512
(VIII) Capital Requirement Calculated for Market Risk of Banks Using Risk Measurement Model	-	-
(IX) Total Capital Requirement Calculated for Market Risk (I+II+III+IV+V+VI)	1,332,250	1,087,412
<b>(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)</b>	<b>16,653,125</b>	<b>13,592,650</b>

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

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	595,385	581,184	631,177	491,744	581,881	473,613
Equity Share Risk	55,015	58,654	47,198	35,887	43,916	34,168
Currency Risk	549,771	717,322	403,750	355,241	419,103	320,921
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counter Party Credit Risk	48,171	42,497	43,837	34,471	42,512	28,582
<b>Amount Subject to Total Risk</b>	<b>15,604,269</b>	<b>17,495,713</b>	<b>14,074,525</b>	<b>11,466,792</b>	<b>13,592,650</b>	<b>10,716,050</b>

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

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**Quantitative Information on Counterparty Risk:**

	Amount
Agreements based on Interest Rate	-
Agreements based on Foreign Exchange Currency	283,524
Agreements Based on Commodity	-
Agreements Based on Shares	-
Other	-
Gross Positive Fair Values	852,708
Benefits of Netting	-
Current Net Risk Amount	-
Reserved Guarantee	13,082
Net Position of Derivatives	218,601

**IV. EXPLANATIONS ON THE OPERATIONAL RISK**

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

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

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

	31.12.2012	31.12.2013	31.12.2014	Total/Positive Year	Rate (%)	Total
Gross Income	7,589,041	8,638,823	9,806,263	8,678,042	15	1,301,706
Amount Subject to Operational Risk						16,271,329

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

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
	2,9060	3,1698	2,1077	0,4251	0,3428	2,9291	2,1191	0,3338	4,3574	0,7749	2,3923

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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### 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	5,197,516	20,291,411	6,974,088	32,463,015
Banks	427,044	3,117,147	166,602	3,710,793
Financial Assets at Fair Value Through Profit and Loss <sup>(5)</sup>	-	4,377	-	4,377
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	3,852,617	7,670,987	51,457	11,575,061
Loans <sup>(2)</sup>	13,040,372	33,703,199	85,049	46,828,620
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(4)</sup>	884,574	518,403	-	1,402,977
Investments Held-to-Maturity	1,556,861	4,044,176	4,763	5,605,800
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	5,232	1,405	4,209	10,846
Intangible Assets	2,961	-	789	3,750
Other Assets <sup>(6)</sup>	361,757	332,410	5,030	699,197
<b>Total Assets</b>	<b>25,328,934</b>	<b>69,683,515</b>	<b>7,291,987</b>	<b>102,304,436</b>
<b>Liabilities</b>				
Interbank Deposits	2,761,224	4,181,285	38,456	6,980,965
Foreign Currency Deposits	33,118,588	23,283,762	2,493,715	58,896,065
Money Market Borrowings	1,220,723	13,524,090	-	14,744,813
Funds Provided from Other Financial Institutions	5,259,663	12,888,802	1,724	18,150,189
Issued Marketable Securities	276,860	2,811,413	-	3,088,273
Sundry Creditors	789,715	50,442	3,020	843,177
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	250,728	144,134	30,863	425,725
<b>Total Liabilities</b>	<b>43,677,501</b>	<b>56,883,928</b>	<b>2,567,778</b>	<b>103,129,207</b>
<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>
<b>Prior Period</b>				
Total Assets	17,409,849	52,062,881	6,771,344	76,244,074
Total Liabilities	33,496,497	41,755,740	2,871,895	78,124,132
<b>Net Balance Sheet Position</b>	<b>(16,086,648)</b>	<b>10,307,141</b>	<b>3,899,449</b>	<b>(1,880,058)</b>
<b>Net Off-Balance Sheet Position <sup>(3)</sup></b>	<b>18,086,278</b>	<b>(9,832,293)</b>	<b>(5,783,538)</b>	<b>2,470,447</b>
Financial Derivative Assets	18,550,742	3,333,218	936,041	22,820,001
Financial Derivative Liabilities	464,464	13,165,511	6,719,579	20,349,554
<b>Non-cash Loans</b>	<b>6,219,244</b>	<b>18,945,595</b>	<b>1,974,433</b>	<b>27,139,272</b>

<sup>(1)</sup> 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. (31 December 2014: Of the foreign currencies presented in the other FC column of assets 96.50% is Gold, 0.91% is GBP, 0.62% is SAR, and the remaining 1.97% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 64.21% is Gold, 16.66% is GBP, 9.49% is CHF, 3.53% is DKK and the remaining 6.11% is other foreign currencies.)

<sup>(2)</sup> TL 296,717 equivalent of EUR and TL 721,987 equivalent of USD loans are originated as foreign currency indexed loans (31 December 2014: TL 347,656 equivalent of USD and TL 99,687 equivalent of EUR).

<sup>(3)</sup> Indicates the net balance of receivables and payables on derivative financial instruments.

<sup>(4)</sup> 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.

<sup>(5)</sup> Derivative financial assets held for trading and liabilities are not included in the table.

<sup>(6)</sup> Prepaid expenses in other assets amounting to TL 4,336 are not included in the table.

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**VI. EXPLANATIONS ON THE INTEREST RATE RISK**

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	68,125	-	-	-	-	36,467,838	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>-</b>	<b>-</b>	<b>27,755,487</b>	<b>61,192,651</b>	<b>24,730,121</b>	<b>-</b>	<b>113,678,259</b>
<b>Balance Sheet Short Position</b>	<b>(72,398,522)</b>	<b>(8,559,048)</b>	<b>-</b>	<b>-</b>	<b>-</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>

<sup>(1)</sup> Balances without fixed maturity are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.

<sup>(2)</sup> 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.

<sup>(3)</sup> Deferred tax asset is shown under the "Non-Interest Bearing" column.

<sup>(4)</sup> Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in loans given.

<sup>(5)</sup> Total shareholders' equity is shown under the "Non-Interest Bearing" column.

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	47,903	-	-	-	-	30,101,080	30,148,983
Banks	1,071,486	178,560	483,402	-	-	457,593	2,191,041
Financial Assets at Fair Value Through Profit and Loss	484	142	3,626	5,178	4,736	296,576	310,742
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	5,323,667	7,364,979	13,049,735	12,480,888	15,553,149	458,435	54,230,853
Loans Given	49,466,545	16,057,347	32,744,670	37,095,207	5,766,143	784,750	141,914,662
Investments Held-to-Maturity	3,293,568	2,197,294	44,905	3,102,464	1,382,825	-	10,021,056
Other Assets	-	-	-	-	-	8,782,974	8,782,974
<b>Total Assets</b>	<b>59,203,653</b>	<b>25,798,322</b>	<b>46,326,338</b>	<b>52,683,737</b>	<b>22,706,853</b>	<b>40,881,408</b>	<b>247,600,311</b>
<b>Liabilities</b>							
Interbank Deposits	4,740,369	745,131	24,000	-	-	174,372	5,683,872
Other Deposits	79,597,243	21,278,758	14,719,298	347,295	-	31,628,782	147,571,376
Money Market Borrowings	27,998,700	2,599,660	1,182,716	-	-	-	31,781,076
Sundry Creditors	-	-	-	-	-	1,746,503	1,746,503
Issued Marketable Securities	338,579	1,564,934	501,919	1,813,374	-	-	4,218,806
Funds Provided from Other Financial Institutions	1,561,935	3,253,912	8,117,946	1,072,157	601,757	-	14,607,707
Other Liabilities	295,771	40,978	4,116	5,382,265	-	36,267,841	41,990,971
<b>Total Liabilities</b>	<b>114,532,597</b>	<b>29,483,373</b>	<b>24,549,995</b>	<b>8,615,091</b>	<b>601,757</b>	<b>69,817,498</b>	<b>247,600,311</b>
<b>Balance Sheet Long Position</b>	-	-	<b>21,776,343</b>	<b>44,068,646</b>	<b>22,105,096</b>	-	<b>87,950,085</b>
<b>Balance Sheet Short Position</b>	<b>(55,328,944)</b>	<b>(3,685,051)</b>	-	-	-	<b>(28,936,090)</b>	<b>(87,950,085)</b>
Off Balance Sheet Long Position	-	1,271,454	-	-	-	-	1,271,454
Off Balance Sheet Short Position	(72,969)	-	(423,387)	(871,883)	-	-	(1,368,239)
<b>Total Position</b>	<b>(55,401,913)</b>	<b>(2,413,597)</b>	<b>21,352,956</b>	<b>43,196,763</b>	<b>22,105,096</b>	<b>(28,936,090)</b>	<b>(96,785)</b>

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

<sup>(2)</sup> TL 5,326,157 of fund balance, whose risk does not belong to the Bank, in other liabilities is shown under the “1 - 5 Years” column. TL 100,291 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.

<sup>(3)</sup> Deferred tax asset is shown under the “Non-Interest Bearing” column.

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

<sup>(5)</sup> Total shareholders’ equity is shown under the “Non-Interest Bearing” column.

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### b) 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>	-	0.28	-	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. It does not include the interest rate on required reserves given by Central Bank of Cyprus.

<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>	-	-	-	7.00
Banks	1.21	1.72	-	8.42
Financial Assets at Fair Value Through Profit and Loss	-	5.36	-	6.33
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.73	5.72	-	8.75
Loans Given <sup>(2)</sup>	4.53	5.17	-	11.43
Investments Held-to-Maturity	6.42	7.01	-	8.60
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0.86	1.19	-	9.28
Other Deposits <sup>(4)</sup>	1.54	1.50	-	6.37
Money Market Borrowings	0.75	0.90	-	9.64
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	3.38	-	9.07
Funds Provided from Other Financial Institutions	1.47	1.82	-	7.90

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

<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.

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

Banking accounts interest rate risk management strategy policy and implementation procedures are determined within the context of "Regulation on Risk Management, Stress Test Program and the Bank's Internal Capital Adequacy Assessment Process ("ICAAP")".

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

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

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity- (Losses)/Equity
1. TL	(+) 500bp	(4,430,403)	(12.66%)
2. TL	(-) 400bp	4,330,815	12.38%
3. EUR	(+) 200bp	158,733	0.45%
4. EUR	(-) 200bp	(48,048)	(0.14%)
5. USD	(+) 200bp	(1,416,119)	(4.05%)
6. USD	(-) 200bp	1,924,376	5.50%
<b>Total (of negative shocks)</b>		<b>6,207,143</b>	<b>17.74%</b>
<b>Total (of positive shocks)</b>		<b>(5,687,789)</b>	<b>(16.25%)</b>

**d) Equity share position risk on banking accounts**

Equity Share Investments	Comparison		
	Balance Sheet Value	Fair Value	Market Value
1. Stock Investment Group A	-	-	-
Stock Exchange Securities	-	-	-
2. Stock Investment Group B	-	-	-
Stock Exchange Securities	-	-	-
3. Stock Investment Group C	-	-	-
Stock Exchange Securities	-	-	-
4. Stock Investment Other Group	-	-	-
Other	120,178	120,178	-

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### VII. 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.

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**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”).

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**2) Liquidity Coverage Ratio:**

Within the frame of the regulation named “Regulation on the Calculation of Liquidity Coverage Ratio” issued by BRSA in the Official Gazette numbered 28948, dated 21 March 2014, the Parent Bank calculates the liquidity coverage ratio and reports it to BRSA monthly in consolidated base. The liquidity coverage ratio sails above the frontier limits determined by BRSA. Within the last 3 months (October-November-December) the consolidated ratios are as follows: October FC 114.16, TL+FC 82.67; November FC 114.79, TL+FC 81.83; December FC 113.90; TL+FC 78.01.

Current 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;	<b>121,542,584</b>	<b>42,195,973</b>	<b>8,916,790</b>	<b>3,414,841</b>
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>

<sup>(1)</sup> The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

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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			41,995,279	15,991,234
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	98,951,224	29,956,553	6,562,908	2,092,009
Stable deposits	66,644,290	18,072,926	3,332,215	903,647
Less stable deposits	32,306,934	11,883,627	3,230,693	1,188,362
Unsecured wholesale funding, of which;	41,385,792	9,658,868	20,491,294	5,192,308
Operational deposit	955,021	33,311	238,756	8,327
Non-operational deposits	35,435,477	8,097,173	15,257,244	3,655,597
Other unsecured funding	4,995,294	1,528,384	4,995,294	1,528,384
Secured funding			-	-
Other cash outflows, of which;	105,987,139	49,586,299	15,619,235	5,705,146
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	999,061	87,888	999,061	87,888
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	33,591,971	8,679,344	11,050,369	3,576,305
Other revocable off-balance sheet commitments and contractual obligations	71,396,107	40,819,067	3,569,805	2,040,953
Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
<b>Total Cash Outflows</b>			42,673,437	12,989,463
<b>Cash Inflows</b>				
Secured lending	20	-	-	-
Unsecured lending	8,985,211	1,614,277	5,219,411	995,508
Other cash inflows	278,291	134,916	278,291	134,916
<b>Total Cash Inflows</b>	<b>9,263,522</b>	<b>1,749,193</b>	<b>5,497,702</b>	<b>1,130,424</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>41,995,279</b>	<b>15,991,234</b>
<b>Total Net Cash Outflows</b>			<b>37,175,736</b>	<b>11,859,039</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>112.96</b>	<b>134.84</b>

<sup>(3)</sup> The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

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

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

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

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

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

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

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

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

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

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

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

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**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.

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### 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 <sup>(1) (2)</sup>	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	36,535,963	-	-	-	-	-	-	36,535,963
Banks	2,122,267	1,440,455	261,811	622,259	-	-	-	4,446,792
Financial Assets at Fair Value Through Profit and Loss	-	126,116	3,991	69,008	687,336	58,448	-	944,899
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	819,061	931,915	3,583,591	26,960,173	20,883,826	603,742	53,782,308
Loans Given	-	7,850,631	13,187,226	71,904,670	75,219,986	17,780,346	869,992	186,812,851
Investments Held-to-Maturity	-	164,301	503,843	2,080,926	4,564,492	2,830,580	-	10,144,142
Other Assets	1,775,252	-	-	901	19,124	-	8,386,094	10,181,371
<b>Total Assets</b>	<b>40,433,482</b>	<b>10,400,564</b>	<b>14,888,786</b>	<b>78,261,355</b>	<b>107,451,111</b>	<b>41,553,200</b>	<b>9,859,828</b>	<b>302,848,326</b>
<b>Liabilities</b>								
Interbank Deposits	336,455	7,360,373	1,894,998	135,475	-	-	-	9,727,301
Other Deposits	40,292,719	95,316,234	23,116,324	17,609,254	407,520	83	-	176,742,134
Funds Provided from Other Financial Instruments	-	1,041,939	3,260,160	9,751,446	3,311,028	2,178,075	-	19,542,648
Money Market Borrowings	-	36,277,186	4,312,765	1,841,293	654,532	-	-	43,085,776
Issued Marketable Securities	-	932,357	1,585,217	486,509	2,283,523	-	-	5,287,606
Sundry Creditors	1,383,021	937,162	-	-	-	-	-	2,320,183
Other Liabilities <sup>(3)</sup>	2,445,735	562,716	412,093	36,844	5,975,198	866,409	35,843,683	46,142,678
<b>Total Liabilities</b>	<b>44,457,930</b>	<b>142,427,967</b>	<b>34,581,557</b>	<b>29,860,821</b>	<b>12,631,801</b>	<b>3,044,567</b>	<b>35,843,683</b>	<b>302,848,326</b>
<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
<b>Prior Period</b>								
Total Assets	32,283,303	8,207,138	12,695,097	57,591,577	89,248,003	39,250,555	8,324,638	247,600,311
Total Liabilities	34,819,865	114,758,986	28,216,271	25,333,846	9,596,661	2,403,219	32,471,463	247,600,311
<b>Liquidity Gap</b>	<b>(2,536,562)</b>	<b>(106,551,848)</b>	<b>(15,521,174)</b>	<b>32,257,731</b>	<b>79,651,342</b>	<b>36,847,336</b>	<b>(24,146,825)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(304,974)</b>	<b>(4,476)</b>	<b>40,593</b>	<b>172,076</b>	<b>-</b>	<b>-</b>	<b>(96,781)</b>
Financial Derivative Assets	-	19,799,110	861,725	767,914	1,542,433	-	-	22,971,182
Financial Derivative Liabilities	-	20,104,084	866,201	727,321	1,370,357	-	-	23,067,963
Non-cash Loans	4,390,076	48,370	499,284	1,634,621	1,479,981	32,985,167	-	41,037,499

<sup>(1)</sup> 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.

<sup>(2)</sup> Deferred tax asset is included under the "Undistributed" column.

<sup>(3)</sup> TL 5,833,179 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 97,950 is not granted as loan and is included under "Up to One Month" column.

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

<b>Current Period <sup>(1)</sup></b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Bank deposits	7,703,727	1,900,300	136,863	-	-	9,740,890
Other deposits	135,878,366	23,315,323	17,963,103	422,800	139	177,579,731
Funds borrowed from other financial institutions	1,055,486	3,280,495	9,928,626	3,565,005	1,260,477	19,090,089
Funds borrowed from Interbank money market	36,309,740	4,319,621	1,854,917	672,295	-	43,156,573
<b>Total</b>	<b>180,947,319</b>	<b>32,815,739</b>	<b>29,883,509</b>	<b>4,660,100</b>	<b>1,260,616</b>	<b>249,567,283</b>
<b>Prior Period <sup>(1)</sup></b>						
Bank deposits	4,918,875	747,405	26,264	-	-	5,692,544
Other deposits	111,461,533	21,442,222	15,010,343	366,644	152	148,280,894
Funds borrowed from other financial institutions	619,850	1,476,149	9,079,702	2,434,854	1,717,596	15,328,151
Funds borrowed from Interbank money market	28,010,327	2,603,562	1,191,122	-	-	31,805,011
<b>Total</b>	<b>145,010,585</b>	<b>26,269,338</b>	<b>25,307,431</b>	<b>2,801,498</b>	<b>1,717,748</b>	<b>201,106,600</b>

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

**VIII. EXPLANATIONS ON SECURITISATION POSITION**

There is no securitisation of non-performing loans (31 December 2014: None).

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

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

There are no net-off of balance sheet and off-balance sheet items in credit risk mitigation techniques.

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

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

The Bank has no position about credit derivatives.

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

Exposure classifications - 31 December 2015	Amount	Financial Collaterals	Other/ Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	81,986,904	100,282	-	-
Conditional and unconditional receivables from regional or local governments	460,358	42,875	-	18
Conditional and unconditional receivables from administrative units and non-commercial enterprises	544,010	164,017	-	-
Conditional and unconditional receivables from multilateral development banks	6	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	43,992,754	30,709,601	-	-
Conditional and unconditional corporate receivables	112,178,713	952,933	-	410,794
Conditional and unconditional retail receivables	71,360,991	15,319,650	-	64,722
Conditional and unconditional secured mortgage receivables	18,125,559	7,075	-	1,914
Past due receivables	569,931	3	-	-
Receivables in high risk category defined by BRSA	9,240,094	56,876	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporates	-	-	-	-
Investments of natured collective investment enterprise	105,792	3,694	-	-
Other receivables	14,842,948	-	-	-
<b>Total</b>	<b>353,408,060</b>	<b>47,357,006</b>	<b>-</b>	<b>477,448</b>

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

**X. RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

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

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

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### c) Risk Reporting and Measurement Systems' Scope and Qualification

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

#### Liquidity Risk

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

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

#### Interest Rate Risk On Banking Accounts

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

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

#### Market Risk

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

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

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

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

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### Operational Risks

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

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

### Credit Risk

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

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

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

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

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

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

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

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

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

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

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**XI. EXPLANATIONS ON LEVERAGE**

Explanations on the subjects caused a gap between prior and current period leverage: The Bank's leverage calculated by force of the regulation "Regulation on Measurement and Assessment of Leverage Ratios of Banks" is 8.47% (31 December 2014: 9.33%). The change on leverage results heavily from the increase on risk amounts of balance sheet assets. The regulation sentenced the minimum leverage as 3%.

<b>Balance sheet assets</b>	<b>Current Period (*)</b>	<b>Prior Period (*)</b>
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	298,737,007	243,273,323
(Assets deducted in determining Tier 1 capital)	(1,483,856)	(256,416)
<b>Total on-balance sheet risks (sum of lines 1 and 2)</b>	<b>297,253,151</b>	<b>243,016,907</b>
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost associated with all derivative financial instruments and credit Derivatives	904,739	263,893
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	288,044	211,511
<b>Total risks of derivative financial instruments and credit derivatives</b>	<b>1,192,783</b>	<b>475,405</b>
<b>Securities or commodity financing transactions (SCFT)</b>		
Risks from SCFT assets	4,564,184	4,930,370
Risks from brokerage activities related exposures	-	-
<b>Total risks related with securities or commodity financing transactions</b>	<b>4,564,184</b>	<b>4,930,370</b>
<b>Other off-balance sheet transactions</b>		
Gross notional amounts of off-balance sheet transactions	78,078,887	123,378,839
(Adjustments for conversion to credit equivalent amounts)	(5,478)	(58,863,279)
<b>Total risks of off-balance sheet items</b>	<b>78,073,409</b>	<b>64,515,560</b>
<b>Capital and total risks</b>		
Tier 1 capital	32,261,636	29,212,755
<b>Total risks</b>	<b>381,083,527</b>	<b>312,938,241</b>
<b>Leverage ratio</b>		
Leverage ratio	8.47	9.33

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

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**XII. 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 December 2015 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”.

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Table for Segment Reporting:

	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>Current Period</b>						
<b>OPERATING INCOME/EXPENSE</b>						
<b>Interest Income</b>	5,768,008	6,902,276	3,481,380	5,849,438	49,393	22,050,495
Interest Income from Loans	5,768,008	6,902,276	3,481,380	525,285	-	16,676,949
Interest Income from Banks	-	-	-	66,961	-	66,961
Interest Income from Securities	-	-	-	5,197,221	-	5,197,221
Other Interest Income	-	-	-	59,971	49,393	109,364
<b>Interest Expense</b>	5,708,603	2,532,004	-	3,240,193	60,769	11,541,569
Interest Expense on Deposits	5,708,603	2,532,004	-	427,858	-	8,668,465
Interest Expense on Funds Borrowed	-	-	-	403,341	-	403,341
Interest Expense on Money Market Transactions	-	-	-	2,127,843	-	2,127,843
Interest Expense on Securities Issued	-	-	-	281,151	-	281,151
Other Interest Expense	-	-	-	-	60,769	60,769
<b>Net Interest Income/Expense</b>	59,405	4,370,272	3,481,380	2,609,245	(11,376)	10,508,926
<b>Net Fees and Commission Income/Expense</b>	814,629	542,480	79,035	(203,994)	67,931	1,300,081
Fees and Commissions Received	814,629	542,480	79,035	5,275	195,275	1,636,694
Fees and Commissions Paid	-	-	-	209,269	127,344	336,613
<b>Dividend Income</b>	-	-	-	213,056	-	213,056
<b>Trading Income/Loss (Net)</b>	-	-	-	(165,539)	-	(165,539)
<b>Other Operating Income</b>	24,519	215,576	47,778	3,731	1,048,291	1,339,895
<b>Provision for Loans or Other Receivables Losses</b>	401,160	712,904	296,159	1,715	8,616	1,420,554
<b>Other Operating Expense</b>	45,338	196,494	35,715	-	4,930,695	5,208,242
<b>Income Before Tax</b>	452,055	4,218,930	3,276,319	2,454,784	(3,834,465)	6,567,623
<b>Tax Provision</b>	-	-	-	-	(1,405,153)	(1,405,153)
<b>Net Profit/Loss</b>	-	-	-	-	5,162,470	5,162,470
<b>SEGMENT ASSETS</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>	51,034,781	90,694,305	37,676,823	79,380,449	44,061,968	302,848,326
<b>SEGMENT LIABILITIES</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>	135,886,429	39,624,867	-	77,942,654	49,394,376	302,848,326
<b>OTHER SEGMENT ITEMS</b>						
Capital Investment	-	-	-	-	-	-
Amortization Expense	-	-	-	-	324,876	324,876
Restructuring Costs	-	-	-	-	-	-

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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Prior Period	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Other /Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>						
<b>31 December 2014</b>						
<b>Interest Income</b>	<b>5,128,367</b>	<b>4,660,550</b>	<b>2,521,939</b>	<b>5,839,959</b>	<b>14,192</b>	<b>18,165,007</b>
Interest Income from Loans	5,128,367	4,660,550	2,521,939	443,991	-	12,754,847
Interest Income from Banks	-	-	-	58,405	-	58,405
Interest Income from Securities	-	-	-	5,333,024	-	5,333,024
Other Interest Income	-	-	-	4,539	14,192	18,731
<b>Interest Expense</b>	<b>5,106,230</b>	<b>2,018,973</b>	<b>-</b>	<b>2,382,392</b>	<b>50,566</b>	<b>9,558,161</b>
Interest Expense on Deposits	5,106,230	2,018,973	-	387,040	-	7,512,243
Interest Expense on Funds Borrowed	-	-	-	270,463	-	270,463
Interest Expense on Money Market Transactions	-	-	-	1,527,007	-	1,527,007
Interest Expense on Securities Issued	-	-	-	197,882	-	197,882
Other Interest Expense	-	-	-	-	50,566	50,566
<b>Net Interest Income/Expense</b>	<b>22,137</b>	<b>2,641,577</b>	<b>2,521,939</b>	<b>3,457,567</b>	<b>(36,374)</b>	<b>8,606,846</b>
<b>Net Fees and Commission Income/Expense</b>	<b>679,431</b>	<b>415,767</b>	<b>60,070</b>	<b>(157,022)</b>	<b>78,869</b>	<b>1,077,115</b>
Fees and Commissions Received	679,431	415,767	60,070	5,005	196,241	1,356,514
Fees and Commissions Paid	-	-	-	162,027	117,372	279,399
<b>Dividend Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>191,840</b>	<b>-</b>	<b>191,840</b>
<b>Trading Income/Loss (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(69,960)</b>	<b>-</b>	<b>(69,960)</b>
<b>Other Operating Income</b>	<b>27,068</b>	<b>82,225</b>	<b>118,087</b>	<b>2,870</b>	<b>680,800</b>	<b>911,050</b>
<b>Provision for Loans or Other Receivables Losses</b>	<b>362,824</b>	<b>485,070</b>	<b>236,153</b>	<b>23</b>	<b>359,124</b>	<b>1,443,194</b>
<b>Other Operating Expense</b>	<b>35,423</b>	<b>152,000</b>	<b>28,905</b>	<b>-</b>	<b>3,878,636</b>	<b>4,094,964</b>
<b>Income Before Tax</b>	<b>330,389</b>	<b>2,502,499</b>	<b>2,435,038</b>	<b>3,425,272</b>	<b>(3,514,465)</b>	<b>5,178,733</b>
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,128,224)</b>	<b>(1,128,224)</b>
<b>Net Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,050,509</b>	<b>4,050,509</b>
<b>SEGMENT ASSETS</b>						
<b>31 December 2014</b>						
Financial Assets at FV Through P/L	-	-	-	310,742	-	310,742
Banks and Other Financial Institutions	-	-	-	2,191,041	-	2,191,041
Financial Assets Available for Sale (Net)	-	-	-	54,230,853	-	54,230,853
<b>Loans</b>	<b>44,702,046</b>	<b>59,763,551</b>	<b>29,095,441</b>	<b>8,353,624</b>	<b>-</b>	<b>141,914,662</b>
Held to Maturity Investments (Net)	-	-	-	10,021,056	-	10,021,056
Associates, Subsidiaries and Joint Ventures	-	-	-	1,631,285	-	1,631,285
Other Assets	-	-	-	-	37,300,672	37,300,672
<b>Total Segment Assets</b>	<b>44,702,046</b>	<b>59,763,551</b>	<b>29,095,441</b>	<b>76,738,601</b>	<b>37,300,672</b>	<b>247,600,311</b>
<b>SEGMENT LIABILITIES</b>						
<b>31 December 2014</b>						
Deposits	109,635,533	36,090,565	-	5,683,872	1,845,278	153,255,248
Derivative Financial Liabilities Held for Trading	-	-	-	395,584	-	395,584
Funds Borrowed	-	-	-	14,607,707	-	14,607,707
Money Market Funds	-	-	-	31,781,076	-	31,781,076
Securities Issued (Net)	-	-	-	4,218,806	-	4,218,806
Provisions	-	-	-	-	4,757,837	4,757,837
Other Liabilities	-	-	-	-	10,043,889	10,043,889
Shareholders' Equity	-	-	-	-	28,540,164	28,540,164
<b>Total Segment Liabilities</b>	<b>109,635,533</b>	<b>36,090,565</b>	<b>-</b>	<b>56,687,045</b>	<b>45,187,168</b>	<b>247,600,311</b>
<b>OTHER SEGMENT ITEMS</b>						
Capital Investment	-	-	-	-	-	-
Amortization Expense	-	-	-	-	259,565	259,565
Restructuring Costs	-	-	-	-	-	-

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

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>255,186,093</b>	<b>208,357,612</b>	<b>255,742,675</b>	<b>209,187,852</b>
Due from Interbank Money Market	-	-	-	-
Banks	4,446,792	2,191,041	4,446,792	2,191,041
Available-for-sale Financial Assets	53,782,308	54,230,853	53,782,308	54,230,853
Held-to-maturity Investments	10,144,142	10,021,056	10,700,724	10,851,296
Loans	186,812,851	141,914,662	186,812,851	141,914,662
<b>Financial Liabilities</b>	<b>213,619,872</b>	<b>173,828,264</b>	<b>213,619,872</b>	<b>173,828,264</b>
Bank Deposits	9,727,301	5,683,872	9,727,301	5,683,872
Other Deposits	176,742,134	147,571,376	176,742,134	147,571,376
Funds Borrowed from Other Financial Institutions	19,542,648	14,607,707	19,542,648	14,607,707
Issued Marketable Securities	5,287,606	4,218,806	5,287,606	4,218,806
Miscellaneous Payables	2,320,183	1,746,503	2,320,183	1,746,503

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

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

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

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

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

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

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	<b>16,615</b>	<b>928,284</b>	-	<b>944,899</b>
Government Debt Securities	16,615	-	-	16,615
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	928,284	-	928,284
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets</b>	<b>53,516,040</b>	<b>148,054</b>	<b>95,028</b>	<b>53,759,122</b>
Equity Securities <sup>(1)</sup>	388,536	96,992	95,028	580,556
Government Debt Securities	53,105,710	-	-	53,105,710
Other Marketable Securities	21,794	51,062	-	72,856
<b>Total Assets</b>	<b>53,532,655</b>	<b>1,076,338</b>	<b>95,028</b>	<b>54,704,021</b>
Trading Derivative Financial Liabilities	-	292,271	-	292,271
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	-	<b>292,271</b>	-	<b>292,271</b>

<sup>(1)</sup> Since equity securities under the heading of financial assets available for sale amounting to TL 23,186 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

Prior Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	<b>14,166</b>	<b>296,576</b>	-	<b>310,742</b>
Government Debt Securities	14,166	-	-	14,166
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	296,576	-	296,576
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets</b>	<b>53,964,684</b>	<b>202,514</b>	-	<b>54,167,198</b>
Equity Securities <sup>(1)</sup>	315,463	66,892	-	382,355
Government Debt Securities	53,634,170	-	-	53,634,170
Other Marketable Securities	15,051	135,622	-	150,673
<b>Total Assets</b>	<b>53,978,850</b>	<b>499,090</b>	-	<b>54,477,940</b>
Trading Derivative Financial Liabilities	-	395,584	-	395,584
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	-	<b>395,584</b>	-	<b>395,584</b>

<sup>(1)</sup> Since equity securities under the heading of financial assets available for sale amounting to TL 63,655 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

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

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

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

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

The Bank has no fiduciary transactions.

### 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	1,718,357	705,176	1,162,327	614,925
Central Bank of the Republic of Turkey	2,354,591	31,753,858	1,611,393	26,753,700
Other	-	3,981	1	6,637
<b>Total</b>	<b>4,072,948</b>	<b>32,463,015</b>	<b>2,773,721</b>	<b>27,375,262</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.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	2,286,466	236,672	1,563,450	301,734
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1) (2)</sup>	68,125	31,517,186	47,943	26,451,966
<b>Total</b>	<b>2,354,591</b>	<b>31,753,858</b>	<b>1,611,393</b>	<b>26,753,700</b>

<sup>(1)</sup> Required reserve of branches abroad amounting to TL 78,150 is presented in this line (31 December 2014: TL 75,723).

<sup>(2)</sup> TL 19,082,468 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2014: TL 18,822,279).

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	-	-
Assets Blocked/Given as Collateral	-	5,265
<b>Total</b>	<b>-</b>	<b>5,265</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Assets Held-for-Trading				
Forward Transactions	25,242	46,642	5,949	6,583
Swap Transactions	624,709	231,637	259,596	24,420
Futures Transactions	-	-	-	-
Options	9	45	17	11
Other	-	-	-	-
<b>Total</b>	<b>649,960</b>	<b>278,324</b>	<b>265,562</b>	<b>31,014</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	708,886	358,580	486,524	253,784
Foreign Banks	27,113	3,352,213	23,640	1,427,093
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>735,999</b>	<b>3,710,793</b>	<b>510,164</b>	<b>1,680,877</b>

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### b) Information on foreign banks accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	1,097,791	987,180	-	-
USA, Canada	1,903,114	241,390	-	-
OECD Countries <sup>(1)</sup>	8,874	7,115	-	-
Off-shore Banking Regions	-	-	-	-
Other	369,547	215,048	-	-
<b>Total</b>	<b>3,379,326</b>	<b>1,450,733</b>	<b>-</b>	<b>-</b>

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

### 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	40,599,081	30,650,483
Assets Blocked/Given as Collateral	5,251,648	5,700,219
<b>Total</b>	<b>45,850,729</b>	<b>36,350,702</b>

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

	Current Period	Prior Period
Debt Securities	54,495,737	53,925,141
Quoted in Stock Exchange	54,444,675	53,925,141
Not Quoted in Stock Exchange	51,062	-
Share Certificates	630,832	446,542
Quoted in Stock Exchange	483,687	274,474
Not Quoted in Stock Exchange	147,145	172,068
Provision for Impairment (-)	1,344,261	140,830
<b>Total</b>	<b>53,782,308</b>	<b>54,230,853</b>

## 5. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	-	-	-
<b>Loans Granted to Employees <sup>(1) (2)</sup></b>	<b>253,756</b>	-	<b>248,808</b>	-
<b>Total</b>	<b>253,756</b>	-	<b>248,808</b>	-

<sup>(1)</sup> Interest rediscount and interest accrual amounting TL 2,079, are not included in the table above.

<sup>(2)</sup> Since the balance of overdraft accounts related to employees amounting TL 14,630, is showed under Table 5-d as overdraft accounts (real person), it is not included to the table above.

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

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms <sup>(1)</sup>	Other		Loans and other receivables with revised contract terms	Other
<b>Cash Loans</b>						
Non-Specialized Loans	142,595,356	1,221,459	-	2,253,134	756,432	-
Commercial Loans	85,500,508	583,333	-	953,897	625,253	-
Export Loans	2,048,696	396	-	18,699	176	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	5,338,976	-	-	-	-	-
Consumer Loans	46,055,766	637,661	-	1,215,077	128,222	-
Credit Cards	2,913,399	69	-	58,082	2,781	-
Other <sup>(2)</sup>	738,011	-	-	7,379	-	-
Specialized Lending <sup>(3) (4)</sup>	32,899,171	1,904,617	-	791,602	209,142	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals	3,311,946	-	-	-	-	-
<b>Total</b>	<b>178,806,473</b>	<b>3,126,076</b>	<b>-</b>	<b>3,044,736</b>	<b>965,574</b>	<b>-</b>

<sup>(1)</sup> Restructured or rescheduled loans cannot be decomposed systematically. Therefore it is shown in the "Loans and other receivables with revised contract terms" section.

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

<sup>(3)</sup> Fund sourced agricultural loans are shown under Specialized Lending.

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

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No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended <sup>(1)</sup>	2,987,967	931,825
3 - 4 or 5 Times Extended	138,094	33,564
Over 5 Times Extended	15	185

<sup>(1)</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.

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	490,878	160,244
6 - 12 Months	548,241	103,144
1 - 2 Years	1,725,424	411,077
2 - 5 Years	327,495	270,947
5 Years and Over	34,038	20,162
<b>Total</b>	<b>3,126,076</b>	<b>965,574</b>

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

	Standard Loans and Other Receivables <sup>(1)</sup>		Loans and Other Receivables under Close Monitoring <sup>(1)</sup>	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans	30,031,881	997,021	481,809	186,186
Non-specialized Loans	24,247,907	154,800	375,022	42,863
Specialized Loans <sup>(2)</sup>	5,783,974	842,221	106,787	143,323
Other Receivables	-	-	-	-
Medium and Long-term Loans and Other Receivables	145,462,646	2,129,055	2,562,927	779,388
Non-specialized Loans	118,347,449	1,066,659	1,878,112	713,569
Specialized Loans <sup>(2)</sup>	27,115,197	1,062,396	684,815	65,819
Other Receivables	-	-	-	-

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

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

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	364,239	46,666,000	47,030,239
Real Estate Loans <sup>(2)</sup>	7,857	22,622,672	22,630,529
Vehicle Loans	1,668	188,589	190,257
Consumer Loans <sup>(2)</sup>	350,549	23,529,383	23,879,932
Abroad	4,165	325,356	329,521
Other	-	-	-
Consumer Loans- Indexed to FC	-	3	3
Real Estate Loans	-	3	3
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	1,401	27,829	29,230
Real Estate Loans	-	86	86
Vehicle Loans	-	-	-
Consumer Loans	71	1,248	1,319
Abroad	1,330	26,495	27,825
Other	-	-	-
Individual Credit Cards-TL	2,573,804	2,876	2,576,680
With Installment	922,912	72	922,984
Without Installment	1,650,892	2,804	1,653,696
Individual Credit Cards-FC	382	-	382
With Installment	14	-	14
Without Installment	368	-	368
Personnel Loans-TL	8,016	166,255	174,271
Real Estate Loans	-	250	250
Vehicle Loans	-	-	-
Consumer Loans	7,920	164,321	172,241
Abroad	96	1,684	1,780
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	79,329	144	79,473
With Installment	33,294	84	33,378
Without Installment	46,035	60	46,095
Personnel Credit Cards-FC	12	-	12
With Installment	-	-	-
Without Installment	12	-	12
Overdraft Accounts-TL (Real Person)	802,983	-	802,983
Overdraft Accounts-FC (Real Person)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>3,830,166</b>	<b>46,863,107</b>	<b>50,693,273</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.

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

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	501,224	13,169,609	13,670,833
Business Loans	412	425,458	425,870
Vehicle Loans	24,171	840,452	864,623
Consumer Loans	476,641	11,903,699	12,380,340
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	11,101	16,467,528	16,478,629
Business Loans	-	2,109	2,109
Vehicle Loans	-	285	285
Consumer Loans	11,101	16,465,134	16,476,235
Other	-	-	-
Corporate Credit Cards-TL	317,546	214	317,760
With Installment	100,165	195	100,360
Without Installment	217,381	19	217,400
Corporate Credit Cards-FC	24	-	24
With Installment	-	-	-
Without Installment	24	-	24
Overdraft Account-TL (Legal Entity)	94,043	-	94,043
Overdraft Account-FC (Legal Entity)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>923,938</b>	<b>29,637,351</b>	<b>30,561,289</b>

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

### f) Loans according to types of borrowers:

	Current Period	Prior Period
Public	1,544,376	1,491,966
Private	181,086,537	137,403,630
Interest Income Accruals of Loans	3,311,946	2,234,315
<b>Total</b>	<b>185,942,859</b>	<b>141,129,911</b>

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

	Current Period	Prior Period
Domestic Loans	177,799,281	133,807,603
Foreign Loans	4,831,632	5,087,993
Interest Income Accruals of Loans	3,311,946	2,234,315
<b>Total</b>	<b>185,942,859</b>	<b>141,129,911</b>

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

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	831,174	738,954
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>831,174</b>	<b>738,954</b>

### i) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	143,144	88,537
Loans and other receivables with doubtful collectability	478,653	447,645
Uncollectible loans and other receivables	1,648,735	1,395,987
<b>Total</b>	<b>2,270,532</b>	<b>1,932,169</b>

### j) Information on non-performing receivables (net):

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

	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>11,844</b>	<b>51,598</b>	<b>92,945</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	11,844	51,598	92,945
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>	<b>15,457</b>	<b>61,241</b>	<b>115,881</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	15,457	61,241	115,881
Rescheduled loans and other receivables	-	-	-

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### 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>178,454</b>	<b>470,670</b>	<b>2,067,796</b>
Additions (+)	1,460,823	216,939	417,352
Transfers from Other Categories of Loans under Follow-Up (+)	-	1,181,969	1,155,102
Transfers to Other Categories of Loans under Follow-Up (-)	1,181,969	1,155,102	-
Collections (-) <sup>(1)</sup>	167,388	227,737	1,276,385
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance <sup>(2)</sup></b>	<b>289,920</b>	<b>486,739</b>	<b>2,363,865</b>
Specific Provision (-) <sup>(3)</sup>	143,144	478,653	1,648,735
<b>Net Balance on Balance Sheet <sup>(2)</sup></b>	<b>146,776</b>	<b>8,086</b>	<b>715,130</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 257,478 whose risk does not belong to the Bank.

<sup>(3)</sup> As of 31 December 2015, Bank made 100% provision for the portion of TL 156,894 of the loans under follow-up which is TL 627,566 after taking guarantees into consideration.

### 3) Information on foreign currency non-performing loans:

	Group III: 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>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>
<b>Prior Period:</b>			
<b>Period Ending Balance</b>	<b>84</b>	<b>2,713</b>	<b>4,296</b>
Specific Provision (-)	42	2,713	4,296
<b>Net Balance on Balance Sheet</b>	<b>42</b>	<b>-</b>	<b>-</b>

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#### 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>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)	-	-	-
<b>Prior Period (Net)</b>	<b>89,917</b>	<b>23,025</b>	<b>671,809</b>
Loans to Real Persons and Legal Entities (Gross)	178,454	407,466	2,067,796
Specific Provisions (-)	88,537	384,441	1,395,987
Loans to Real Persons and Legal Entities (Net)	89,917	23,025	671,809
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	63,204	-
Specific Provisions (-)	-	63,204	-
Other Loans and Receivables (Net)	-	-	-

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

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

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

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

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### m) Other explanations and disclosures:

Current Period	Corporate and Entrepreneurial	Consumer	Agricultural	Total
Neither Past Due nor Impaired Loans <sup>(1)</sup>	95,869,566	49,627,211	36,435,772	181,932,549
Past Due but not Impaired Loans	1,651,939	1,382,290	976,081	4,010,310
Impaired Loans	1,843,939	741,401	555,184	3,140,524
<b>Total</b>	<b>99,365,444</b>	<b>51,750,902</b>	<b>37,967,037</b>	<b>189,083,383</b>
Specific Provisions of Impaired Loans (-)	1,264,197	716,121	290,214	2,270,532
<b>Net Loan Amount</b>	<b>98,101,247</b>	<b>51,034,781</b>	<b>37,676,823</b>	<b>186,812,851</b>

<sup>(1)</sup> TL 3,442,911 consumer, TL 2,135,499 agricultural, and TL 18 corporate and entrepreneurial loans originated from funds whose risk does not belong to the Bank, are shown under Neither Past Due nor Impaired Loans.

Prior Period	Commercial	Consumer	Agricultural	Total
Neither Past Due nor Impaired Loans <sup>(1)</sup>	66,510,828	43,292,001	27,846,614	137,649,443
Past Due but not Impaired Loans	1,084,334	1,379,139	1,016,995	3,480,468
Impaired Loans	1,524,200	628,811	563,909	2,716,920
<b>Total</b>	<b>69,119,362</b>	<b>45,299,951</b>	<b>29,427,518</b>	<b>143,846,831</b>
Specific Provisions of Impaired Loans (-)	1,002,187	597,905	332,077	1,932,169
<b>Net Loan Amount</b>	<b>68,117,175</b>	<b>44,702,046</b>	<b>29,095,441</b>	<b>141,914,662</b>

<sup>(1)</sup> TL 2,868,496 consumer, TL 2,235,702 agricultural, and TL 18 commercial loans originated from funds whose risk does not belong to the Bank, are shown under Neither Past Due nor Impaired Loans.

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

Current Period	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Loans and Receivables <sup>(1)</sup>					
Commercial Loans	132,856	62,849	26,879	5,812	228,396
Consumer Loans	39,261	10,494	3,813	264	53,832
Agricultural Loans	217,663	52,178	12,406	8,144	290,391
<b>Total</b>	<b>389,780</b>	<b>125,521</b>	<b>43,098</b>	<b>14,220</b>	<b>572,619</b>

<sup>(1)</sup> The amounts at the table are the total of the overdue installments for the loans with installments and overdue principals for other loans; the remaining principal amount of loans with installments equals to TL 3,437,691

Prior Period	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Loans and Receivables <sup>(1)</sup>					
Commercial Loans	294,997	29,157	24,078	9,199	357,431
Consumer Loans	43,878	13,806	6,384	247	64,315
Agricultural Loans	183,948	45,707	4,010	16,757	250,422
<b>Total</b>	<b>522,823</b>	<b>88,670</b>	<b>34,472</b>	<b>26,203</b>	<b>672,168</b>

<sup>(1)</sup> The amounts at the table are the total of the overdue installments for the loans with installments and overdue principals for other loans; the remaining principal amount of loans with installments equals to TL 2,808,300.

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### 6. Information on held-to-maturity investments:

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	1,114,647	3,567,579	466,841	3,910,057
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>1,114,647</b>	<b>3,567,579</b>	<b>466,841</b>	<b>3,910,057</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	3,009,483	1,987,576	3,024,939	1,157,083
Other	-	-	-	-
<b>Total</b>	<b>3,009,483</b>	<b>1,987,576</b>	<b>3,024,939</b>	<b>1,157,083</b>

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

	Current Period	Prior Period
Government Bonds	10,098,944	10,009,309
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
<b>Total</b>	<b>10,098,944</b>	<b>10,009,309</b>

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

	Current Period	Prior Period
Debt securities	10,144,142	10,021,056
Quoted in a Stock Exchange	10,098,944	10,009,309
Not Quoted in a Stock Exchange	45,198	11,747
Provision for Impairment (-)	-	-
<b>Total</b>	<b>10,144,142</b>	<b>10,021,056</b>

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

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>10,021,056</b>	<b>15,660,350</b>
Foreign Currency Differences on Monetary Assets	1,059,935	228,670
Purchases During the Year	148,236	182,093
Disposals through Sales and Redemptions	(1,085,085)	(6,050,057)
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	<b>10,144,142</b>	<b>10,021,056</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").

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 11,890 thousand and EUR 2,312 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 30,548 thousand and USD 69,943 thousand respectively.

If the reclassification from the held for trading securities portfolio to the held-to-maturity portfolio had not been performed, income accrual amounting to TL 11,001 would have been recorded. As of 31 December 2015, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL (22,979).

### 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	68,358	29,660	42,972	985	-	3,869	3,490	-
2	146,724	100,690	73,874	4,877	-	33,299	21,834	-

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

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

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

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**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	4,023,292	601,823	22,259	114,097	23,738	70,106	70,506	-

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

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

**2) Information about consolidated associates:**

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>88,846</b>	<b>59,386</b>
<b>Movement During the Period</b>	<b>-</b>	<b>29,460</b>
Additions	-	-
Bonus Share Certificates	-	29,460
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 2014: None).

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### 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 <sup>(1)</sup>
1	42,956	12,942	9,886	394	74	3,019	5,930	-

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

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

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

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. <sup>(1)</sup>	Istanbul/TURKEY	100.00	100.00
7	Ziraat Bank International A.G.	Frankfurt/GERMANY	100.00	100.00
8	Ziraat Bank BH d.d.	Sarajevo/BOSNIA HERZEGOVINA	100.00	100.00
9	Ziraat Bank (Moscow) JSC <sup>(2)</sup>	Moscow/RUSSIA	100.00	100.00
10	Kazakhstan Ziraat Int. Bank	Almaty/KAZAKHSTAN	100.00	99.58
11	Ziraat Bank Azerbaycan ASC <sup>(3)</sup>	Baku/AZERBAIJAN	100.00	100.00
12	Ziraat Bank Montenegro AD <sup>(4)</sup>	Podgorica/MONTENEGRO	100.00	100.00

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

<sup>(2)</sup> The title of Ziraat Bank (Moscow) CJSC was changed as Ziraat Bank (Moscow) JSC in 14 August 2015.

<sup>(3)</sup> Ziraat Bank Azerbaycan ASC, as a subsidiary company, has started its operations in 27 July 2015 with Head Office and İçerişehir/Baku branch.

<sup>(4)</sup> Ziraat Bank Montenegro AD, which was established with the permission of the Montenegro Central Bank regarding setting up a subsidiary bank, dated 6 April 2015, started its operations on 27 July 2015.

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	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	2,641,099	304,118	2,382	131,377	-	162,829	151,037	-	-
2	593,758	196,286	3,142	55,586	-	86,878	66,947	-	-
3	2,421,713	235,944	1,605	1,156	-	36,304	(59,785)	-	-
4	321,963	94,673	684	8,449	3,305,770	23,538	14,362	-	-
5	21,221	17,884	815	1,729	13,734	5,524	3,051	-	-
6	2,176,809	663,615	59,434	65,993	20,206	(12,897)	-	-	-
7	4,414,530	581,254	3,289	134,238	2,745	40,314	17,828	665,528	-
8	1,164,199	185,867	54,538	44,006	751	13,775	5,608	173,616	-
9	133,758	83,865	3,109	10,384	158	2,415	2,878	89,412	-
10	491,099	176,525	11,408	21,313	2,374	14,774	19,845	226,569	-
11	166,029	98,786	3,207	7,308	920	6,418	-	107,931	-
12	41,880	28,743	3,729	178	-	(3,018)	-	28,647	-

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

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

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

<sup>(4)</sup> The amounts 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>1,453,735</b>	<b>1,145,069</b>
<b>Movements During the Period</b>	<b>989,208</b>	<b>308,666</b>
Additions to Scope of Consolidation	-	-
Purchases <sup>(2)</sup>	997,857	100,000
Bonus Shares Obtained	16,921	-
Dividends from current year income	-	-
Transfers to available for sale assets	-	-
Sales	-	-
Revaluation Increase	227,760	208,666
Impairment Provision (-)	253,330	-
<b>Balance at the End of the Period</b>	<b>2,442,943</b>	<b>1,453,735</b>
Capital Commitments	-	-
Share percentage at the end of the period (%)	-	-

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

<sup>(2)</sup> Purchases include amounts of Ziraat Bank Azerbaijan ASC, Ziraat Katılım Bank A.Ş. and Ziraat Bank Montenegro AD established as Subsidiaries of the Bank.

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

	Current Period	Prior Period
Banks	1,966,702	977,494
Insurance Companies	129,972	129,972
Factoring Companies	-	-
Leasing Companies	282,839	282,839
Financing Companies	-	-
Other Financial Subsidiaries	63,430	63,430

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

None (31 December 2014: None).

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

Entities under Common Control (Joint Ventures) <sup>(1)</sup>	Parent Bank's Share <sup>(2)</sup>	Group's Share	Current Assets	Non- Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	39,937	39,937	552,881	12,180	6,901	69,577	39,875
UTBANK JSC <sup>(3)</sup>	36,355	36,370	244,978	3,258	2,182	23,873	13,660
<b>Total</b>	<b>76,292</b>	<b>76,307</b>	<b>797,859</b>	<b>15,438</b>	<b>9,083</b>	<b>93,450</b>	<b>53,535</b>

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

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

<sup>(3)</sup> The title of Uzbekistan-Turkish Bank JSC which is under common control was changed as UTBANK JSC in 8 May 2015.

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

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

The Bank has no finance lease receivables (31 December 2014: None).

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

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

**12. Information on investment property:**

None (31 December 2014: None).

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**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.

The Bank's immovables acquired amount to TL 184,069 consisting of TL 13,494 due to consumer loans, TL 243,415 on its commercial loans and TL 45,852 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1,849. Total depreciation expense is TL 4,658 for these held for sale assets. (31 December 2014: The Bank's immovables acquired amount to TL 126,506 consisting of TL 15,038 due to consumer loans, TL 175,260 on its commercial loans and TL 33,716 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 740. Total depreciation expense is TL 2,745 for these held for sale assets.

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

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs <sup>(1)</sup>	Other Tangibles	Total
<b>Prior Period End:</b>						
Cost	5,157,517	6,851	37,639	144,560	573,667	5,920,234
Accumulated Depreciation (-)	757,246	1,096	25,597	74,926	308,121	1,166,986
<b>Net Book Value</b>	<b>4,400,271</b>	<b>5,755</b>	<b>12,042</b>	<b>69,634</b>	<b>265,546</b>	<b>4,753,248</b>
<b>Current Period End:</b>						
Net Book Value at the Beginning of the Period	4,400,271	5,755	12,042	69,634	265,546	4,753,248
Change During the Period (Net)	104,088	2,908	7,096	51,827	148,079	313,998
Depreciation - net (-)	144,897	994	(3,050)	35,406	43,621	221,868
Impairment (-)	3,740	-	-	-	-	3,740
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	5,257,865	9,759	44,735	196,387	721,746	6,230,492
Accumulated Depreciation at Period End (-)	902,143	2,090	22,547	110,332	351,742	1,388,854
<b>Closing 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>

<sup>(1)</sup> The Bank has begun to classify the operational leasing development costs under tangible fixed assets in the financial statements dated 31 March 2015, which was previously being followed under intangible assets.

a) The impairment provision set or cancelled in the current period according to the asset groups not

individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.

b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

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**15. Explanations on intangible assets:**

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Establishment Costs	4,098	3,788	310	2,074	965	1,109
Goodwill	-	-	-	-	-	-
Intangible Rights	312,499	101,298	211,201	171,521	57,198	114,323
<b>Total</b>	<b>316,597</b>	<b>105,086</b>	<b>211,511</b>	<b>173,595</b>	<b>58,163</b>	<b>115,432</b>

a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None.

d) The book value of intangible fixed assets that are pledged or restricted for use: None.

e) Amount of purchase commitments for intangible fixed assets: None

f) Information on revalued intangible assets according to their types: None.

g) Amount of total research and development expenses recorded in income statement within the period if any: None.

h) Positive or negative consolidation goodwill on entity basis: Not applicable for the unconsolidated financial statements

i) Information on Goodwill: None.

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

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

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

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

	Current Period	Prior Period
Deferred Tax Assets	799,751	829,669
Deferred Tax Liabilities	538,021	608,846
Net Deferred Tax Assets	261,730	220,823
Net Deferred Tax Income/ (Expense)	(583,824)	503,358
	Current Period	Prior Period
Reserve for Employment Termination Benefits	136,654	133,293
Short Term Employee Benefits	33,720	30,020
Financial Assets Valuation	49,940	(34,459)
Other	41,416	91,969
<b>Net Deferred Tax Assets</b>	<b>261,730</b>	<b>220,823</b>
	Current Period	Prior Period
<b>As of 1 January</b>	<b>220,823</b>	<b>333,516</b>
Effect of Change in the Effective Tax Rate	-	-
Deferred Tax (Expense)/Income	(583,824)	503,358
<b>Deferred Tax Expenses (Net)</b>	<b>(583,824)</b>	<b>503,358</b>
Deferred Tax Recognized Under Shareholders' Equity	624,731	(616,051)
<b>Deferred Tax Assets</b>	<b>261,730</b>	<b>220,823</b>

**17. Information on other assets:**

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

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**II. EXPLANATIONS AND NOTES RELATED TO 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	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>

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	11,772,551	-	2,403,145	48,839,380	3,673,378	787,318	643,760	5,053	68,124,585
Foreign Currency Deposits	7,483,733	-	4,111,868	14,169,966	3,513,131	2,285,406	9,946,464	380	41,510,948
Residents in Turkey	6,786,505	-	3,966,094	12,541,984	3,136,388	1,880,804	8,546,936	375	36,859,086
Residents Abroad	697,228	-	145,774	1,627,982	376,743	404,602	1,399,528	5	4,651,862
Public Sector Deposits	5,997,876	-	2,726,721	3,817,763	612,103	3,268,289	427,620	-	16,850,372
Commercial Inst. Deposits	3,459,392	-	4,550,777	3,975,324	79,367	58,430	6,357	-	12,129,647
Other Inst. Deposits	1,362,138	-	1,376,527	3,808,751	103,949	453,067	6,114	-	7,110,546
Precious Metals	1,553,092	-	42,462	213,553	17,807	8,436	9,928	-	1,845,278
Interbank Deposits	174,372	-	4,740,369	745,131	18,000	6,000	-	-	5,683,872
CBRT	3,824	-	-	-	-	-	-	-	3,824
Domestic Banks	15,294	-	4,319,857	299,942	18,000	6,000	-	-	4,659,093
Foreign Banks	46,786	-	420,512	445,189	-	-	-	-	912,487
Participation Banks	108,468	-	-	-	-	-	-	-	108,468
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>31,803,154</b>	<b>-</b>	<b>19,951,869</b>	<b>75,569,868</b>	<b>8,017,735</b>	<b>6,866,946</b>	<b>11,040,243</b>	<b>5,433</b>	<b>153,255,248</b>

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**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:**

	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
<b>Saving Deposits</b>				
Saving Deposits <sup>(2)</sup>	52,356,589	45,578,354	25,598,381	22,285,192
Foreign Currency Saving Deposits <sup>(2)</sup>	19,394,479	16,414,992	23,644,817	16,534,145
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(1)</sup>	549,775	507,656	57,489	44,686
Deposits at Off-Shore Banking Regions' and under Foreign Authorities' Insurance	-	-	-	-

<sup>(1)</sup> In Bulgaria and Greece, since both real person and legal entity's saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 57,299 and TL 7,465 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2014: Bulgaria and Greece, TL 27,725 and TL 14,642, respectively).

<sup>(2)</sup> Related deposit balances do not include foreign branches Based on the Council of Minister's decree dated 29 December 2003 and numbered 2003/6668, TL 1,558 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş.

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of 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 501,824 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 15 February 2013 and numbered 28560.

**2) Information on saving deposits/real persons' private current and accession accounts not related to commercial transactions in a Turkish branch of the 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.

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**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	52,302	51,132
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	3,923	3,731
Deposits Obtained through Illegal Acts Defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated 26 September 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	26,696	43,551	5,771	4,167
Swap Transactions	3,956	218,044	13,028	372,605
Futures Transactions	-	-	-	-
Options	3	21	7	6
Other	-	-	-	-
<b>Total</b>	<b>30,655</b>	<b>261,616</b>	<b>18,806</b>	<b>376,778</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	448,444	363,932	205,241	225,314
Foreign Banks, Institutions and Funds	944,015	17,786,257	944,016	13,233,136
<b>Total</b>	<b>1,392,459</b>	<b>18,150,189</b>	<b>1,149,257</b>	<b>13,458,450</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	434,340	6,076,594	180,844	9,960,659
Medium and Long-Term	958,119	12,073,595	968,413	3,497,791
<b>Total</b>	<b>1,392,459</b>	<b>18,150,189</b>	<b>1,149,257</b>	<b>13,458,450</b>

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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:

61.57% 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.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Domestic Transactions</b>	<b>27,240,963</b>	-	<b>16,310,776</b>	-
Financial Institutions and Organizations	27,020,179	-	15,777,291	-
Other Institutions and Organizations	212,000	-	510,319	-
Real Person	8,784	-	23,166	-
<b>From Overseas Operations</b>	-	<b>14,744,813</b>	-	<b>15,470,300</b>
Financial Institutions and Organizations	-	14,744,813	-	15,470,300
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
<b>Total</b>	<b>27,240,963</b>	<b>14,744,813</b>	<b>16,310,776</b>	<b>15,470,300</b>

### e) Information on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2,199,333	756,233	1,563,102	783,430
Treasury Bills	-	2,332,040	-	1,872,274
<b>Total</b>	<b>2,199,333</b>	<b>3,088,273</b>	<b>1,563,102</b>	<b>2,655,704</b>

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

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

### 5. Information on finance lease payables (net):

In 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	699	686	1,424	1,388
Between 1-4 Years	-	-	1	1
More than 4 Years	-	-	-	-
<b>Total</b>	<b>699</b>	<b>686</b>	<b>1,425</b>	<b>1,389</b>

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**6. Information on derivative financial liabilities for hedging purposes:**

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

**7. Explanations on provisions:**

**a) Information on general provisions:**

	Current Period	Prior Period
<b>General Provisions</b>	<b>2,844,184</b>	<b>2,311,581</b>
Allocated for Group-I Loans and Receivables	2,459,607	2,023,810
Additional Provision for Loans and Receivables with Extended Maturities	121,600	69,814
Allocated for Group-II Loans and Receivables	151,763	126,642
Additional Provision for Loans and Receivables with Extended Maturities	28,425	18,471
Allocated for Non-cash Loans	163,020	118,205
Other	69,794	42,924

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

Foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables amount to TL 5,561 (31 December 2014: TL 2,071).

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

Specific provisions for unindemnified non-cash loans amount to TL 55,629 (31 December 2014: TL 58,774).

**d) Information on other provisions:**

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

These financial statements include a free provision which is not in accordance with BRSA Principles amounting to TL 1,240,400 (TL 79,600 of this provision amount was reversed from the income statement in the current year), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions. Moreover, the provision of TL 16,700 and other provision of TL 319 exist for cash transfers made by Bank officials.

	Current Period	Prior Period
Free provisions for possible risks	1,257,419	1,334,053

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

Based on the information provided by the legal department, lawsuits against the Bank over TL 100 amounts to TL 47,485. Full provision has been provided in these financial statements for law suits ended against the Bank but not finalized yet, amounting to TL 34,759.

Based on the decision of the Bank management, provision amounting to TL 88,600 is provided for the consumer loans followed under standard loan portfolio that also have amounts in the non-performing loan portfolio in compliance with the Act on Preservation of Consumers numbered 4077. The provision is made in accordance with the "Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions", published in Official Gazette numbered 26333, dated 1 November 2006 and considering the conservatism principle without taking into consideration the guarantees of these loans.

The Bank also provided provisions amounting to TL 55,629 (31 December 2014: TL 58,774) for unindemnified non-cash loans, and TL 28,436 (31 December 2014: TL 12,006) for other provisions. As a result of the provisions mentioned above, the other provision balance on the Bank's balance sheet amounts to TL 1,464,843 (31 December 2014: TL 1,629,692).

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**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 December 2015, unpaid vacation liability amounted to TL 168,600 (31 December 2014: TL 150,100), and employment termination amounted to TL 683,269 (31 December 2014: TL 666,464) are presented under the “Employee Benefits Provision” in the financial statements.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
As of 1 January	666,464	567,043
Current Service Cost	46,701	55,424
Interest Cost	46,244	58,706
Severance Pay	(93,519)	(82,899)
Payment/Abating Benefits/Gain (Loss) in consequence of Layoff	(76)	(327)
Actuarial Gain (Loss)	17,455	68,517
<b>Balance at period end</b>	<b>683,269</b>	<b>666,464</b>

**2) Pension Rights**

The technical balance sheet reports which are prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9.80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2015 and 2014.

The liability related to Bank’s benefits to be transferred to SSI as of the balance sheet date is expected payment to be made to SSI during the transfer. Actuarial parameters and results used in calculation of this amount reflects the Act’s, numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, principles related to pension and health benefits to be transferred to SSI (9.80% real discount rate, etc.).

According to related Actuary Report, the Fund’s surplus is TL 2,284,502 as of 31 December 2015 (31 December 2014: TL 1,635,661).

	Current Period	Prior Period
Present value of funded obligations	911,002	513,661
- Pension benefits transferable to SSI	212,216	(8,029)
- Post employment medical benefits transferable to SSI	698,786	521,690
Fair value of plan assets	1,373,500	1,122,000
<b>Actuarial Surplus</b>	<b>2,284,502</b>	<b>1,635,661</b>

The principal actuarial assumptions used are as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9.80%	9.80%
- Post employment medical benefits transferable to SSI	9.80%	9.80%

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

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Plan assets are comprised as follows:

	Current Period	Prior Period
Bank Placements	1,114,760	917,465
Property and Equipment	149,281	186,316
Marketable Securities	-	6,674
Other	109,459	11,545
<b>Total</b>	<b>1,373,500</b>	<b>1,122,000</b>

**8. Information on tax liability:**

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

**1) Information on tax provisions:**

As of 31 December 2015, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 402,339 (31 December 2014: TL 525,976).

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

	Current Period	Prior Period
Corporate Tax Payable	402,339	525,976
Taxation on Income From Securities	201,694	155,999
Property Tax	2,186	1,847
Banking Insurance Transactions Tax (BITT)	113,890	85,838
Foreign Exchange Transactions Tax	28	20
Value Added Tax Payable	4,307	4,385
Other	50,243	50,438
<b>Total</b>	<b>774,687</b>	<b>824,503</b>

**3) Information on premiums:**

	Current Period	Prior Period
Social Security Premiums - Employee	30	42
Social Security Premiums - Employer	42	58
Bank Social Aid Pension Fund Premium - Employee	330	148
Bank Social Aid Pension Fund Premium - Employer	528	287
Pension Fund Membership Fees and Provisions - Employee	10	9
Pension Fund Membership Fees and Provisions - Employer	45	26
Unemployment Insurance - Employee	544	420
Unemployment Insurance - Employer	1,089	843
Other	-	-
<b>Total</b>	<b>2,618</b>	<b>1,833</b>

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

The Bank's deferred tax liability amounts to TL 538,021 (31 December 2014: TL 608,846). However, this amount is netted off against the deferred tax asset and accordingly deferred tax asset amounting to TL 261,730 (31 December 2014: TL 220,823) 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:**

	Current Period	Prior Period
Common stock	5,000,000	2,500,000
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:**

In accordance with the decision taken at the Extraordinary General Assembly, carried out on 11 February 2015, the paid-in capital of the bank which was TL 2,500,000 has been increased by TL 1,825,000 from internal sources, and TL 675,000 cash to TL 5,000,000 and the capital increase has been registered to Trade Registry Gazette No. 8761 dated 18 February 2015.

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

There is TL 543,482 capital reserves in the current period.

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

The 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.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	342,182	61,381	202,072	214,546
Revaluation Difference	-	61,381	-	214,546
Foreign Exchange Difference	342,182	-	202,072	-
From Available for Sale Marketable Securities	(1,344,071)	619,468	858,173	903,342
Revaluation Difference	(1,619,618)	619,468	1,216,142	903,342
Deferred Tax Effect	275,547	-	(357,969)	-
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(1,001,889)</b>	<b>680,849</b>	<b>1,060,245</b>	<b>1,117,888</b>

**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	7,130,144	7,160,308
Other Irrevocable Commitments	4,712,618	3,978,344
Payment Commitments for Cheques	3,076,439	2,737,371
Loan Granting Commitments	2,805,813	2,266,952
Asset Purchase Commitments	1,848,592	4,525,136
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	20,185	17,011
Subsidiaries and Associates Capital Contribution Commitments	-	-
<b>Total</b>	<b>19,593,791</b>	<b>20,685,122</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	49,241,937	31,861,188
Letter of Credits	6,852,933	5,589,227
Bank Acceptances	4,191,305	3,587,084
<b>Total</b>	<b>60,286,175</b>	<b>41,037,499</b>

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

	Current Period	Prior Period
Letters of Certain Guarantees	31,838,860	21,454,330
Letters of Advance Guarantees	12,911,588	7,792,444
Letters of Temporary Guarantees	2,734,608	1,639,412
Letters of Guarantees given to Customs Offices	655,083	90,127
Other Letters of Guarantees	1,101,798	884,875
<b>Total</b>	<b>49,241,937</b>	<b>31,861,188</b>

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

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>786,280</b>	<b>864,826</b>
With Original Maturity of One Year or Less	284	24,845
With Original Maturity of More than One Year	785,996	839,981
<b>Other Non-Cash Loans</b>	<b>59,499,895</b>	<b>40,172,673</b>
<b>Total</b>	<b>60,286,175</b>	<b>41,037,499</b>

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	38,976	0.20	23,711	0.06	25,231	0.18	30,930	0.11
Farming and Raising Livestock	154	-	-	-	181	-	-	-
Forestry	38,822	0.20	23,711	0.06	25,050	0.18	30,930	0.11
Fishing	-	-	-	-	-	-	-	-
Manufacturing	5,042,506	25.59	21,459,362	52.88	3,473,646	24.99	16,802,213	61.91
Mining and Quarrying	147,703	0.75	205,000	0.51	69,906	0.50	58,546	0.22
Production	3,195,510	16.21	19,169,229	47.24	2,356,142	16.95	14,300,126	52.69
Electric, Gas and Water	1,699,293	8.62	2,085,133	5.14	1,047,598	7.54	2,443,541	9.00
Construction	4,314,151	21.89	10,822,868	26.67	2,711,421	19.51	5,447,673	20.07
Services	9,205,882	46.71	6,307,578	15.54	6,906,484	49.69	3,351,537	12.35
Wholesale and Retail Trade	5,048,269	25.62	2,868,971	7.07	3,617,357	26.03	1,735,467	6.39
Hotel, Food and Beverage Services	111,654	0.57	169,961	0.42	69,376	0.50	147,233	0.54
Transportation and Telecommunication	844,375	4.28	1,714,324	4.22	614,638	4.42	595,634	2.19
Financial Institutions	2,166,818	11.00	374,183	0.92	1,901,946	13.68	276,025	1.02
Real Estate and Leasing Services	943,923	4.79	1,103,379	2.72	621,570	4.47	575,276	2.12
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	52,607	0.27	18,500	0.05	35,371	0.25	16,098	0.06
Health and Social Services	38,236	0.19	58,260	0.14	46,226	0.33	5,804	0.02
Other	1,105,630	5.61	1,965,511	4.84	781,445	5.62	1,506,919	5.55
<b>Total</b>	<b>19,707,145</b>	<b>100.00</b>	<b>40,579,030</b>	<b>100.00</b>	<b>13,898,227</b>	<b>100.00</b>	<b>27,139,272</b>	<b>100.00</b>

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

	Group I:		Group II:	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>19,563,640</b>	<b>40,498,331</b>	<b>143,505</b>	<b>80,699</b>
Letters of Guarantee	19,463,117	29,581,873	143,505	53,442
Bank Acceptances	12,965	4,174,078	-	4,262
Letters of Credit	87,558	6,742,380	-	22,995
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	-	-	-

### 2. Explanations on derivative transactions:

	Current Period	Prior Period
<b>Types of Trading Transactions</b>		
Foreign Currency Related Derivative Transactions: (I)	51,314,233	46,039,145
Forward Transactions	5,429,493	1,923,961
Swap Transactions	45,828,320	44,077,422
Futures Transactions	-	-
Option Transactions	56,420	37,762
Interest Related Derivative Transactions (II)	6,235,626	-
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	6,235,626	-
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivative Transactions: (III)	-	-
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>57,549,859</b>	<b>46,039,145</b>
<b>Types of Hedging Derivative Transactions</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
<b>B. Total Hedging Derivative Transactions</b>	<b>-</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>57,549,859</b>	<b>46,039,145</b>

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	57,831	11,138	33,267	485,629	-	587,865
- Inflow	21,191,213	729,772	1,615,897	2,414,167	-	25,951,049
- Outflow	(21,133,382)	(718,634)	(1,582,630)	(1,928,538)	-	(25,363,184)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	3,117,813	3,117,813
- Outflow	-	-	-	-	(3,117,813)	(3,117,813)
<b>Derivatives held for hedging</b>	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total Inflow</b>	<b>21,191,213</b>	<b>729,772</b>	<b>1,615,897</b>	<b>2,414,167</b>	<b>3,117,813</b>	<b>29,068,862</b>
<b>Total Outflow</b>	<b>(21,133,382)</b>	<b>(718,634)</b>	<b>(1,582,630)</b>	<b>(1,928,538)</b>	<b>(3,117,813)</b>	<b>(28,480,997)</b>
<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	(304,957)	(4,486)	40,590	172,072	-	(96,781)
- Inflow	19,783,659	877,181	767,912	1,542,430	-	22,971,182
- Outflow	(20,088,616)	(881,667)	(727,322)	(1,370,358)	-	(23,067,963)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Derivatives held for hedging</b>	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total Inflow</b>	<b>19,783,659</b>	<b>877,181</b>	<b>767,912</b>	<b>1,542,430</b>	<b>-</b>	<b>22,971,182</b>
<b>Total Outflow</b>	<b>(20,088,616)</b>	<b>(881,667)</b>	<b>(727,322)</b>	<b>(1,370,358)</b>	<b>-</b>	<b>(23,067,963)</b>

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### 3. Explanations on contingent assets and liabilities:

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

The Bank's liability resulting from the cheques given to its customers amounts to TL 3,076,439 (31 December 2014: TL 2,737,371).

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

### 4. Explanations on services in the name of others:

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

## 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 <sup>(1)</sup></b>	<b>14,640,081</b>	<b>2,036,868</b>	<b>11,446,173</b>	<b>1,308,674</b>
Short Term Loans	3,762,406	80,679	4,008,280	99,141
Medium and Long Term Loans	10,712,432	1,956,166	7,293,084	1,209,505
Interest on Non-Performing Loans	165,243	23	144,809	28
Premiums from Resource Utilization Support Fund	-	-	-	-

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

### b) Information on interest received from the banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	1,231	-	-	-
Domestic Banks	35,763	449	32,043	2,849
Foreign Banks	1,547	27,971	2,032	21,481
Head Office and Branches	-	-	-	-
<b>Total</b>	<b>38,541</b>	<b>28,420</b>	<b>34,075</b>	<b>24,330</b>

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### c) Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	1,299	252	1,760	643
Financial Assets at Fair Value through Profit and Loss	-	-	-	-
Financial Assets Available-for-Sale	3,924,583	492,433	3,949,988	349,254
Investments Held-to-Maturity	412,024	366,630	705,883	325,496
<b>Total</b>	<b>4,337,906</b>	<b>859,315</b>	<b>4,657,631</b>	<b>675,393</b>

### d) Information on interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	14,892	27,273

### 2. a) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks <sup>(1)</sup>	107,542	295,799	91,058	179,405
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	21,073	3,946	10,872	3,583
Foreign Banks	86,469	291,853	80,186	175,822
Head Office and Branches	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>107,542</b>	<b>295,799</b>	<b>91,058</b>	<b>179,405</b>

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

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

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	31,645	15,042

### c) Information on interest given on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	174,551	106,600	158,355	39,527

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

Account Name	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 year		
TL								
Bank Deposit	-	386,837	-	-	-	-	-	386,837
Saving Deposit	-	182,061	4,434,324	312,109	66,778	45,847	2,087	5,043,206
Public Sector Deposit	149	283,619	417,894	70,822	299,618	1,854	-	1,073,956
Commercial Deposit	158	405,597	415,706	77,737	24,068	1,255	-	924,521
Other Deposit	237	100,127	308,363	43,919	55,407	25,475	-	533,528
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>544</b>	<b>1,358,241</b>	<b>5,576,287</b>	<b>504,587</b>	<b>445,871</b>	<b>74,431</b>	<b>2,087</b>	<b>7,962,048</b>
FC								
Foreign Currency Deposit	756	81,337	256,127	60,781	51,532	213,481	14	664,028
Bank Deposit	41,021	-	-	-	-	-	-	41,021
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	134	988	115	64	67	-	1,368
<b>Total</b>	<b>41,777</b>	<b>81,471</b>	<b>257,115</b>	<b>60,896</b>	<b>51,596</b>	<b>213,548</b>	<b>14</b>	<b>706,417</b>
<b>Grand Total</b>	<b>42,321</b>	<b>1,439,712</b>	<b>5,833,402</b>	<b>565,483</b>	<b>497,467</b>	<b>287,979</b>	<b>2,101</b>	<b>8,668,465</b>

### 3. Explanations on dividend income:

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-Sale Financial Assets	2,188	2,284
Other <sup>(1)</sup>	210,868	189,556
<b>Total</b>	<b>213,056</b>	<b>191,840</b>

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

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

	Current Period	Prior Period
<b>Profit</b>	<b>37,881,153</b>	<b>19,017,451</b>
Foreign Exchange Gains	34,269,050	17,011,247
Profit on Derivative Financial Instruments	3,534,354	1,932,978
Profit from the Capital Market Transactions	77,749	73,226
<b>Loss (-)</b>	<b>38,046,692</b>	<b>19,087,411</b>
Foreign Exchange Loss	33,265,185	15,560,987
Loss on Derivative Financial Instruments	4,780,181	3,524,680
Loss from the Capital Market Transactions	1,326	1,744

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	156,786	(1,412,000)
Effect of the change in interest rates on profit/loss	(1,402,613)	(179,702)
<b>Total</b>	<b>(1,245,827)</b>	<b>(1,591,702)</b>

**6. 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 776,168 (31 December 2014: TL 503,456) and income from sales of assets amounting to TL 98,170 (31 December 2014: TL 79,886).

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

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables <sup>(1)</sup>	880,862	740,633
Group III Loans and Receivables	161,286	94,852
Group IV Loans and Receivables	413,388	412,776
Group V Loans and Receivables	306,188	233,005
General Provision Expenses <sup>(2)</sup>	529,360	343,414
Provision Expenses for the Possible Losses	7,350	271,600
Marketable Securities Impairment Expense	1,714	23
Financial Assets at Fair Value through Profit and Loss	33	-
Financial Assets Available for Sale	1,681	23
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	1,268	87,524
<b>Total</b>	<b>1,420,554</b>	<b>1,443,194</b>

<sup>(1)</sup> The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL 545,644 are presented in other operating income (31 December 2014: TL 400,512).

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

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

	Current Period	Prior Period
Personnel Expenses	2,065,716	1,820,293
Reserve for Employee Termination Benefits	21,185	48,598
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	277,953	205,878
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	44,304	51,531
Impairment Expense for Equity Shares subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	2,619	2,156
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	1,183,752	862,760
Operational Leasing Expenses	182,999	146,208
Maintenance Expenses	84,341	65,663
Advertisement Expenses	95,112	53,806
Other Expenses	821,300	597,083
Loss on Sales of Assets	1,605	1,095
Other <sup>(1)</sup>	1,611,108	1,102,653
<b>Total</b>	<b>5,208,242</b>	<b>4,094,964</b>

<sup>(1)</sup> TL 405,201 of other item consists of Saving Deposit Insurance Fund accrual expense (31 December 2014: TL 323,833) while TL 407,768 consists of taxes, duties and charges expense (31 December 2014: TL 320,741). TL 82,583 is T.R. Ministry of Customs and Trade, which consists of the amounts paid in penalty as a result of the audit conducted within the scope of Regulation numbered 6502 and Regulation abrogated numbered 4077.

### 9. Information on profit/loss before tax from continuing and discontinuing operations:

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

	Current Period	Prior Period
Net Interest Income	10,508,926	8,606,846
Net Fees and Commissions Income	1,300,081	1,077,115
Dividend Income	213,056	191,840
Trading Income/Expense (Net)	(165,539)	(69,960)
Other Operating Income	1,339,895	911,050
Provision for Loan or Other Receivables Losses (-)	1,420,554	1,443,194
Other Operating Expenses (-)	5,208,242	4,094,964
<b>Profit/ (Loss) From Continuing Operations</b>	<b>6,567,623</b>	<b>5,178,733</b>

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

As of 31 December 2015, TL 1,405,153 (31 December 2014: TL 1,128,224) of the Bank's total tax provision expense amounting to TL 821,329 (31 December 2014: TL 1,631,582), consists of current tax expense while remaining balances amounting to TL 583,824 (31 December 2014: TL 503,358 income) consists of deferred tax expense.

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

The Bank's net operating income after tax amounts to TL 5,162,470 (31 December 2014: TL 4,050,509).

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

**a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the 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 December 2014: None).

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

	Current Period	Prior Period
Fees of Account Operations, Money Transfer and Other Commissions Income	580,067	505,738
Fees and Commission Income from Credit Cards	429,996	383,273
Commission Income from Insurances	243,932	203,463
Income from Expertise Fees	140,213	97,843
<b>Total</b>	<b>1,394,208</b>	<b>1,190,317</b>

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

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

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

#### b) Explanations on profit distribution:

In accordance with the decision taken in the General Assembly of the year 2014, which was carried out on 27 March 2015, from TL 4,050,509 net profit after the deduction of deferred tax income amounting to TL 503,358, which is not subject to distribution, the remaining TL 3,547,151 of the profit for the year 2014, TL 177,358 is transferred to first legal reserve and TL 18,500 is transferred to second legal reserve TL 185,000 is distributed as dividend to employees and TL 106,250 is distributed to Treasury after deducting withholding tax of 15% (TL 18,750) in cash. In this context, TL 3,041,293 of the profit is preserved; dividend payment made to Treasury on 15 April 2015, and within the framework of the dividend to be distributed to employees, at total TL 166,086 is paid. The remaining TL 18,914 from the dividends distributed to the personnel as of 31 December 2015 was transferred to the "profit reserves".

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

#### c) Explanations on Available For Sale Financial Assets:

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

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

#### d) Profit Reserves:

As of the balance sheet date, profit reserves amount to TL 18,005,564, legal reserves amount to TL 2,920,983, extraordinary reserves amount to TL 13,659,246 and other profit reserves amount to TL 1,425,335.

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

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

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

“Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 5,395,793 is composed mainly from interest received from loans and securities amounting to TL 20,944,150 and interest paid to deposit and money market operations which is amounting to TL 9,420,130. Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 549,935 as of 31 December 2015 (31 December 2014: TL 101,353).

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

**Period opening and end cash and cash equivalents balance:**

<b>Period Opening</b>	<b>Current Period</b>	<b>Prior Period</b>
Cash in TL and in Foreign Currency	1,783,890	1,756,313
Central Bank of the Republic of Turkey and Other Banks	3,082,482	4,913,264
Money Market Operations	-	-
<b>Total Cash and Cash Equivalents</b>	<b>4,866,372</b>	<b>6,669,577</b>
<b>Period End</b>	<b>Current Period</b>	<b>Prior Period</b>
Cash in TL and in Foreign Currency	2,427,513	1,783,890
Central Bank of the Republic of Turkey and Other Banks	5,636,584	3,082,482
Money Market Operations	-	-
<b>Total Cash and Cash Equivalents</b>	<b>8,064,097</b>	<b>4,866,372</b>

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**VII. 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	3,320,000	1,612,751	-	-	-	-
Closing Balance	4,693,525	1,919,303	-	-	-	-
Interest and Commissions Income	14,892	-	-	-	-	-

<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.

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	2,819,175	907,299	-	-	-	-
Closing Balance	3,320,000	1,612,751	-	-	-	-
Interest and Commissions Income	27,273	-	-	-	-	-

<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 940,591 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	411,176	261,957	-	-	-	-
Closing Balance	553,962	411,176	-	-	-	-
Interest Expense on Deposits	31,645	15,042	-	-	-	-

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

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**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	-	-	-	-	-	-
Closing Balance	66,595	-	-	-	-	-
<b>Total Profit/Loss</b>	<b>4,735</b>	-	-	-	-	-
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

<sup>(1)</sup> The prior period balance of the total Profit/Loss is the balance as of 31 December 2014.

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

Fees paid to the Bank's key management amount to TL 27,329 (31 December 2014: TL 23,985).

**VIII. EXPLANATIONS AND NOTES related to subsequent events**

None.

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

**1. Information on the Bank's domestic and foreign branches and foreign representatives of the Bank:**

	Number	Number of Employees			Total Assets	Statutory Share Capital
Domestic Branch <sup>(1)</sup>	1,786	25,618				
			<b>Country of Incorporation</b>			
Foreign Representative Office <sup>(2)</sup>	1	-	1- Iran			
Foreign Branch <sup>(2)</sup>	1	2	1- USA		3,741,401	339,897
	1	2	2- England		2,784,343	153,224
	4	2	3- Bulgaria		167,909	44,882
	2	5	4- Georgia		94,219	18,358
	2	8	5- Iraq		239,586	40,510
	4	3	6- Greece		343,462	104,033
	1	2	7- Saudi Arabia		82,791	43,404
	1	-	8- Kosovo		35,816	31,525
	10	36	9- T.R. of Northern Cyprus		1,133,393	113,571
Off-Shore Banking Region Branches	-	-	-		-	-

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

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

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

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

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**SECTION SIX**

**OTHER EXPLANATIONS AND NOTES**

**I. INFORMATION ON THE BANK'S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL RATING AGENCIES**

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

**Moody's Investor Services: September 2015**

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

**Fitch Ratings: October 2015**

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

**JCR Eurasia: November 2015**

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

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## **Notes to the Unconsolidated Financial Statements at 31 December 2015**

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### **II. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS**

None.

### **SECTION SEVEN**

#### **EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT**

##### **I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT**

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

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

None.

## Ziraat Bank's Financial Standing, Profitability and Solvency

Ziraat Bank seeks to strengthen its financial structure through sustainable growth, profitability, and productivity. In 2015 the Bank continued to reinforce its equity-compatible balance sheet structure through the asset & liability management strategies that it adhered to and it remained on course in terms of capital adequacy, profitability, and productivity.

As of year-end 2015 the Bank's total assets amounted to TL 302.8 billion and its total equity to TL 31.5 billion. Importance was again given to supporting equity through sustainable profitability: total equity accounted for about a 10.4% share of the Bank's balance sheet.

Recognizing the key importance of sustainable profitability in equity management, the Bank increased its net profit by 27.5% in 2015 to TL 5.2 billion. As of year-end, Ziraat Bank's return on equity and return on assets ratios were 17.3% and 1.8% respectively while its capital adequacy ratio was 15.08%.

In keeping with the Ziraat Bank Customer Service Model, the Bank focuses on providing financial solutions to all real-sector actors, but especially to those in agriculture, with the result that such lendings are making up a steadily increasing share of the total. As a result of this customer-weighted balance sheet management strategy, the total volume of the Bank's cash lendings increased by 32% to TL 186.8 billion and corresponded to 62% of total assets while the share of marketable securities, which was 26% in 2014, was down to 21% in 2015. The Bank intends to adhere to this credit-driven growth strategy in the years ahead as well. Ziraat Bank's 1.7% NPL ratio is well below the sectoral average. The Bank's consistent ability to maintain a below-average NPL ratio without selling off any of its assets is an indication of the superior quality of its asset structure.

In line with Ziraat Bank's approach of contributing to the country's overall level of saving and of having recourse to broadly-based, low-cost resources, total deposits reached TL 186.5 billion, a performance that maintained the Bank's standing as the sector's leading deposit-taker in 2015. Deposits and non-deposit resources account for 61.6% and 22.4% shares respectively of total liabilities. In keeping with the Bank's ongoing efforts to diversify and deepen its sources of funding, in 2015 Ziraat Bank continued to seek out and tap alternatives such as international agency and financial institution lines of credit, post-financing, and bank bond & bill issues.

Owing to the steady rise in the Bank's lending, interest income once again contributed the biggest share of Ziraat Bank's total revenues and amounted to TL 22.1 billion. In the twelve months to end-2015, the ratio of interest received to total income increased from 70% to 76%. Efforts also continued to be made to improve the Bank's net interest margin with the result that there was a 22% increase in Ziraat Bank's net interest income in 2015. That performance was further supported by efforts to boost non-interest income, which was up by a nearly identical 21% last year.

## Ratios

%	2014	2015
<b>CAPITAL</b>		
Capital Adequacy Ratio	18.2	15.1
Shareholders' Equity/Total Assets	11.5	10.4
Shareholders' Equity/(Total Assets+Non-cash Loans)	9.9	8.7
Shareholders' Equity/(Deposits+Non-Deposit Resources)	14.0	12.4
<b>ASSET QUALITY</b>		
Total Loans/Total Assets	57.3	61.7
NPL (Gross)/Cash Loans	1.9	1.7
NPL (Gross)/(Non-cash Loans+Cash Loans)	1.5	1.3
Loans/Deposits	92.6	100.2
FC Assets/FC Liabilities	95.2	97.6
<b>LIQUIDITY</b>		
Liquid Assets/Total Assets	13.1	13.5
Liquid Assets/(Deposits+Non-Deposit Resources)	15.9	16.1
<b>PROFITABILITY</b>		
Net Profit (Loss)/Average Total Assets	1.8	1.8
Net Profit (Loss)/Average Shareholders' Equity	16.4	17.3
<b>INCOME-EXPENSE STRUCTURE</b>		
Interest Incomes/Interest Expenses	190.0	191.1
Non-Interest Incomes/Non-Interest Expenses	41.1	43.4
Total Incomes/Total Expenses	133.7	135.5
Interest Incomes/Total Incomes	88.4	87.9
Non-Interest Incomes/Total Incomes	11.6	12.1
Interest Expenses/Total Expenses	62.2	62.4
Non-Interest Expenses/Total Expenses	37.8	37.6

## Information about Risk Management Policies and Activities According to Type of Risk

Risk management activities at Ziraat Bank are carried out with the underlying approach of aligning the Bank's risk management functions with best practices by fostering a risk culture throughout the entire Bank and constantly improving system and human resources.

Risk management activities are conducted under the separate headings of "Credit Risk", "Market Risk", "Operational Risk", and "Balance Sheet Risks". Policies, practices, and procedures concerning the management of these risks are governed by regulations approved by the Board of Directors for dealing with each category of risk. Care is given to ensure that all risk management system activities are coordinated through the involved participation of the operational branches with which each type of risk is associated.

Ziraat Bank has formulated an "Intrinsic capital adequacy assessment process" as required by BDDK Regulation on banks' internal system and intrinsic capital adequacy assessment processes. The purpose of this process is to set up and maintain a system that will both determine the amounts of capital that are needed to cover the risks to which the Bank is or might be exposed and will ensure capital requirements and levels are used compatibly with the Bank's strategic objectives. Analyses are performed in line with BDDK principles and are further supported by means of risk-specific stress tests and scenario analyses. Year-end Stress Test and Internal Capital Adequacy Assessment Process (ICAAP) reports are prepared with the involvement of other appropriate units and are sent to BDDK with the approval of the Board of Directors.

The Bank's risk management activities include the calculation of its leverage ratio as per Basel III criteria. The results of this are reported both to BDDK and to TCMB.

To determine the Bank's compliance with Basel III liquidity criteria, Ziraat Bank has begun preparing and sending to BDDK a "liquidity coverage ratio report" as per that agency's Regulation on the calculation of banks' liquidity coverage ratio.

### Credit Risk

"Credit risk" is an expression of the likelihood of the bank's suffering a loss because a debtor fails to fulfill, in a timely manner, some or all of his obligations under an agreement that he has entered into.

"Credit risk management" consists of discovering the credit risks to which the bank is exposed and defining, measuring, monitoring, controlling, and reporting such risks.

According to BDDK Regulation on measurement and assessment of capital adequacy of banks, credit risk is to be measured using the Basel III Standardized Approach and the results of such measurements are to be included in one's mandatory reporting. In compliance with this requirement, Ziraat Bank's credit risk exposure on both a solo and a consolidated basis is reported monthly to BDDK.

Under the heading of credit risk management, statistical methods are employed both to verify the credit rating models developed by individual units and to quantify the effectiveness of their performance. As required by the Banks Association of Turkey's Circular on internal rating notifications, which went into effect as of January 2014, Ziraat Bank sends its internal rating notices to the TBB Risk Center every month. A number of projects are also being planned to permit the use of advanced methods in the calculation of the Bank's core credit risk exposure.

Both customer-segment-based credit risk limits and trigger values and portfolio-based counterparty credit risk limits and trigger values arising respectively from banking accounts and from trading accounts have been calculated and approved by the Board of Directors. All these values are monitored on a monthly basis. The risk-weighted assets which the Bank may hold on a segment and portfolio basis are subject to these limits.

## Information about Risk Management Policies and Activities According to Type of Risk

### Market Risk

“Market risk” is an expression of the likelihood of the bank’s suffering a loss because of movements in the market prices of assets in which the bank takes positions and/or trades and which are accounted for at their fair (mark-to-market) value. Such assets include, but are not limited to, financial instruments and their derivatives and precious metals, commodities, and foreign currencies which may be held in on- or off-balance sheet accounts. The term “market risk” embraces many different aspects of risk such as general market risk, specific risk, exchange rate risk, commodity risk, clearance risk, trading account counterparty risk, and option risk.

Risk measurement and monitoring is carried out in order to reveal the market risks to which Ziraat Bank may be exposed. The results of these activities are taken into account in the Bank’s strategic decision-making processes.

In order to manage market risk, market movements that affect the present value of the portfolios which expose the Bank to market risk in line with its trading strategies are kept track of on a daily basis and the impact that both upward/downward and ordinary/extraordinary movements may have on these portfolios is analyzed.

In the conduct of its day-to-day operations, trigger values are monitored as part of the early-warning process that is carried out to protect the Bank’s financial strength from being seriously affected by increases in market volatility. Risk exposure levels are kept within prescribed limits.

The Standardized Approach methodology is used to calculate the Bank’s exposure to market risk, the amount of which is included in its mandatory capital adequacy ratio. Market risk is also calculated on a daily basis by an independent consultancy using a VaR-based internal model that is recognized as being compatible with internationally-accepted best practices. The effectiveness of the models being used is also analyzed by means of backtesting.

### Operational Risk

“Operational risk” is an expression of the likelihood of the bank’s suffering a loss because of changes in value caused by the fact that the actual losses which are incurred on account of inadequate or failed internal processes, people, or systems or on account of external events (including legal risk) differ from expected losses. Ziraat Bank employees perform their duties taking into account the operational risk-related principles and procedures set forth in the Bank’s internal regulations and in a manner that is both sensitive to the operational risks that may be incurred and mindful of Bank policies intended to create an operational environment that will reduce the likelihood of losses.

The operational risks that arise throughout the Bank are monitored through the Ziraat Bank Operational Risk Loss Database. The mandatory capital needed to cover the Bank’s operational risk exposure is calculated using the Basic Indicator Approach methodology and is allocated accordingly.

Work is currently being carried out to create a basic integrated risk framework for use at Ziraat Bank. IT-associated risks and efforts to deal with them are monitored through the information technology database.

As part of the Business Continuity Plan, “business impact analyses” are carried out in order both to identify the risks that might arise if the Bank’s operations are interrupted and to determine their potential consequences.

In order to ensure the continuity of outsourced support services, the risks that might arise from their procurement are assessed in light of BDDK Regulation on the outsourcing of support services by banks.

## Balance Sheet Risks

“Balance sheet risks”, which are risks that arise from the bank’s on- and off-balance sheet asset and liability accounts, are controlled so as to manage them in the most effective way possible. Balance sheet risks include the liquidity risks and the interest rate risks to which the bank is exposed on account of its banking business accounts. There are two components of liquidity risk: funding liquidity risk and market liquidity risk. The first is an expression of the likelihood of the bank’s suffering a loss because it is unable to satisfy all of its foreseeable/unforeseeable cash flow requirements without otherwise impairing its day-to-day operations and/or financial structure; the second is an expression of the likelihood of the bank’s suffering a loss because the bank is unable to close or cover a particular position at the market price owing to insufficient market depth or to excessive market volatility. Interest rate risk consists of the possibility of sustaining losses on risk-sensitive assets, liabilities, and off-balance sheet items owing to changes taking place in interest rates.

Risk measurement and monitoring is carried out in order to reveal the balance sheet risks to which Ziraat Bank may be exposed on account both of its liquidity risks and of its interest rate risks arising from its banking business accounts. The results of these activities are taken into account in the Bank’s strategic decision-making processes.

Compliance with mandatory ratios pertaining to liquidity and interest rate risks arising from banking business accounts is also monitored. In addition to the foregoing, matters with the potential to affect liquidity risk management are monitored and scenario and sensitivity analyses are performed. These include funding and lending maturity mismatches, assets’ and liabilities’ behavioral as well as contractual maturities, the level of primary (cash and cash-equivalent) liquidity reserves needed to conduct the bank’s normal day-to-day operations, Central Bank liquidity facilities to which recourse may be had in order to cope with unexpected liquidity requirements, secondary reserves whose potential to be converted to cash is exposed to the risk of their being underpriced, and the ability to borrow from conventional markets.

For the management of the interest rate risk arising on banking business accounts, attention is given to monitoring and analyzing such issues as rate and maturity mismatches between fixed- and variable-interest fundings and lendings, assets’ and liabilities’ behavioral as well as contractual maturities, both upward/downward and ordinary/extraordinary movements in interest rates, and the impact of interest rate margins on the current value of assets and liabilities. A close watch is also kept on any positions involving Turkish lira vs foreign currency interest rate margins.

In the conduct of its day-to-day operations, trigger values are monitored as part of the early-warning process that is carried out to protect the Bank’s financial strength from being seriously affected by increases in market volatility and/or by incoming/outgoing cashflow mismatches. Associated risk exposure levels are kept within limits as prescribed by the Board of Directors in light of such considerations as liquidity, income level targets, and appetite for risk.

## 31 December 2011-31 December 2015

### Summary Balance Sheet and Income Statement

(TL million)

ASSETS	2011	2012	2013	2014	2015
Liquid Assets	15,593	22,647	29,067	32,340	40,983
Securities Portfolio	70,766	65,469	62,798	64,563	64,871
Loans	71,430	71,426	111,048	141,915	186,813
Associates and Subsidiaries	810	1,034	1,298	1,631	2,655
Fixed Assets	930	931	1,050	4,684	4,842
Other Assets	1,152	1,360	2,269	2,468	2,684
<b>TOTAL</b>	<b>160,681</b>	<b>162,868</b>	<b>207,530</b>	<b>247,600</b>	<b>302,848</b>

LIABILITIES	2011	2012	2013	2014	2015
Deposits	113,067	118,966	141,735	153,255	186,469
Money Markets	25,788	11,162	24,571	31,781	43,086
Loans Borrowed	553	3,072	8,559	14,608	19,543
Marketable Securities Issued	0	1,944	2,637	4,219	5,288
Funds	3,871	4,292	4,036	5,426	5,931
Provisions	1,892	3,002	3,958	4,758	5,161
Other Liabilities	2,332	3,261	3,666	5,013	5,825
Shareholders' Equity	13,177	17,167	18,367	28,540	31,546
<b>TOTAL</b>	<b>160,681</b>	<b>162,868</b>	<b>207,530</b>	<b>247,600</b>	<b>302,848</b>

STATEMENT OF INCOME	2011	2012	2013	2014	2015
Interest Income	13,706	14,811	14,370	18,165	22,050
Interest Expense	8,465	7,910	6,631	9,558	11,542
Net Interest Income	5,242	6,901	7,739	8,607	10,509
Fees and Commissions Income (net)	626	752	959	1,077	1,300
Dividend Income	32	98	321	192	213
Trading Profit/Loss (Net)	-61	-52	-198	-70	-166
Other Operating Income	372	429	1,048	911	1,340
Total Operating Income	6,210	8,128	9,868	10,717	13,196
Provisions for Loans and Other Receivables	808	1,795	1,828	1,443	1,421
Other Operating Expenses	2,622	2,828	3,661	4,095	5,208
Pretax Profit	2,780	3,505	4,379	5,179	6,568
Tax Provision	679	854	1,048	1,128	1,405
<b>Net Profit/Loss for the Period</b>	<b>2,101</b>	<b>2,650</b>	<b>3,330</b>	<b>4,051</b>	<b>5,162</b>

## Credit Ratings Assigned By Rating Agencies

Ziraat Bank's performance is rated by Fitch Ratings, Moody's and JCR Eurasia Ratings. In annual meetings held with these agencies, the Bank provides detailed and transparent information on its brand positioning, progress achieved in core lines of business, its funding ability and capital structure.

Credit ratings assigned to the Bank as of 31 December 2015 are presented below:

Rating Agency	Category	Rating	Date
Fitch Ratings <sup>(1)</sup>	Foreign Currency Long-Term IDR	BBB-	October 2015
	Outlook	Stable	
	Foreign Currency Short-Term IDR	F3	
	Local Currency Long-Term IDR	BBB	
	Outlook	Stable	
	Local Currency Short-Term IDR	F3	
	National Long-Term Rating	AAA (tur)	
	Outlook	Stable	
	Support Rating	2	
Support Rating Floor	BBB-		
Viability Rating	bbb-		
Moody's <sup>(2)</sup>	Outlook	Negative	September 2015
	Long-Term Bank Deposit Foreign Currency	Baa3	
	Short-Term Bank Deposit Foreign Currency	P-3	
	Long-Term Bank Deposit Domestic Currency	Baa3	
	Short-Term Bank Deposit Domestic Currency	P-3	
	Baseline Credit Assessment	ba1	
	Adjusted Baseline Credit Assessment	ba1	
JCR Eurasia <sup>(3)</sup>	Long-Term International Foreign Currency	BBB -	November 2015
	Outlook	Stable	
	Long-Term International Local Currency	BBB -	
	Outlook	Stable	
	Long-Term National Local Rating	AAA (Trk)	
	Outlook	Stable	
	Short-Term International Foreign Currency	A - 3	
	Outlook	Stable	
	Short-Term International Local Currency	A - 3	
	Outlook	Stable	
	Short-Term National Local Rating	A-1+ (Trk)	
Sponsor Support	1		
Stand Alone	A		

<sup>(1)</sup> Fitch Ratings confirmed and did not change Ziraat Bank's ratings on 15 October 2015.

<sup>(2)</sup> Moody's confirmed and did not change Ziraat Bank's ratings on 30 September 2015.

<sup>(3)</sup> JCR Eurasia Rating confirmed and did not change Ziraat Bank's ratings on 20 November 2015.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Publicly Announced Consolidated Financial Statements**

**Together with Independent Auditor's Report At 31 December 2015**

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

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

**Report on Consolidated Financial Statements**

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

*Management's Responsibility for the Consolidated Financial Statements*

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

*Independent Auditor's Responsibility*

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

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

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

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Independent Auditor's Report

### *Basis for the qualified opinion*

As mentioned in Section II. Note 7.d1 of Explanations and Notes to the Consolidated Financial Statements; as of the balance sheet date, the accompanying consolidated financial statements include a free provision amounting to TL 1,240,400 thousand (TL 79,600 thousand of this provision amount was reversed from the income statement in the current year), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions.

### *Qualified Opinion*

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

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

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

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

### **Additional Paragraph for Convenience Translation**

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

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



Haluk Yalçın, SMMM  
Partner

Istanbul, 10 February 2016

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**The Consolidated Financial Report of  
Türkiye Cumhuriyeti Ziraat Bankası A.Ş. as of 31 December 2015**

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

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

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

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



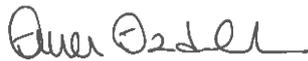
Muharrem KARSLI  
Chairman of the Board,  
Member of the Audit Committee



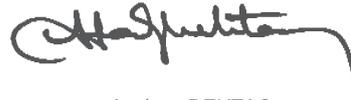
Hüseyin AYDIN  
Member of the Board,  
CEO



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



Peyami Ömer ÖZDİLEK  
Financial Coordination  
Executive Vice President



Atakan BEKTAŞ  
Senior Vice President of Financial Reporting  
and Budget Management

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

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

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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## **Notes to the Consolidated Financial Statements at 31 December 2015**

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

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

### **SECTION ONE**

#### **GENERAL INFORMATION ABOUT THE GROUP**

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

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

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

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

## Notes to the Consolidated Financial Statements at 31 December 2015

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

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

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

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

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

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

Name/Trade Name	Amount of Share	Percentage of Share %	Paid-in Shares	Unpaid Shares
Treasury	5,000,000	100	5,000,000	-

The sole shareholder of the Parent Bank is the Treasury.

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2015

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

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

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

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

As of 31 December 2015, Bank carries its activities with a grand total of 1,812 branches; 1,786 domestic branches including 22 corporate branches, 80 entrepreneurial branches, 83 dynamic entrepreneurial branches, 1,596 branches and 5 mobile branches (31 December 2014: 1,682 domestic branches including 1,486 branches, 24 corporate branches, 80 entrepreneurial branches, 90 dynamic entrepreneurial branches, 2 mobile branches) and 26 branches abroad including 22 branches and 4 sub branches (New York branch in United States, London branch in England, Tbilisi branch and Batumi sub branch in Georgia, Baghdad and Arbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina in Kosovo, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Akdoğan, Near East University, Karaoğlanoğlu, Karakum and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has 1 representative office in Tehran, Iran.

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

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

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

As of 31 December 2015, the number of the Group's employees is 27,397 (31 December 2014: 24,882).

## **Notes to the Consolidated Financial Statements at 31 December 2015**

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

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

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

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

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

All other subsidiaries are fully consolidated.

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

None.

## **SECTION TWO**

### **CONSOLIDATED FINANCIAL STATEMENTS**

- I. Consolidated balance sheet (Consolidated statement of financial position)
- II. Consolidated statement of off-balance sheet commitments
- III. Consolidated statement of income
- IV. Consolidated statement of profit and loss items accounted under shareholders’ equity
- V. Consolidated statement of changes in shareholders’ equity
- VI. Consolidated statement of cash flows
- VII. The Parent Bank’s statement of profit appropriation

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Consolidated Balance Sheet (Statement of Financial Position) as of 31 December 2015

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

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

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)							
ASSETS	Note (Section Five I)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	4,102,225	32,832,452	36,934,677	2,773,749	27,510,997	30,284,746
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	687,695	284,571	972,266	294,906	35,088	329,994
2.1 Financial Assets Held for Trading		687,695	284,571	972,266	294,834	35,088	329,922
2.1.1 Public Sector Debt Securities		35,031	4,377	39,408	28,363	3,998	32,361
2.1.2 Securities Representing a Share in Capital		580	-	580	909	-	909
2.1.3 Derivative Financial Assets Held for Trading		652,084	280,194	932,278	265,562	31,090	296,652
2.1.4 Other Marketable Securities		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		-	-	-	72	-	72
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	72	-	72
III. BANKS	(3)	1,911,314	3,054,377	4,965,691	1,789,607	978,204	2,767,811
IV. MONEY MARKET PLACEMENTS		50,408	65,765	116,173	16,839	34,690	51,529
4.1 Interbank Money Market Placements		-	48,732	48,732	-	34,690	34,690
4.2 Istanbul Stock Exchange Money Market Placements		41,143	-	41,143	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		9,265	17,033	26,298	16,839	-	16,839
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	42,359,768	11,677,170	54,036,938	45,891,736	8,538,507	54,430,243
5.1 Securities Representing a Share in Capital		108,407	500,274	608,681	131,975	314,297	446,272
5.2 Public Sector Debt Securities		42,100,780	11,067,797	53,168,577	45,620,600	8,070,022	53,690,622
5.3 Other Marketable Securities		150,581	109,099	259,680	139,161	154,188	293,349
VI. LOANS AND RECEIVABLES	(5)	142,067,085	50,441,311	192,508,396	110,346,717	35,175,186	145,521,903
6.1 Loans and Receivables		141,197,622	50,429,880	191,627,502	109,562,008	35,158,472	144,720,480
6.1.1 Loans Granted to Risk Group of The Bank		-	25,125	25,125	-	8,558	8,558
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		141,197,622	50,404,755	191,602,377	109,562,008	35,149,914	144,711,922
6.2 Loans under Follow-up		3,129,083	93,617	3,222,700	2,709,827	60,656	2,770,483
6.3 Specific Provisions (-)		2,259,620	82,186	2,341,806	1,925,118	43,942	1,969,060
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENTS HELD TO MATURITY (Net)	(6)	4,567,447	5,656,028	10,223,475	5,106,644	5,133,172	10,239,816
8.1 Public Sector Debt Securities		4,533,588	5,613,041	10,146,629	5,095,536	5,104,322	10,199,858
8.2 Other Marketable Securities		33,859	42,987	76,846	11,108	28,850	39,958
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	98,927	1,914	100,841	88,182	731	88,913
9.1 Accounted with Equity Method		92,861	-	92,861	82,116	-	82,116
9.2 Unconsolidated Associates		6,066	1,914	7,980	6,066	731	6,797
9.2.1 Financial Associates		-	1,097	1,097	-	731	731
9.2.2 Non-financial Associates		6,066	817	6,883	6,066	-	6,066
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	7,457	-	7,457	7,450	-	7,450
10.1 Unconsolidated Financial Subsidiaries		1,220	-	1,220	1,213	-	1,213
10.2 Unconsolidated Non-Financial Subsidiaries		6,237	-	6,237	6,237	-	6,237
XI. ENTITIES UNDER COMMON CONTROL (Net)	(9)	-	77,771	77,771	-	60,271	60,271
11.1 Accounted with Equity Method		-	77,771	77,771	-	60,271	60,271
11.2 Unconsolidated Entities Under Common Control		-	-	-	-	-	-
11.2.1 Financial Entities Under Common Control		-	-	-	-	-	-
11.2.2 Non Financial Entities Under Common Control		-	-	-	-	-	-
XII. RECEIVABLES FROM LEASING TRANSACTIONS	(10)	594,625	1,768,777	2,363,402	512,978	1,338,278	1,851,256
12.1 Finance Lease Receivables		728,968	2,014,538	2,743,506	639,592	1,528,388	2,167,980
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		134,343	245,761	380,104	126,614	190,110	316,724
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1 Fair Value Hedges		-	-	-	-	-	-
13.2 Cash Flow Hedges		-	-	-	-	-	-
13.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(14)	4,874,436	83,248	4,957,684	4,681,525	59,780	4,741,305
XV. INTANGIBLE ASSETS (Net)	(15)	232,759	13,358	246,117	185,408	7,907	193,315
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		232,759	13,358	246,117	185,408	7,907	193,315
XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-	-	-	-
XVII. TAX ASSET		271,567	1,091	272,658	226,647	1,158	227,805
17.1 Current Tax Asset		4,740	1,091	5,831	1,057	1,158	2,215
17.2 Deferred Tax Asset	(16)	266,827	-	266,827	225,590	-	225,590
XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	241,558	-	241,558	174,207	-	174,207
18.1 Held for Sale		241,558	-	241,558	174,207	-	174,207
18.2 Held from Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	1,385,582	857,132	2,242,714	1,398,577	640,050	2,038,627
<b>TOTAL ASSETS</b>		<b>203,452,853</b>	<b>106,814,965</b>	<b>310,267,818</b>	<b>173,495,172</b>	<b>79,514,019</b>	<b>253,009,191</b>

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

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Consolidated Balance Sheet (Statement of Financial Position) as of 31 December 2015

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

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

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)							
LIABILITIES AND EQUITY	Note (Section Five II)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(1)	120,975,369	69,944,728	190,920,097	107,566,897	48,577,827	156,144,724
1.1 Deposits Held By the Risk Group of the Bank		27,015	11,370	38,385	13,895	247,940	261,835
1.2 Other		120,948,354	69,933,358	190,881,712	107,553,002	48,329,887	155,882,889
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	28,659	271,523	300,182	18,806	397,591	416,397
<b>III. FUNDS BORROWED</b>	(3)	1,213,775	19,573,628	20,787,403	1,263,427	14,348,926	15,612,353
<b>IV. MONEY MARKET BALANCES</b>		28,389,499	14,744,813	43,134,312	16,310,776	15,483,183	31,793,959
4.1 Interbank Money Market Borrowings		1,100,000	-	1,100,000	-	12,883	12,883
4.2 Istanbul Stock Exchange Takasbank Borrowings		-	-	-	-	-	-
4.3 Funds Provided under Repurchase Agreements		27,289,499	14,744,813	42,034,312	16,310,776	15,470,300	31,781,076
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		2,331,124	3,088,273	5,419,397	1,618,173	2,655,704	4,273,877
5.1 Bills		2,199,333	756,233	2,955,566	1,550,328	783,430	2,333,758
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		131,791	2,332,040	2,463,831	67,845	1,872,274	1,940,119
<b>VI. FUNDS</b>		5,931,129	-	5,931,129	5,426,448	-	5,426,448
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		5,931,129	-	5,931,129	5,426,448	-	5,426,448
<b>VII. MISCELLANEOUS PAYABLES</b>		1,509,413	869,723	2,379,136	1,235,465	557,639	1,793,104
<b>VIII. OTHER LIABILITIES</b>	(4)	2,053,649	414,619	2,468,268	1,742,321	328,463	2,070,784
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. PAYABLES FROM LEASING TRANSACTIONS (Net)</b>	(5)	-	-	-	-	-	-
10.1 Finance Lease Payables		-	-	-	-	-	-
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	(6)	-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(7)	6,272,108	93,629	6,365,737	5,930,930	78,351	6,009,281
12.1 General Provisions		2,871,184	54,634	2,925,818	2,323,422	39,647	2,363,069
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		858,476	1,823	860,299	821,619	848	822,467
12.4 Insurance Technical Reserves (Net)		1,097,588	-	1,097,588	1,185,089	-	1,185,089
12.5 Other Provisions		1,444,860	37,172	1,482,032	1,600,800	37,856	1,638,656
<b>XIII. TAX LIABILITY</b>	(8)	801,633	7,582	809,215	845,706	5,526	851,232
13.1 Current Tax Liability		800,981	5,877	806,858	845,706	2,585	848,291
13.2 Deferred Tax Liability		652	1,705	2,357	-	2,941	2,941
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(9)	-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(10)	-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	(11)	30,874,192	878,750	31,752,942	27,706,068	910,964	28,617,032
16.1 Paid-in Capital		5,000,000	-	5,000,000	2,500,000	-	2,500,000
16.2 Capital Reserves		2,162,865	878,750	3,041,615	5,054,092	910,964	5,965,056
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(1,376,470)	871,303	(505,167)	930,429	910,964	1,841,393
16.2.4 Tangible Assets Revaluation Reserves		3,607,167	7,447	3,614,614	3,634,310	-	3,634,310
16.2.5 Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6 Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7 Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17,388	-	17,388	17,388	-	17,388
16.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other Capital Reserves		(85,220)	-	(85,220)	471,965	-	471,965
16.3 Profit Reserves		18,146,025	-	18,146,025	15,654,752	-	15,654,752
16.3.1 Legal Reserves		3,061,444	-	3,061,444	2,852,218	-	2,852,218
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		13,659,246	-	13,659,246	11,880,556	-	11,880,556
16.3.4 Other Profit Reserves		1,425,335	-	1,425,335	921,978	-	921,978
16.4 Profit or Loss		5,564,157	-	5,564,157	4,495,841	-	4,495,841
16.4.1 Prior Years Profit/Loss		186,366	-	186,366	385,586	-	385,586
16.4.2 Net Period Profit/Loss		5,377,791	-	5,377,791	4,110,255	-	4,110,255
16.5 Minority Shares		1,145	-	1,145	1,383	-	1,383
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>200,380,550</b>	<b>109,887,268</b>	<b>310,267,818</b>	<b>169,665,017</b>	<b>83,344,174</b>	<b>253,009,191</b>

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

**Consolidated Statement of  
Off-Balance Sheet Commitments as of 31 December 2015**

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

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

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS							
	Note (Section Five III)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>38,991,884</b>	<b>100,500,525</b>	<b>139,492,409</b>	<b>64,878,593</b>	<b>119,982,983</b>	<b>184,861,576</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>(1), (3)</b>	<b>19,789,565</b>	<b>41,101,309</b>	<b>60,890,874</b>	<b>13,871,599</b>	<b>27,296,181</b>	<b>41,167,780</b>
1.1 Letters of Guarantee		19,689,042	30,018,744	49,707,786	13,785,685	18,141,359	31,927,044
1.1.1 Guarantees Subject to State Tender Law		1,182,000	5,742,948	6,924,948	910,333	2,893,151	3,803,484
1.1.2 Guarantees Given for Foreign Trade Operations		17,004,896	23,740,445	40,745,341	12,183,495	14,931,500	27,114,995
1.1.3 Other Letters of Guarantee		1,502,146	535,351	2,037,497	691,857	316,708	1,008,565
1.2 Bank Acceptances		12,965	4,181,142	4,194,107	21,260	3,565,019	3,586,279
1.2.1 Import Letter of Acceptance		12,965	4,173,792	4,186,757	21,260	3,562,312	3,583,572
1.2.2 Other Bank Acceptances		-	7,350	7,350	-	2,707	2,707
1.3 Letters of Credit		87,558	6,869,898	6,957,456	64,654	5,561,707	5,626,361
1.3.1 Documentary Letters of Credit		87,558	6,831,047	6,918,605	64,654	5,409,015	5,473,669
1.3.2 Other Letters of Credit		-	38,851	38,851	-	152,692	152,692
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		-	31,525	31,525	-	28,096	28,096
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>(1), (3)</b>	<b>16,023,661</b>	<b>4,062,087</b>	<b>20,085,748</b>	<b>48,109,526</b>	<b>48,677,522</b>	<b>96,787,048</b>
2.1 Irrevocable Commitments		16,009,885	3,932,546	19,942,431	14,639,105	6,187,325	20,826,430
2.1.1 Asset Purchase and Sale Commitments		153,461	1,695,131	1,848,592	114,630	4,410,507	4,525,137
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		2,693,280	314,414	3,007,694	2,120,280	241,168	2,361,448
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		3,079,620	10	3,079,630	2,737,371	9	2,737,380
2.1.8 Tax and Fund Liabilities from Export Commitments		27	-	27	-	-	-
2.1.9 Commitments for Credit Card Limits		7,130,144	1,130	7,131,274	7,160,308	18,775	7,179,083
2.1.10 Commitments for Credit Cards and Banking Services Promotions		20,185	-	20,185	17,011	-	17,011
2.1.11 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		2,933,168	1,921,861	4,855,029	2,489,505	1,516,866	4,006,371
2.2 Revocable Commitments		13,776	129,541	143,317	33,470,421	42,490,197	75,960,618
2.2.1 Revocable Loan Granting Commitments		-	4,898	4,898	33,452,669	42,447,453	75,900,122
2.2.2 Other Revocable Commitments		13,776	124,643	138,419	17,752	42,744	60,496
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>3,178,658</b>	<b>55,337,129</b>	<b>58,515,787</b>	<b>2,897,468</b>	<b>44,009,280</b>	<b>46,906,748</b>
3.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2 Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-

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

**Consolidated Statement of  
Off-Balance Sheet Commitments as of 31 December 2015**

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

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

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS							
	Note (Section Five III)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
3.2	Trading Transactions	3,178,658	55,337,129	58,515,787	2,897,468	44,009,280	46,906,748
3.2.1	Forward Foreign Currency Buy/Sell Transactions	1,301,255	4,034,444	5,335,699	286,378	1,642,050	1,928,428
3.2.1.1	Forward Foreign Currency Transactions-Buy	659,599	2,010,626	2,670,225	143,281	822,340	965,621
3.2.1.2	Forward Foreign Currency Transactions-Sell	641,656	2,023,818	2,665,474	143,097	819,710	962,807
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates	1,864,357	51,259,311	53,123,668	2,595,290	42,182,143	44,777,433
3.2.2.1	Foreign Currency Swap-Buy	482,054	23,157,990	23,640,044	13,989	22,316,066	22,330,055
3.2.2.2	Foreign Currency Swap-Sell	1,382,303	21,865,695	23,247,998	2,581,301	19,866,077	22,447,378
3.2.2.3	Interest Rate Swap-Buy	-	3,117,813	3,117,813	-	-	-
3.2.2.4	Interest Rate Swap-Sell	-	3,117,813	3,117,813	-	-	-
3.2.3	Foreign Currency, Interest rate and Securities Options	13,046	43,374	56,420	15,800	185,087	200,887
3.2.3.1	Foreign Currency Options-Buy	6,523	21,687	28,210	7,900	10,981	18,881
3.2.3.2	Foreign Currency Options-Sell	6,523	21,687	28,210	7,900	10,981	18,881
3.2.3.3	Interest Rate Options-Buy	-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell	-	-	-	-	163,125	163,125
3.2.3.5	Securities Options-Buy	-	-	-	-	-	-
3.2.3.6	Securities Options-Sell	-	-	-	-	-	-
3.2.4	Foreign Currency Futures	-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy	-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell	-	-	-	-	-	-
3.2.5	Interest Rate Futures	-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy	-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell	-	-	-	-	-	-
3.2.6	Other	-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>	<b>651,413,498</b>	<b>103,351,722</b>	<b>754,765,220</b>	<b>485,315,840</b>	<b>78,266,972</b>	<b>563,582,812</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>	<b>87,806,488</b>	<b>11,305,131</b>	<b>99,111,619</b>	<b>67,200,299</b>	<b>8,407,565</b>	<b>75,607,864</b>
4.1	Customer Fund and Portfolio Balances	-	-	-	-	-	-
4.2	Investment Securities Held in Custody	30,615,944	4,389,662	35,005,606	26,678,975	3,195,814	29,874,789
4.3	Checks Received for Collection	4,604,119	344,759	4,948,878	3,025,848	170,446	3,196,294
4.4	Commercial Notes Received for Collection	4,785,677	309,112	5,094,789	4,761,985	225,708	4,987,693
4.5	Other Assets Received for Collection	8,934	-	8,934	8,664	-	8,664
4.6	Assets Received for Public Offering	44,394,987	10,431	44,405,418	32,505,222	1,742	32,506,964
4.7	Other Items Under Custody	3,394,628	6,246,167	9,640,795	217,956	4,813,855	5,031,811
4.8	Custodians	2,199	5,000	7,199	1,649	-	1,649
<b>V.</b>	<b>PLEDGES RECEIVED</b>	<b>563,004,107</b>	<b>90,760,553</b>	<b>653,764,660</b>	<b>418,084,299</b>	<b>69,256,701</b>	<b>487,341,000</b>
5.1	Marketable Securities	938,313	28,100	966,413	966,834	23,822	990,656
5.2	Guarantee Notes	13,252,277	2,088,733	15,341,010	11,659,528	2,106,200	13,765,728
5.3	Commodity	1,158,807	18,248	1,177,055	1,175,668	20,477	1,196,145
5.4	Warranty	-	-	-	-	-	-
5.5	Immovable	500,207,394	68,056,740	568,264,134	352,646,676	50,578,621	403,225,297
5.6	Other Pledged Items	47,442,107	20,558,160	68,000,267	51,630,384	16,518,881	68,149,265
5.7	Pledged Items-Depository	5,209	10,572	15,781	5,209	8,700	13,909
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>	<b>602,903</b>	<b>1,286,038</b>	<b>1,888,941</b>	<b>31,242</b>	<b>602,706</b>	<b>633,948</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>690,405,382</b>	<b>203,852,247</b>	<b>894,257,629</b>	<b>550,194,433</b>	<b>198,249,955</b>	<b>748,444,388</b>

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

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Consolidated Statement of Income For the Year Ended at 31 December 2015

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

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

III. CONSOLIDATED STATEMENT OF INCOME				
	Note (Section Five IV)	Current Period 1/1-31/12/2015	Prior Period 1/1-31/12/2014	
<b>INCOME AND EXPENSE ITEMS</b>				
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>22,652,115</b>	<b>18,597,266</b>	
1.1 Interest Income from Loans		16,913,431	12,900,818	
1.2 Interest Income from Reserve Deposits		60,293	4,549	
1.3 Interest Income from Banks		183,023	157,098	
1.4 Interest Income from Money Market Placements		6,690	2,130	
1.5 Interest Income from Marketable Securities		5,247,722	5,373,348	
1.5.1 Financial Assets Held for Trading		1,551	2,403	
1.5.2 Financial Assets at Fair Value through Profit and Loss		6,851	1,102	
1.5.3 Financial Assets Available-for-Sale		4,447,190	4,337,025	
1.5.4 Investments Held-to-Maturity		792,130	1,032,818	
1.6 Finance Lease Income		158,873	126,976	
1.7 Other Interest Income		82,083	32,347	
<b>II. INTEREST EXPENSES</b>	<b>(2)</b>	<b>11,626,986</b>	<b>9,626,667</b>	
2.1 Interest Expense on Deposits		8,700,897	7,546,016	
2.2 Interest on Borrowings		441,424	296,325	
2.3 Interest on Money Market Borrowings		2,128,599	1,527,053	
2.4 Interest on Marketable Securities Issued		294,559	205,526	
2.5 Other Interest Expense		61,507	51,747	
<b>III. NET INTEREST INCOME/EXPENSES (I - II)</b>		<b>11,025,129</b>	<b>8,970,599</b>	
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>1,230,276</b>	<b>1,016,817</b>	
4.1 Fees and Commissions Received		1,561,382	1,297,870	
4.1.1 Non-cash Loans		256,628	167,749	
4.1.2 Other		1,304,754	1,130,121	
4.2 Fees and Commissions Paid		331,106	281,053	
4.2.1 Non-cash Loans		58	216	
4.2.2 Other		331,048	280,837	
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>6,419</b>	<b>10,803</b>	
<b>VI. TRADING PROFIT/LOSS (Net)</b>	<b>(4)</b>	<b>(141,717)</b>	<b>(67,417)</b>	
6.1 Profit/Loss from Capital Market Operations		78,468	73,388	
6.2 Profit/losses on Derivative Financial Transactions	(5)	(1,260,621)	(1,610,391)	
6.3 Profit/Loss from Foreign Exchanges		1,040,436	1,469,586	
<b>VII. OTHER OPERATING INCOME</b>	<b>(6)</b>	<b>2,433,906</b>	<b>1,859,767</b>	
<b>VIII. TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>		<b>14,554,013</b>	<b>11,790,569</b>	
<b>IX. PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)</b>	<b>(7)</b>	<b>1,547,271</b>	<b>1,583,825</b>	
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(8)</b>	<b>6,146,784</b>	<b>4,903,000</b>	
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>6,859,958</b>	<b>5,303,744</b>	
<b>XII. GAINS RECORDED AFTER MERGER</b>		-	-	
<b>XIII. PROFIT/LOSS ON EQUITY METHOD</b>		<b>28,025</b>	<b>20,825</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>6,887,983</b>	<b>5,324,569</b>	
<b>XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(10)</b>	<b>(1,510,009)</b>	<b>(1,214,156)</b>	
16.1 Current Tax Provision		(927,367)	(1,716,676)	
16.2 Deferred Tax Provision		(582,642)	502,520	
<b>XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>(11)</b>	<b>5,377,974</b>	<b>4,110,413</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>(12)</b>	<b>5,377,974</b>	<b>4,110,413</b>	
23.1 Group's Profit/Loss		5,377,791	4,110,255	
23.2 Minority Shares Profit/Loss		183	158	
Earnings/Loss per Share		1.093	0.950	

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

## Consolidated Statement of Profit and Loss Items Accounted Under Shareholders' Equity for the Years Ended at 31 December 2015

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

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

IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Current Period (31/12/2015)	Prior Period (31/12/2014)
I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	(3,100,004)	3,211,061
II. TANGIBLE ASSETS	(19,696)	3,634,310
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	145,354	47,326
V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)	-	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	(17,130)	(29,860)
IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	624,463	(616,437)
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(2,367,013)	6,246,400
XI. CURRENT YEAR PROFIT/LOSS	5,377,974	4,110,413
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	78,468	73,388
11.2 Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3 Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4 Other	5,299,506	4,037,025
<b>XII. TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)</b>	<b>3,010,961</b>	<b>10,356,813</b>

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

## Consolidated Statement of Changes in Shareholders' Equity at 31 December 2014

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

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

### V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	31 December 2014	Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves	Statutory Reserves
I.	Balance at the Beginning of the Period		2,500,000	543,482	-	-	2,645,390	-
	Changes During the Period		-	-	-	-	-	-
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	20,156	-
IV.	Hedging Funds (Active Part)		-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	2,662	-
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-	-
XII.	Increase in Capital		-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-
12.2	From Internal Resources		-	-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-	-
XVI.	Other <sup>(1)</sup>		-	-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	184,010	-
18.1	Dividend Distributed		-	-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	184,010	-
18.3	Other		-	-	-	-	-	-
	<b>Balance at the End of the Period (I+II+III+.....+XVI+XVII+XVIII)</b>		<b>2,500,000</b>	<b>543,482</b>	<b>-</b>	<b>-</b>	<b>2,852,218</b>	<b>-</b>

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

Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
9,011,091	905,677	-	3,846,416	(803,540)	-	17,388	-	-	1,435	18,667,339
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	2,597,607	-	-	-	-	(445)	2,617,318
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	3,634,310	-	-	-	-	3,634,310
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	47,326	-	-	-	-	-	49,988
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	(55,216)	-	(132,600)	-	-	-	-	-	235	(187,581)
-	-	4,110,255	-	-	-	-	-	-	158	4,110,413
2,869,465	-	-	(3,328,230)	-	-	-	-	-	-	(274,755)
-	-	-	(274,755)	-	-	-	-	-	-	(274,755)
2,869,465	-	-	(3,053,475)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
11,880,556	850,461	4,110,255	385,586	1,841,393	3,634,310	17,388	-	-	1,383	28,617,032

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

## Consolidated Statement of Changes in Shareholders' Equity at 31 December 2015

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

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

### V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

	31 December 2015	Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves	Statutory Reserves
I.	Balance at the Beginning of the Period		2,500,000	543,482	-	-	2,852,218	-
	Changes During the Period		-	-	-	-	-	-
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	25,764	-
IV.	Hedging Funds (Active Part)		-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	(12,397)	-
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders' Equity		-	-	-	-	-	-
XII.	Increase in Capital		2,500,000	(543,482)	-	-	-	-
12.1	Cash		675,000	-	-	-	-	-
12.2	From Internal Resources		1,825,000	(543,482)	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-	-
XVI.	Other <sup>(1)</sup>		-	-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	195,859	-
18.1	Dividend Distributed		-	-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	195,859	-
18.3	Other		-	-	-	-	-	-
	Balance at the End of the Period (I+II+III+.....+XVI+XVII+XVIII)		5,000,000	-	-	-	3,061,444	-

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

Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
11,880,556	850,461	-	4,495,841	1,841,393	3,634,310	17,388	-	-	1,383	28,617,032
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	(2,504,311)	-	-	-	-	(421)	(2,478,968)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	(19,696)	-	-	-	-	(19,696)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	157,751	-	-	-	-	-	145,354
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
(1,281,518)	-	-	-	-	-	-	-	-	-	675,000
(1,281,518)	-	-	-	-	-	-	-	-	-	675,000
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	(13,703)	-	(258,966)	-	-	-	-	-	-	(272,669)
-	-	5,377,791	-	-	-	-	-	-	183	5,377,974
3,060,208	503,357	-	(4,050,509)	-	-	-	-	-	-	(291,085)
-	-	-	(291,085)	-	-	-	-	-	-	(291,085)
3,060,208	503,357	-	(3,759,424)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
13,659,246	1,340,115	5,377,791	186,366	(505,167)	3,614,614	17,388	-	-	1,145	31,752,942

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

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Consolidated Statement of Cash Flows as of 31 December 2015

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

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS		Note (Section Five VI)	Current Period 1/1-31/12/2015	Prior Period 1/1-31/12/2014
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		6,323,398	2,814,309
1.1.1	Interest Received		21,545,770	15,808,692
1.1.2	Interest Paid		(9,551,706)	(9,497,692)
1.1.3	Dividend Received		5,910	5,516
1.1.4	Fees and Commissions Received		1,559,056	1,299,807
1.1.5	Other Income		2,778,322	2,596,639
1.1.6	Collections from Previously Written-off Loans and Other Receivables		1,672,811	1,471,899
1.1.7	Payments to Personnel and Service Suppliers		(2,205,013)	(1,910,163)
1.1.8	Taxes Paid		(1,376,568)	(1,591,295)
1.1.9	Other		(8,105,184)	(5,369,094)
1.2	Changes in Operating Assets and Liabilities		(1,514,862)	(9,027,587)
1.2.1	Net (Increase)/Decrease in Trading Securities		(10,699)	12,063
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		72	(19,104)
1.2.3	Net (Increase)/Decrease in Banks		(6,895,275)	(4,925,076)
1.2.4	Net (Increase)/Decrease in Loans		(46,446,483)	(31,934,541)
1.2.5	Net (Increase)/Decrease in Other Assets		(355,201)	(56,712)
1.2.6	Net Increase/ (Decrease) in Bank Deposits		7,394,228	4,771,671
1.2.7	Net Increase/ (Decrease) in Other Deposits		38,589,301	14,996,021
1.2.8	Net Increase/ (Decrease) in Funds Borrowed		5,153,250	6,309,996
1.2.9	Net Increase/ (Decrease) in Payables		-	-
1.2.10	Net Increase/ (Decrease) in Other Liabilities		1,055,945	1,818,095
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>4,808,536</b>	<b>(6,213,278)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>		<b>(3,298,144)</b>	<b>3,049,246</b>
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		-	-
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3	Fixed Assets Purchases		(469,500)	(362,948)
2.4	Fixed Assets Sales		47,741	35,608
2.5	Cash for Purchase of Financial Assets Available for Sale		(16,459,962)	(26,247,991)
2.6	Cash Obtained from Sale of financial Assets Available for Sale		16,928,030	24,272,622
2.7	Cash Paid for Purchase of Investment Securities		(154,288)	(288,638)
2.8	Cash Obtained from Sale of Investment Securities		1,234,485	6,072,976
2.9	Other		(4,424,650)	(432,383)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>		<b>572,608</b>	<b>1,296,366</b>
3.1	Cash from Funds Borrowed and Securities Issued		3,046,208	4,242,986
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(2,367,350)	(2,706,612)
3.3	Marketable Securities Issued		-	-
3.4	Dividends Paid		(106,250)	(240,008)
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	(1)	<b>589,946</b>	<b>89,113</b>
<b>V.</b>	<b>Net Decrease/Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>2,672,946</b>	<b>(1,778,553)</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	(1)	<b>6,445,191</b>	<b>8,223,744</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	(1)	<b>9,118,137</b>	<b>6,445,191</b>

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

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Consolidated Statement of Profit Appropriation as of 31 December 2015

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

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

VII. THE PARENT BANK'S STATEMENT OF PROFIT APPROPRIATION <sup>(1)</sup>		Current Period (31/12/2015)	Prior Period <sup>(2)</sup> (31/12/2014)
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>			
1.1	Current Year Income	6,567,623	5,178,733
1.2	Taxes And Duties Payable (-) <sup>(3)</sup>	1,405,153	1,631,582
1.2.1	Corporate Tax (Income tax)	821,329	1,631,582
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	583,824	-
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>		<b>5,162,470</b>	<b>3,547,151</b>
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	258,124	177,358
1.5	Other Statutory Reserves (-)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [ (A- (1.3+1.4+1.5)) ]</b>		<b>4,904,346</b>	<b>3,369,793</b>
1.6	First Dividend To Shareholders (-)	-	125,000
1.6.1	To Owners Of Ordinary Shares	-	125,000
1.6.2	To Owners Of Privileged Shares	-	-
1.6.3	To Owners Of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.7	Dividends To Personnel (-)	-	185,000
1.8	Dividends To Board Of Directors (-)	-	-
1.9	Second Dividend To Shareholders (-)	-	-
1.9.1	To Owners Of Ordinary Shares	-	-
1.9.2	To Owners Of Privileged Shares	-	-
1.9.3	To Owners Of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	18,500
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	3,041,293
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
<b>II. DISTRIBUTION OF RESERVES</b>			
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends To Shareholders (-)	-	-
2.3.1	To Owners Of Ordinary Shares	-	-
2.3.2	To Owners Of Privileged Shares	-	-
2.3.3	To Owners Of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders Of Profit And Loss Sharing Certificates	-	-
2.4	Dividends To Personnel (-)	-	-
2.5	Dividends To Board Of Directors (-)	-	-
<b>III. EARNINGS PER SHARE</b>			
3.1	To Owners Of Ordinary Shares	1.0488	0.9365
3.2	To Owners Of Ordinary Shares (%)	104.88	93.65
3.3	To Owners Of Privileged Shares	-	-
3.4	To Owners Of Privileged Shares (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>			
4.1	To Owners Of Ordinary Shares	-	-
4.2	To Owners Of Ordinary Shares (%)	-	-
4.3	To Owners Of Privileged Shares	-	-
4.4	To Owners Of Privileged Shares (%)	-	-

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

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

<sup>(3)</sup> The deferred tax asset of prior period amounting to TL 503,358 is not subject to profit distribution.

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

## Notes to the Consolidated Financial Statements at 31 December 2015

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

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### SECTION THREE

#### EXPLANATIONS ON ACCOUNTING POLICIES

##### I. BASIS OF PRESENTATION

The consolidated financial statements are prepared in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006 by the BRSA ("Banking Regulation and Supervision Agency") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"), and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA (all referred as "BRSA Principles"). The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in the Official Gazette No. 28337, dated 28 June 2012.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### a. Consolidation principles applied:

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

#### 1. Consolidation principles for subsidiaries:

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

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

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

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

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

Title	Address (City/Country)	Main Activities	31 December 2015		31 December 2014	
			Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)	Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)
Ziraat Hayat ve Emeklilik A.Ş.	Istanbul/Turkey	Insurance	100.00	100.00	100.00	99.99
Ziraat Sigorta A.Ş.	Istanbul/Turkey	Insurance	100.00	100.00	100.00	99.99
Ziraat Finansal Kiralama A.Ş.	Istanbul/Turkey	Leasing	100.00	100.00	100.00	100.00
Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	Investment Management	99.60	99.60	99.60	99.60
Ziraat Portföy Yönetimi A.Ş.	Istanbul/Turkey	Portfolio Management	99.70	99.80	99.70	99.80
Ziraat Katılım Bankası A.Ş.	Istanbul/Turkey	Banking	100.00	100.00	-	-
Ziraat Bank International AG	Frankfurt/Germany	Banking	100.00	100.00	100.00	100.00
Ziraat Bank BH d.d.	Sarajevo/Bosnia Herzegovina	Banking	100.00	100.00	100.00	100.00
Ziraat Bank (Moscow) JSC	Moscow/Russia	Banking	100.00	100.00	99.91	99.91
Kazakhstan Ziraat Int. Bank	Almaty/Kazakhstan	Banking	99.58	99.58	99.58	99.58
Ziraat Bank Azerbaycan ASC	Baku/Azerbaijan	Banking	100.00	100.00	-	-
Ziraat Bank Montenegro AD	Podgorica/Montenegro	Banking	100.00	100.00	-	-

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

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

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### 2. Consolidation principles of associates and joint ventures:

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

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

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

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

Title	Address (City/Country)	Main Activities	31 December 2015		31 December 2014	
			Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)	Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)
Turkmen Turkish Joint Stock Commercial Bank	Ashkhabad/ Turkmenistan	Banking	50.00	50.00	50.00	50.00
UTBANK JSC	Tashkent/ Uzbekistan	Banking	50.00	50.00	50.00	50.00
Arap Türk Bankası A.Ş.	Istanbul/Turkey	Banking	15.43	15.43	15.43	15.43

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

4. Transactions with minority shareholders:

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

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

Turkish lira denominated unconsolidated associates and subsidiaries are booked at cost value, less any impairment if any, in accordance with "Consolidated Financial Statements" ("TFRS 10") are recognized in the consolidated financial statements.

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

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

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

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

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

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

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

### V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

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

### VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

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

### VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

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

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

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

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

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

### b. Held-to-maturity financial assets:

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

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

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

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

Held to maturity assets are initially recognized at cost.

### c. Loans and receivables:

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

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

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The Parent Bank sets specific and general provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 26333 and dated 1 November 2006 on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions". In the previous periods, the Parent Bank allocated special provisions considering the minimum rates and prudence principle stated in "Regulation on the Procedures and Principles on Determining the Characteristics of the Loans and other Receivables by the Banks and the provisions that would be Set Aside for them" regardless of such loan collaterals; however, in line with the provision of the General Directorate Authority Approval dated 29 June 2012 and of the clause (8) of Article 10 of the regulation stating that "based on the reliability and prudence assumptions defined in the Communiqué on Conceptual Framework regarding Preparation and Presentation of Financial Statements promulgated in the Official Gazette No. 25702 dated 16 January 2005, special provision may be allocated to the extent of the amount of the said non-performing receivable on condition not to be less than the special provision amounts applicable for the group in which the non-performing receivable is included regardless of the amount of collateral", the bank started to set aside special provisions corresponding to 50% of the non-performing receivable amount as of the date of including the non-performing receivables in the Third Group and special provisions corresponding to 100% of the non-performing receivable amount as of the date of including the non-performing receivables in the Fourth and Fifth Group. Allocated provisions are deducted from the income for the period. If the receivables for which provisions were set in the previous years are collected, provision for allowances are released and recognized as income under "Other Operating Income" account. Releases of current period provisions are made by the reversal of the amount from the "Provision for Impairment of Loans and Other Receivables" account.

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

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

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

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

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

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

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

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

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

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

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

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

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

### IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

### X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS

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

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

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

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

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

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

The Parent Bank has no discontinued operations.

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

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

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

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

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The Group recognizes its software costs incurred under the intangible assets-intangible rights account and the expenses that do qualify as development are added to software's initial costs and amortized over 3 years considering the useful lives. The Parent Bank has determined estimated useful lives of the intangible assets between 3 and 15 years and it applies depreciation rates between 6.67% to 33.3%.

### XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. The Bank's tangible fixed assets purchased before 1 January 2005 are carried at inflation adjusted cost in the balance sheet before 31 December 2004 and its tangible fixed assets that are purchased subsequent to 1 January 2005 are valued at historical cost. As of 31 January 2014 the Bank has changed its accounting policies and has decided to pursue the real estates registered in its portfolio at fair values. In this context, for all real estates registered in the Parent Bank's inventory, appraisal study was carried by independent expertise companies, and from 1 January 2014 valuation results are reflected in the accounting records. As a result of the fair valuation of the real estates which is included in tangible fixed assets, TL 3,634,310 revaluation difference is followed under shareholders' equity as of 31 December 2015. As of 30 September 2014, the net book amount of real estates of the tangible assets before valuation was TL 816,950. Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and impairment loss, if any. Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives. No changes made in the current period regarding depreciation method. The Parent Bank has begun to classify the leasehold improvements on operational leases under tangible fixed assets in the financial statements dated 31 March 2015, which was previously being followed under intangible assets.

Estimated depreciation rates of tangible fixed assets are as follows;

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

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

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

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

### XIV. EXPLANATIONS ON LEASING TRANSACTIONS

The Group performs financial operations as "Lessor" and "Lessee".

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

##### Financial Lease

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

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The Parent Bank does not perform financial operations as "Lessor".

### Operational Lease

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

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

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

## XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES

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

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

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

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

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

## XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

### a. Employment Termination and Vacation Benefits

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

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

The Parent Bank uses independent actuaries in determining liability, and also makes assumptions relating to the discount rate, future salary increases, and the employee turnover. These assumptions are reviewed on an annual basis. Retirement benefit obligation is TL 670,790 as of 31 December 2015. (31 December 2014: TL 570,074)

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	Current Period	Prior Period
Discount rate (%)	10.70	8.60
Expected inflation rate (%)	7.00	6.00

Communiqué on “Turkish Accounting Standard (TAS19) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TL 71,114 was classified as “Other Comprehensive Expense” in the financials by the Parent Bank (31 December 2014: TL 71,114).

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

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

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

Some of the Parent Bank’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees’ Pension Fund (“Fund”) which was established by 20<sup>th</sup> provisional article of Social Security Law Act numbered 506. As of 31 December 2015 the number of personnel who benefit from the Fund, excluding dependents is 21,347 (31 December 2014: 18,220). 17,644 of these members are active while 3,703 are passive members. (31 December 2014: 14,572 active members, 3,648 passive members).

In accordance with 23<sup>rd</sup> provisional clause of the Banking Law numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the Banking Law numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 1<sup>st</sup> paragraph of the 1<sup>st</sup> article of the 23<sup>rd</sup> 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 58<sup>th</sup> article and 7<sup>th</sup> provisional article of the Banking Law, restricting banks from transferring any funds to the pension funds in order to compensate the actuarial deficits effective from 1 January 2008, has been delayed up to 5 years.

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

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

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

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

The technical balance sheet report as of 31 December 2015 which is prepared in accordance with the new law and the rate determined as 9.80%, concluded no technical deficit arises in the above mentioned fund. Since the Parent Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

**XVII. EXPLANATIONS ON TAXATION**

**a. Current Tax**

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

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

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

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

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

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments with tax authorities. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25<sup>th</sup> 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.

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Tax rates used in tax calculation considering the related countries’ tax legislation as of 31 December 2015 are presented below:

Russia	20.00%
Kazakhstan	20.00%
Germany	15.00%
Bosnia Herzegovina	10.00%
Azerbaijan	20.00%
Montenegro	9.00%

**b. Deferred tax**

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

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

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

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

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

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

**XVIII. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES**

**Technical Reserves**

Reserve for unearned premiums:

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

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Unexpired risk provision:

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

Reserve for outstanding claims:

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

Offset provision:

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

Mathematical provisions:

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

### **XIX. EXPLANATIONS ON BORROWINGS**

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

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

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

### **XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES**

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

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

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

**XXII. EXPLANATIONS ON GOVERNMENT GRANTS**

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

**XXIII. CASH AND CASH EQUIVALENTS**

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

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

**XXIV. EXPLANATIONS ON SEGMENT REPORTING**

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

**XXV. EXPLANATIONS ON OTHER MATTERS**

In accordance with the decision taken in the General Assembly of the year 2014 which was carried out on 27 March 2015, on the basis of distribution of the profit for the year 2014 amounting to TL 4,050,509, after the TL 503,358 amount of deferred tax liability written off, which is not subjected to distribution, principle to rest of the distribution, TL 177,358 is transferred to first legal reserve and TL 18,500 is transferred to second legal reserve, TL 175,000 is distributed as dividend to employees, TL 106,250 is distributed to Treasury after deducting withholding tax of 15% (TL 18,750) in cash. In this context, TL 3,041,293 of the profit is preserved; dividend payment made to Treasury on 15 April 2014, and within the framework of the dividend to be distributed to the employees, TL 166,086 is paid. The remaining TL 18,914 from the dividends distributed to the personnel as of 31 December 2015 was transferred to the “profit reserves”.

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### SECTION FOUR

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

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

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

The Group's consolidated capital adequacy ratio calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 14.56% (31 December 2014: 17.47%).

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

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

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

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

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

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

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

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**Information related to capital adequacy ratio:**

	Risk Weights		
	The Parent Bank		
Current Period	0%	10%	20%
<b>Value at Credit Risk Exposure Categories-31 December 2015</b>	<b>76,475,984</b>	<b>-</b>	<b>32,836,640</b>
Risk Classes			
Conditional and unconditional receivables from central governments or central banks	67,401,476	-	-
Conditional and unconditional receivables from regional or local governments	-	-	458,547
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-
Conditional and unconditional receivables from multilateral development banks	6	-	-
Conditional and unconditional receivables from international organisations	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	6,301	-	30,880,165
Conditional and unconditional corporate receivables	619,881	-	1,497,925
Conditional and unconditional retail receivables	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-
Past due receivables	-	-	-
Receivables defined in high risk category by BRSA	-	-	-
Securities collateralised by mortgages	-	-	-
Securitisation positions	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-
Investments similar to collective investment funds	-	-	-
Other receivables	8,448,320	-	3

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

	Risk Weights		
	Consolidated		
Current Period	0%	10%	20%
<b>Value at Credit Risk Exposure Categories-31 December 2015</b>	<b>76,810,179</b>	<b>-</b>	<b>33,593,731</b>
Risk Classes			
Conditional and unconditional receivables from central governments or central banks	67,685,338	-	76,153
Conditional and unconditional receivables from regional or local governments	-	-	459,102
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	689
Conditional and unconditional receivables from multilateral development banks	6	-	-
Conditional and unconditional receivables from international organisations	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	6,301	-	31,559,860
Conditional and unconditional corporate receivables	619,881	-	1,497,924
Conditional and unconditional retail receivables	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-
Past due receivables	-	-	-
Receivables defined in high risk category by BRSA	-	-	-
Securities collateralised by mortgages	-	-	-
Securitisation positions	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-
Investments similar to collective investment funds	-	-	-
Other receivables	8,498,653	-	3

**Risk Weights**  
**The Parent Bank**

	50%	50%	75%	100%	150%	200%	250%	1250%
Real Est. Mort. Coll.	50%	75%	100%	150%	200%	250%	1250%	
-	27,569,776	88,583,269	118,702,297	2,705,355	6,272,798	261,941	-	-
-	14,263,747	-	321,681	-	-	-	-	-
-	70	-	1,741	-	-	-	-	-
-	-	-	544,010	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	12,072,743	-	1,033,545	-	-	-	-	-
-	1,233,214	-	108,827,693	-	-	-	-	-
-	2	70,675,495	685,494	-	-	-	-	-
-	-	17,907,774	217,785	-	-	-	-	-
-	-	-	569,931	-	-	-	-	-
-	-	-	-	2,705,355	6,272,798	261,941	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	105,792	-	-	-	-
-	-	-	-	6,394,625	-	-	-	-

**Risk Weights**  
**Consolidated**

	50%	50%	75%	100%	150%	200%	250%	1250%
Real Est. Mort. Coll.	50%	75%	100%	150%	200%	250%	1250%	
-	25,874,307	89,354,750	126,027,074	2,705,355	6,272,798	267,037	-	-
-	14,299,346	-	349,064	-	-	-	-	-
-	70	-	1,741	-	-	-	-	-
-	-	-	544,010	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	11,079,496	-	122,486	-	-	-	-	-
-	495,393	-	116,630,222	-	-	-	-	-
-	2	71,446,976	685,494	-	-	-	-	-
-	-	17,907,774	217,785	-	-	-	-	-
-	-	-	580,833	-	-	-	-	-
-	-	-	-	2,705,355	6,272,798	267,037	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	105,792	-	-	-	-
-	-	-	-	6,789,647	-	-	-	-

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

	Consolidated		The Parent Bank	
	Current Period	Prior Period	Current Period	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	16,514,750	12,080,749	15,937,165	11,641,473
Capital Requirement for Market Risk (CRMR)	1,409,451	1,130,622	1,332,250	1,087,412
Capital Requirement for Operational Risk (CROR)	1,444,182	1,276,599	1,301,706	1,098,374
Shareholders' Equity	35,243,638	31,643,693	34,995,187	31,484,041
Shareholders' Equity/ ((CRCR+CRMR+CROR)*12.5)*100	14.56	17.47	15.08	18.22
Tier 1 Capital/ ((CRCR+CRMR+CROR)*12.5)*100	13.43	16.43	14.00	17.18
Common Equity Tier 1 Capital/ ((CRCR+CRMR+CROR)*12.5)*100	13.48	16.49	14.06	17.23

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

	Current Period	Prior Period
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	5,000,000	3,043,482
Share Premium	-	-
Share Cancellation Profits	-	-
Reserves	18,146,025	15,654,752
Income recognized under equity in accordance with TAS	4,486,075	5,475,703
Profit	5,564,157	4,495,841
Current Period's Profit	5,377,791	4,110,255
Prior Period's Profit	186,366	385,586
Free Provisions for Possible Risks	1,257,419	1,334,053
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	17,388	17,388
Minority Shares	25	177
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>34,471,089</b>	<b>30,021,396</b>
<b>Deductions from Common Equity Tier 1 Capital</b>		
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	1,461,847	71,114
Leasehold Improvements on Operational Leases (-)	98,800	71,490
Goodwill and intangible asset and the related deferred tax liability (-)	98,447	24,365
Net Deferred Tax Asset/Liability (-)	-	-
Excess amount expressed in the law (Article 56 4 <sup>th</sup> 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 (2 <sup>nd</sup> article temporary second paragraph (-)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights (-)	-	-
Excess amount of deferred tax assets from temporary differences (-)	-	-
Other Items Determined by BRSA (-)	-	-
The amount to be deducted from common equity tier 1 capital (-)	-	-
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>1,659,094</b>	<b>166,969</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>32,811,995</b>	<b>29,854,427</b>

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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	Current Period	Prior Period
<b>ADDITIONAL TIER 1 CAPITAL</b>		
Premiums that are not included in Common Equity Tier 1 Capital	-	-
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	-	-
The shares of third parties in additional Tier 1 Capital	-	-
<b>Additional Tier 1 Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier 1 Capital</b>	-	-
Bank's a direct or indirect investment in Tier 1 Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other Items Determined by BRSA (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
<b>Total Deductions from Additional Tier 1 Capital</b>	-	-
<b>Total Additional Tier 1 Capital</b>	-	-
<b>Deductions From Tier 1 Capital</b>	<b>147,670</b>	<b>97,460</b>
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	147,670	97,460
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-	-
<b>Tier 1 Capital</b>	<b>32,664,325</b>	<b>29,756,967</b>
<b>TIER 2 CAPITAL</b>		
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	-	-
Pledged assets of the shareholders to be used for the Bank's capital increases	-	-
General Provisions	2,580,430	1,887,617
Third parties share in Tier 2 capital	-	-
<b>Tier 2 Capital Before Deductions</b>	<b>2,580,430</b>	<b>1,887,617</b>
<b>Deductions From Tier 2 Capital</b>		
Bank's direct or indirect investment in Tier 2 capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other Items Determined by BRSA (-)	-	-
<b>Total Deductions From Tier 2 Capital</b>	-	-
<b>Tier 2 Capital</b>	<b>2,580,430</b>	<b>1,887,617</b>

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	Current Period	Prior Period
<b>TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS</b>	<b>35,244,755</b>	<b>31,644,584</b>
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	1,044	757
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-	-
Securitization positions that is deducted -preferably- from the shareholders' equity (Article 20 paragraph 2) (-)	-	-
Other items to be defined by BRSA (-)	73	134
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%, but exceeding 10% of Common Equity Tier 1 not deducted from Common Equity Tier 1, Tier 1 or Tier 2 (-)	-	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of the bank (-)	-	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of bank (-)	-	-
<b>TOTAL CAPITAL</b>	<b>35,243,638</b>	<b>31,643,693</b>

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	Current Period	Prior Period
<b>Amounts below deduction thresholds</b>		
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%	121,043	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%	82,240	144,118
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability) (-)	266,827	225,590

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

	The Parent Bank		Consolidated	
	Amount recognized in regulatory capital	Total	Amount recognized in regulatory capital	Total
Minority Shares in Tier I Capital	-	-	25	1,145
Shares of Third Parties in Additional Core Capital	-	-	-	-
Shares of Third Parties in Tier II Capital	-	-	-	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained before 01.01.2014)	-	-	-	-

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

None.

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

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

Therefore, in the Parent Bank,

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

## II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

General provision made by the Group for the credit risk is TL 2,925,818 (31 December 2014: TL 2,363,069).

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	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Current Period</b>							
Domestic	80,008,237	458,047	543,175	6		31,214,385	116,607,457
European Union Countries	132,481	1,125	-	-		9,117,569	814,682
OECD Countries <sup>(1)</sup>	-	-	-	-		265,927	47,787
Off-shore Banking Regions	-	-	-	-		-	-
USA, Canada	1,823,928	-	1,235	-		558,297	349,731
Other Countries	445,255	1,741	289	-		1,282,648	1,418,544
Subsidiaries, Associates and Joint Ventures	-	-	-	-		329,317	5,219
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-		-	-
<b>Total</b>	<b>82,409,901</b>	<b>460,913</b>	<b>544,699</b>	<b>6</b>		<b>42,768,143</b>	<b>119,243,420</b>

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Prior Period</b>							
Domestic	78,048,790	444,553	444,524	6	-	11,189,890	78,767,585
European Union Countries	11,651	-	-	-	-	14,593,263	380,071
OECD Countries <sup>(1)</sup>	-	-	-	-	-	398,992	1
Off-shore Banking Regions	-	-	-	-	-	-	-
USA, Canada	16,568	-	-	-	-	273,525	93,295
Other Countries	250,563	-	6	-	-	573,092	1,082,437
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	407,154	638,514
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>78,327,572</b>	<b>444,553</b>	<b>444,530</b>	<b>6</b>	<b>-</b>	<b>27,435,916</b>	<b>80,961,903</b>

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

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada

<sup>(2)</sup> Assets and liabilities that could not be distributed on a consistent basis.

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	Total
	71,678,263	18,125,101	567,395	9,210,227	-	-	-	105,708	14,893,725	343,411,726
	90,882	-	2,383	16,653	-	-	-	84	-	10,175,859
	-	-	-	-	-	-	-	-	-	313,714
	-	-	-	-	-	-	-	-	-	-
	587	-	-	610	-	-	-	-	-	2,734,388
	362,740	458	11,053	12,603	-	-	-	-	-	3,535,331
	-	-	2	5,097	-	-	-	-	394,578	734,213
	-	-	-	-	-	-	-	-	-	-
	72,132,472	18,125,559	580,833	9,245,190	-	-	-	105,792	15,288,303	360,905,231

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	Total
	46,508,173	12,875,452	563,668	22,268,982	-	-	-	62,681	14,292,888	265,467,192
	93,691	4,392	472	8,793	-	-	-	-	-	15,092,333
	-	-	-	-	-	-	-	-	-	398,993
	-	-	-	-	-	-	-	-	-	-
	885	-	-	53	-	-	-	-	-	384,326
	280,843	475	17,687	4,643	-	-	-	-	-	2,209,746
	-	-	-	-	-	-	-	-	-	1,045,668
	-	-	-	-	-	-	-	-	-	-
	46,883,592	12,880,319	581,827	22,282,471	-	-	-	62,681	14,292,888	284,598,258

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Current Period	Risk Classes							
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables
<b>Sectors/Counter Parties</b>								
Agriculture	-	-	-	-	-	-	5,367,692	29,522,167
Farming and Stockbreeding	-	-	-	-	-	-	5,008,120	29,327,342
Forestry	-	-	-	-	-	-	249,657	101,415
Fishing	-	-	-	-	-	-	109,915	93,410
Manufacturing	-	-	99,937	-	-	-	49,676,668	3,600,767
Mining and Quarrying	-	-	17	-	-	-	2,943,934	65,519
Production	-	-	99,910	-	-	-	37,307,778	3,522,345
Electric, Gas and Water	-	-	10	-	-	-	9,424,956	12,903
Construction	-	-	25,807	-	-	-	15,577,566	2,133,204
Services	3,364,216	420	255,291	6	-	25,498,855	38,329,576	11,750,851
Wholesale and Retail Trade	-	17	4,292	-	-	-	16,767,663	8,233,270
Hotel Food and Beverage Services	-	132	65	-	-	-	2,546,544	745,067
Transportation and Telecommunication	-	79	73,236	-	-	-	5,611,522	1,517,944
Financial Institutions	3,364,216	192	120	6	-	24,679,740	2,735,243	4,986
Real Estate and Leasing Services	-	-	78,240	-	-	819,115	9,949,784	952,002
Self Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	69,773	-	-	-	252,627	102,145
Health and Social Services	-	-	29,565	-	-	-	466,193	195,437
Other	79,045,685	460,493	163,664	-	-	17,269,288	10,291,918	25,125,483
<b>Total</b>	<b>82,409,901</b>	<b>460,913</b>	<b>544,699</b>	<b>6</b>	<b>-</b>	<b>42,768,143</b>	<b>119,243,420</b>	<b>72,132,472</b>

Risk Classes

	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	372,435	939	14,732	-	-	-	-	2,135,196	37,037,707	375,454	37,413,161
	350,327	868	13,200	-	-	-	-	2,135,196	36,736,567	98,486	36,835,053
	2,844	52	956	-	-	-	-	-	118,741	236,183	354,924
	19,264	19	576	-	-	-	-	-	182,399	40,785	223,184
	129,348	13,206	55,336	-	-	-	-	-	21,476,532	32,098,730	53,575,262
	3,896	728	767	-	-	-	-	-	609,615	2,405,246	3,014,861
	124,765	12,467	53,360	-	-	-	-	-	18,163,848	22,956,777	41,120,625
	687	11	1,209	-	-	-	-	-	2,703,069	6,736,707	9,439,776
	50,527	476,784	28,053	-	-	-	-	-	6,802,064	11,489,877	18,291,941
	713,311	25,290	235,951	-	-	-	105,792	444,911	53,030,495	27,693,975	80,724,470
	420,414	14,298	85,580	-	-	-	-	-	20,818,213	4,707,321	25,525,534
	66,731	1,510	13,478	-	-	-	-	-	1,383,613	1,989,914	3,373,527
	93,142	1,122	13,982	-	-	-	-	-	2,676,702	4,634,325	7,311,027
	1,044	35	89,157	-	-	-	3,692	444,911	22,292,626	9,030,716	31,323,342
	101,853	8,044	25,612	-	-	-	102,100	-	4,980,141	7,056,609	12,036,750
	-	-	-	-	-	-	-	-	-	-	-
	5,540	94	1,327	-	-	-	-	-	356,120	75,386	431,506
	24,587	187	6,815	-	-	-	-	-	523,080	199,704	722,784
	16,859,938	64,614	8,911,118	-	-	-	-	12,708,196	103,137,799	67,762,598	170,900,397
	<b>18,125,559</b>	<b>580,833</b>	<b>9,245,190</b>	-	-	-	<b>105,792</b>	<b>15,288,303</b>	<b>221,484,597</b>	<b>139,420,634</b>	<b>360,905,231</b>

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Prior Period	Risk Classes							
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables
<b>Sectors/Counter Parties</b>								
Agriculture	-	-	-	-	-	-	8,833,825	17,666,954
Farming and Stockbreeding	-	-	-	-	-	-	8,450,346	17,504,057
Forestry	-	-	-	-	-	-	128,843	125,393
Fishing	-	-	-	-	-	-	254,636	37,504
Manufacturing	-	419,469	158,304	-	-	-	28,480,730	4,151,249
Mining and Quarrying	-	36	101	-	-	-	462,651	144,170
Production	-	419,433	157,451	-	-	-	25,112,950	3,997,960
Electric, Gas and Water	-	-	752	-	-	-	2,905,129	9,119
Construction	-	-	3,673	-	-	-	9,994,595	1,292,433
Services	8,848,443	17,776	228,018	6	-	16,201,245	24,355,745	9,618,848
Wholesale and Retail Trade	-	-	62,019	-	-	-	13,472,842	3,024,997
Hotel Food and Beverage Services	-	31	44,799	-	-	-	1,325,518	254,774
Transportation and Telecommunication	-	15,959	22,953	-	-	-	1,151,453	222,344
Financial Institutions	8,848,443	222	85	6	-	8,883,947	3,830,976	1,251,023
Real Estate and Leasing Services	-	1,564	27,904	-	-	7,317,298	4,146,356	4,677,536
Self Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	67,497	-	-	-	103,642	187,417
Health and Social Services	-	-	2,761	-	-	-	324,958	757
Other	69,479,129	7,308	54,535	-	-	11,234,671	9,297,008	14,154,108
<b>Total</b>	<b>78,327,572</b>	<b>444,553</b>	<b>444,530</b>	<b>6</b>	<b>-</b>	<b>27,435,916</b>	<b>80,961,903</b>	<b>46,883,592</b>

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

Risk Classes

	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	23,893	315	4,756	-	-	-	-	-	21,662,653	4,867,090	26,529,743
	18,554	315	688	-	-	-	-	-	21,284,205	4,689,755	25,973,960
	4,635	-	-	-	-	-	-	-	255,791	3,080	258,871
	704	-	4,068	-	-	-	-	-	122,657	174,255	296,912
	463,540	486,157	423,862	-	-	-	43,374	-	17,619,787	17,006,898	34,626,685
	22,926	-	44	-	-	-	-	-	210,989	418,939	629,928
	439,378	486,157	422,747	-	-	-	43,374	-	15,394,977	15,684,473	31,079,450
	1,236	-	1,071	-	-	-	-	-	2,013,821	903,486	2,917,307
	17,513	-	18,167	-	-	-	-	-	6,865,867	4,460,514	11,326,381
	535,822	42,784	145,719	-	-	-	15,601	-	35,337,867	24,672,140	60,010,007
	23,159	9,416	6,429	-	-	-	-	-	6,799,974	9,798,888	16,598,862
	6,279	1,661	3,152	-	-	-	-	-	202,286	1,433,928	1,636,214
	3,361	2,042	105,006	-	-	-	-	-	377,258	1,145,860	1,523,118
	65,522	706	23,987	-	-	-	156	-	12,438,040	10,467,033	22,905,073
	190,266	580	2,846	-	-	-	-	-	14,864,475	1,499,875	16,364,350
	-	-	-	-	-	-	-	-	-	-	-
	2,727	28,379	1,928	-	-	-	15,445	-	397,957	9,078	407,035
	244,508	-	2,371	-	-	-	-	-	257,877	317,478	575,355
	11,839,551	52,571	21,689,967	-	-	-	3,706	14,292,888	105,929,579	46,175,863	152,105,442
	12,880,319	581,827	22,282,471	-	-	-	62,681	14,292,888	187,415,753	97,182,505	284,598,258

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Analysis of Maturity-Bearing Exposures According to Remaining Maturities:

Exposure Classifications	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	2,744,675	1,173,882	1,111,556	8,448,976	68,930,812
Conditional and unconditional exposures to regional governments or local authorities	5,825	32	38	6,010	449,008
Conditional and unconditional receivables from administrative units and non-commercial enterprises	131,672	2,391	2,264	75,319	333,053
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	6
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	29,342,841	3,787,815	1,162,318	1,312,552	7,162,617
Conditional and unconditional exposures to corporates	5,154,018	2,892,692	4,252,406	31,166,727	75,777,577
Conditional and unconditional retail exposures	2,279,241	1,988,174	3,229,855	17,965,549	46,669,653
Conditional and unconditional exposures secured by real estate property	39,381	100,771	179,479	868,450	16,937,478
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	471,911	-	-	68,561	8,704,718
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	3,694	-	-	75,582	26,516
<b>Grand Total</b>	<b>40,173,258</b>	<b>9,945,757</b>	<b>9,937,916</b>	<b>59,987,726</b>	<b>224,991,438</b>

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

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

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Rating scores are used in the following risk classes:

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

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

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

**Exposures by Risk Weights:**

	Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1	Exposures before Credit Risk Mitigation	76,810,179	-	33,593,731	25,874,307	89,354,750	126,027,074	2,705,355	6,272,798	267,037	-	212,628
2	Exposures after Credit Risk Mitigation	119,606,451	-	10,485,742	40,835,795	56,155,327	124,633,595	2,681,848	6,239,437	267,037	-	212,628

Prepared with the numbers after conversion rate to credit.

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

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

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

	Credits			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture	558,429	977,165	22,187	294,979
Farming and Stockbreeding	549,681	968,151	21,982	286,419
Forestry	3,257	2,639	60	3,086
Fishery	5,491	6,375	145	5,474
Manufacturing	373,020	422,269	9,118	327,772
Mining and Quarrying	15,734	10,465	238	14,707
Production	345,338	331,745	7,062	301,128
Electricity, Gas and Water	11,948	80,059	1,818	11,937
Construction	818,345	133,354	3,028	327,982
Services	609,037	995,773	22,606	560,060
Wholesale and Retail Trade	457,285	694,687	15,773	425,924
Accommodation and Dining	30,126	92,261	2,095	28,124
Transportation and Telecom.	36,367	93,237	2,113	34,636
Financial Institutions	22,731	2,791	63	21,036
Real Estate and Rental Services	49,941	94,496	2,146	38,452
Professional Services	58,344	-	-	58,344
Educational Services	2,879	10,380	236	2,805
Health and Social Services	9,650	7,921	180	9,025
Other	863,869	1,515,893	95,076	831,013
<b>Total</b>	<b>3,222,700</b>	<b>4,044,454</b>	<b>152,015</b>	<b>2,341,806</b>

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

		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	1,969,060	918,390	(545,644)	-	2,341,806
2	General Provisions	2,363,069	563,302	(553)	-	2,925,818

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

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	972,266	329,994
Banks	4,965,691	2,767,811
Interbank Money Market Placements	116,173	51,529
Available-for-Sale Financial Assets	54,036,938	54,430,243
Held-to-Maturity Investments	10,223,475	10,239,816
Loans	192,508,396	145,521,903
Other Assets	9,318	1,758,727
<b>Total Credit Risk Exposure of Balance Sheet Items</b>	<b>262,832,257</b>	<b>215,100,023</b>
Financial Guarantees	60,890,874	41,167,780
Commitments	20,085,748	96,787,048
<b>Total Credit Risk Exposure of Off-Balance Sheet Items</b>	<b>80,976,622</b>	<b>137,954,828</b>
<b>Total Credit Risk Exposure</b>	<b>343,808,879</b>	<b>353,054,851</b>

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

	Current Period			Prior Period		
	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
<b>Financial Assets</b>						
Banks	4,965,691	-	4,965,691	2,767,811	-	2,767,811
Financial Assets at Fair Value Through Profit or Loss	972,266	-	972,266	329,994	-	329,994
Loans Given:	187,583,048	4,044,454	191,627,502	141,237,816	3,482,664	144,720,480
Corporate/Entrepreneurial Loans	101,080,065	1,683,745	102,763,810	69,971,122	1,086,530	71,057,652
Consumer Loans	50,067,212	1,384,628	51,451,840	43,420,080	1,379,139	44,799,219
Specialized Loans	36,435,771	976,081	37,411,852	27,846,614	1,016,995	28,863,609
Available-for-Sale Financial Assets	54,036,938	-	54,036,938	54,430,243	-	54,430,243
Held-to-Maturity Investments	10,223,475	-	10,223,475	10,239,816	-	10,239,816

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

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Loans Given:	4,093,485	3,007,866
Corporate/Entrepreneurial Loans	1,210,992	1,249,581
Consumer Loans	768,734	309,787
Specialized Loans	2,113,759	1,448,498
Other	-	-
Available-for-Sale Financial Assets	-	-
Held-to-Maturity Investments	-	-

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

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

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

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

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

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

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

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

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### Information Related to Group's Market Risk:

	Current Period	Prior Period
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	536,420	551,192
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	98,160	87,112
Capital Requirement for Specific Risk of Securitization Positions	-	-
(III) Capital Requirement to be Employed for Currency Risk - Standard Method	731,142	449,680
(IV) Capital Requirement to be Employed for Commodity Risk - Standard Method	-	-
(V) Capital Requirement to be Employed for Settlement Risk - Standard Method	-	-
(VI) Total Capital Requirement to be Employed for Market Risk Resulting from Options - Standard Method	-	-
(VII) Capital Requirement to be Employed for Counter Party Credit Risk - Standard Method	43,729	42,638
(VIII) Total Capital Requirement to be Employed for Market Risk in Banks Using Risk Measurement Model	-	-
(IX) Total Capital Requirement to be Employed for Market Risk (I+II+III+IV+V+VI+VII)	1,409,451	1,130,622
<b>(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)</b>	<b>17,618,138</b>	<b>14,132,775</b>

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

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	603,615	588,174	641,480	503,907	594,310	465,079
Equity Share Risk	55,117	58,730	47,276	36,052	43,994	36,502
Currency Risk	589,491	837,430	432,822	433,013	449,680	511,612
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counter Party Credit Risk	48,313	42,655	43,976	34,592	42,638	32,428
<b>Amount Subject to Total Risk</b>	<b>16,206,697</b>	<b>19,087,363</b>	<b>14,569,425</b>	<b>12,594,551</b>	<b>14,132,775</b>	<b>13,070,263</b>

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

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**Quantitative Information on Counterparty Risk:**

	Amount
Agreements Based on Interest Rate	-
Agreements Based on Foreign Exchange Currency	283,524
Agreements Based on Commodity	-
Agreements Based on Shares	-
Other	-
Gross Positive Fair Values	852,708
Benefits of Netting	-
Current Net Risk Amount	-
Reserved Guarantee	13,082
Net Position of Derivatives	218,601

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

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

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

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

	31.12.2012	31.12.2013	31.12.2014	Total/Positive Year	Rate (%)	Total
Gross Income	8,737,357	9,832,553	10,313,730	9,627,880	15	1,444,182
Amount Subject to Operational Risk						18,052,275

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

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### V. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

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

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

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

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

None.

**c) Management policy for foreign currency risk:**

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
24.12.2015	2,9022	3,1761	2,1087	0,4257	0,3457	2,9386	2,0942	0,3340	4,3289	0,7741	2,4114
25.12.2015	2,9032	3,1787	2,1210	0,4267	0,3460	2,9414	2,1016	0,3325	4,3350	0,7740	2,4133
28.12.2015	2,8935	3,1715	2,0989	0,4251	0,3455	2,9242	2,0812	0,3319	4,3066	0,7717	2,4050
29.12.2015	2,8925	3,1594	2,1098	0,4236	0,3453	2,9158	2,0893	0,3320	4,2791	0,7717	2,4018
30.12.2015	2,9076	3,1725	2,1185	0,4252	0,3450	2,9364	2,0911	0,3289	4,3106	0,7749	2,4120
31.12.2015	2,8936	3,1525	2,1169	0,4225	0,3440	2,9034	2,0877	0,3280	4,2726	0,7709	2,4101

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
	2,9060	3,1698	2,1077	0,4251	0,3428	2,9291	2,1191	0,3338	4,3574	0,7749	2,3923

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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### Information on the foreign currency risk of the Group:

	EUR	USD	Other FC	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	5,326,619	20,482,818	7,023,015	32,832,452
Banks	459,696	2,340,849	253,832	3,054,377
Financial Assets at Fair Value Through Profit and Loss <sup>(4)</sup>	-	4,377	-	4,377
Money Market Placements	-	8,716	57,049	65,765
Financial Assets Available-for-Sale	3,922,057	7,688,885	66,228	11,677,170
Loans <sup>(1)</sup>	15,709,033	34,927,803	823,179	51,460,015
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(3)</sup>	7,172	71,698	815	79,685
Investments Held-to-Maturity	1,598,418	4,052,847	4,763	5,656,028
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	8,627	1,405	73,216	83,248
Intangible Assets	6,586	-	6,772	13,358
Other Assets <sup>(5)</sup>	1,608,490	883,675	121,621	2,613,786
<b>Total Assets <sup>(4)</sup></b>	<b>28,646,698</b>	<b>70,463,073</b>	<b>8,430,490</b>	<b>107,540,261</b>
<b>Liabilities</b>				
Interbank Deposits	2,720,165	4,149,837	41,512	6,911,514
Foreign Currency Deposits	36,330,660	23,827,663	2,874,891	63,033,214
Money Market Borrowings	1,220,723	13,524,090	-	14,744,813
Funds Provided from Other Financial Institutions	6,292,624	13,279,279	1,725	19,573,628
Issued Marketable Securities	276,860	2,811,413	-	3,088,273
Sundry Creditors	807,484	51,859	10,380	869,723
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	307,330	147,549	60,951	515,830
<b>Total Liabilities</b>	<b>47,955,846</b>	<b>57,791,690</b>	<b>2,989,459</b>	<b>108,736,995</b>
<b>Net Balance Sheet Position</b>	<b>(19,309,148)</b>	<b>12,671,383</b>	<b>5,441,031</b>	<b>(1,196,734)</b>
<b>Net Off-Balance Sheet Position <sup>(2)</sup></b>	<b>19,608,010</b>	<b>(13,277,253)</b>	<b>(5,051,654)</b>	<b>1,279,103</b>
Financial Derivative Assets	21,904,831	5,192,850	1,210,435	28,308,116
Financial Derivative Liabilities	2,296,821	18,470,103	6,262,089	27,029,013
<b>Non-Cash Loans</b>	<b>13,108,152</b>	<b>24,916,400</b>	<b>3,076,757</b>	<b>41,101,309</b>
<b>Prior Period</b>				
Total Assets	19,363,677	52,753,191	7,806,899	79,923,767
Total Liabilities	36,326,576	42,473,912	3,235,131	82,035,619
<b>Net Balance Sheet Position</b>	<b>(16,962,899)</b>	<b>10,279,279</b>	<b>4,571,768</b>	<b>(2,111,852)</b>
<b>Net Off-Balance Sheet Position <sup>(2)</sup></b>	<b>18,379,967</b>	<b>(10,306,935)</b>	<b>(5,783,538)</b>	<b>2,289,494</b>
Financial Derivative Assets	18,879,664	3,333,682	936,041	23,149,387
Financial Derivative Liabilities	499,697	13,640,617	6,719,579	20,859,893
<b>Non-Cash Loans</b>	<b>6,299,610</b>	<b>18,953,006</b>	<b>2,043,565</b>	<b>27,296,181</b>

<sup>(1)</sup> TL 296,717 equivalent of EUR and TL 721,987 equivalent of USD loans are originated as foreign currency indexed loans (31 December 2014: TL 99,687 equivalent of EUR and TL 347,656 equivalent of USD).

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

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

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

<sup>(5)</sup> Prepaid expenses amounting TL 13,214 among other expenses are not included in the table.

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**VI. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK**

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

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	68,125	-	-	-	-	36,866,552	36,934,677
Banks	1,157,187	406,252	911,110	186,488	-	2,304,654	4,965,691
Financial Assets at Fair Value Through Profit and Loss	295,829	178,096	435,552	55,405	4,265	3,119	972,266
Money Market Placements	107,491	8,682	-	-	-	-	116,173
Financial Assets Available-for-Sale	5,507,414	7,012,479	10,929,787	15,394,736	14,583,841	608,681	54,036,938
Loans Given	60,645,124	18,800,306	47,376,453	54,506,749	10,171,491	1,008,273	192,508,396
Investments Held-to-Maturity	3,439,949	1,648,784	941,158	2,770,608	1,422,976	-	10,223,475
Other Assets	89,872	249,773	547,672	1,380,783	169,571	8,072,531	10,510,202
<b>Total Assets</b>	<b>71,310,991</b>	<b>28,304,372</b>	<b>61,141,732</b>	<b>74,294,769</b>	<b>26,352,144</b>	<b>48,863,810</b>	<b>310,267,818</b>
<b>Liabilities</b>							
Interbank Deposits	7,354,580	834,458	135,475	1,082,644	-	279,728	9,686,885
Other Deposits	96,091,616	23,456,511	18,875,407	1,696,356	3,550	41,109,772	181,233,212
Money Market Borrowings	36,325,722	4,312,765	1,841,293	654,532	-	-	43,134,312
Sundry Creditors	30,900	10,002	22,550	1,012	-	2,314,672	2,379,136
Issued Marketable Securities	932,357	1,609,322	497,397	2,380,321	-	-	5,419,397
Funds Provided from Other Financial Institutions	2,433,574	4,575,233	11,276,835	1,708,833	792,928	-	20,787,403
Other Liabilities	212,627	203,088	413,406	6,370,792	34,885	40,392,675	47,627,473
<b>Total Liabilities</b>	<b>143,381,376</b>	<b>35,001,379</b>	<b>33,062,363</b>	<b>13,894,490</b>	<b>831,363</b>	<b>84,096,847</b>	<b>310,267,818</b>
<b>Balance Sheet Long Position</b>	-	-	<b>28,079,369</b>	<b>60,400,279</b>	<b>25,520,781</b>	-	<b>114,000,429</b>
<b>Balance Sheet Short Position</b>	<b>(72,070,385)</b>	<b>(6,697,007)</b>	-	-	-	<b>(35,233,037)</b>	<b>(114,000,429)</b>
Off-Balance Sheet Long Position	621,061	1,300,401	-	44,401	-	-	1,965,863
Off-Balance Sheet Short Position	-	-	(111,409)	(1,222,188)	-	-	(1,333,597)
<b>Total Position</b>	<b>(71,449,324)</b>	<b>(5,396,606)</b>	<b>27,967,960</b>	<b>59,222,492</b>	<b>25,520,781</b>	<b>(35,233,037)</b>	<b>632,266</b>

<sup>(1)</sup> Balances without fixed maturity are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.

<sup>(2)</sup> TL 5,833,179 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the "1 - 5 Years" column TL 97,950 of fund balance is not granted as loan and is shown under the "Non-Interest Bearing" column.

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

<sup>(4)</sup> Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in loans given.

<sup>(5)</sup> Total shareholders' equity is shown under the non-interest bearing column.

# Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	47,903	-	-	-	-	30,236,843	30,284,746
Banks	1,183,535	931,771	89,358	-	19,404	543,743	2,767,811
Financial Assets at Fair Value Through Profit and Loss	18,580	142	3,626	5,277	4,736	297,633	329,994
Money Market Placements	51,529	-	-	-	-	-	51,529
Financial Assets Available-for-Sale	5,335,944	7,382,602	13,141,150	12,555,925	15,555,925	458,697	54,430,243
Loans Given	50,256,354	16,675,139	33,762,230	37,565,719	6,345,499	916,962	145,521,903
Investments Held-to-Maturity	3,293,568	2,197,294	73,116	3,293,013	1,382,825	-	10,239,816
Other Assets	1,213	201,681	1,139,559	382,337	64,260	7,594,099	9,383,149
<b>Total Assets</b>	<b>60,188,626</b>	<b>27,388,629</b>	<b>48,209,039</b>	<b>53,802,271</b>	<b>23,372,649</b>	<b>40,047,977</b>	<b>253,009,191</b>
<b>Liabilities</b>							
Interbank Deposits	4,150,209	870,979	454,939	14,048	-	250,584	5,740,759
Other Deposits	79,922,073	21,524,339	15,576,005	1,157,545	46,185	32,177,818	150,403,965
Money Market Borrowings	28,011,583	2,599,660	1,182,716	-	-	-	31,793,959
Sundry Creditors	19,423	10,059	9,631	3,835	-	1,750,156	1,793,104
Issued Marketable Securities	338,579	1,632,779	489,145	1,813,374	-	-	4,273,877
Funds Provided from Other Financial Institutions	1,529,929	3,483,353	8,784,231	1,212,865	601,975	-	15,612,353
Other Liabilities	341,761	104,032	120,186	6,358,424	8,806	36,457,965	43,391,174
<b>Total Liabilities</b>	<b>114,313,557</b>	<b>30,225,201</b>	<b>26,616,853</b>	<b>10,560,091</b>	<b>656,966</b>	<b>70,636,523</b>	<b>253,009,191</b>
<b>Balance Sheet Long Position</b>	-	-	<b>21,592,186</b>	<b>43,242,180</b>	<b>22,715,683</b>	-	<b>87,550,049</b>
<b>Balance Sheet Short Position</b>	<b>(54,124,931)</b>	<b>(2,836,572)</b>	-	-	-	<b>(30,588,546)</b>	<b>(87,550,049)</b>
Off Balance Sheet Long Position	98	1,271,454	-	-	-	-	1,271,552
Off Balance Sheet Short Position	(81,721)	(1,250)	(429,810)	(873,417)	-	-	(1,386,198)
<b>Total Position</b>	<b>(54,206,554)</b>	<b>(1,566,368)</b>	<b>21,162,376</b>	<b>42,368,763</b>	<b>22,715,683</b>	<b>(30,588,546)</b>	<b>(114,646)</b>

<sup>(1)</sup> Balances without fixed maturity are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.

<sup>(2)</sup> TL 5,326,157 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the "1 - 5 Years" column. TL 100,291 of fund balance is not granted as loan and is shown under the "Non-Interest Bearing" column.

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

<sup>(4)</sup> Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in other assets.

<sup>(5)</sup> Total shareholders' equity is shown under the non-interest bearing column.

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

	EUR	USD	JPY	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	0.28	-	3.45
Banks	1.30	1.82	-	9.68
Financial Assets at Fair Value Through Profit and Loss	-	5.36	-	6.84
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.71	5.68	-	9.09
Loans Given <sup>(2)</sup>	4.09	4.98	-	12.82
Investments Held-to-Maturity	6.42	7.08	-	9.71
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0.65	0.58	-	9.06
Other Deposits <sup>(4)</sup>	1.21	1.12	-	7.19
Money Market Borrowings	0.72	1.05	-	9.84
Sundry Creditors	-	-	-	-
Issued Marketable Securities	0.59	3.79	-	10.86
Funds Provided from Other Financial Institutions	1.22	1.69	-	10.03

<sup>(1)</sup> The ratio on TL column denotes the interest rates applied for required reserve at CBRT. It does not include the interest rate on required reserves given by Central Bank of Cyprus.

<sup>(2)</sup> Credit card loan balances 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.

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

	EUR	USD	JPY	TL
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	7.00
Banks	1.21	1.72	-	8.42
Financial Assets at Fair Value Through Profit and Loss	-	5.36	-	6.33
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.73	5.72	-	8.75
Loans Given <sup>(2)</sup>	4.53	5.17	-	11.43
Investments Held-to-Maturity	6.42	7.01	-	8.60
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0.86	1.19	-	9.28
Other Deposits <sup>(4)</sup>	1.54	1.50	-	6.37
Money Market Borrowings	0.75	0.90	-	9.64
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	3.38	-	9.07
Funds Provided from Other Financial Institutions	1.47	1.82	-	7.90

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

<sup>(2)</sup> Credit card loan balances 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.

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

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

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

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

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

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity- (Losses)/ Equity
1. TL	(+) 500bp	(4,430,403)	(12.66%)
2. TL	(-) 400bp	4,330,815	12.38%
3. EUR	(+) 200bp	158,733	0.45%
4. EUR	(-) 200bp	(48,048)	(0.14%)
5. USD	(+) 200bp	(1,416,119)	(4.05%)
6. USD	(-) 200bp	1,924,376	5.50%
<b>Total (of negative shocks)</b>		<b>6,207,143</b>	<b>17.74%</b>
<b>Total (of positive shocks)</b>		<b>(5,687,789)</b>	<b>(16.25%)</b>

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

Equity Share Investments	Comparison		
	Balance Sheet Value	Fair Value	Market Value
1. Stock Investment Group A	-	-	-
Stock Exchange Securities	-	-	-
2. Stock Investment Group B	-	-	-
Stock Exchange Securities	-	-	-
3. Stock Investment Group C	-	-	-
Stock Exchange Securities	-	-	-
4. Stock Investment Other Group	-	-	-
Other	120,178	120,178	-

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### VII. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND CONSOLIDATED LIQUIDITY RISK COVERAGE RATIO

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

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

#### 1) Liquidity Risk

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

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

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

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

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

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

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

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

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**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 "Regulations of Risk Management, Stress Test Program and Internal Capital Adequacy Assessment Process (ICAAP)".

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**2) Liquidity Coverage Ratio:**

Within the frame of the regulation named "Regulation on the Calculation of Liquidity Coverage Ratio" issued by BRSA in the Official Gazette numbered 28948, dated 21 March 2014, the Parent Bank calculates the liquidity coverage ratio and reports it to BRSA monthly in consolidated base. The liquidity coverage ratio sails above the frontier limits determined by BRSA. Within the last 3 months (October-November-December) the consolidated ratios are as follows: October FC 114.16, TL+FC 82.67; November FC 114.79, TL+FC 81.83; December FC 113.90; TL+FC 78.01.

Current 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			43,380,868	29,708,281
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	121,726,943	42,781,057	8,952,673	3,468,796
Stable deposits	64,400,433	16,186,193	3,220,022	809,310
Less stable deposits	57,326,510	26,594,863	5,732,651	2,659,486
Unsecured wholesale funding, of which;	61,931,778	25,359,764	35,541,320	17,100,150
Operational deposit	1,134,952	130,783	283,738	32,696
Non-operational deposits	53,253,252	20,361,335	27,725,692	12,205,264
Other unsecured funding	7,543,574	4,867,646	7,531,890	4,862,190
Secured funding			-	-
Other cash outflows, of which;	55,748,866	27,338,257	17,187,989	7,964,955
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	1,812,166	1,800,891	1,812,166	1,800,891
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	41,890,713	13,629,912	14,773,485	5,568,653
Other revocable off-balance sheet commitments and contractual obligations	803,467	754,693	40,173	37,735
Other irrevocable or conditionally revocable off-balance sheet obligations	11,241,753	11,151,993	562,088	557,600
<b>Total Cash Outflows</b>			61,681,982	28,533,901
<b>Cash Inflows</b>				
Secured lending	-	-	-	-
Unsecured lending	11,124,921	2,633,933	7,167,150	1,968,010
Other cash inflows	867,709	573,329	867,709	573,329
<b>Total Cash Inflows</b>	<b>11,992,629</b>	<b>3,207,262</b>	<b>8,034,859</b>	<b>2,541,339</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>43,380,868</b>	<b>29,708,281</b>
<b>Total Net Cash Outflows</b>			<b>53,647,123</b>	<b>25,992,563</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>80.86</b>	<b>114.30</b>

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

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Prior Period	Total Unweighted Value (average)		Total Weighted Value (average)	
	TL+FC	FC	TL+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			40,693,813	15,855,523
<b>Cash Outflows</b>	<b>253,895,616</b>	<b>95,113,932</b>	<b>49,469,756</b>	<b>17,377,515</b>
Retail and Small Business Customers, of which;	98,242,677	29,471,850	7,151,825	2,296,444
Stable deposits	53,448,860	13,014,813	2,672,443	650,741
Less stable deposits	44,793,817	16,457,037	4,479,382	1,645,703
Unsecured wholesale funding, of which;	46,081,558	12,787,266	25,863,774	8,604,842
Operational deposit	1,128,862	22,855	282,216	5,714
Non-operational deposits	39,959,210	11,064,042	20,588,072	6,898,759
Other unsecured funding	4,993,486	1,700,369	4,993,486	1,700,369
Secured funding			-	-
Other cash outflows, of which;	109,571,381	52,854,815	16,454,158	6,476,228
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	934,648	-	934,647	-
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	34,870,120	10,248,368	11,831,180	4,345,906
Other revocable off-balance sheet commitments and contractual obligations	73,766,613	42,606,447	3,688,331	2,130,322
Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
<b>Total Cash Outflows</b>			<b>49,469,757</b>	<b>17,377,514</b>
<b>Cash Inflows</b>				
Secured lending	-	-	-	-
Unsecured lending	10,975,467	2,484,395	7,014,223	1,686,597
Other cash inflows	273,865	735,809	273,865	735,809
<b>Total Cash Inflows</b>	<b>11,249,332</b>	<b>3,220,204</b>	<b>7,288,088</b>	<b>2,422,406</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>40,693,813</b>	<b>15,855,523</b>
<b>Total Net Cash Outflows</b>			<b>42,181,668</b>	<b>14,955,109</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>96.47</b>	<b>106.02</b>

<sup>(1)</sup> The average of last three months' month-end consolidated liquidity ratios.

### 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.

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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.

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

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

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

The needed and surplus of liquidity of the branches in foreign countries of the bank and partnerships consolidated are followed and managed regularly. There is no constraint of operational and legal factors preventing liquidity transfer. In the analysis made, it is observed that the impact of the foreign branches and subsidiaries on the Bank's liquidity structure remain limited comparing to the size of the balance sheet. The need and surplus of the liquidity is encountered properly between partnerships, as well as the branches abroad.

### **g) Information on located the calculation of liquidity coverage ratio, but not located in the second paragraph of disclosure template and other cash inflow and other cash outflow items considered to be related to the bank's liquidity profile:**

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

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

All items present in the calculation of liquidity coverage ratio are included to the calculation as consolidated in the related table. In this context, there is no point included in the calculation of liquidity coverage ratio and not included in the disclosure template.

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### 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 <sup>(1) (2)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in vault, effectives, Money in transit, cheques purchased) and Balances with the Central Bank of Turkey	36,820,081	-	-	-	-	-	114,596	36,934,677
Banks	2,304,654	1,157,187	406,252	911,110	186,488	-	-	4,965,691
Financial Assets at Fair Value Through Profit and Loss	3,119	152,360	3,898	67,105	687,336	58,448	-	972,266
Money Market Placements	-	107,506	8,667	-	-	-	-	116,173
Financial Assets Available-for-Sale	11,302	819,591	938,290	3,633,873	27,142,941	20,882,260	608,681	54,036,938
Loans Given	127,379	8,240,794	13,482,900	73,540,439	77,874,726	18,361,264	880,894	192,508,396
Investments Held-to-Maturity	-	164,301	503,843	2,086,099	4,609,547	2,859,685	-	10,223,475
Other Assets	1,837,810	162,112	142,684	547,843	1,400,860	169,570	6,249,323	10,510,202
<b>Total Assets</b>	<b>41,104,345</b>	<b>10,803,851</b>	<b>15,486,534</b>	<b>80,786,469</b>	<b>111,901,898</b>	<b>42,331,227</b>	<b>7,853,494</b>	<b>310,267,818</b>
<b>Liabilities</b>								
Interbank Deposits	279,728	7,354,580	834,458	135,475	1,082,644	-	-	9,686,885
Other Deposits	41,109,772	96,069,363	23,437,875	18,781,084	1,831,488	3,630	-	181,233,212
Funds Provided from Other Financial Institutions	-	982,729	3,501,655	10,680,229	3,443,698	2,179,092	-	20,787,403
Money Market Borrowings	-	36,325,722	4,312,765	1,841,293	654,532	-	-	43,134,312
Issued Marketable Securities	-	932,357	1,717,008	486,509	2,283,523	-	-	5,419,397
Sundry Creditors	1,317,417	963,516	9,851	22,486	1,012	-	64,854	2,379,136
Other Liabilities <sup>(3)</sup>	3,248,325	673,723	513,421	413,406	6,459,058	901,294	35,418,246	47,627,473
<b>Total Liabilities</b>	<b>45,955,242</b>	<b>143,301,990</b>	<b>34,327,033</b>	<b>32,360,482</b>	<b>15,755,955</b>	<b>3,084,016</b>	<b>35,483,100</b>	<b>310,267,818</b>
<b>Liquidity Gap</b>	<b>(4,850,897)</b>	<b>(132,498,139)</b>	<b>(18,840,499)</b>	<b>48,425,987</b>	<b>96,145,943</b>	<b>39,247,211</b>	<b>(27,629,606)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(123,663)</b>	<b>(7,420)</b>	<b>21,298</b>	<b>506,582</b>	<b>-</b>	<b>-</b>	<b>396,797</b>
Financial Derivative Assets	-	21,505,764	730,692	1,640,019	2,462,004	-	-	26,338,479
Financial Derivative Liabilities	-	21,629,427	738,112	1,618,721	1,955,422	-	-	25,941,682
Non-cash Loans	32,747,550	492,394	2,678,785	13,191,131	9,677,305	2,103,709	-	60,890,874
<b>Prior Period</b>								
Total Assets	32,663,273	8,647,477	13,815,484	57,871,345	93,017,231	39,913,210	7,081,171	253,009,191
Total Liabilities	36,068,607	114,444,972	28,987,261	27,306,051	11,644,100	2,462,757	32,095,443	253,009,191
<b>Liquidity Gap</b>	<b>(3,405,334)</b>	<b>(105,797,495)</b>	<b>(15,171,777)</b>	<b>30,565,294</b>	<b>81,373,131</b>	<b>37,450,453</b>	<b>(25,014,272)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(323,722)</b>	<b>(5,154)</b>	<b>40,686</b>	<b>173,681</b>	<b>-</b>	<b>-</b>	<b>(114,509)</b>
Financial Derivative Assets	-	20,095,069	874,606	779,393	1,565,489	-	-	23,314,557
Financial Derivative Liabilities	-	20,418,791	879,760	738,707	1,391,808	-	-	23,429,066
Non-cash Loans	4,404,013	48,524	500,869	1,639,811	1,484,679	33,089,884	-	41,167,780

<sup>(1)</sup> 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.

<sup>(2)</sup> Deferred tax asset is included under the "Undistributed" column.

<sup>(3)</sup> TL 5,833,179 of the funds balance, whose risk is not born by the Parent Bank, is included in other liabilities and shown under the "1-5 years" column, fund balance amounted to TL 97,950 is not granted as loan and is included under "Up to One Month" column.

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

Current Period <sup>(1)</sup>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Bank Deposits	7,655,366	1,871,304	153,224	34,739	-	9,714,633
Other Deposits	135,809,027	23,447,423	19,064,948	1,841,496	3,686	180,166,580
Funds Borrowed from Other Financial Institutions	947,247	3,436,293	10,785,315	3,697,676	1,261,495	20,128,026
Funds Borrowed from Interbank Money Market	36,309,740	4,319,621	1,854,917	672,295	-	43,156,573
<b>Total</b>	<b>180,721,380</b>	<b>33,074,641</b>	<b>31,858,404</b>	<b>6,246,206</b>	<b>1,265,181</b>	<b>253,165,812</b>
<b>Prior Period <sup>(1)</sup></b>						
Bank Deposits	4,297,099	904,872	457,203	14,048	-	5,673,222
Other Deposits	111,772,316	21,651,279	15,770,118	1,324,396	46,336	150,564,445
Funds Borrowed from Other Financial Institutions	610,487	1,728,012	9,745,987	2,530,498	1,717,814	16,332,798
Funds Borrowed from Interbank Money Market	28,023,210	2,603,562	1,191,122	-	-	31,817,894
<b>Total</b>	<b>144,703,112</b>	<b>26,887,725</b>	<b>27,164,430</b>	<b>3,868,942</b>	<b>1,764,150</b>	<b>204,388,359</b>

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

### VIII. EXPLANATIONS ON SECURITIZATION POSITION

None (31 December 2014: None).

### IX. EXPLANATIONS ON CREDIT RISK MITIGATION TECHNIQUES

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

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

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

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

The Parent Bank has no position about credit derivatives.

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

Exposure classifications - 31 December 2015	Amount	Financial Collaterals	Other/ Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	82,409,901	100,282	-	-
Conditional and unconditional receivables from regional or local governments	460,913	42,875	-	18
Conditional and unconditional receivables from administrative units and non-commercial enterprises	544,699	164,017	-	-
Conditional and unconditional receivables from multilateral development banks	6	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	42,768,143	30,709,601	-	-
Conditional and unconditional corporate receivables	119,243,420	952,933	-	410,794
Conditional and unconditional retail receivables	72,132,472	15,319,650	-	64,722
Conditional and unconditional secured mortgage receivables	18,125,559	7,075	-	1,914
Past due receivables	580,833	3	-	-
Receivables in high risk category defined by BRSA	9,245,190	56,876	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporates	-	-	-	-
Investments of natured collective investment enterprise	105,792	3,694	-	-
Other receivables	15,288,303	-	-	-
<b>Total</b>	<b>360,905,231</b>	<b>47,357,006</b>	<b>-</b>	<b>477,448</b>

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

**X. RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

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

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

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### c) Risk Reporting and Measurement Systems' Scope and Qualification

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

#### Liquidity Risk

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

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

#### Interest Rate Risk on Banking

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

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

#### Market Risk

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

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

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

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

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### Operational Risks

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

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

### Credit Risk

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

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

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

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

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

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

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

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

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

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

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**XI. EXPLANATIONS ON LEVERAGE**

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

The Bank's leverage calculated by force of the regulation "Regulation on Measurement and Assessment of Leverage Ratios of Banks" is 8.33% (31 December 2014: 9.18%). The change on leverage results heavily from the increase on risk amounts of balance sheet assets. The regulation sentenced the minimum leverage as 3%.

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

	Current Period <sup>(*)</sup>	Prior Period <sup>(*)</sup>
1 Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards	288,337,293	253,032,945
2 The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements"	24,491	23,754
3 The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	57,881,888	44,213,400
4 The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	38,777,772	27,907,274
5 The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	362,843	58,881,425
6 Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	(42,482,185)	(32,607,865)
7 Total Risk Amount	389,266,248	318,842,889

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

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### 2) Leverage

On-balance sheet assets	Current Period <sup>(*)</sup>	Prior Period <sup>(*)</sup>
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	305,987,769	248,438,955
(Assets deducted in determining Tier 1 capital)	(1,358,811)	(264,266)
Total on-balance sheet risks (sum of lines 1 and 2)	304,628,958	248,174,689
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost associated with all derivative financial instruments and credit derivatives	906,945	263,894
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	294,821	216,051
Total risks of derivative financial instruments and credit derivatives	1,201,766	479,945
<b>Securities or commodity financing transactions (SCFT)</b>		
Risks from SCFT assets	4,611,358	4,964,485
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	4,611,358	4,964,485
<b>Other off-balance sheet transactions</b>		
Gross notional amounts of off-balance sheet transactions	79,187,009	124,105,195
(Adjustments for conversion to credit equivalent amounts)	(362,843)	(58,881,425)
Total risks of off-balance sheet items	78,824,166	65,223,770
<b>Capital and total risks</b>		
Tier 1 capital	32,430,099	29,264,265
Total risks	389,266,248	318,842,889
<b>Leverage ratio</b>		
Leverage ratio	8.33	9.18

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

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

(Convenience Translation of Publicly Announced Consolidated Financial Statements Originally Issued in Turkish,  
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### XII. EXPLANATIONS ON OPERATING SEGMENTS

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

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

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

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

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

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

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

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

As of 31 December 2015, explanations on segment reporting as shown below are in line with Communiqué on “Financial Statements and the Related Policies and Disclosures to be Publicly Announced”.

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### Table for Segment Reporting:

	Consumer Banking	Corporate Entrepreneurial Banking	Specialized Banking	Investment Banking	Consolidation Correction	Undistributed	Total Operations of the Group
<b>Current Period</b>							
<b>Total Operating Income and Expense</b>							
<b>Net Operating Profit</b>	<b>5,775,959</b>	<b>7,143,107</b>	<b>3,481,380</b>	<b>5,858,253</b>	-	<b>393,416</b>	<b>22,652,115</b>
Interest on Loans	5,775,959	7,097,986	3,481,380	524,564	-	33,542	16,913,431
Interest Received from Banks	-	39,267	-	53,007	-	90,749	183,023
Interest Received from Marketable Securities Portfolio	-	2,183	-	5,220,380	-	25,159	5,247,722
Other Interest Income	-	3,671	-	60,302	-	243,966	307,939
<b>Interest Expense</b>	<b>5,716,499</b>	<b>2,558,280</b>	-	<b>3,237,389</b>	-	<b>114,818</b>	<b>11,626,986</b>
Interest on Deposits	5,716,499	2,556,806	-	425,029	-	2,563	8,700,897
Interest on Funds Borrowed	-	-	-	403,384	-	38,040	441,424
Interest on Money Market Transactions	-	736	-	2,127,843	-	20	2,128,599
Interest on Securities Issued	-	-	-	281,133	-	13,426	294,559
Other Interest Expense	-	738	-	-	-	60,769	61,507
<b>Net Interest Income/Expense</b>	<b>59,460</b>	<b>4,584,827</b>	<b>3,481,380</b>	<b>2,620,864</b>	-	<b>278,598</b>	<b>11,025,129</b>
<b>Net Fees and Commission Income/Expense</b>	<b>815,605</b>	<b>327,037</b>	<b>79,035</b>	<b>(191,825)</b>	-	<b>200,424</b>	<b>1,230,276</b>
Fees and Commission Received	815,605	327,941	79,035	5,275	-	333,526	1,561,382
Fees and Commissions Paid	-	904	-	197,100	-	133,102	331,106
<b>Dividend Income</b>	-	-	-	<b>213,056</b>	<b>(208,673)</b>	<b>2,036</b>	<b>6,419</b>
Net Trading Income	185	9,623	-	(162,541)	-	11,016	(141,717)
<b>Other Operating Income</b>	<b>24,519</b>	<b>247,764</b>	<b>47,778</b>	<b>3,731</b>	-	<b>2,110,114</b>	<b>2,433,906</b>
<b>Provision for Loan or Other Receivables Losses</b>	<b>402,157</b>	<b>776,519</b>	<b>295,903</b>	<b>1,715</b>	<b>5,026</b>	<b>65,951</b>	<b>1,547,271</b>
<b>Other Operating Expenses</b>	<b>45,338</b>	<b>220,676</b>	<b>35,715</b>	-	<b>(142)</b>	<b>5,845,197</b>	<b>6,146,784</b>
<b>Net Operating Income/Expense</b>	<b>452,274</b>	<b>4,172,056</b>	<b>3,276,575</b>	<b>2,481,570</b>	<b>(213,557)</b>	<b>(3,308,960)</b>	<b>6,859,958</b>
<b>Tax Provision</b>	-	-	-	-	<b>(2,354)</b>	<b>(1,507,655)</b>	<b>(1,510,009)</b>
<b>Net Profit/Losses</b>	<b>221</b>	<b>(48,591)</b>	<b>12,169</b>	<b>12,555</b>	<b>(185,532)</b>	<b>5,587,152</b>	<b>5,377,974</b>
<b>SEGMENT ASSETS</b>							
Financial Assets Where Fair Value Change is Reflected to Income Statement	-	-	-	945,774	-	26,492	972,266
Money Market Securities	-	378,545	-	3,297,543	-	1,405,776	5,081,864
Financial Assets Available for Sale	-	36,360	-	53,948,118	148	52,312	54,036,938
Loans	51,214,922	95,157,671	37,676,823	8,190,770	-	268,210	192,508,396
Investments Held to Maturity	-	13,407	-	10,144,142	-	65,926	10,223,475
Investments and Associates, Subsidiaries and Joint Ventures	-	817	-	2,655,366	(2,495,396)	25,282	186,069
Total Assets	-	197,145	-	-	(2,537)	47,064,202	47,258,810
<b>TOTAL SEGMENT ASSETS</b>	<b>51,214,922</b>	<b>95,783,945</b>	<b>37,676,823</b>	<b>79,181,713</b>	<b>(2,497,785)</b>	<b>48,908,200</b>	<b>310,267,818</b>
<b>LIABILITIES</b>							
Deposits	137,600,974	41,269,946	-	10,828,741	-	1,220,436	190,920,097
Derivative Financial Liabilities Held for Trading	-	-	-	290,275	-	9,907	300,182
Funds Borrowed	-	43,305	-	19,463,588	-	1,280,510	20,787,403
Money Market Takings	-	-	-	43,134,312	-	-	43,134,312
Marketable Securities Issued	-	-	-	5,287,606	-	131,791	5,419,397
Provisions	-	14,470	-	-	23,552	6,327,715	6,365,737
Other Liabilities	-	19,556	-	-	(2,537)	11,570,729	11,587,748
Shareholders' Equity	-	235,617	-	-	(2,518,802)	34,036,127	31,752,942
<b>TOTAL LIABILITIES</b>	<b>137,600,974</b>	<b>41,582,894</b>	-	<b>79,004,522</b>	<b>(2,497,787)</b>	<b>54,577,215</b>	<b>310,267,818</b>
<b>OTHER ITEMS</b>							
Capital Investment	-	-	-	-	-	-	-
Amortization Expenses	-	-	-	-	-	335,979	335,979
Reconstruction Cost	-	-	-	-	-	-	-

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	Consumer Banking	Corporate Entrepreneurial Banking	Specialized Banking	Investment Banking	Consolidation Correction	Undistributed	Total Operations of the Group
<b>Prior Period</b>							
<b>Total Operating Income and Expense</b>							
<b>Net Operating Profit</b>	5,143,008	4,737,435	2,521,939	6,210,820	(62,722)	46,786	18,597,266
Interest on Loans	5,143,008	4,737,435	2,521,939	500,847	(35,005)	32,594	12,900,818
Interest Received from Banks	-	-	-	184,146	(27,048)	-	157,098
Interest Received from Marketable Securities Portfolio	-	-	-	5,373,985	(637)	-	5,373,348
Other Interest Income	-	-	-	151,842	(32)	14,192	166,002
<b>Interest Expense</b>	5,127,531	2,042,173	-	2,467,906	(62,722)	51,779	9,626,667
Interest on Deposits	5,127,531	2,042,173	-	403,360	(27,048)	-	7,546,016
Interest on Funds Borrowed	-	-	-	331,330	(35,005)	-	296,325
Interest on Money Market Transactions	-	-	-	1,527,053	-	-	1,527,053
Interest on Securities Issued	-	-	-	206,163	(637)	-	205,526
Other Interest Expense	-	-	-	-	(32)	51,779	51,747
<b>Net Interest Income/Expense</b>	15,477	2,695,262	2,521,939	3,742,914	-	(4,993)	8,970,599
<b>Net Fees and Commission Income/Expense</b>	679,431	415,767	60,070	(157,022)	-	18,571	1,016,817
Fees and Commission Received	679,431	415,767	60,070	5,005	(192,587)	330,184	1,297,870
Fees and Commissions Paid	-	-	-	162,027	(192,587)	311,613	281,053
<b>Dividend Income</b>	-	-	-	191,840	(181,037)	-	10,803
<b>Net Trading Income</b>	-	-	-	(69,960)	-	2,543	(67,417)
<b>Other Operating Income</b>	27,068	82,225	118,087	2,870	(19,584)	1,649,101	1,859,767
<b>Provision for Loan or Other Receivables Losses</b>	362,824	485,070	236,153	23	3,742	496,013	1,583,825
<b>Other Operating Expenses</b>	35,423	152,000	28,905	-	(23,065)	4,709,737	4,903,000
<b>Net Operating Income/Expense</b>	330,389	2,502,499	2,435,038	3,425,272	(183,095)	(3,206,359)	5,303,744
<b>Tax Provision</b>	-	-	-	-	-	(1,214,156)	(1,214,156)
<b>Net Profit/Losses</b>	-	-	-	-	(162,270)	4,272,683	4,110,413
<b>SEGMENT ASSETS</b>							
Financial Assets Where Fair Value Change is Reflected to Income Statement	-	-	-	329,994	-	-	329,994
Money Market Securities	-	-	-	3,846,150	(1,026,810)	-	2,819,340
Financial Assets Available for Sale	-	-	-	54,450,928	(20,685)	-	54,430,243
Loans	44,973,789	62,122,744	29,095,441	9,624,514	(764,851)	470,266	145,521,903
Investments Held to Maturity	-	-	-	10,239,816	-	-	10,239,816
Investments and Associates, Subsidiaries and Joint Ventures	-	-	-	1,678,431	(1,521,797)	-	156,634
<b>Total Assets</b>	-	-	-	-	(75,516)	39,586,777	39,511,261
<b>TOTAL SEGMENT ASSETS</b>	44,973,789	62,122,744	29,095,441	80,169,833	(3,409,659)	40,057,043	253,009,191
<b>LIABILITIES</b>							
Deposits	110,997,850	37,612,275	-	6,716,130	(1,026,809)	1,845,278	156,144,724
Derivative Financial Liabilities Held for Trading	-	-	-	416,397	-	-	416,397
Funds Borrowed	-	-	-	16,377,203	(764,850)	-	15,612,353
Money Market Takings	-	-	-	31,793,959	-	-	31,793,959
Marketable Securities Issued	-	-	-	4,294,722	(20,845)	-	4,273,877
Provisions	-	-	-	-	18,527	5,990,754	6,009,281
Other Liabilities	-	-	-	-	(67,940)	10,209,508	10,141,568
Shareholders' Equity	-	-	-	-	(1,547,740)	30,164,772	28,617,032
<b>TOTAL LIABILITIES</b>	110,997,850	37,612,275	-	59,598,411	(3,409,657)	48,210,312	253,009,191
<b>OTHER ITEMS</b>							
Capital Investment	-	-	-	-	-	-	-
Amortization Expenses	-	-	-	-	-	259,565	259,565
Reconstruction Cost	-	-	-	-	-	-	-

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

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>261,850,673</b>	<b>213,011,302</b>	<b>263,827,991</b>	<b>213,839,088</b>
Due from Interbank Money Market	116,173	51,529	116,173	51,529
Banks	4,965,691	2,767,811	4,965,691	2,767,811
Available-for-Sale Financial Assets	54,036,938	54,430,243	55,507,902	54,427,789
Held-to-Maturity Investments	10,223,475	10,239,816	10,729,829	11,070,056
Loans	192,508,396	145,521,903	192,508,396	145,521,903
<b>Financial Liabilities</b>	<b>219,506,033</b>	<b>177,824,058</b>	<b>216,928,968</b>	<b>177,886,667</b>
Bank Deposits	9,686,885	5,740,759	9,686,885	5,740,759
Other Deposits	181,233,212	150,403,965	181,233,212	150,403,965
Funds Borrowed from Other Financial Institutions	20,787,403	15,612,353	18,342,129	15,695,644
Issued Marketable Securities	5,419,397	4,273,877	5,287,606	4,253,195
Miscellaneous Payables	2,379,136	1,793,104	2,379,136	1,793,104

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

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

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

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

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

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

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss) (Net)</b>	<b>43,982</b>	<b>928,284</b>	<b>-</b>	<b>972,266</b>
Government Debt Securities	39,408	-	-	39,408
Share Certificates	580	-	-	580
Trading Derivative Financial Assets	3,994	928,284	-	932,278
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets (Net)</b>	<b>53,643,249</b>	<b>275,076</b>	<b>95,427</b>	<b>54,013,752</b>
Equity Securities <sup>(1)</sup>	388,756	101,711	95,028	585,495
Government Debt Securities	53,168,577	-	-	53,168,577
Other Marketable Securities	85,916	173,365	399	259,680
<b>Total Assets</b>	<b>53,687,231</b>	<b>1,203,360</b>	<b>95,427</b>	<b>54,986,018</b>
Trading Derivative Financial Liabilities	6,897	293,285	-	300,182
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>6,897</b>	<b>293,285</b>	<b>-</b>	<b>300,182</b>

<sup>(1)</sup> Since equity securities under the heading of financial assets available for sale amounting to TL 23,186 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

Prior Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss) (Net)</b>	<b>33,418</b>	<b>296,576</b>	<b>-</b>	<b>329,994</b>
Government Debt Securities	32,361	-	-	32,361
Share Certificates	909	-	-	909
Trading Derivative Financial Assets	76	296,576	-	296,652
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	72	-	-	72
<b>Available-for-Sale Financial Assets (Net)</b>	<b>54,163,420</b>	<b>203,079</b>	<b>89</b>	<b>54,366,588</b>
Equity Securities <sup>(1)</sup>	315,636	66,892	89	382,617
Government Debt Securities	53,669,212	21,410	-	53,690,622
Other Marketable Securities	178,572	114,777	-	293,349
<b>Total Assets</b>	<b>54,196,838</b>	<b>499,655</b>	<b>89</b>	<b>54,696,582</b>
Trading Derivative Financial Liabilities	20,813	395,584	-	416,397
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>20,813</b>	<b>395,584</b>	<b>-</b>	<b>416,397</b>

<sup>(1)</sup> Since equity securities under the heading of financial assets available for sale amounting to TL 63,655 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

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

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

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

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

The Parent Bank has no fiduciary transactions.

### SECTION FIVE

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

##### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,723,559	853,611	1,162,355	707,074
Central Bank of the Republic of Turkey	2,378,666	31,888,236	1,611,393	26,753,700
Other	-	90,605	1	50,223
<b>Total</b>	<b>4,102,225</b>	<b>32,832,452</b>	<b>2,773,749</b>	<b>27,510,997</b>

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

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to Communiqué on Required Reserves of Central Bank of the Republic of Turkey's numbered 2015/19. Based on accounting standards and registration layout for banks and companies, the items specified within the Communiqué, except from liabilities to Central Bank, Treasury, Domestic banks, and head offices and branches in Turkey of the banks established by international agreements, constitute required reserves liabilities.

As of the balance sheet date, according to CBRT's Communiqué about Required Reserves No. 2015/5, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity, and for deposits up to 3-months maturity 11.5%; for deposits up to 6-months maturity 8.5%; for deposits up to 1-year maturity 6.5%; for deposits 1-year and longer maturity 5%; for TL liabilities other than deposits up to 1-year maturity 11.5%; for TL liabilities other than deposits between 1- and 3-years maturity 8%; for TL liabilities other than deposits more than 3-years maturity 5%; for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturities 13%; for FC deposit accounts with 1-year and longer maturity 9%, for FC liabilities other than deposits up to 1-year maturity 25%; for FC liabilities other than deposits up to 2-years maturities 20%, for FC liabilities for FC liabilities other than deposits up to 3-years maturity 15%; and for FC liabilities other than deposits more than 5-years maturity 7%.

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

As of 31 December 2015, total reserve requirement of the Group is TL 35,484,883 including Central Banks abroad (31 December 2014: TL 28,468,561).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	2,310,541	236,684	1,563,450	301,734
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1) (2)</sup>	68,125	31,651,552	47,943	26,451,966
<b>Total</b>	<b>2,378,666</b>	<b>31,888,236</b>	<b>1,611,393</b>	<b>26,753,700</b>

<sup>(1)</sup> Required reserve of branches abroad amounting to TL 78,150 is presented in this line (31 December 2014: TL 75,723).

<sup>(2)</sup> TL 19,082,468 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2014: 18,822,279).

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	-	-
Assets Blocked/Given as Collateral	3,960	8,756
<b>Total</b>	<b>3,960</b>	<b>8,756</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Stocks	-	-	-	-
Bonds and Similar Securities	3,960	-	8,756	-
Other	-	-	-	-
<b>Total</b>	<b>3,960</b>	<b>-</b>	<b>8,756</b>	<b>-</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Assets Held-for-Trading				
Forward Transactions	26,116	46,643	5,949	6,583
Swap Transactions	625,959	233,506	259,596	24,496
Futures Transactions	-	-	-	-
Options	9	45	17	11
Other	-	-	-	-
<b>Total</b>	<b>652,084</b>	<b>280,194</b>	<b>265,562</b>	<b>31,090</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	1,884,201	408,643	1,765,968	415,079
Foreign Banks	27,113	2,645,734	23,639	563,125
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>1,911,314</b>	<b>3,054,377</b>	<b>1,789,607</b>	<b>978,204</b>

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**b) Information on foreign banks accounts:**

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	251,103	194,211	-	9,108
USA, Canada	1,903,114	242,249	-	705
OECD Countries <sup>(1)</sup>	8,874	7,085	-	-
Off-shore Banking Regions	-	-	-	-
Other	509,756	132,535	-	871
<b>Total</b>	<b>2,672,847</b>	<b>576,080</b>	<b>-</b>	<b>10,684</b>

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

**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	40,599,081	30,650,483
Assets Blocked/Given as Collateral	5,251,648	5,700,219
<b>Total</b>	<b>45,850,729</b>	<b>36,350,702</b>

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

	Current Period	Prior Period
Debt Securities	54,745,634	54,124,518
Quoted in Stock Exchange	54,688,171	54,096,908
Not Quoted in Stock Exchange	57,463	27,610
Share Certificates	635,564	446,555
Quoted in Stock Exchange	483,687	274,474
Not Quoted in Stock Exchange	151,877	172,081
Provision for Impairment (-)	1,344,260	140,830
<b>Total</b>	<b>54,036,938</b>	<b>54,430,243</b>

**5. Information related to loans:**

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	202	-	224
Loans Granted to Employees	267,353	132	258,116	117
<b>Total</b>	<b>267,353</b>	<b>335</b>	<b>258,116</b>	<b>341</b>

<sup>(1)</sup> Interest rediscount and interest accrual amounting TL 2,079, are not included in the table above.

<sup>(2)</sup> Since the balance of overdraft accounts related to employees amounting TL 14,630, is showed under Table 5-c as overdraft accounts (real person), it is not included to the table above.

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

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms <sup>(1)</sup>	Other		Loans and other receivables with revised contract terms	Other
<b>Cash Loans</b>						
Non-Specialized Loans	148,205,354	1,223,000	-	2,286,943	756,726	-
Commercial loans	88,430,240	583,333	-	974,104	625,253	-
Export Loans	2,118,287	396	-	18,699	175	-
Import Loans	224,433	59	-	11,559	-	-
Loans Given to Financial Sector	6,079,693	-	-	-	-	-
Consumer Loans	46,445,669	639,143	-	1,217,120	128,516	-
Credit Cards	2,935,186	69	-	58,082	2,782	-
Other <sup>(2)</sup>	1,971,846	-	-	7,379	-	-
Specialized Lending <sup>(3) (4)</sup>	32,899,129	1,904,618	-	791,643	209,142	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals	3,350,947	-	-	-	-	-
<b>Total</b>	<b>184,455,430</b>	<b>3,127,618</b>	<b>-</b>	<b>3,078,586</b>	<b>965,868</b>	<b>-</b>

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

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

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

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

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No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended <sup>(1)</sup>	2,989,508	932,119
3 - 4 or 5 Times Extended	138,094	33,564
Over 5 Times Extended	16	185

<sup>(1)</sup> Number of modification made according to extent of payment plan cannot be decomposed systematically therefore it is shown in this line.

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	490,910	160,244
6 Months - 12 Months	549,750	103,438
1 - 2 Years	1,725,424	411,077
2 - 5 Years	327,495	270,947
5 Years and Over	34,039	20,162
<b>Total</b>	<b>3,127,618</b>	<b>965,868</b>

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

	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
Short-term Loans	30,618,427	998,504	481,809	186,186
Non-specialized Loans	24,834,491	156,283	375,022	42,863
Specialized Loans <sup>(2)</sup>	5,783,936	842,221	106,787	143,323
Other Receivables	-	-	-	-
Medium and Long-term Loans and Other Receivables	150,486,056	2,129,114	2,596,777	779,682
Non-specialized Loans	123,370,821	1,066,718	1,911,962	713,863
Specialized Loans <sup>(2)</sup>	27,115,235	1,062,396	684,815	65,819
Other Receivables	-	-	-	-

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

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

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	365,275	46,979,626	47,344,901
Real Estate Loans	3,168	13,934,101	13,937,269
Vehicle Loans	745	195,004	195,749
Consumer Loans	350,766	23,541,302	23,892,068
Abroad <sup>(2)</sup>	4,165	397,900	402,065
Other	420	120,734	121,154
Consumer Loans- Indexed to FC	-	3	3
Real Estate Loans	-	3	3
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	15,386	79,308	94,694
Real Estate Loans	-	6,640	6,640
Vehicle Loans	-	-	-
Consumer Loans	1,439	35,225	36,664
Abroad	98	35	133
Other	13,849	37,408	51,257
Individual Credit Cards-TL	2,594,891	2,876	2,597,767
With Installment	943,998	72	944,070
Without Installment	1,650,893	2,804	1,653,697
Individual Credit Cards-FC	381	-	381
With Installment	13	-	13
Without Installment	368	-	368
Personnel Loans-TL	8,064	166,269	174,333
Real Estate Loans	-	250	250
Vehicle Loans	13	14	27
Consumer Loans	7,955	164,321	172,276
Abroad <sup>(2)</sup>	96	1,684	1,780
Other	-	-	-
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	1,003	12,531	13,534
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	34	414	448
Other	969	12,117	13,086
Personnel Credit Cards-TL	79,329	145	79,474
With Installment	33,293	85	33,378
Without Installment	46,036	60	46,096
Personnel Credit Cards-FC	12	-	12
With Installment	-	-	-
Without Installment	12	-	12
Overdraft Accounts-TL (Real Person)	802,983	-	802,983
Overdraft Accounts-FC (Real Person)	3	-	3
<b>Total <sup>(1)</sup></b>	<b>3,867,327</b>	<b>47,240,758</b>	<b>51,108,085</b>

<sup>(1)</sup> TL 316,229 of interest income accrual and rediscount are not included in the table above.<sup>(2)</sup> TL 3,442,911 fund welded consumer loans are not included in the table above.

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

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	501,422	13,178,473	13,679,895
Business Loans	412	432,080	432,492
Vehicle Loans	24,369	842,694	867,063
Consumer Loans	476,641	11,903,699	12,380,340
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	359	359
Business Loans	-	-	-
Vehicle Loans	-	359	359
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	53,565	16,778,149	16,831,714
Business Loans	-	2,109	2,109
Vehicle Loans	-	285	285
Consumer Loans	22,154	16,514,972	16,537,126
Other	31,411	260,783	292,194
Corporate Credit Cards-TL	317,546	214	317,760
With Installment	100,165	195	100,360
Without Installment	217,381	19	217,400
Corporate Credit Cards-FC	725	-	725
With Installment	701	-	701
Without Installment	24	-	24
Overdraft Account-TL (Legal Entity)	94,042	-	94,042
Overdraft Account-FC (Legal Entity)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>967,300</b>	<b>29,957,195</b>	<b>30,924,495</b>

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

**f) Loans according to types of borrowers:**

	Current Period	Prior Period
Public	3,328,149	1,749,313
Private	184,948,406	140,721,363
Interest Income Accruals of Loans	3,350,947	2,249,804
<b>Total</b>	<b>191,627,502</b>	<b>144,720,480</b>

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

	Current Period	Prior Period
Domestic Loans	181,834,465	136,525,746
Foreign Loans	6,442,090	5,944,930
Interest Income Accruals of Loans	3,350,947	2,249,804
<b>Total</b>	<b>191,627,502</b>	<b>144,720,480</b>

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

None (31 December 2014: None).

### i) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	187,917	104,549
Loans and other receivables with doubtful collectability	480,993	452,657
Uncollectible loans and other receivables	1,672,896	1,411,854
<b>Total</b>	<b>2,341,806</b>	<b>1,969,060</b>

### j) Information on non-performing receivables (net):

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

	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>11,844</b>	<b>51,598</b>	<b>92,945</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	11,844	51,598	92,945
Rescheduled loans and other receivables	-	-	-
<b>Prior Period</b>	<b>15,457</b>	<b>61,241</b>	<b>115,881</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	15,457	61,241	115,881
Rescheduled loans and other receivables	-	-	-

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### 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>	207,045	476,178	2,087,260
Additions (+)	1,475,146	218,427	431,455
Transfers from Other Categories of Loans under Follow-up (+)	-	1,181,982	1,156,391
Transfers to Other Categories of Loans under Follow-up (-)	1,181,982	1,156,391	-
Collections (-) <sup>(1)</sup>	168,486	227,780	1,276,545
Write-offs (-)	-	-	-
Corporate and Entrepreneurial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance <sup>(2)</sup></b>	<b>331,723</b>	<b>492,416</b>	<b>2,398,561</b>
Specific Provision (-) <sup>(3)</sup>	187,917	480,993	1,672,896
<b>Net Balance on Balance Sheet</b>	<b>143,806</b>	<b>11,423</b>	<b>725,665</b>

<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 257,478 whose risk does not belong to the Parent Bank.

<sup>(3)</sup> As of 31 December 2015, Parent Bank made 100% provision for the portion of TL 156,894 of the loans under follow-up which is TL 627,566 after taking guarantees into consideration.

### 3) Information on foreign currency non-performing loans:

	Group III: 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>50,271</b>	<b>8,652</b>	<b>34,694</b>
Specific Provision (-)	38,840	8,652	34,694
<b>Net Balance on Balance Sheet</b>	<b>11,431</b>	<b>-</b>	<b>-</b>
<b>Prior Period:</b>			
<b>Period Ending Balance</b>	<b>32,768</b>	<b>7,975</b>	<b>19,913</b>
Specific Provision (-)	16,053	7,975	19,913
<b>Net Balance on Balance Sheet</b>	<b>16,715</b>	<b>-</b>	<b>-</b>

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#### 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>143,806</b>	<b>11,423</b>	<b>725,665</b>
Loans to Real Persons and Legal Entities (Gross)	331,723	415,807	2,398,561
Specific Provisions (-)	187,917	404,384	1,672,896
Loans to Real Persons and Legal Entities (Net)	143,806	11,423	725,665
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	76,609	-
Specific Provisions (-)	-	76,609	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>102,496</b>	<b>23,521</b>	<b>675,406</b>
Loans to Real Persons and Legal Entities (Gross)	207,045	412,975	2,087,260
Specific Provisions (-)	104,549	389,454	1,411,854
Loans to Real Persons and Legal Entities (Net)	102,496	23,521	675,406
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	63,203	-
Specific Provisions (-)	-	63,203	-
Other Loans and Receivables (Net)	-	-	-

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

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

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

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

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### m) Other explanations and disclosures:

Current Period	Corporate and Entrepreneurial	Consumer <sup>(1)</sup>	Agricultural <sup>(1)</sup>	Total
Neither Past Due nor Impaired Loans	101,080,065	50,067,212	36,435,771	187,583,048
Past Due but not Impaired Loans	1,683,745	1,384,628	976,081	4,044,454
Impaired Loans	1,900,395	767,119	555,186	3,222,700
<b>Total</b>	<b>104,664,205</b>	<b>52,218,959</b>	<b>37,967,038</b>	<b>194,850,202</b>
Specific Provisions of Impaired Loans (-)	1,312,594	738,998	290,214	2,341,806
<b>Net Loan Amount</b>	<b>103,351,611</b>	<b>51,479,961</b>	<b>37,676,824</b>	<b>192,508,396</b>

<sup>(1)</sup> TL 3,442,911 consumer, TL 2,135,499 agricultural, and TL 18 corporate and entrepreneurial loans originated from funds whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

Prior Period	Commercial <sup>(1)</sup>	Consumer <sup>(1)</sup>	Agricultural <sup>(1)</sup>	Total
Neither Past Due nor Impaired Loans	69,971,122	43,420,080	27,846,614	141,237,816
Past Due but not Impaired Loans	1,086,530	1,379,139	1,016,995	3,482,664
Impaired Loans	1,563,861	642,713	563,909	2,770,483
<b>Total</b>	<b>72,621,513</b>	<b>45,441,932</b>	<b>29,427,518</b>	<b>147,490,963</b>
Specific Provisions of Impaired Loans (-)	1,031,876	605,107	332,077	1,969,060
<b>Net Loan Amount</b>	<b>71,589,637</b>	<b>44,836,825</b>	<b>29,095,441</b>	<b>145,521,903</b>

<sup>(1)</sup> TL 2,868,496 consumer, TL 2,235,702 agricultural, and TL 18 commercial loans originated from funds whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

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

Current Period	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Loans and Receivables <sup>(1)</sup>					
Corporate/Entrepreneurial Loans	132,856	62,928	28,251	6,389	230,424
Consumer Loans	39,264	10,497	3,952	346	54,059
Agricultural Loans	217,663	52,178	12,406	8,144	290,391
<b>Total</b>	<b>389,783</b>	<b>125,603</b>	<b>44,609</b>	<b>14,879</b>	<b>574,874</b>

<sup>(1)</sup> The amounts at the table are the total of the overdue installments for the loans with installments and overdue principals for other loans; the remaining principal amount of loans with installments equals to TL 3,469,580.

Prior Period	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Loans and Receivables <sup>(1)</sup>					
Commercial Loans	316,572	29,157	24,520	16,544	386,793
Consumer Loans	399,851	24,714	20,013	42,989	487,567
Agricultural Loans	334,283	51,199	6,025	24,034	415,541
<b>Total</b>	<b>1,050,706</b>	<b>105,070</b>	<b>50,558</b>	<b>83,567</b>	<b>1,289,901</b>

<sup>(1)</sup> The amounts at the table are the total of the overdue installments for the loans with installments and overdue principals for other loans; the remaining principal amount of loans with installments equals to TL 2,192,763.

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### 6. Information on held-to-maturity investments:

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	1,114,647	3,567,579	466,841	3,910,057
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>1,114,647</b>	<b>3,567,579</b>	<b>466,841</b>	<b>3,910,057</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	3,009,483	1,987,576	3,024,939	1,157,083
Other	-	-	-	-
<b>Total</b>	<b>3,009,483</b>	<b>1,987,576</b>	<b>3,024,939</b>	<b>1,157,083</b>

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

	Current Period	Prior Period
Government Bonds	10,133,222	10,162,945
Treasury Bills	-	29,947
Other Public Sector Debt Securities	13,407	6,966
<b>Total</b>	<b>10,146,629</b>	<b>10,199,858</b>

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

	Current Period	Prior Period
Debt securities	10,223,475	10,239,816
Quoted in a Stock Exchange	10,146,629	10,199,858
Not Quoted in a Stock Exchange	76,846	39,958
Provision for Impairment (-)	-	-
<b>Total</b>	<b>10,223,475</b>	<b>10,239,816</b>

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

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>10,239,816</b>	<b>15,799,338</b>
Addition to Scope of Consolidation	-	-
Foreign Currency Differences on Monetary Assets	1,064,698	224,816
Purchases During the Year	154,288	288,638
Disposals through Sales and Redemptions	(1,234,485)	(6,072,976)
Provision for Impairment (-)	842	-
<b>Period End Balance</b>	<b>10,223,475</b>	<b>10,239,816</b>

Within the year 2008, the Parent Bank has reclassified securities previously classified in available for sale portfolio with nominal values of TL 23,630,115, EUR 717,616 thousand and USD 1,483,317 thousand to held-to-maturity portfolio with fair values of TL 22,971,669, EUR 702,950 thousand and USD 1,562,742 thousand respectively which have been taken into consideration as book values after reclassification. The Bank has also reclassified securities previously classified in financial assets at fair value through profit and loss portfolio with nominal values of EUR 37,951 thousand and USD 45,501 thousand to held-to-maturity portfolio with fair values of EUR 37,178 thousand and USD 62,311 thousand respectively which have been taken into consideration as book values after reclassification in accordance with TAS 39 “Turkish Accounting Standard for Financial Instruments: Recognition and Measurement” published in the Official Gazette No. 27040 dated 31 October 2008 by Public Oversight Accounting and Auditing Standards Authority (“POA”).

Revaluation differences of reclassified available for sale securities before deferred tax are TL 68,984, EUR (23,067) thousand and USD (15,207) thousand respectively and are recorded under shareholders’ equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. At the end of balance sheet date, negative revaluation differences under shareholders’ equity are amounted as USD 11,890 thousand and EUR 2,312 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 30,548 thousand and USD 69,943 thousand respectively.

If the reclassification from the held for trading securities portfolio to the held-to-maturity portfolio had not been performed, income accrual amounting to TL 11,001 would have been recorded. As of 31 December 2015, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL (22,979).

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

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

	Description	Address (City/Country)	The Parent Bank’s Share Percentage, if Different, Voting Percentage (%)	The Bank’s Risk Group Share Percentage (%)
1	Bankalararası Kart Merkezi A.Ş.	İstanbul/TURKEY	12.50	17.98
2	Kredi Kayıt Bürosu A.Ş.	İstanbul/TURKEY	10.00	9.09

	Total Assets <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2) (3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	68,358	29,660	42,972	985	-	3,869	3,490	-
2	146,724	100,690	73,874	4,877	-	33,299	21,834	-

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

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

<sup>(3)</sup> Total non-current assets include property and equipment.

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

	Description	Address (City/Country)	The Parent Bank's Share Percentage, if Different, Voting Percentage (%)	The Parent Bank's Risk Group Share Percentage (%)
1	Arap Türk Bankası A.Ş.	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	4,023,292	601,823	22,259	114,097	23,738	70,106	70,506	-

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

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

### 2) Information about consolidated associates:

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>82,116</b>	<b>71,283</b>
<b>Movement During the Period</b>	<b>10,745</b>	<b>10,833</b>
Additions	-	-
Bonus Share Certificates	-	30,864
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer to Available for Sale Fin. Assets	-	-
Sales	-	-
Revaluation	10,745	-
Impairment Provision	-	20,031
<b>Ending Balance</b>	<b>92,861</b>	<b>82,116</b>
Capital Commitments	-	-
Period Ending Share of Capital Participation (%)	15.43	15.43

### 3) Sector information about consolidated associates:

	Current Period	Prior Period
Banks	92,861	82,116
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

### 4) Consolidated associates quoted to a stock exchange:

None (31 December 2014: None).

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

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

	Description	Address (City/Country)	The Parent Bank's Share Percentage-if different Voting Percentage (%)	The Parent Bank's Group Share Percentage (%)
1	Ziraat Teknoloji A.Ş.	Istanbul/TURKEY	100.00	100.00

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non-Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	42,956	12,942	9,886	394	74	3,019	5,930	-

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

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

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

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

	Description	Address (City/Country)	The Parent Bank's Share Percentage-if different Voting Percentage (%)	The Parent Bank's Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	Istanbul/TURKEY	100.00	100.00
2	Ziraat Sigorta A.Ş.	Istanbul/TURKEY	100.00	100.00
3	Ziraat Finansal Kiralama A.Ş.	Istanbul/TURKEY	100.00	100.00
4	Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul/TURKEY	100.00	99.60
5	Ziraat Portföy Yönetimi A.Ş.	Istanbul/TURKEY	100.00	99.70
6	Ziraat Katılım Bankası A.Ş. <sup>(1)</sup>	Istanbul/TURKEY	100.00	100.00
7	Ziraat Bank International A.G.	Frankfurt/GERMANY	100.00	100.00
8	Ziraat Bank BH d.d.	Sarajevo/BOSNIA HERZEGOVINA	100.00	100.00
9	Ziraat Bank (Moscow) JSC	Moscow/RUSSIA	100.00	100.00
10	Kazakhstan Ziraat Int. Bank	Almaty/KAZAKHSTAN	100.00	99.58
11	Ziraat Bank Azerbaycan ASC <sup>(3)</sup>	Baku/AZERBAIJAN	100.00	100.00
12	Ziraat Bank Montenegro AD <sup>(4)</sup>	Podgoritsa/MONTENEGRO	100.00	100.00

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

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

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

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

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	Total Assets <sup>(3)</sup>	Shareholders' Equity <sup>(3)</sup>	Total Non- Current Assets <sup>(3)</sup>	Interest Income <sup>(3)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(3)</sup>	Prior Period Profit /Loss <sup>(3)</sup>	Fair Value <sup>(1)</sup>	Shareholders' Equity Needed
1	2,641,099	304,118	2,382	131,377	-	162,829	151,037	-	-
2	593,758	196,286	3,142	55,586	-	86,878	66,947	-	-
3	2,421,713	235,944	1,605	1,156	-	36,304	(59,785)	-	-
4	321,963	94,673	684	8,449	3,305,770	23,538	14,362	-	-
5	21,221	17,884	815	1,729	13,734	5,524	3,051	-	-
6	2,176,809	663,615	59,434	65,993	20,206	(12,897)	-	-	-
7	4,414,530	581,254	3,289	134,238	2,745	40,314	17,828	665,528	-
8	1,164,199	185,867	54,538	44,006	751	13,775	5,608	173,616	-
9	133,758	83,865	3,109	10,384	158	2,415	2,878	89,412	-
10	491,099	176,525	11,408	21,313	2,374	14,774	19,845	226,569	-
11	166,029	98,786	3,207	7,308	920	6,418	-	107,931	-
12	41,880	28,743	3,729	178	-	(3,018)	-	28,647	-

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

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

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

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

**2) Information about consolidated subsidiaries:**

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>1,453,735</b>	<b>1,145,069</b>
<b>Movements During the Period</b>	<b>989,208</b>	<b>308,666</b>
Additions to Scope of Consolidation	-	-
Purchases <sup>(1)</sup>	997,857	100,000
Bonus Shares Obtained	16,921	-
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales	-	-
Revaluation Increase	227,760	208,666
Impairment Provision	253,330	-
<b>Balance at the End of the Period</b>	<b>2,442,943</b>	<b>1,453,735</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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

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

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

	Current Period	Prior Period
Banks	1,966,702	977,494
Insurance Companies	129,972	129,972
Factoring Companies	-	-
Leasing Companies	282,839	282,839
Financing Companies	-	-
Other Financial Subsidiaries	63,430	63,430

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

None (31 December 2014: None).

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

Entities under Common Control (Joint Ventures) <sup>(1)</sup>	Parent Bank's Share <sup>(2)</sup>	Group's Share	Current Assets	Non- Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	39,937	39,937	552,881	12,180	6,901	69,577	39,875
UTBANK JSC <sup>(3)</sup>	36,355	36,370	244,978	3,258	2,182	23,873	13,660
<b>Total</b>	<b>76,292</b>	<b>76,307</b>	<b>797,859</b>	<b>15,438</b>	<b>9,083</b>	<b>93,450</b>	<b>53,535</b>

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

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

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

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

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

Information on finance lease receivables are as below:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	360,879	317,383	760,492	634,414
1-5 Years	2,192,205	1,874,178	1,341,307	1,155,480
More than 5 Years	190,422	171,841	66,181	61,362
<b>Total</b>	<b>2,743,506</b>	<b>2,363,402</b>	<b>2,167,980</b>	<b>1,851,256</b>

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

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

**12. Information on investment property:**

None (31 December 2014: None).

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

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

The Group's immovables acquired amount to TL 244,367 consisting of TL 13,494 due to consumer loans, TL 185,021 on its commercial loans and TL 45,852 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1,849. Total depreciation expense is TL 4,658 for these held for sale assets. (31 December 2014: The Bank's immovables acquired amount to TL 176,212 consisting of TL 15,038 due to consumer loans, TL 127,458 on its commercial loans and TL 33,716 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 740. Total depreciation expense is TL 2,745 for these held for sale assets).

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

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs <sup>(1)</sup>	Other Tangibles	Total
<b>Prior Period End:</b>						
Cost	5,173,711	6,961	38,495	144,560	638,551	6,002,278
Accumulated Depreciation (-)	758,047	1,192	26,067	74,927	331,106	1,191,339
<b>Net Book Value</b>	<b>4,415,664</b>	<b>5,769</b>	<b>12,428</b>	<b>69,633</b>	<b>307,445</b>	<b>4,810,939</b>
<b>Current Period End:</b>						
Net Book Value at the Beginning of the Period	4,415,664	5,769	12,428	69,633	307,445	4,810,939
Change During the Period (Net)	113,560	2,908	7,436	65,618	186,222	375,744
Depreciation - net (-)	111,273	994	(3,059)	36,451	79,569	225,228
Impairment (-)	3,740	-	-	-	31	3,771
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	5,283,531	9,869	45,931	210,178	824,742	6,374,251
Accumulated Depreciation at Period End (-)	869,320	2,186	23,008	111,378	410,675	1,416,567
<b>Closing Net Book Value</b>	<b>4,414,211</b>	<b>7,683</b>	<b>22,923</b>	<b>98,800</b>	<b>414,067</b>	<b>4,957,684</b>

<sup>(1)</sup> The Parent Bank has begun to classify the operational leasing development costs under tangible fixed assets in the financial statements dated 31 March 2015, which was previously being followed under intangible assets.

a) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.

b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

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**15. Explanations on intangible assets:**

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Establishment Costs	5,904	5,398	506	2,074	965	1,109
Goodwill	-	-	-	-	-	-
Intangible Rights	366,035	120,424	245,611	337,070	144,864	192,206
<b>Total</b>	<b>371,939</b>	<b>125,822</b>	<b>246,117</b>	<b>339,144</b>	<b>145,829</b>	<b>193,315</b>

a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None.

d) The book value of intangible fixed assets that are pledged or restricted for use: None.

e) Amount of purchase commitments for intangible fixed assets: None

f) Information on revalued intangible assets according to their types: None.

g) Amount of total research and development expenses recorded in income statement within the period if any: None.

h) Positive or negative consolidation goodwill on the Group basis: Not applicable for the consolidated financial statements.

i) Information on Goodwill: None.

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

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

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

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

	Current Period	Prior Period
Deferred Tax Assets	266,827	225,590
Deferred Tax Liabilities	2,357	2,941
Net Deferred Tax Assets	264,470	222,649
Net Deferred Tax Income/Expense	(582,642)	502,520
	Current Period	Prior Period
Reserve for Employment Termination Benefits	141,076	134,158
Short Term Employee Benefits	35,870	30,335
Financial Assets Valuation	49,940	(34,459)
Other	37,584	92,615
<b>Net Deferred Tax Assets</b>	<b>264,470</b>	<b>222,649</b>
	Current Period	Prior Period
<b>As of 1 January</b>	<b>222,649</b>	<b>336,566</b>
Addition to Scope of Consolidation	-	-
Effect of Change in the Effective Tax Rate	-	-
Deferred Tax (Expense)/Income	(582,642)	502,520
<b>Deferred Tax Expenses (Net)</b>	<b>(582,642)</b>	<b>502,520</b>
Deferred Tax Recognized Under Shareholders' Equity	624,463	(616,437)
<b>Deferred Tax Assets</b>	<b>264,470</b>	<b>222,649</b>

**17. Information on other assets:**

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

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES**

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

**1) For deposit banks:**

Current Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	15,846,134	-	2,775,653	54,063,340	4,248,745	990,796	799,896	5,538	78,730,102
Foreign Currency Deposits	12,371,997	-	8,909,641	16,467,457	4,792,177	3,626,058	13,137,046	431	59,304,807
Residents in Turkey	10,900,141	-	8,712,995	14,420,590	4,280,762	2,921,964	9,726,044	431	50,962,927
Residents Abroad	1,471,856	-	196,646	2,046,867	511,415	704,094	3,411,002	-	8,341,880
Public Sector Deposits	5,765,117	-	3,440,895	4,511,961	1,247,351	2,865,402	94,380	13,276	17,938,382
Commercial Inst. Deposits	4,553,542	-	3,605,918	5,111,621	1,071,958	328,128	1,166,738	-	15,837,905
Other Inst. Deposits	1,533,085	-	1,857,417	3,081,800	259,595	737,257	474,829	252,326	8,196,309
Precious Metals	1,039,897	-	25,203	123,939	18,613	9,393	8,662	-	1,225,707
Interbank Deposits	279,728	-	6,127,518	995,229	1,094,520	1,116,474	73,416	-	9,686,885
CBRT	11,521	-	-	-	-	-	-	-	11,521
Domestic Banks	35,674	-	5,046,468	51,023	109,610	36,885	-	-	5,279,660
Foreign Banks	87,163	-	1,049,200	944,206	984,910	1,079,589	73,416	-	4,218,484
Participation Banks	145,370	-	31,850	-	-	-	-	-	177,220
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>41,389,500</b>	<b>-</b>	<b>26,742,245</b>	<b>84,355,347</b>	<b>12,732,959</b>	<b>9,673,508</b>	<b>15,754,967</b>	<b>271,571</b>	<b>190,920,097</b>

Prior Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	11,772,551	-	2,403,145	48,851,579	3,673,378	787,318	643,760	5,053	68,136,784
Foreign Currency Deposits	7,777,702	-	4,248,009	14,179,418	3,545,606	2,319,034	10,790,916	380	42,861,065
Residents in Turkey	6,794,822	-	3,966,163	12,541,984	3,136,388	1,880,975	8,547,352	375	36,868,059
Residents Abroad	982,880	-	281,846	1,637,434	409,218	438,059	2,243,564	5	5,993,006
Public Sector Deposits	5,999,471	-	2,726,721	3,817,762	612,103	3,268,289	427,620	-	16,851,966
Commercial Inst. Deposits	3,707,864	-	4,559,751	4,002,438	111,733	192,822	1,018,718	-	13,593,326
Other Inst. Deposits	1,367,138	-	1,376,527	3,808,751	103,949	453,067	6,114	-	7,115,546
Precious Metals	1,553,092	-	42,462	213,553	17,807	8,436	9,928	-	1,845,278
Interbank Deposits	250,583	-	4,118,592	902,597	432,047	22,892	14,048	-	5,740,759
CBRT	9,480	-	372	16,892	-	-	-	-	26,744
Domestic Banks	22,208	-	3,466,202	287,059	18,000	22,892	-	-	3,816,361
Foreign Banks	110,427	-	652,018	598,646	414,047	-	14,048	-	1,789,186
Participation Banks	108,468	-	-	-	-	-	-	-	108,468
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>32,428,401</b>	<b>-</b>	<b>19,475,207</b>	<b>75,776,098</b>	<b>8,496,623</b>	<b>7,051,858</b>	<b>12,911,104</b>	<b>5,433</b>	<b>156,144,724</b>

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**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:**

	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
<b>Saving Deposits</b>				
Saving Deposits <sup>(2)</sup>	52,356,589	45,578,354	25,598,381	22,285,192
Foreign Currency Saving Deposits <sup>(2)</sup>	19,394,479	16,414,992	23,644,817	16,534,145
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(1)</sup>	549,775	507,656	57,489	44,686
Deposits at Off-Shore Banking Regions' and under Foreign Authorities' Insurance	-	-	-	-

<sup>(1)</sup> In Bulgaria and Greece, since both real person and legal entity's saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 57,299 and TL 7,465 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2014: Bulgaria and Greece, TL 27,725 and TL 14,642, respectively).

<sup>(2)</sup> Related deposit balances do not include foreign branches.

Based on the Council of Minister's decree dated 29 December 2003 and numbered 2003/6668, TL 1,558 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş.

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of banks. As total of capital amount and interest expense accruals of saving deposits up to TL 100 attributable to a real person is covered by the insurance, TL 501,824 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 15 February 2013 and numbered 28560.

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

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

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**3) Amounts which are not covered by deposit insurance:**

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

	Current Period	Prior Period
Deposits and Other Accounts in Branches Abroad	52,302	51,132
Deposits of Ultimate Shareholders and Their Close Families	-	-
Deposits of Chairman and Members of the Board of Directors, General Manager, Assistant General Managers and Their Close Family Members	3,923	3,731
Deposits Obtained through Illegal Acts Defined in the 282 <sup>nd</sup> Article of the 5237 Numbered Turkish Criminal Code Dated 26 September 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	24,700	43,551	5,771	4,167
Swap Transactions	3,956	227,951	13,028	393,418
Futures Transactions	-	-	-	-
Options	3	21	7	6
Other	-	-	-	-
<b>Total</b>	<b>28,659</b>	<b>271,523</b>	<b>18,806</b>	<b>397,591</b>

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	269,760	1,001,940	319,412	678,240
Foreign Banks, Institutions and Funds	944,015	18,571,688	944,015	13,670,686
<b>Total</b>	<b>1,213,775</b>	<b>19,573,628</b>	<b>1,263,427</b>	<b>14,348,926</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	255,656	7,155,010	295,014	10,389,206
Medium and Long-Term	958,119	12,418,618	968,413	3,959,720
<b>Total</b>	<b>1,213,775</b>	<b>19,573,628</b>	<b>1,263,427</b>	<b>14,348,926</b>

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

61.53% of the Group's liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Group's liabilities are not subject to a significant concentration risk.

**d) Information on funds supplied from repurchase agreements:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Domestic Transactions</b>	<b>27,289,499</b>	-	<b>16,310,776</b>	-
Financial Institutions and Organizations	27,068,715	-	15,777,291	-
Other Institutions and Organizations	212,000	-	510,319	-
Real Person	8,784	-	23,166	-
<b>From Overseas Operations</b>	-	<b>14,744,813</b>	-	<b>15,470,300</b>
Financial Institutions and Organizations	-	14,744,813	-	15,470,300
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
<b>Total</b>	<b>27,289,499</b>	<b>14,744,813</b>	<b>16,310,776</b>	<b>15,470,300</b>

**e) Information on securities issued:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2,199,333	756,233	1,550,328	783,430
Treasury Bills	131,791	2,332,040	67,845	1,872,274
<b>Total</b>	<b>2,331,124</b>	<b>3,088,273</b>	<b>1,618,173</b>	<b>2,655,704</b>

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

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

**5. Information on finance lease payables (net):**

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

The Group has no liabilities from finance leases (31 December 2014: None).

**6. Information on derivative financial liabilities for hedging purposes:**

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

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**7. Explanations on provisions:**

**a) Information on general provisions:**

	Current Period	Prior Period
<b>General Provisions</b>	<b>2,925,818</b>	<b>2,363,069</b>
Allocated for Group-I Loans and Receivables	2,506,562	2,066,161
Additional Provision for Loans and Receivables with Extended Maturities	121,600	69,814
Allocated for Group-II Loans and Receivables	152,015	126,660
Additional Provision for Loans and Receivables with Extended Maturities	28,425	18,471
Allocated for Non-Cash Loans	164,752	118,974
Other	102,489	51,274

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

Foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables amount to TL 5,561 (31 December 2014: TL 2,071).

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

Specific provisions for unindemnified non-cash loans amount to TL 55,629. (31 December 2014: TL 58,774).

**d) Information on other provisions:**

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

These financial statements include a free provision which is not in accordance with BRSA Principles amounting to TL 1,240,400 (TL 79,600 of this provision amount was reversed from the income statement in the current year), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions. Moreover, the provision of TL 16,700 and other provision of TL 319 exist for cash transfers made by the Parent Bank officials.

	Current Period	Prior Period
Free Provisions for Possible Risks	1,257,419	1,334,053

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

Based on the information provided by the legal department, lawsuits against the Parent Bank over TL 100 amounts to TL 47,485. Full provision has been provided in these financial statements for law suits ended against the Bank but not finalized yet, amounting to TL 34,759.

Based on the decision of the Bank management, provision amounting to TL 88,600 is provided for the consumer loans followed under standard loan portfolio that also have amounts in the non-performing loan portfolio in compliance with the Act on Preservation of Consumers numbered 4077. The provision is made in accordance with the "Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions", published in Official Gazette numbered 26333, dated 1 November 2006 and considering the conservatism principle without taking into consideration the guarantees of these loans.

The Group also provided provisions amounting to TL 55,629 for unindemnified non-cash loans (31 December 2014: TL 58,774), TL 45,625 for other provisions (31 December 2014: TL 20,970). As a result of the provisions mentioned above, the other provision balance on the Group's balance sheet amounts to TL 1,482,032 (31 December 2014: TL 1,638,656).

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

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

The Group accounts for its vacation and retirement pay obligations in accordance with the TAS 19 "Employee Benefits". The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation. As of 31 December 2015, unpaid vacation liability amounted to TL 170,572 (31 December 2014: TL 151,677), and employment termination amounted to TL 689,727 (31 December 2014: TL 670,790) are presented under the "Employee Benefits Provision" in the financial statements.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
As of 1 January	666,464	567,043
Current Service Cost	46,701	55,424
Interest Cost	46,244	58,706
Severance Pay	(93,519)	(82,899)
Payment/Abating Benefits/Gain (Loss) in consequence of Layoff	(76)	(327)
Actuarial Gain (Loss)	17,455	68,517
<b>Balance at period end</b>	<b>683,269</b>	<b>666,464</b>

**2) Pension Rights**

The technical balance sheet reports which are prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9.80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2015 and 2014.

The liability related to Parent Bank's benefits to be transferred to SSI as of the balance sheet date is expected payment to be made to SSI during the transfer. Actuarial parameters and results used in calculation of this amount reflects the Act's, numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, principles related to pension and health benefits to be transferred to SSI (9.80% real discount rate, etc.).

According to related Actuary Report, the Fund's surplus is TL 2,284,502 as of 31 December 2015 (31 December 2014: TL 1,635,661)

	Current Period	Prior Period
Present value of funded obligations	911,002	513,661
- Pension benefits transferable to SSI	212,216	(8,029)
- Post employment medical benefits transferable to SSI	698,786	521,690
Fair value of plan assets	1,373,500	1,122,000
<b>Actuarial Surplus</b>	<b>2,284,502</b>	<b>1,635,661</b>

The principal actuarial assumptions used are as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9.80%	9.80%
- Post employment medical benefits transferable to SSI	9.80%	9.80%

To represent mortality rates both before and after retirement, CSO 1980 Female/Male mortality table is used.

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Plan assets are comprised as follows:

	Current Period	Prior Period
	Amount	Amount
Bank Placements	1,114,760	917,465
Property and Equipment	149,281	186,316
Marketable Securities	-	6,674
Other	109,459	11,545
<b>Total</b>	<b>1,373,500</b>	<b>1,122,000</b>

**8. Information on tax liability:**

**a) Information on current tax liability:**

**1) Information on tax provisions:**

As of 31 December 2015, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 416,922 (31 December 2014: TL 537,715).

**2) Information on current taxes payable:**

	Current Period	Prior Period
Corporate Tax Payable	416,922	537,715
Taxation on Income From Securities	202,372	156,017
Property Tax	2,237	1,847
Banking Insurance Transactions Tax (BITT)	117,824	89,053
Foreign Exchange Transactions Tax	28	20
Value Added Tax Payable	4,341	6,694
Other	59,961	54,673
<b>Total</b>	<b>803,685</b>	<b>846,019</b>

**3) Information on premiums:**

	Current Period	Prior Period
Social Security Premiums - Employee	239	206
Social Security Premiums - Employer	341	298
Bank Social Aid Pension Fund Premium - Employee	330	148
Bank Social Aid Pension Fund Premium - Employer	528	287
Pension Fund Membership Fees and Provisions - Employee	13	21
Pension Fund Membership Fees and Provisions - Employer	45	49
Unemployment Insurance - Employee	559	420
Unemployment Insurance - Employer	1,118	843
Other	-	-
<b>Total</b>	<b>3,173</b>	<b>2,272</b>

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**b) Information on deferred tax liabilities, if any:**

The Group's deferred tax liability, for the current term, amounts to TL 2,357 (31 December 2014: TL 2,941).

**9. Information on payables for assets held for sale and discontinued operations:**

The Group does not have any payables for assets held for sale and discontinued operations.

**10. Explanations on subordinated debts:**

The Group does not have any subordinated debts.

**11. Information on shareholders' equity:**

**a) Presentation on paid-in capital:**

	Current Period	Prior Period
Common Stock	5,000,000	2,500,000
Preferred Stock	-	-

**b) Paid-in capital amount, explanation whether the registered capital system is applicable by the bank, if so the registered capital ceiling amount:**

The Parent Bank does not have a registered capital system.

**c) Information on share capital increases and their sources; other information on increased capital shares in the current period:**

In accordance with the decision taken at the Extraordinary General Assembly, carried out on 11 February 2015, the paid-in capital of the bank which was TL 2,500,000 has been increased by TL 1,825,000 from internal sources, and TL 675,000 cash to TL 5,000,000 and the capital increase has been registered to Trade Registry Gazette No. 8761 dated 18 February 2015.

**d) Information on additions from capital reserves to capital in the current period:**

There is TL 543,482 capital reserves in the current period.

**e) Capital commitments in the last fiscal year and continue until the end of the following interim period, general purpose of these commitments and estimated resources required for these commitments:**

The Parent Bank has no capital commitments.

**f) Indicators of the Parent Bank's income, profitability and liquidity for the previous periods and possible effects of future assumptions based on the uncertainty of these indicators on the Bank's equity:**

In the current period, the Parent Bank follows its operations in line with the previous periods. The Parent Bank's balance sheet has been managed with precaution by being affected by the interest, rate of exchange and credit risks at the minimum level. This helps to reduce the effects of fluctuations in the market to the Parent Bank's performance and contributes to the profitability structure to be sustainable.

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**g) Information on preferred shares representing the capital:**

The Parent Bank has no preferred shares.

**h) Information on marketable securities value increase fund:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	342,182	61,381	202,072	214,546
Revaluation Difference	-	61,381	-	214,546
Foreign Exchange Difference	342,182	-	202,072	-
From Available for Sale Marketable Securities	(1,718,652)	809,922	728,357	696,418
Revaluation Difference	(1,618,036)	810,012	1,216,687	696,530
Deferred Tax Effect	275,247	(90)	(358,066)	(112)
Foreign Exchange Difference	(375,863)	-	(130,264)	-
<b>Total</b>	<b>(1,376,470)</b>	<b>871,303</b>	<b>930,429</b>	<b>910,964</b>

**III. EXPLANATIONS AND NOTES TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS**

**1. Information on off-balance sheet liabilities:**

**a) Nature and amount of irrevocable loan commitments:**

	Current Period	Prior Period
Payment Commitments for Cheques	3,079,630	2,737,380
Asset Purchase and Sale Commitments	1,848,592	4,525,137
Commitments for Credit Card Expenditure Limits	7,131,274	7,179,083
Loan Granting Commitments	3,007,694	2,361,448
Other Irrevocable Commitments	4,855,029	4,006,371
Commitments for Credit Cards and Banking Services Promotions	20,185	17,011
Tax and Fund Liabilities from Export Commitments	27	-
Share Capital Commitments to Associates and Subsidiaries	-	-
<b>Total</b>	<b>19,942,431</b>	<b>20,826,430</b>

**b) Nature and amount of possible losses and commitments arising from the off-balance sheet items including the below mentioned:**

The Parent Bank has no possible losses arising from the off-balance sheet items.

**1) Non-cash loans including guarantees, acceptances, financial guarantees and other letter of credits:**

	Current Period	Prior Period
Guarantee Letters	49,707,786	31,927,044
Bank Acceptances	6,957,456	5,626,361
Letter of Credits	4,194,107	3,586,279
Other Guarantees	31,525	28,096
<b>Total</b>	<b>60,890,874</b>	<b>41,167,780</b>

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### 2) Certain guarantees, temporary guarantees, surety ships and similar transactions:

	Current Period	Prior Period
Letters of Certain Guarantees	31,862,854	21,454,330
Letters of Advance Guarantees	13,052,987	7,792,444
Letters of Temporary Guarantees	2,754,448	1,671,705
Letters of Guarantees Given to Customs Offices	655,110	90,178
Other Letters of Guarantees	1,382,387	918,387
<b>Total</b>	<b>49,707,786</b>	<b>31,927,044</b>

### c) 1) Total non-cash loans:

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>1,054,138</b>	<b>934,212</b>
With Original Maturity of One Year or Less	84,954	92,058
With Original Maturity of More than One Year	969,184	842,154
<b>Other Non-Cash Loans</b>	<b>59,836,736</b>	<b>40,233,568</b>
<b>Total</b>	<b>60,890,874</b>	<b>41,167,780</b>

### 2) Information on sectoral risk concentrations of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	TL	(%)	TL	(%)	TL	(%)
Agricultural	38,976	0.20	23,711	0.06	25,231	0.18	30,930	0.11
Farming and Raising Livestock	154	0.01	-	-	181	-	-	-
Forestry	38,822	0.20	23,711	0.06	25,050	0.18	30,930	0.11
Fishing	-	-	-	-	-	-	-	-
Manufacturing	5,062,105	25.58	21,697,254	52.79	3,473,646	25.04	16,806,218	61.57
Mining and Quarrying	147,703	0.75	211,946	0.52	69,906	0.50	58,546	0.21
Production	3,215,109	16.25	19,399,630	47.20	2,356,142	16.99	14,300,479	52.39
Electric, Gas and Water	1,699,293	8.59	2,085,678	5.07	1,047,598	7.55	2,447,193	8.97
Construction	4,364,482	22.05	10,932,056	26.60	2,711,421	19.55	5,476,940	20.06
Services	9,218,292	46.58	6,328,226	15.40	6,933,112	49.98	3,366,739	12.33
Wholesale and Retail Trade	5,048,269	25.51	2,875,098	7.00	3,643,985	26.27	1,745,414	6.39
Hotel, Food and Beverage Services	111,654	0.56	176,718	0.43	69,376	0.50	147,753	0.54
Transportation and Telecommunication	844,375	4.27	1,717,099	4.18	614,638	4.43	600,766	2.20
Financial Institutions	2,166,818	10.95	374,183	0.91	1,901,946	13.71	275,628	1.01
Real Estate and Leasing Services	943,923	4.77	1,103,380	2.68	621,570	4.48	575,276	2.11
Self-employment Services	-	-	4,988	0.01	-	-	-	-
Education Services	52,607	0.27	18,500	0.05	35,371	0.25	16,098	0.06
Health and Social Services	50,646	0.26	58,260	0.14	46,226	0.33	5,804	0.02
Other	1,105,710	5.59	2,120,061	5.16	728,189	5.25	1,615,354	5.92
<b>Total</b>	<b>19,789,565</b>	<b>100.00</b>	<b>41,101,308</b>	<b>100.00</b>	<b>13,871,599</b>	<b>100.00</b>	<b>27,296,181</b>	<b>100.00</b>

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**3) Information on the non-cash loans classified under Group I and Group II:**

	Group I:		Group II:	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>19,646,060</b>	<b>40,867,677</b>	<b>143,505</b>	<b>233,632</b>
Letters of Guarantee	19,545,537	29,916,497	143,505	102,247
Bank Acceptances	12,965	4,176,000	-	5,142
Letters of Credit	87,558	6,775,180	-	94,718
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	-	-	31,525

**2. Explanations on derivative transactions:**

	Current Period	Prior Period
<b>Types of Trading Transactions</b>		
Foreign Currency Related Derivative Transactions: (I)	52,280,161	46,743,623
Forward Transactions	5,335,699	1,928,428
Swap Transactions	46,888,042	44,777,433
Futures Transactions	-	-
Option Transactions	56,420	37,762
Interest Related Derivative Transactions (II)	6,235,626	163,125
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	6,235,626	-
Interest Rate Options	-	163,125
Interest Rate Futures	-	-
Other Trading Derivative Transactions: (III)	-	-
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>58,515,787</b>	<b>46,906,748</b>
<b>Types of Hedging Derivative Transactions</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
<b>B. Total Hedging Derivative Transactions</b>	<b>-</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>58,515,787</b>	<b>46,906,748</b>

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The Parent Bank has no derivative instruments for hedging purposes. There are no unrealized transactions (those are estimated in the prior period and recognized based on this assumption however; it is clear that those transactions would not be realized) or expense and income from agreements in the income statement in the current period.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	55,826	13,237	31,571	296,163	-	396,797
- Inflow	21,376,770	853,321	1,705,788	2,402,600	-	26,338,479
- Outflow	(21,320,944)	(840,084)	(1,674,217)	(2,106,437)	-	(25,941,682)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	3,117,813	3,117,813
- Outflow	-	-	-	-	(3,117,813)	(3,117,813)
<b>Derivatives held for hedging</b>	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total inflow</b>	<b>21,376,770</b>	<b>853,321</b>	<b>1,705,788</b>	<b>2,402,600</b>	<b>3,117,813</b>	<b>29,456,292</b>
<b>Total outflow</b>	<b>(21,320,944)</b>	<b>(840,084)</b>	<b>(1,674,217)</b>	<b>(2,106,437)</b>	<b>(3,117,813)</b>	<b>(29,059,495)</b>
<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	(304,867)	(7,527)	29,128	168,757	-	(114,509)
- Inflow	19,804,582	1,065,654	875,001	1,569,320	-	23,314,557
- Outflow	(20,109,449)	(1,073,181)	(845,873)	(1,400,563)	-	(23,429,066)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Derivatives held for hedging</b>	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total inflow</b>	<b>19,804,582</b>	<b>1,065,654</b>	<b>875,001</b>	<b>1,569,320</b>	<b>-</b>	<b>23,314,557</b>
<b>Total outflow</b>	<b>(20,109,449)</b>	<b>(1,073,181)</b>	<b>(845,873)</b>	<b>(1,400,563)</b>	<b>-</b>	<b>(23,429,066)</b>

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### 3. Explanations on contingent assets and liabilities:

Provision is allocated for transactions with complete and accurate data that may have an effect on the financial structure of the Bank and otherwise, provision is provided based on the estimations.

Group's liability resulting from the cheques given to its customers amounts to TL 3,079,630 (31 December 2014: TL 2,737,380).

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

### 4. Explanations on services in the name of others:

The Parent Bank acts as an intermediary for purchases and sales of government securities on behalf of individuals and entities, conducts repo transactions, and provides custody services. The Parent Bank does not provide consultancy and management services.

## IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

### 1. a) Information on interest income from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Interest on Loans <sup>(1)</sup></b>	<b>14,653,128</b>	<b>2,260,303</b>	<b>11,412,637</b>	<b>1,488,181</b>
Short Term Loans	3,801,983	108,553	4,008,280	126,265
Medium and Long Term Loans	10,685,902	2,151,457	7,259,548	1,361,888
Interest on Non-Performing Loans	165,243	293	144,809	28
Premiums from Resource Utilization Support Fund	-	-	-	-

<sup>(1)</sup> Includes fees and commissions income on cash loans.

### b) Information on interest received from the banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	1,231	2,024	-	-
Domestic Banks	159,958	1,197	143,901	6,036
Foreign Banks	1,547	17,066	1,827	4,824
Head Office and Branches	-	-	-	510
<b>Total</b>	<b>162,736</b>	<b>20,287</b>	<b>145,728</b>	<b>11,370</b>

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### c) Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	1,299	252	1,760	643
Financial Assets at Fair Value through Profit and Loss	5,432	1,419	1,102	-
Financial Assets Available-for-Sale	3,951,477	495,713	3,984,610	352,415
Investments Held-to-Maturity	424,006	368,124	705,873	326,945
<b>Total</b>	<b>4,382,214</b>	<b>865,508</b>	<b>4,693,345</b>	<b>680,003</b>

### d) Information on interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	111	51

### 2. a) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks <sup>(1)</sup>	118,534	322,848	107,827	188,498
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	31,347	11,289	25,832	91
Foreign Banks	87,187	311,559	81,995	188,407
Head Office and Branches	-	-	-	-
Other Institutions	-	42	-	-
<b>Total</b>	<b>118,534</b>	<b>322,890</b>	<b>107,827</b>	<b>188,498</b>

<sup>(1)</sup> Includes fees and commissions expenses on cash loans.

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**b) Information on interest expenses given to subsidiaries and associates:**

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	2,974	6,756

**c) Information on interest given on securities issued:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	187,920	106,639	165,999	39,527

**d) 1) Maturity structure of the interest expense on deposits:**

Account Name	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 year		
TL								
Bank Deposit	-	386,837	-	-	-	-	-	386,837
Saving Deposit	-	183,189	4,438,588	312,235	66,830	46,129	2,087	5,049,058
Public Sector Deposit	149	285,590	419,967	70,822	299,618	1,854	-	1,078,000
Commercial Deposit	158	403,612	386,046	78,149	24,150	1,498	-	893,613
Other Deposit	8,665	100,134	309,321	43,925	55,921	25,475	-	543,441
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>8,972</b>	<b>1,359,362</b>	<b>5,553,922</b>	<b>505,131</b>	<b>446,519</b>	<b>74,956</b>	<b>2,087</b>	<b>7,950,949</b>
FC								
Foreign Currency Deposit	1,813	84,092	257,780	67,078	51,543	232,226	14	694,546
Bank Deposit	41,030	24	25	-	12,607	348	-	54,034
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	134	988	115	64	67	-	1,368
<b>Total</b>	<b>42,843</b>	<b>84,250</b>	<b>258,793</b>	<b>67,193</b>	<b>64,214</b>	<b>232,641</b>	<b>14</b>	<b>749,948</b>
<b>Grand Total</b>	<b>51,815</b>	<b>1,443,612</b>	<b>5,812,715</b>	<b>572,324</b>	<b>510,733</b>	<b>307,597</b>	<b>2,101</b>	<b>8,700,897</b>

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**3. Explanations on dividend income:**

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-Sale Financial Assets	2,188	2,284
Other <sup>(1)</sup>	4,231	8,519
<b>Total</b>	<b>6,419</b>	<b>10,803</b>

<sup>(1)</sup> Shows the Group's dividend income from equity investments, subsidiaries, associates and entities under common control.

**4. Information on trading profit/loss (net):**

	Current Period	Prior Period
<b>Profit</b>	<b>37,926,627</b>	<b>19,039,390</b>
Profit from the Capital Market Transactions	34,305,620	17,030,572
Profit on Derivative Financial Instruments	3,541,214	1,933,686
Foreign Exchange Gains	79,793	75,132
<b>Loss (-)</b>	<b>38,068,344</b>	<b>19,106,807</b>
Loss from the Capital Market Transactions	33,265,184	15,560,986
Loss on Derivative Financial Instruments	4,801,835	3,544,077
Foreign Exchange Loss	1,325	1,744

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**5. Information on profit/loss on derivative financial operations:**

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	152,933	(1,411,138)
Effect of the change in interest rates on profit/loss	(1,413,554)	(199,253)
<b>Total</b>	<b>(1,260,621)</b>	<b>(1,610,391)</b>

**6. Information on other operating income:**

**Information on factors covering the recent developments which has significant effect on the Parent Bank's income and the extent of effect on income:**

There are no significant matters covering the recent developments which have significant effect on the Parent Bank's income. Main component of the Bank's other operating income consists of reversals from prior period provisions amounting to TL 776,168 (31 December 2014: TL 503,456) and income from sales of assets amounting to TL 98,170 (31 December 2014: TL 79,886).

**7. a) Provision expenses for impairment on loans and other receivables:**

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables <sup>(1)</sup>	912,964	847,053
Group III Loans and Receivables	175,295	94,143
Group IV Loans and Receivables	414,706	514,202
Group V Loans and Receivables	322,963	238,708
General Provision Expenses <sup>(2)</sup>	552,669	363,312
Provision Expenses for the Possible Losses	7,350	271,600
Marketable Securities Impairment Expense	2,189	43
Financial Assets at Fair Value through Profit and Loss	33	-
Financial Assets Available for Sale	2,156	43
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	60	-
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Business Partners)	-	-
Investment Securities Held to Maturity	60	-
Other	72,009	101,817
<b>Total</b>	<b>1,547,271</b>	<b>1,583,825</b>

<sup>(1)</sup> The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL 545,644 are presented in other operating income (31 December 2014: TL 400,512).

<sup>(2)</sup> The relevant balances include the expenses related to the current period. The provision reversals within the period amounting to TL 553 are presented in other operating income.

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### 8. a) Information on other operating expenses:

	Current Period	Prior Period
Personnel Expenses	2,205,013	1,910,163
Reserve for Employee Termination Benefits	31,517	49,432
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	284,626	210,055
Intangible Assets Impairment Expense	1,177	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	48,734	54,720
Impairment Expense for Equity Shares Subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	2,619	2,156
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	1,261,941	901,544
Operational Leasing Expenses	191,479	147,548
Maintenance Expenses	87,416	68,072
Advertisement Expenses	113,716	60,303
Other Expenses	869,330	625,621
Loss on Sales of Assets	1,605	1,095
Other <sup>(1)</sup>	2,309,552	1,773,835
<b>Total</b>	<b>6,146,784</b>	<b>4,903,000</b>

<sup>(1)</sup> TL 405,201 of the relevant balance is Savings Deposit Insurance Fund expense accrual (31 December 2014: TL 323,833), TL 407,768 is taxes, fees and tolls expenses (31 December 2014: TL 320,741). TL 82,583 is T.R. Ministry of Customs and Trade, which consists of the amounts paid in penalty as a result of the audit conducted within the scope of Regulation numbered 6502 and Regulation abrogated numbered 4077.

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**9. Information on profit/ (loss) before tax from continuing and discontinuing operations:**

The Group does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	<b>Current Period</b>	<b>Prior Period</b>
Net Interest Income	11,025,129	8,970,599
Net Fees and Commissions Income	1,230,276	1,016,817
Dividend Income	6,419	10,803
Trading Income/Expense (Net)	(141,717)	(67,417)
Other Operating Income	2,433,906	1,859,767
Provision for Loan or Other Receivables Losses (-)	1,547,271	1,583,825
Other Operating Expenses (-)	6,146,784	4,903,000
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	28,025	20,825
<b>Profit/ (Loss) from Continuing Operations</b>	<b>6,887,983</b>	<b>5,324,569</b>

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**10. Information on tax provision for continuing and discontinuing operations**

As of 31 December 2015, TL 1,510,009 (31 December 2014 TL 1,214,156) of the Group's total tax provision expense amounting to TL 927,367 (31 December 2014: TL 1,716,676), consists of current tax expense while the remaining balances amounting to TL 582,642 (31 December 2014: TL 502,520 deferred tax income) consists of deferred tax expense.

**11. Explanation on net income/loss for the period for continued and discontinued operations:**

The Group's net operating income after tax amounts to TL 5,377,974 (31 December 2014: TL 4,110,413).

**12. Information on net profit/loss:**

**a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the Parent Bank in the current period:**

The Parent Bank, mainly utilizes its resources from domestic deposits on loans, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations and insurance agencies.

**b) The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:**

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period (31 December 2014: None).

**13. If other items in the income statement exceed 10% of the income statement total, sub-accounts constituting at least 20% of these items are shown below:**

	Current Period	Prior Period
Fees of Account Operations, Money Transfer and Other Commissions Income	542,849	480,162
Fees and Commission Income from Credit Cards	402,407	363,890
Commission Income from Insurances	228,281	193,174
Income from Expertise Fees	131,217	92,895
<b>Total</b>	<b>1,304,754</b>	<b>1,130,121</b>

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### V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

1. In accordance with the Turkish Accounting Standards, the disclosures on shareholders' equity are made accordingly in the order of financial statement items in this section:

#### a) Explanations on inflation adjustment differences for equity items:

As per the BRSA's Circular numbered 5 announced on 28 April 2005 it is stated that the indicators of hyperinflationary period are eliminated to a large extent, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 on 21 April 2005.

#### b) Explanations on profit distribution:

In accordance with the decision taken in the General Assembly of the year 2014 which was carried out on 27 March 2015, from TL 4,050,509 net profit after the deduction of deferred tax income amounting to TL 503,358, which is not subject to distribution, the remaining TL 3,547,151 of the profit for the year 2014, TL 177,358 is transferred to first legal reserve and TL 18,500 is transferred to second legal reserve. TL 185,000 is distributed as dividend to employees and TL 106,250 is distributed to Treasury after deducting withholding tax of 15% (TL 18,750) in cash. In this context, TL 3,041,293 of the profit is preserved; dividend payment made to Treasury on 15 April 2015, and within the framework of the dividend to be distributed to employees, at total TL 166,086 is paid. The remaining TL 18,914 from the dividends distributed to the personnel as of 31 December 2015 was transferred to the "profit reserves".

The Parent Bank is planning to distribute its 2015 profit in accordance with its articles of association. However, as of the report date, there is no decision taken regarding the profit distribution.

#### c) Explanations on available for sale financial assets:

Available for sale financial assets are not included in the current income statement, until their collections, disposals, sales or losses are realized and those assets are recognized under the "Marketable Securities Revaluation Fund" under equity. In accordance with TAS 39 and due to the change in the Parent Bank's intention to hold the previously classified as available for sale securities to maturity the Parent Bank has reclassified the securities under available for sale portfolio to held to maturity portfolio. The valuation differences of these securities is presented under shareholders' equity as a "Marketable Securities Valuation Differences" and transferred to profit/loss with subject to redemption with proportional to the maturity of security.

Subsidiaries and jointly controlled entities domiciled and operating abroad are followed by their fair values. For such subsidiaries and entities under common control, the fair value is determined with revaluation report prepared by independent valuation firm and revaluation differences are recognized under "Marketable Securities Revaluation Fund" under equity.

#### d) Profit Reserves:

As of the balance sheet date, profit reserves amount to TL 18,146,025, legal reserves amount to TL 3,061,444, profit reserves amount to TL 13,659,246 and other profit reserves amount to TL 1,425,335.

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### VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

#### 1. Explanations about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:

“Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 6,323,398 is composed mainly from interest received from loans and securities amounting to TL 21,545,770 and interest paid to deposit and money market operations which is amounting to TL 9,551,706. Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 589,946 as of 31 December 2015 (31 December 2014: TL 89,113).

Cash in TL, cash in foreign currency, Central Bank of the Republic of Turkey, money in transit, bank cheques purchased and cash on money market operations are defined as “cash”; interbank money transactions placements having maturities less than three months, and time deposits in banks are defined as “cash equivalents”.

#### Period opening and end cash and cash equivalents balance:

Period Opening	Current Period	Prior Period
Cash in TL and in Foreign Currency	1,869,429	1,821,663
Central Bank of the Republic of Turkey and Other Banks	4,524,233	6,348,809
Money Market Operations	51,529	53,272
<b>Total Cash and Cash Equivalents</b>	<b>6,445,191</b>	<b>8,223,744</b>

Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	2,577,170	1,869,429
Central Bank of the Republic of Turkey and Other Banks	6,424,794	4,524,233
Money Market Operations	116,173	51,529
<b>Total Cash and Cash Equivalents</b>	<b>9,118,137</b>	<b>6,445,191</b>

### VII. EXPLANATIONS AND NOTES TO THE RISK GROUP OF THE PARENT BANK

#### 1) Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

##### a) Current Period:

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	8,558	-	-	-	-	-
Closing Balance	25,125	-	-	-	-	-
<b>Interest and Commissions Income</b>	<b>111</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> The cash loans balance includes the investments to associates, subsidiaries and entities under common control.

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**b) Prior Period:**

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Cash <sup>(2)</sup>	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	-	-	-	-	-	-
Closing Balance	8,558	-	-	-	-	-
Interest and Commissions Income <sup>(2)</sup>	51	-	-	-	-	-

<sup>(1)</sup> The cash loans balance includes the investments to associates, subsidiaries and entities under common control.

<sup>(2)</sup> Prior period's interest and commissions income shows the amount at 31 December 2014.

**c) 1) Deposits held by the Parent Bank's risk group:**

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Opening Balance	261,835	168,049	-	-	-	-
Closing Balance	38,385	261,835	-	-	-	-
Interest Expense on Deposits	2,974	6,756	-	-	-	-

<sup>(1)</sup> The prior period balance of the accrued interest expense of the deposit is the balance as of 31 December 2014.

**2) Information on forward transactions, option agreements and similar transactions between the Parent Bank's risk group:**

None (31 December 2014: None.).

**3) Information about fees paid to the Group's key management:**

Fees paid to the Group's key management amount to TL 28,787 (31 December 2014: TL 30,418).

## Notes to the Consolidated Financial Statements at 31 December 2015

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

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### VIII. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

### IX. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR AFFILIATES AND FOREIGN REPRESENTATIVES OF THE PARENT BANK

#### 1) Information on the Parent Bank's domestic and foreign branches and foreign representatives of the Bank:

	Number	Number of Employees	Country of Incorporation	Total Assets	Statutory Share Capital
Domestic Branch <sup>(1)</sup>	1,786	25,618			
Foreign Representative Office <sup>(2)</sup>	1	-	1- Iran		
Foreign Branch <sup>(2)</sup>	1	2	1- USA	3,741,401	339,897
	1	2	2- England	2,784,343	153,224
	4	2	3- Bulgaria	167,909	44,882
	2	5	4- Georgia	94,219	18,358
	2	8	5- Iraq	239,586	40,510
	4	3	6- Greece	343,462	104,033
	1	2	7- Saudi Arabia	82,791	43,404
	1	-	8- Kosovo	35,816	31,525
	10	36	9- T.R. of Northern Cyprus	1,133,393	113,571
Off-Shore Banking Region Branches	-	-	-	-	-

<sup>(1)</sup> Includes the employees of the domestic branches, including the employees of head office and regional management.

<sup>(2)</sup> Excluding the local employees of the foreign branches.

#### 2) Information on the Parent Bank about opening, closing, changing its organization considerably for domestic and foreign branches and foreign representatives of the Parent Bank:

In the Parent Bank, 112 new branches were opened, 8 branches were closed within 2015 in Turkey. On the other side, Pristina branch in Kosovo has started to its operations in 8 June 2015 in abroad.

## Notes to the Consolidated Financial Statements at 31 December 2015

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

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### SECTION SIX

#### OTHER EXPLANATIONS AND NOTES

#### I. INFORMATION ON THE PARENT BANK'S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL CREDIT RATING AGENCIES

Information on the assessment done by the international rating agencies Moody's Investor Services, Fitch Ratings and JCR Eurasia are as follows:

##### Moody's Investor Services: September 2015

<b>Long term Foreign Currency Deposit</b>	Baa3
Outlook	Negative
<b>Short term Foreign Currency Deposit</b>	P-3
<b>Long term Turkish Liras Deposit</b>	Baa3
Outlook	Negative
<b>Short term Turkish Liras Deposit</b>	P-3
Basic Credit Note	ba1
Adjusted Basic Credit Note	ba1

##### Fitch Ratings: October 2015

<b>Foreign Currency Commitments</b>	
Long Term	BBB-
Short Term	F3
Outlook	Stable
<b>Local Currency Commitments</b>	
Long Term	BBB
Short Term	F3
Outlook	Stable
National	AAA (tur)
Outlook	Stable
<b>Viability Rating</b>	bbb-
<b>Support Rating</b>	2

##### JCR Eurasia: November 2015

<b>Foreign Currency Commitments</b>	
Long Term	BBB-
Short Term	A-3
Outlook	Stable
<b>Local Currency Commitments</b>	
Long Term	BBB-
Short Term	A-3
Outlook	Stable
National	AAA (trk)
Outlook	Stable
<b>Support rating</b>	1
<b>Independence from partnership rate</b>	A

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## **Notes to the Consolidated Financial Statements at 31 December 2015**

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### **II. OTHER EXPLANATIONS ON THE GROUP'S OPERATIONS**

None.

### **SECTION SEVEN**

#### **EXPLANATIONS ON THE INDEPENDENT AUDITOR'S REPORT**

##### **I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT**

As of 31 December 2015, consolidated financial statements and explanatory notes of the Bank disclosed herein were audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Independent Auditor's Report dated 10 February 2016 is presented preceding the financial statements.

##### **II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS**

None.

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