

ZİRAAT KATILIM BANKASI A.Ş.

**PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS
TOGETHER WITH REVIEW REPORT
FOR THE PERIOD 1 JANUARY - 30 JUNE 2016**

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



AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor's review report originally issued in Turkish, See Note I of Section Three)

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

Introduction

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

Scope of Review

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



Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the financial position of Ziraat Katılım Bankası A.Ş. at 30 June 2016 and of the results of its operations and its cash flows for the six-month-period then ended in all aspects in accordance with the BRSA Accounting and Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional Paragraph for Convenience Translation:

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

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

Haluk Yalçın, SMMM
Partner

Istanbul, 9 August 2016

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

**THE CONSOLIDATED INTERIM FINANCIAL REVIEW REPORT OF
ZİRAAT KATILIM BANKASI A.Ş. AS OF 30 June 2016**

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi
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The consolidated financial report for six months includes the following sections in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- EXPLANATIONS ON REVIEW REPORT
- INTERIM PERIOD ANNUAL REPORT

Subsidiaries financial statements have been consolidated in this annual consolidated financial report are as follows;

SUBSIDAIRIES

ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

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

Hüseyin AYDIN
Chairman of the Board

Osman ARSLAN
Member of the Board,
CEO

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

Metin ÖZDEMİR
Member of the Board,
Member of the Audit Committee

HAKAN AYDOĞAN
Financial Coordination and
Human Resources Deputy
General Manager

Osman ÇETİNER
Vice President
of Financial Reporting

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

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

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

**ZİRAAT KATILIM BANKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 30 JUNE 2016**

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

SECTION ONE

GENERAL INFORMATION ABOUT THE GROUP

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

Ziraat Katılım Bank is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 November 2014 which was published in the Official Gazette numbered as 29146 at 15 November 2014 with a capital of TL 675,000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 14 May 2015. The Bank has begun its operations by opening its first branch in 29 May 2015. Governance body of the bank is in Istanbul.

Main operation field of the Bank is gathering funds by the accounts named as “Private Current Accounts” and “Participation Accounts to Profit and Loss” from domestic and abroad additional to its own capital and lending these funds to the economy, carrying up every kind of financing operations within the scope of legal legislation, promoting investment operations of real and corporate bodies that are making agricultural, industrial and commercial operations, participating in these operations, making up joint ventures and carrying out all these services and operations within the scope of participation banking fundamentals.

The Bank can carry out every kind of banking, economic, trade and financial operation within the limits of permissions given by the Banking Regulation and Supervision Agency (“BRSA”) within the scope of Participation Banking fundamentals.

II. SHAREHOLDING STRUCTURE, SHAREHOLDERS JOINTLY OR INDIVIDUALLY HAVING DIRECT OR INDIRECT, CONTROL OVER THE MANAGEMENT AND SUPERVISION OF THE PARENT BANK AND THE DISCLOSURES ON ANY RELATED CHANGES IN THE CURRENT PERIOD, IF ANY AND INFORMATION ABOUT THE GROUP THAT THE PARENT BANK BELONGS TO:

As of 30 June 2016, Bank’s capital of TL 747,000 is divided into 747,000,000 shares in which one share is valued as TL 1. 746,999,996 shares of total belongs to T.C. Ziraat Bankası, one share belongs to Ziraat Sigorta A.Ş., one share belongs to Ziraat Hayat ve Emeklilik A.Ş., one share belongs to Ziraat Teknoloji A.Ş. and one share belongs to Ziraat Yatırım Menkul Kıymetler A.Ş.

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**ZİRAAT KATILIM BANKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 30 JUNE 2016**

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

GENERAL INFORMATION ABOUT THE BANK (Continued)

III. EXPLANATIONS ON THE TITLES OF CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, GENERAL MANAGERS AND ASSISTANT GENERAL MANAGERS AND THEIR SHAREHOLDINGS IN THE PARENT BANK:

Name	Title
Board of Directors	
Hüseyin AYDIN	Chairman
Osman ARSLAN	General Manager and Member of the BOD
Yusuf DAĞCAN	Executive Vice President and Member of the BOD
Cemalettin BAŞLI	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Salim ALKAN	Member
Member of Audit Committee	
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Assistant General Manager(*)	
Hakan AYDOĞAN	Financial Coordination and Human Resources
Dr. Raci KAYA	Marketing
Mustafa AKIN	Treasury and International Banking
Tahir DEMİRKIRAN (*)	Loan Allocation and Management

(*)With the decision of the Board of the Directors, numbered as 1/5 at 12 January 2016, Tahir DEMİRKIRAN was transferred to “Loan Allocation and Administration Deputy General Manager”.

Chairman and members of the Board of Directors have no Bank’s share capital.

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

Name / Trade Name	Share Amount (Nominal)	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C.Ziraat Bankası A.Ş.	746,999,996	99.9999996	746,999,996	-
Ziraat Sigorta A.Ş.	1	0.0000001	1	-
Ziraat Hayat ve Emeklilik A.Ş.	1	0.0000001	1	-
Ziraat Teknoloji A.Ş.	1	0.0000001	1	-
Ziraat Yatırım Menkul Değerler A.Ş.	1	0.0000001	1	-
Total	747,000,000	100.00	747,000,000	

As of 30 June 2016, the sole shareholder of the Bank is the Undersecretariat of Treasury.

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

**ZİRAAT KATILIM BANKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 30 JUNE 2016**

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

GENERAL INFORMATION ABOUT THE GROUP (Continued)

V. EXPLANATIONS OF THE PARENT BANK'S SERVICES AND FIELD OF OPERATIONS:

Operation field of Parent Bank is declared in the prime contract within the scope of Banking Law and other legislation codes. The Parent Bank performs every operation of participation banking such as gathering funds by private current accounts and participation accounts, giving every kind of cash and non-cash credits, making cash and non-cash payments and doing fund transfer operations, making every kind of payment and collection operations included correspondent banking and using cheque accounts, performing operations of every cheque and bill of exchange, participating in every capital market operations and carrying out those operations, buying, selling, transferring, endorsing every kind of investment instruments in the name of its customers or itself, primarily shares that are treated in domestic or abroad stock exchanges or capital markets, investment funds or goods exchanges, establishing and operating investment funds, portfolio management, operating in other capital markets and stock exchanges which are allowed by the Legal Code, operating in social fields under participation banking principles for the good of society in the limits of the Legal Code, making other operations which are determined by Banking Regulation and Supervision Agency.

The Parent Bank sorts out private current accounts and participation accounts discretely from other accounts in its account records. Participation accounts are opened in 5 maturity groups as maturity to one month, maturity to three months (three months included), maturity to six months (six months included), maturity to one year (one year included) and maturity to one year or more (with dividend payment of one month, three months, six months and annually). Bank can determine the rates of participating in profit and loss by operating participation accounts discretely as of currency type, amount and maturity groups but participation rate to loss can not be less than 50% of participation rate to profit.

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

As of 30 June 2016, Group operates with 605 workers.

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

There is no difference for Ziraat Katılım Bank from consolidated financial statements of Banks and Turkish Accounting standards. Bank's subsidiary Ziraat Katılım Varlık Kiralama A.Ş. is consolidated within the scope of full consolidation.

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

None.

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

**ZİRAAT KATILIM BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 30 JUNE 2016**

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

**SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS**

I.	CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	Reviewed		
			Current Period (30/06/2016)		
			TL	FC	Total
ASSETS					
I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)		140,046	410,005	550,051
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)		20	1,833	1,853
2.1 Financial Assets Held for Trading			20	1,833	1,853
2.1.1 Public Sector Debt Securities			-	-	-
2.1.2 Securities Representing a Share in Capital			-	-	-
2.1.3 Derivative Financial Assets Held for Trading			20	1,833	1,853
2.1.4 Other Marketable Securities			-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss			-	-	-
2.2.1 Public Sector Debt Securities			-	-	-
2.2.2 Securities Representing a Share in Capital			-	-	-
2.2.3 Loans			-	-	-
2.2.4 Other Marketable Securities			-	-	-
III. BANKS	(3)		1,398	297,724	299,122
IV. MONEY MARKET PLACEMENTS			-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)		210,038	6,037	216,075
5.1 Securities Representing a Share in Capital			4,719	-	4,719
5.2 Public Sector Debt Securities			-	-	-
5.3 Other Marketable Securities			205,319	6,037	211,356
VI. LOANS AND RECEIVABLES	(5)		3,068,286	568,494	3,636,780
6.1 Loans and receivables			3,068,284	568,494	3,636,778
6.1.1 Loans to Risk Group of the Bank			-	100,977	100,977
6.1.2 Public sector debt securities			-	-	-
6.1.3 Other			3,068,284	467,517	3,535,801
6.2 Non-performing loans			3	-	3
6.3 Specific provisions (-)			1	-	1
VII. INVESTMENTS HELD TO MATURITY (Net)	(6)		7,685	-	7,685
VIII. INVESTMENTS IN ASSOCIATES (Net)	(7)		-	-	-
8.1 Accounted with Equity Method			-	-	-
8.2 consolidated Associates			-	-	-
8.2.1 Financial investments			-	-	-
8.2.2 Non-financial investments			-	-	-
IX. INVESTMENTS IN SUBSIDIARIES (Net)	(8)		-	-	-
9.1 Unconsolidated financial subsidiaries			-	-	-
9.2 Unconsolidated non-financial subsidiaries			-	-	-
X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)		-	-	-
10.1 Consolidated under equity method			-	-	-
10.2 Unconsolidated			-	-	-
10.2.1 Financial subsidiaries			-	-	-
10.2.2 Non-financial subsidiaries			-	-	-
XI. RECEIVABLES FROM LEASING TRANSACTIONS	(10)		45,941	-	45,941
11.1 Finance Lease Receivables			56,718	-	56,718
11.2 Operating Lease Receivables			-	-	-
11.3 Other			-	-	-
11.4 Unearned Income (-)			10,777	-	10,777
XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSE	(11)		-	-	-
12.1 Fair Value Hedges			-	-	-
12.2 Cash Flow Hedges			-	-	-
12.3 Hedges for Investments Made in Foreign Countries			-	-	-
XIII. TANGIBLE ASSETS (Net)	(14)		42,059	-	42,059
XIV. INTANGIBLE ASSETS (Net)			21,470	-	21,470
14.1 Goodwill			-	-	-
14.2 Other			21,470	-	21,470
XV. REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)		-	-	-
XVI. TAX ASSET			1,504	-	1,504
16.1 Current Tax Asset			-	-	-
16.2 Deferred Tax Asset			1,504	-	1,504
XVII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)		-	-	-
17.1 Held for Sale			-	-	-
17.2 Held from Discontinued Operations			-	-	-
XVIII. OTHER ASSETS			28,218	39	28,257
TOTAL ASSETS			3,566,665	1,284,132	4,850,797

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

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

**ZİRAAT KATILIM BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 30 JUNE 2016**

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

I.	CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	Reviewed		
			Current Period (30/06/2016)		
			TL	FC	Total
	LIABILITIES AND EQUITY				
I.	FUND COLLECTED	(1)	1,615,974	1,136,957	2,752,931
1.1	Fund Collected Held By the Risk Group of the Bank		372	51	423
1.2	Other		1,615,602	1,136,906	2,752,508
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	-	-	-
III.	FUNDS BORROWED	(3)	50,007	1,023,782	1,073,789
IV.	MONEY MARKET BALANCES		86,650	-	86,650
V.	MARKETABLE SECURITIES ISSUED (Net)		101,270	-	101,270
VI.	MISCELLANEOUS PAYABLES		7,974	2,965	10,939
VII.	OTHER LIABILITIES	(4)	37,527	4,486	42,013
VIII.	FINANCE LEASE PAYABLES	(5)	-	-	-
8.1	Finance Lease Payables		-	-	-
8.2	Operating Lease Payables		-	-	-
8.3	Other		-	-	-
8.4	Deferred Finance Lease Expenses (-)		-	-	-
IX.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(6)	-	-	-
9.1	Fair Value Hedges		-	-	-
9.2	Cash Flow Hedges		-	-	-
9.3	Hedges for Investments Made in Foreign Countries		-	-	-
X.	PROVISIONS	(7)	38,267	680	38,947
10.1	General Provisions		32,720	-	32,720
10.2	Restructuring Provisions		-	-	-
10.3	Employee Benefits Provisions		1,195	-	1,195
10.4	Insurance Technical Reserves (Net)		-	-	-
10.5	Other Provisions		4,352	680	5,032
XI.	TAX LIABILITY	(8)	4,171	-	4,171
11.1	Current Tax Liability		4,171	-	4,171
11.2	Deferred Tax Liability		-	-	-
XII.	LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(9)	-	-	-
12.1	Held for Sale		-	-	-
12.2	Held from Discontinued Operations		-	-	-
XIII.	SUBORDINATED LOANS	(10)	-	-	-
XIV.	SHAREHOLDERS' EQUITY	(11)	740,061	26	740,087
14.1	Paid-in Capital		747,000	-	747,000
14.2	Capital Reserves		2,574	26	2,600
14.2.1	Share Premium		-	-	-
14.2.2	Share Cancellation Profits		-	-	-
14.2.3	Marketable Securities Valuation Differences		2,574	26	2,600
14.2.4	Tangible Assets Revaluation Reserves		-	-	-
14.2.5	Intangible Assets Revaluation Reserves		-	-	-
14.2.6	Revaluation Reserves of Real Estates for Investment Purpose		-	-	-
14.2.7	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-
14.2.8	Hedging Funds (Effective Portion)		-	-	-
14.2.9	Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-
14.2.10	Other Capital Reserves		-	-	-
14.3	Profit Reserves		-	-	-
14.3.1	Legal Reserves		-	-	-
14.3.2	Statutory Reserves		-	-	-
14.3.3	Extraordinary Reserves		-	-	-
14.3.4	Other Profit Reserves		-	-	-
14.4	Profit or Loss		(9,513)	-	(9,513)
14.4.1	Prior Years Profit/Loss		(11,982)	-	(11,982)
14.4.2	Net Period Profit/Loss		2,469	-	2,469
	TOTAL LIABILITIES AND EQUITY		2,681,901	2,168,896	4,850,797

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

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

**ZİRAAT KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS OF 30 JUNE 2016**

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

II.	CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Reviewed		
			Current Period (30/06/2016)		
			TL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		1,011,802	1,441,133	2,452,935
I.	GUARANTEES AND WARRANTIES	(1)	907,611	1,154,127	2,061,738
1.1	Letters of Guarantee		905,190	747,711	1,652,901
1.1.1	Guarantees Subject to State Tender Law		4,919	491,211	496,130
1.1.2	Guarantees Given for Foreign Trade Operations		797,852		797,852
1.1.3	Other Letters of Guarantee		102,419	256,500	358,919
1.2	Bank Acceptances			133	133
1.2.1	Import Letter of Acceptance			133	133
1.2.2	Other Bank Acceptances				-
1.3	Letters of Credit			114,991	114,991
1.3.1	Documentary Letters of Credit			114,991	114,991
1.3.2	Other Letters of Credit				-
1.4	Prefinancing Given as Guarantee				-
1.5	Endorsements				-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey				-
1.5.2	Other Endorsements				-
1.6	Other Guarantees		2,250	279,712	281,962
1.7	Other Collaterals		171	11,580	11,751
II.	COMMITMENTS	(1)	104,191	156,861	261,052
2.1	Irrevocable Commitments		104,191	156,861	261,052
2.1.1	Forward asset purchase commitments		85,506	156,861	242,367
2.1.2	Share Capital Commitments to Associates and Subsidiaries				-
2.1.3	Loan Granting Commitments				-
2.1.4	Securities Issue Brokerage Commitments				-
2.1.5	Commitments for Reserve Deposit Requirements				-
2.1.6	Payment commitment for checks		18,546		18,546
2.1.7	Tax and Fund Liabilities from Export Commitments		139		139
2.1.8	Commitments for Credit Card Limits				-
2.1.9	Commitments for Credit Cards and Banking Services Promotions				-
2.1.10	Receivables from Short Sale Commitments of Marketable Securities				-
2.1.11	Payables for Short Sale Commitments of Marketable Securities				-
2.1.12	Other Irrevocable Commitments				-
2.2	Revocable Commitments				-
2.2.1	Revocable Loan Granting Commitments				-
2.2.2	Other Revocable Commitments				-
III.	DERIVATIVE FINANCIAL INSTRUMENTS			130,145	130,145
3.1	Derivative financial instruments for hedging purposes				-
3.1.1	Fair value hedge				-
3.1.2	Cash flow hedge				-
3.1.3	Hedge of net investment in foreign operations				-
3.2	Held for trading transactions			130,145	130,145
3.2.1	Forward Foreign Currency Buy/Sell Transactions			130,145	130,145
3.2.1.1	Forward Foreign Currency Transactions-Buy			65,989	65,989
3.2.1.2	Forward Foreign Currency Transactions-Sell			64,156	64,156
3.2.2	Other Forward Buy/Sell Transaction				-
3.3	Other				-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		3,368,560	285,792	3,654,352
IV.	ITEMS HELD IN CUSTODY		144,321	101,328	245,649
4.1	Customer Fund and Portfolio Balances				-
4.2	Investment Securities Held in Custody				-
4.3	Checks Received for Collection		136,281	2,626	138,907
4.4	Commercial Notes Received for Collection		8,040	221	8,261
4.5	Other Assets Received for Collection				-
4.6	Assets Received for Public Offering				-
4.7	Other Items Under Custody			94,665	94,665
4.8	Custodians			3,816	3,816
V.	PLEDGES RECEIVED		3,224,239	184,464	3,408,703
5.1	Marketable Securities		3,425		3,425
5.2	Guarantee Notes		468,146	15,312	483,458
5.3	Commodity		236,629		236,629
5.4	Warranty				-
5.5	Properties		2,478,925		2,478,925
5.6	Other Pledged Items		37,111	169,152	206,266
5.7	Pledged Items-Depository				-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES				-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			4,380,362	1,726,925	6,107,287

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

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

**ZİRAAT KATILIM BANKASI A.Ş.
CONSOLIDATED INCOME STATEMENT FOR THE PERIOD
OF 1 JANUARY - 30 JUNE 2016**

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

III. CONSOLIDATED INCOME STATEMENT		
INCOME AND EXPENSE ITEMS	Note (Section Five IV)	Reviewed
		Current Period 01/01-30/06/2016
I. PROFIT SHARE INCOME	(1)	134,855
1.1 Profit share on loans		123,859
1.2 Profit share on reserve deposits		1,481
1.3 Profit share on banks		353
1.4 Profit share on money market placements		-
1.5 Profit share on marketable securities portfolio		8,257
1.5.1 Held-for-trading financial assets		-
1.5.2 Financial assets at fair value through profit and loss		-
1.5.3 Available-for-sale financial assets		8,072
1.5.4 Investments held-to-maturity		185
1.6 Finance lease income		903
1.7 Other profit share income		2
II. PROFIT SHARE EXPENSE	(2)	54,998
2.1 Expense on profit sharing accounts		43,349
2.2 Profit share expense on funds borrowed		9,468
2.3 Profit share expense on money market borrowings		2,181
2.4 Expense on securities issued		-
2.5 Other profit share expense		-
III. NET PROFIT SHARE INCOME (I - II)		79,857
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		4,892
4.1 Fees and commissions received		6,894
4.1.1 Non-cash loans		4,514
4.1.2 Other		2,380
4.2 Fees and commissions paid		2,002
4.2.1 Non-cash loans		-
4.2.2 Other		2,002
V. DIVIDEND INCOME		-
VI. NET TRADING INCOME	(3)	3,134
6.1 Capital market transaction gains / (losses)		-
6.2 Gains/ (losses) from derivative financial instruments		2,612
6.3 Foreign exchange gains / (losses)		522
VII. OTHER OPERATING INCOME	(4)	1,264
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		89,147
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(5)	22,985
X. OTHER OPERATING EXPENSES (-)	(6)	61,277
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		4,885
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-
XIII. GAIN / (LOSS) ON EQUITY METHOD		-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-
XV. PROFIT/(LOSS) BEFORE TAXES FROM CONTINUED OPERATIONS (XI+...+XIV)	(8)	4,885
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (-)	(9)	(2,416)
16.1 Current Tax Provision		(4,501)
16.2 Deferred Tax Provision		2,085
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	2,469
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-
18.1 Income on assets held for sale		-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-
18.3 Income on other discontinued operations		-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-
19.1 Loss from assets held for sale		-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-
19.3 Loss from other discontinued operations		-
XX. PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-
XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-
21.1 Current tax provision		-
21.2 Deferred tax provision		-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)	2,469
Earnings per share income/loss (full TL)		

The accompanying notes are an integral part of these financial statements.

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

**ZİRAAT KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY FOR THE PERIOD OF 1 JANUARY - 30 JUNE 2016**

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

IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY	
Consolidated Statement of income and expenses accounted under equity	Current Period 01/01 - 30/06/2016
I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FOR AVAILABLE SALE FINANCIAL ASSETS	1,360
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-
VII. THE EFFECT OF CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	-
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(272)
X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	1,088
XI. PROFIT/LOSS	-
11.1 Change in fair value of marketable securities (transfer to profit/loss)	-
11.2 Reclassification of derivatives accounted for cash flow hedge purposes to income statement	-
11.3 Reclassification of hedge of net investments in foreign operations to income statement	-
11.4 Other	-
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	1,088

The accompanying notes are an integral part of these financial statements.

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE PERIOD OF 1 JANUARY - 30 JUNE 2016

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

V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																		
	Reviewed Current Period	Note (Section Five)	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits ¹	Legal reserves	Statutory reserves	Extraordi reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves ¹	Asset held for sale and disc.op. valuation fund.	Total Equity
	30 June 2016																	
I.	Balances at beginning of the period		675,000	-	-	-	-	-	-	-	-	(11,982)	1,512	-	-	-	-	664,530
	Changes During the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	1,088	-	-	-	-	1,088
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 (Joint vent.)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72,000
12.1	Cash		72,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72,000
12.2	From Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-	-	-	-	2,469	-	-	-	-	-	-	2,469
XVIII.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)		747,000	-	-	-	-	-	-	-	2,469	(11,982)	2,600	-	-	-	-	740,087

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

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

**ZİRAAT KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD
OF 1 JANUARY - 30 JUNE 2016**

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS		Reviewed
	Note (Section Five)	Current Period 01/01-30/06/2016
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		11,768
1.1.1 Profit share income received		104,980
1.1.2 Profit share expense paid		(45,587)
1.1.3 Dividend received		-
1.1.4 Fees and commissions received		6,894
1.1.5 Other income		5,414
1.1.6 Collections from previously written off loans		-
1.1.7 Payments to personnel and service suppliers		(30,645)
1.1.8 Taxes paid		(3,227)
1.1.9 Others		(26,061)
1.2 Changes in operating assets and liabilities		399,816
1.2.1 Net (increase)/decrease in held for trading financial assets		-
1.2.2 Net (increase) decrease in fair value through profit/loss financial assets		-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(264,516)
1.2.4 Net (increase) decrease in loans		(1,954,683)
1.2.5 Net (increase) decrease in other assets		(18,564)
1.2.6 Net increase (decrease) in bank deposits		-
1.2.7 Net increase (decrease) in other deposits		1,491,270
1.2.8 Net increase (decrease) in funds borrowed		1,007,156
1.2.9 Net increase (decrease) in due payables		-
1.2.10 Net increase (decrease) in other liabilities		139,153
I. Net cash provided from banking operations		411,584
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities		(105,345)
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries		(50)
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-
2.3 Fixed assets purchases		(7,791)
2.4 Fixed assets sales		-
2.5 Cash paid for purchase of financial assets available for sale		(88,256)
2.6 Cash obtained from sale of financial assets available for sale		-
2.7 Cash paid for purchase of investment securities		(7,685)
2.8 Cash obtained from sale of investment securities		-
2.9 Other		(1,563)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from financing activities		-
3.1 Cash obtained from funds borrowed and securities issued		-
3.2 Cash used for repayment of funds borrowed and securities issued		-
3.3 Marketable Securities Issued		-
3.4 Dividends paid		-
3.5 Payments for finance leases		-
3.6 Other		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		(2,136)
V. Net increase (decrease) in cash and cash equivalents (I + II + III + IV)		304,103
VI. Cash and cash equivalents at the beginning of the period		145,137
VII. Cash and cash equivalents at the end of the period		449,240

The accompanying notes are an integral part of these financial statements

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

**ZİRAAT KATILIM BANKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 30 JUNE 2016**

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

SECTION THREE

ACCOUNTING PRINCIPLES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

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

Due to the new establishment of Ziraat Katılım Varlık Kiralama A.Ş consolidated financial statements and related footnotes of prior periods are not given comparably. In the upcoming periods related tables and notes will be given comparably.

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

The preparation of consolidated 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 consolidated financial statements are defined and applied in accordance with TAS. Those accounting policies and valuation principles are explained in Notes II. to XXIV.

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.

II. EXPLANATIONS ON USAGE STRATEGY OF FINANCIAL ASSETS AND FOREIGN CURRENCY TRANSACTIONS

The Parent Bank’s main field of operations are; to provide all kinds of domestic and foreign currency cash, non-cash loans, make transactions in domestic and foreign capital markets, collect current and participation accounts. As of reporting date, an important part of Parent Bank resources consists of shareholders equity. Bank evaluates it’s resources with commodity transactions, lease certificates and credits in high-yield and short-term. The Parent Bank’s liquidity position considered as defraying all the maturing liabilities.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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**ZİRAAT KATILIM BANKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 30 JUNE 2016**

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

ACCOUNTING PRINCIPLES (Continued)

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

Since the Parent Bank is newly established, liquidity ratio and capital adequacy ratio are strong.

Gains and losses arising from foreign currency transactions have been recorded at transaction date. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates announced by the Central Bank of Turkey converting them into Turkish Lira and valuation differences of foreign currencies have been recognized in the income statement under the net foreign exchange income/expense account.

The Parent Bank is monitoring risks of liquidated receivables, doubtful fees, commission and other receivables with loans have the characteristics of loss and participation accounts make loan available risk belong to bank that are monitored in other receivables accounts with equities and make loans available special current accounts that are foreign currency and balance receivables, on the date of transition exchange to TL. Foreign currency credits make loans that are participation accounts and foreign exchange loans, risk that is belong to participation accounts appreciate with current accounts to exchange differences monitoring on the foreign exchange transactions profit or loss.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial instruments are reflected in the income statement. There are no foreign currency differences capitalized by the Bank.

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

a. Consolidation principles applied:

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

1. Consolidation principles for subsidiaries:

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

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

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

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

**ZİRAAT KATILIM BANKASI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 1 JANUARY - 30 JUNE 2016**

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

ACCOUNTING PRINCIPLES (Continued)

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

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.

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

30 June 2016

Title	Address (City / Country)	Main Activities	Parent Bank’s Share Percentage (%)	30 June 2016
				Parent Bank’s Risk Group Share Percentage (%)
Ziraat Katılım Varlık Kiralama A.Ş.	Istanbul/Turkey	Export to Rent Certificate	100	100

Ziraat Katılım Varlık Kiralama A.Ş. was established and registered to the trade registry in January 22, 2016 with the permission taken from “Banking Regulation and Supervision Agency” and “Capital Markets Board of Turkey”. Ziraat Katılım Varlık Kiralama A.Ş. has been founded to operate lease certificate according to rulings of Capital Markets Board of Turkey which was dated 07.06.2013 and numbered 28760 serial: 3 no: 61.1 published in Official Gazette.

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.

As of the date of 30 June 2016, there is no jointly controlled subsidiaries.

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ACCOUNTING PRINCIPLES (Continued)

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

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

4. Transactions with minority shareholders: None.

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.

There is no subsidiaries and associates within the scope of The Parent's Bank consolidation.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

The Parent Bank's derivative transactions mostly include currency and precious metal swaps and foreign currency forward contracts in line with TAS 39 "Financial Instruments: Recognition and Measurement". The Bank has no embedded derivative instruments separated from the articles of association.

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

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ACCOUNTING PRINCIPLES (Continued)

V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE

Profit share 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 profit share income accrual is calculated for non-performing loans. Realized profit share accruals calculated for non-performing loans and recognized as income are reversed and profit share income related to these loans is recognized as profit only when collected.

The Parent Bank calculates expense accrual in accordance with the unit value calculation method on sharing accounts and reflects these amounts in "Funds Collected" account on the balance sheet.

VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES

Commission income from banking, agency, intermediary services is recognized as income on the date collected. Whereas, commission income from individual, corporate and entrepreneurial cash and non-cash loans are recognized on an accrual basis by using internal rate of return method and transferred to the income statement in accordance with the matching principle. Other fees and commission expenses are recorded as expense on the date they are paid.

Commissions and fees received from cash loans and relating to the future periods are recorded to the "Unearned Revenues" account under "Other Liabilities" on the balance sheet.

VII. EXPLANATIONS ON FINANCIAL ASSETS

Financial instruments comprise financial assets and liabilities and derivative instruments. Financial assets mainly constitute the Bank's commercial activities and operations. 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.

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

Financial assets at fair value through profit or loss have two sub categories: "trading financial assets" and "financial assets through at fair value through profit/loss at initial recognition".

Trading financial assets either acquired for generating profit from short-term fluctuations in the price or dealer's margin, are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Financial assets held for trading are initially recognized at transaction prices which are assumed to reflect the fair value and subsequently measured at fair value. Gain or loss resulted from valuation of these financial assets are transferred to profit or loss accounts.

The Parent Bank has no financial assets at fair value through profit or loss other than trading financial assets.

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ACCOUNTING PRINCIPLES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

b. Financial assets available for sale:

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

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

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

The difference between fair value and cost of available for sale financial assets is booked as profit share income accrual or impairment provision. Furthermore, amortized cost using the internal rate of return method and cost value is compared and the difference is booked as profit share income or impairment expense. Fair value and amortized cost of these securities are compared and the difference is recognized in shareholders' equity as "Marketable Securities Value Increase Fund". When these financial assets are disposed of or impaired the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

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

c. Loans and receivables:

Bank loans and receivables represent financial other than those held for trading or held for sale in a short period are not derivative financial instruments.

Loans and receivables are initially recognized at cost, and subsequently recognized at the amortized cost calculated using the internal rate of return method. Individual and corporate loans tracked in cash loans are recognized at their original amounts according to Uniform Chart of Accounts (UCA) and accounts determined in its prospects in line with their content.

Foreign currency indexed retail and commercial loans are converted to Turkish Lira at the rate on the lending date and they are followed under Turkish Lira ("TL") accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the profit/loss accounts.

d. Held to maturity financial assets:

Investments held to maturity are composed of financial assets that holding with keeping intention until maturity with the fulfilled relevant conditions and have fixed or determinable payments and fixed maturity other than loans and receivables.

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

Held to maturity assets are initially recognized at cost value.

As of the balance sheet date ,there is no "held to maturity investment" in the Bank's financial assets portfolio.

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ACCOUNTING PRINCIPLES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

The provisions released in the same year are accounted by crediting the provision expenses account and the released parts of the previous years' provisions are recorded to the "collections from prior years expense" account.

IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

As of the balance sheet date, there are no securities lending transactions. Central Bank of the Republic of Turkey ("CBRT") made some changes on orders for open market transactions ("OMT") and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds.

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ACCOUNTING PRINCIPLES (Continued)

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

Tangible assets acquired in consideration of receivables are accounted 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. Fixed assets resulted from the Bank's receivables reflected in the held for sale account if they have concrete selling plan.

Assets which meet the criteria to be classified as held for sale are measured by the book value or the fair value from which the cost of sales is deducted, whichever is lower and no more amortization is made for such assets; and these assets are shown separately on the balance sheet. In order to classify an asset as an held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions.

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

As of the date of 30 June 2016, the Parent Bank has no held for sale and discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

Other intangible assets are amortized by using the straight line method based on their useful life. Useful life of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected economic benefit from assets and technical, technological or any other type of obsolescence.

The Group recognizes its software costs incurred under the intangible assets - intangible rights account and the qualifying expenses are added to software's initial costs and amortized over 3-15 years considering the useful life.

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ACCOUNTING PRINCIPLES (Continued)

XIII. EXPLANATIONS ON TANGIBLE ASSETS

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

Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and impairment loss, if any. Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives.

Applied depreciation rates are as follows;

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.

There is no tangible assets that are held for sale.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Group's Transactions as a Lessee

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of these amounts is the lower of fair value of the leased asset or the present value of the lease payments. The direct costs incurred during a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period.

Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets and if a diminution in recoverable value of the leased asset is identified, a provision for impairment is recognized. As of 30 June 2016, there is no financial leasing transaction.

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

Group's Transactions as a lessor

The Parent Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Parent Bank presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

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ACCOUNTING PRINCIPLES (Continued)

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provisions other than the specific and general provisions set for loans and other receivables and provisory liabilities are accounted in accordance with TAS 37 "Turkish Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets Corresponding".

The 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 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.

There is no lawsuit for and against as of the date of balance sheet.

XVI. EXPLANATIONS ON LIABILITIES RELATING TO EMPLOYEE BENEFITS

a. Defined contribution plans:

Liabilities related to severance pay and right to leave calculated according to the regulations of the TAS 19 "Accounting Standard of Employee Benefits".

Under the Turkish legislation, Employment Termination Benefit payments are made in case of retirement or employment termination or resignation. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, Employment Termination Benefit Provision calculation is based on the final salary at the date of retirement or leave (to the extent that the payments and/or salary amount does not exceed the Employment Termination Benefit Provision ceiling).

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

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ACCOUNTING PRINCIPLES (Continued)

XVII. EXPLANATIONS ON TAXATION

a. Current Tax

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

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

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

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

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ACCOUNTING PRINCIPLES (Continued)

XVII. EXPLANATIONS ON TAXATION (Continued)

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.

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

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

XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS

The Group accounts its debt instruments except for derivative financial liabilities held for trading 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.

XIX. 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.

XX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

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ACCOUNTING PRINCIPLES (Continued)

XXI. EXPLANATIONS ON GOVERNMENT GRANTS

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

XXII. EXPLANATION ON CASH AND CASH EQUIVALENTS

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

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

XXIII. EXPLANATION ON SEGMENT REPORTING

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

XXIV. EXPLANATIONS ON OTHER MATTERS

There are no necessary other issues except that accounting policy above-stated.

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY

As of the 30 June 2016, current period equity balance of the bank is TL 717,074 and capital adequacy standard ratio is %17.19. Capital adequacy standard ratio far above the minimum rate which determine with relevant legislation.

Information Related To The Consolidated Components of Shareholders' Equity:

	Current Period 30.06.2016	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	747,000	
Share issue premiums		
Reserves		
Gains recognized in equity as per TAS	2,600	
Profit		
Current Period Profit	2,469	
Prior Period Profit		
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period		
Common Equity Tier 1 Capital Before Deductions	752,069	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks		
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	11,982	
Improvement costs for operating leasing	14,988	
Goodwill (net of related tax liability)		
Other intangibles other than mortgage-servicing rights (net of related tax liability)	8,588	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	601	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk		
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision		
Gains arising from securitization transactions		
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities		
Defined-benefit pension fund net assets		
Direct and indirect investments of the Bank in its own Common Equity		
Shares obtained contrary to the 4th clause of the 56th Article of the Law		
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank		
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank		
Portion of mortgage servicing rights exceeding 10% of the Common Equity		
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity		
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks		
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital		
Excess amount arising from mortgage servicing rights		
Excess amount arising from deferred tax assets based on temporary differences		
Other items to be defined by the BRSA		
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital		
Total Deductions From Common Equity Tier 1 Capital	36,159	
Total Common Equity Tier 1 Capital	715,910	

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Current Period 30.06.2016	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums		
Debt instruments and premiums approved by BRSA		
Debt instruments and premiums approved by BRSA(Temporary Article 4)		
Additional Tier I Capital before Deductions		
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital		
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.		
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital		
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital		
Other items to be defined by the BRSA		
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	12,882	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	902	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)		
Total Deductions From Additional Tier I Capital	13,784	
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	702,126	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA		
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)		
Provisions (Article 8 of the Regulation on the Equity of Banks)	14,948	
Tier II Capital Before Deductions	14,948	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)		
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.		
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)		
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank		
Other items to be defined by the BRSA (-)		
Total Deductions from Tier II Capital		
Total Tier II Capital	14,948	
Total Capital (The sum of Tier I Capital and Tier II Capital)	717,074	

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Current Period 30.06.2016	Amounts related to treatment before 1/1/2014(*)
Total of Original Capital and Supplementary Capital (Total Capital)		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law		
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years		
Other items to be defined by the BRSA (-)		
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)		
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)		
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)		
TOTAL CAPITAL		
Total Capital	717,074	
Total risk weighted amounts	4,172,579	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	17.16	
Tier I Capital Adequacy Ratio	16.83	
Capital Adequacy Ratio	17.19	
BUFFERS		
Total Tier I Capital Ratio (%)	3.13	
Capital conservation buffer requirement	0.63	
Bank specific counter-cyclical buffer requirement	2.50	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	12.66	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital		
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital		
Amount arising from deferred tax assets based on temporary differences		
Limits related to provisions considered in Tier II calculation		
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)		
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used		
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation		
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation		
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4		
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4		
Upper limit for Additional Tier II Capital subjected to temporary Article 4		
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4		

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

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.

II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

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

The 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.

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" are prepared periodically in order to define liquidity and interest rate risks at US Dollar and Euro, which are mainly used by the Bank in its operations. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders' Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

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	100JPY
24.06.2016	2.9266	3.2444	2.1579	0.4355	0.3416	2.9937	2.2444	0.3427	4.0186	0.7803	2.8455
27.06.2016	2.9365	3.2402	2.1749	0.4349	0.3433	3.0060	2.2522	0.3440	3.9007	0.7829	2.8759
28.06.2016	2.9130	3.2262	2.1509	0.4330	0.3407	2.9691	2.2382	0.3429	3.8766	0.7767	2.8424
29.06.2016	2.8936	3.2044	2.1422	0.4301	0.3384	2.9440	2.2225	0.3416	3.8690	0.7715	2.8336
30.06.2016	2.8848	3.2078	2.1417	0.4305	0.3390	2.9426	2.2251	0.3432	3.8759	0.7691	2.8008

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	100JPY
2.8389	3.1864	2.0791	0.4243	0.3380	2.8990	2.1784	0.3379	4.0132	0.7492	2.6730

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (Continued)

Information on the foreign currency risk of the Group:

	EUR	USD	Other FC ⁽¹⁾	Total
Current Period				
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	121,425	288,497	83	410,005
Banks	181,891	110,122	5,711	297,724
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	6,037	-	6,037
Loans	717,635	685,723	-	1,403,358
Subsidiaries, Associates, Entities Under Common, Control (Joint Ventures)	-	-	-	-
Investments Held-to-Maturity	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	11	28	-	39
Total Assets	1,020,962	1,090,407	5,794	2,117,163
Liabilities				
Current account and funds collected from Banks via participation accounts	16	29,008	-	29,024
Current and profit sharing accounts FC	411,514	691,664	4,755	1,107,933
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	501,641	522,141	-	1,023,782
Marketable securities issued	-	-	-	-
Miscellaneous payables	632	2,333	-	2,965
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	1,617	3,574	1	5,192
Total liabilities	915,420	1,248,720	4,756	2,168,896
Net balance sheet position	105,542	(156,479)	1,038	(49,899)
Net off-balance sheet position	(64,156)	65,989	-	1,833
Financial derivative assets	-	65,989	-	65,989
Financial derivative liabilities	64,156	-	-	64,156
Non-cash Loans	270,976	883,151		1,154,127

⁽¹⁾ TL 243,170 equivalent of USD loans and TL 591,694 equivalent of EUR loans are originated from foreign currency indexed loan.

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

III. 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	4,719	4,719	

IV. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND CONSOLIDATED LIQUIDITY COVERAGE RATIO

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

Generally participation accounts concentration weighted for 1 month in both banking and participation banking sectors , collecting funds are longer than maturity perceived as an element of risk , in order to reduce the risk, attention showed to the liquidity of maturity group which is due for one month.

The 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 Bank's liquidity and in the worst case scenario and the loss associated with it. Besides, in order to compare the Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

The Bank calculates and reports the liquidity adequacy ratio to BRSA on monthly consolidated and weekly unconsolidated basis in accordance with "Regulation for Regulation on Banks' Liquidity Coverage Ratio Calculation" issued in Official Gazette numbered 28948 and dated 21 March 2014. The liquidity coverage of the Bank is over the limit values specified in the mentioned regulation.

Also on the purpose of the liquidity risk management, risk limits and threshold determined as a part of risk appetite and daily monitored.

a) Basis for the current liquidity risk of the Bank and whether the necessary measures taken, limitations imposed by the Bank's Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:

The Parent Bank's fund resources consist of mainly participation funds. The bank is gathering funds in the name of participation accounts that the principal and predetermined yield are not guaranteed to paid back to the holder of account, and participation rates to profit or loss that results from funds to be operated are reflected to the related accounts.

The Parent Bank, TL and FC liquidity meets its needs mostly from the funds collected, internal and external sources that can be used in an emergencies in order to meet the liquidity requirements are monitored periodically, borrowing limits of the markets organized by the Bank and other banks, liquidity levels that can be met. The Bank manages liquidity risk within the regulations of Liquidity Risk and Liquidity and Financial Emergency Management.

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

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

- b) Payments, whether assets and liabilities are compatible with the rate of profit, wheather the measurement of the probable effects of the actual inconsistency on profitability is done or not:**

Payments, assets and liabilities and profit rates are monitored regularly by the management to track whether it is compatible or not and there is no dissonance whatsoever.

- c) The banks internal and external sources to meet the short and long-term liquidity needs, unused significant liquidity sources:**

Although the Parent Bank's assets average maturity is longer than collected funds, most of the securities, available for sale and held to maturity, make periodic coupon payment which is no longer than six months and monthly credit receivables payments provide cash flow to the Bank.

- d) Evaluation of the banks cash flow rates and its sources:**

The Parent banks main source is the participation funds, these funds are evaluated at other participation banks and loan placements. The banks most important cash inflows are receivables from banks and financial institutions and regular cash inflows from these institutions are seen as a factor that reduce the liquidity risk. Also monthly installment payments for loans are used to meet the Bank's resource needs.

Liquidity Coverage Ratio:

Liquidity coverage ratio, established in order to hold and provide premium liquidity asset stock which is adequately fulfill the Bank's net cash outflow, calculated within the scope of "Calculation of The Liquidity Coverage Ratio" regulation that was published by BRSA. Liquidity coverage ratio directly affected by Bank's asset, liability and potential cash inflow and outflow which is derived from off-balance sheet transactions with the level of liquid assets that can be realizable at any time and not mentioned to any collaterals.

The Parent Bank's premium liquidity asset stock; consists of debt securities which is not subjected to any collateral or repurchase agreement transaction and basically export from the Republic of Turkey's Treasury along with cash assets and care of Central Bank of the Republic of Turkey's accounts.

The Parent Bank's principal funding source represented by participation funds. Repurchase agreement transaction provided by funds and debts which comes from financial institutions take a part within the external participation fund debt items.

Managing liquidity risk effectively can be possible with preventing the concentrated liquidity asset and liability items. Participation fund, constitutes Bank's main fund source, is provided from numerous customers.

Derivative transactions are included in calculation of the liquidity coverage ratio over the cash flows within the 30 day basis time slots.

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

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

Current Period	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	502,882	323,841	395,097	216,259
High quality liquid assets	-	-	395,097	216,259
CASH OUTFLOWS	2,394,676	1,572,594	1,015,753	558,368
Real person deposits and retail deposits	1,135,369	441,342	113,348	44,115
Stable deposit	3,770	369	188	18
Deposit with low stability	1,131,599	440,973	113,160	44,097
Unsecured debts except real person deposits and retail deposits	1,259,308	711,720	810,500	466,637
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	1,259,308	711,720	810,500	466,637
Secured debts	-	-	-	-
Other cash outflows	962,770	419,533	91,905	47,616
Derivative liabilities and margin obligations	16,866	12,088	16,866	12,088
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	110,973	60,624	33,292	18,187
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off- balance sheet liabilities	834,931	346,821	41,747	17,341
TOTAL CASH OUTFLOW	-	-	1,015,753	558,369
CASH INFLOWS	948,098	525,864	851,285	498,729
Secured receivables	-	-	-	-
Unsecured claims	931,162	516,396	834,349	489,261
Other cash inflows	16,936	9,468	16,936	9,468
TOTAL CASH INFLOWS	948,098	525,864	851,285	498,729
Applied maximum rate values	-	-	-	-
TOTAL High quality liquid asset STOCK	-	-	395,097	216,259
TOTAL NET CASH OUTFLOWS	-	-	296,441	152,561
LIQUIDITY COVERAGE RATIO (%)	-	-	141	153

(*) The monthly simple arithmetic average calculated consolidated liquidity coverage ratio of the last three months average, the weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

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

Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed *	Total
Current Period								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	150,248	54,188	211,366	132,457	75	1,717	-	550,051
Banks	299,122	-	-	-	-	-	-	299,122
Financial Assets at Fair Value Through Profit and Loss	-	504	1,349	-	-	-	-	1,853
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available- for-Sale	4,719	-	-	45,756	165,600	-	-	216,075
Loans Given	-	603,782	371,999	773,627	1,618,277	269,093	2	3,636,780
Investments Held-to- Maturity	-	-	-	7,685	-	-	-	7,685
Other Assets	-	-	-	122	43,523	-	95,586	139,231
Total Assets	454,089	658,474	584,714	959,647	1,827,475	270,810	95,588	4,850,797
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	178	28,869	-	-	-	-	-	29,047
Current and Participation Accounts	338,710	1,693,215	598,139	93,091	729	-	-	2,723,884
Funds Provided from Other Financial Instruments	-	153,670	302,580	594,014	23,525	-	-	1,073,789
Money Market Borrowings	-	86,650	-	-	-	-	-	86,650
Issued Marketable Securities	-	-	101,270	-	-	-	-	101,270
Sundry Creditors	-	-	-	-	-	-	10,939	10,939
Other Liabilities *	-	-	-	-	-	-	825,218	825,218
Total Liabilities	338,888	1,962,404	1,001,989	687,105	24,254	-	836,157	4,850,797
Liquidity Gap	115,201	(1,303,929)	(417,275)	272,542	1,803,221	270,810	(740,569)	-

(*) Fixed assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets and shareholders equity in the liabilities are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions.

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

V. EXPLANATIONS ON LEVERAGE

As of the 30 June 2016 Group's leverage ratio is % 15.39 calculated on the basis of three-month weighted average and ratio above the minimum rate.

Leverage ratio disclosure as follows:

Balance sheet assets	Current Period (*)
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	4,372,243
(Assets deducted from main capital)	(48,793)
Total risk amount of the balance sheet assets	4,323,450
Derivative financial instruments and credit derivatives	-
Replacement cost of derivative financial instruments and credit derivatives	1,208
Potential credit risk amount of derivative financial instruments and credit derivatives	1,004
Total risk amount of derivative financial instruments and credit derivative	2,212
Security or secured financing transactions	-
Risk amount of security or secured financing transactions (Except balance sheet)	11,738
Risk amount due to intermediated transactions	-
Total risk amount of security or secured financing transactions	11,738
Off-balance sheet transactions	-
Gross nominal amount of off-balance sheet transactions	1,936,469
(Adjustment amount resulting from multiplying by credit conversion rates)	-
Risk amount of the off-balance sheet transactions	1,936,469
Equity and total risk	-
Main capital	678,083
Total risk amount	6,273,869
Leverage ratio	-
Leverage ratio	10.91

(*) Amounts in the table are obtained on the basis of six-month weighted average.

VI. EXPLANATIONS ON SECURITIZATION POSITIONS

None.

VII. EXPLANATIONS ON RISK MANAGEMENT

Notes and explanations in this section have been prepared in accordance with the "Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks" that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for the calculation of capital adequacy by the Bank, tables that need to be prepared within the scope of Internal Ratings Based (IRB) have not been presented.

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

a. Explanations on Risk Management and Risk-weighted Assets

1. Overview of Risk-weighted Assets

Overview of RWA		Risk Weighted Amount	Minimum capital requirement
		Current Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	4,033,763	322,701
2	Standardised approach (SA)	4,033,763	322,701
3	Internal rating-based (IRB) approach		-
4	Counterparty credit risk	830	66
5	Standardised approach for counterparty credit risk (SA-CCR)	830	66
6	Internal model method (IMM)	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-
8	Investments made in collective investment companies – look-through approach	-	-
9	Investments made in collective investment companies – mandate-based approach (*)	-	-
10	Investments made in collective investment companies - %1250 weighted risk approach	-	-
11	Settlement risk	-	-
12	Securitization positions in banking accounts	-	-
13	RB ratings-based approach (RBA)	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-
16	Market risk	6,513	521
17	Standardised approach (SA)	6,513	521
18	Internal model approaches (IMM)	-	-
19	Operational Risk	131,473	10,518
20	Basic Indicator Approach	131,473	10,518
21	Standart Approach	-	-
22	Advanced measurement approach	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-
24	Floor adjustment	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	4,172,579	333,806

(*) Due to the establishment of the bank in the year 2015, there is no calculated Operational Risk on the date of 31.12.2015

b. Publicly Announced of Credit Risk

1. Credit Quality of Assets

		Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values (a+b+c)
		Defaulted Exposures	Non-defaulted Exposures		
1	Loans	-	3,708,867	26,150	3,682,717
2	Debt Securities	-	219,094	52	219,042
3	Off-balance sheet exposure	3	2,080,424	-	2,080,427
4	Total	3	6,008,385	26,202	5,982,186

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VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2. Changes in Stock of Defaulted Loans and Debt Securities

1	Defaulted Loans and debt securities at 31 December 2015	3
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-defaulted status	-
4	Amounts written-off	-
5	Other Changes	-
6	Defaulted Loans and debt securities at 30 June 2016 (1+2-3-4±5)	3

3. Credit Risk Mitigation Techniques

		Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	3,663,709	19,009	10,726	2,444	1,944	-	-
2	Debt Securities	219,042	-	-	-	-	-	-
3	Total	3,882,751	19,009	10,726	2,444	1,944	-	-
4	Of which Defaulted	3	-	-	-	-	-	-

4. Credit Risk Exposure and Credit Risk Mitigation (CRM) Effects

	Asset classes	Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	598,614	-	598,614	-	142,711	24
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Exposures to public sector entities	70,242	310	70,242	155	70,397	100
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	784,020	2,515	784,020	2,515	274,229	35
7	Exposures to corporates	2,010,137	2,034,213	2,010,137	1,267,623	3,239,664	99
8	Retail exposures	98,458	1,518	98,459	529	73,828	75
9	Exposures secured by residential property	206,495	686	206,496	317	72,384	35
10	Exposures secured by commercial real estate	159,626	41,182	159,626	38,439	99,032	50
11	Past-due loans	2	-	2	-	1	50
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	84,375	-	84,375	-	61,516	73
17	Investment in equities	-	-	-	-	-	-
18	Total	4,011,969	2,080,424	4,011,971	1,309,578	4,033,762	76

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VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

5. Exposures by asset classes and risk weights

	Asset Classes/ Risk Weight	0%	10%	20%	50% (secured by real estate) (*)	75%	100%	150%	200%	Other Risk Weights (**)	Total credit risk exposure amount (After CCF and CRM)
1	Exposures to central governments or central banks	313,192	-	-	285,422	-	-	-	-	-	598,614
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	70,397	-	-	-	70,397
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	400,986	383,034	-	2,515	-	-	-	786,535
7	Exposures to corporates	27,465	-	6,971	10,108	-	3,233,215	-	-	-	3,277,759
8	Retail exposures	11	-	735	-	98,242	-	-	-	-	98,988
9	Exposures secured by residential property	-	-	-	-	-	-	-	-	206,813	206,813
10	Exposures secured by commercial real estate	-	-	-	198,065	-	-	-	-	-	198,065
11	Past-due loans	-	-	-	2	-	-	-	-	-	2
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Other assets	-	-	-	-	-	-	-	-	-	-
17	Investments in equities	22,739	-	150	-	-	61,486	-	-	-	84,375
18	Total	363,407	-	408,842	876,631	98,242	3,367,613	-	-	206,813	5,321,548

c. Explanations on counter party credit risk (CCR)

1. Analysis of counterparty credit risk (CCR) exposure by approach

		Replaceme nt cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post CRM	RWA
1	Standardised Approach - CCR (For Derivatives)	1,854	1,871	-	-	3,725	770
2	Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	105,443	-
5	VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	770

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VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2. Credit valuation adjustment (CVA) capital charge

		Exposure at default post CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (Including the 3 x multiplier)	-	-
2	(ii) Stressed VaR component (Including the 3 x multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	291	60
4	Total subject to the CVA capital charge	291	60

3. Counterparty Credit Risk(CCR) Exposures by Regulatory Portfolio and Risk Weights

Regulatory Portfolio / Risk weight	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Exposures(*)
Claims from central governments and central banks	105,443	-	-	-	-	-	-	-	105,443
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial entity	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organisations	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries	-	-	3,642	83	-	-	-	-	3,725
Corporates	-	-	-	-	-	-	-	-	-
Retail portfolios	-	-	-	-	-	-	-	-	-
Claims on landed real estate	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-
Claims which are defined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-
Other assets(**)	-	-	-	-	-	-	-	-	-
Total	105,443	-	3,642	83	-	-	-	-	109,168

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

(**) Other assets: the amounts excludes exposures to Central Counterparty, which are reported in Counterparty Credit Risk.

4. Composition of collateral for Counterparty Credit Risk exposure

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair Value of Collateral Received		Fair Value of Posted Collateral		Fair Value of Collateral Received	Fair Value of Posted Collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	86,650	-
Cash – other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	105,443
Other sovereign debt	-	-	-	-	-	-
Government agency bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	-	-	-	86,650	105,443

d. Credit Derivative Exposures

None.

e. Exposures to Central Counterparties

None.

f. Explanations on securitization

None.

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VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

g. Explanations Related to Market Risk

1. Standart Approach

		Risk Weighted Amount
	Outright Products	6,513
1	Interest Rate Risk (general ve spesifik)	1,675
2	Equity Risk (general ve spesifik)	-
3	Foreign Exchange Risk	4,838
4	Commodity Risk	-
	Options	-
5	Simplified Approach	-
6	Delta-plus Method	-
7	Scenario Approach	-
8	Securitisation	-
9	Total	6,513

VIII. EXPLANATIONS ON HEDGE TRANSACTIONS

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

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

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

In addition, derivative transactions are made by the Bank, TL and FC liquidity risks are limited due to the committed transactions.

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

Table for Segment Reporting:

Current Period	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/Undistributed	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	16,110	107,749	10,091	905	134,855
Profit Shares from Loans	16,110	107,749	-	-	123,859
Profit Shares from Banks	-	-	353	-	353
Profit Shares from Securities	-	-	8,257	-	8,257
Other Profit Shares	-	-	1,481	905	2,386
Profit Shares Expense	26,293	17,056	11,649	-	54,998
Profit Shares Expense on Participation Funds	26,293	17,056	-	-	43,349
Profit Shares Expense on Funds Borrowed	-	-	9,468	-	9,468
Profit Shares Expense on Money Market Transactions	-	-	2,181	-	2,181
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	-	-
Net Profit Shares Income/Expense	(10,183)	90,693	(1,558)	905	79,857
Net Fees and Commission Income/Expense	-	4,514	-	378	4,892
Fees and Commissions Received	-	4,514	-	2,380	6,894
Fees and Commissions Paid	-	-	-	2,002	2,002
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	3,134	-	3,134
Other Operating Income	-	1	-	1,263	1,264
Provision for Loans or Other Receivables Losses	2,529	17,037	-	3,419	22,985
Other Operating Expense	-	10	-	61,267	61,277
Income Before Tax	(12,712)	78,161	1,576	(62,140)	4,885
Tax Provision	-	-	-	2,416	2,416
Net Profit/Loss	-	-	-	2,469	2,469
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	1,853	-	1,853
Banks and Other Financial Institutions	-	-	299,122	-	299,122
Financial Assets Available for Sale (Net)	-	-	216,075	-	216,075
Loans	411,111	2,769,124	456,545	-	3,636,780
Held to Maturity Investments (Net)	-	-	7,685	-	7,685
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets	-	-	-	689,282	689,282
Total Segment Assets	411,111	2,769,124	981,280	689,282	4,850,797
SEGMENT LIABILITIES					
Funds Collected	1,320,921	1,432,010	-	-	2,752,931
Derivative Financial Liabilities Held for Trading	-	-	-	-	-
Funds Borrowed	-	101,270	-	-	101,270
Securities Issued (Net)	-	-	86,650	-	86,650
Money Market Funds	-	-	-	-	-
Provisions	-	-	-	38,947	38,947
Other Liabilities	-	-	-	57,123	57,123
Shareholders' Equity	-	-	-	740,087	740,087
Total Segment Liabilities	1,320,921	1,533,280	1,160,439	836,157	4,850,797
OTHER SEGMENT ITEMS					
Capital Investment	-	-	-	-	-
Amortization Expense	-	-	-	5,610	5,610
Restructuring Costs	-	-	-	-	-

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

1. a) Information on cash and balances with Central Bank of the Republic of Turkey:

	Current Period	
	TL	FC
Cash in TL/Foreign Currency	11,850	10,889
Central Bank of the Republic of Turkey	128,046	399,116
Other	150	-
Total	140,046	410,005

1.a.1) Information on required reserves:

Banks that are operating in Turkey, in accordance with the Communiqué on Required Reserves of Central Bank of the Republic of Turkey's numbered 2005/1 ,the required reserve ratios for TL liabilities 5% - 11,5% depending on maturity and for FC liabilities such as USD, EUR or standard gold currency 5% - 25% depending on the maturity.

b) Information on the account of the Central Bank of the Republic of Turkey:

	Current Period	
	TL	FC
Unrestricted Demand Deposit	127,216	13
Unrestricted Time Deposit	-	-
Restricted Time Deposit	-	-
Required Reserves (1)	830	399,103
Total	128,046	399,116

⁽¹⁾ TL 281,234 in FC required reserves is the part of TL required reserves kept as FC.

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

There is no information on financial assets at fair value through profit and loss given or blocked as collateral or subject to repurchase agreements.

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

	Current Period	
	TL	FC
Derivative Financial Assets Held-for-Trading		
Forward Transactions	20	1,833
Swap Transactions	-	-
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	20	1,833

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(Continued)**

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

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

	Current Period	
	TL	FC
Banks		
Domestic Banks	1,398	296,483
Foreign Banks	-	1,241
Foreign Head Office and Branches	-	-
Total	1,398	297,724

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

	Current Period
Assets Subject to Repurchase Agreements	95,076
Assets Blocked/Given as Collateral	10,365
Toplam	105,441

b) Information on financial assets available for sale:

	Current Period
Debt Securities	211,408
Quoted in Stock Exchange	205,319
Not Quoted in Stock Exchange	6,089
Share Certificates	4,719
Quoted in Stock Exchange	-
Not Quoted in Stock Exchange	4,719
Provision for Impairment (-)	52
Total	216,075

As of 30 June 2016, Parent Bank's "Financial Assets Available for Sale" portfolio includes lease certificates TL 201,933 nominal value and TL 211,356 book value.

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

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans:

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

	Current Period	
	Cash	Non-Cash
Direct Loans Granted to Shareholders	100,843	-
Legal Entities	100,843	-
Individuals	-	-
Indirect Loans Granted to Shareholders	-	-
Loans Granted to Employees	134	-
Total	100,977	-

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	Other		Loans and other receivables with revised contract terms	Other
Cash Loans						
Exports Loan	81,746	-	-	-	-	-
Imports Loans	289,605	-	-	-	-	-
Enterprise Loans	2,338,432	-	-	4,637	-	-
Consumer Loans	408,222	-	-	755	-	-
Credit Cards	-	-	-	-	-	-
Loans Given to Financial Sector	456,544	-	-	-	-	-
Other	13,354	-	-	-	-	-
Other Receivables						
Profit Share Income	-	-	-	-	-	-
Accruals and Rediscount	43,308	-	-	177	-	-
Total	3,631,211			5,569		

As of 30 June 2016, there are no loans and other receivables with revised contract terms.

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(Continued)**

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

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended	-	-
3 - 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	-	-
6 Months – 12 Months	-	-
1 - 2 Years	-	-
2 - 5 Years	-	-
5 Years and Over	-	-
Total	-	-

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

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

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	2,666	406,177	408,843
Real Estate Loans	1,690	359,335	361,025
Vehicle Loans	879	22,764	23,643
Consumer Loans	97	24,078	24,175
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	21	113	134
Housing Loans	-	-	-
Vehicle Loans	4	46	50
Consumer Loans	17	67	84
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total ⁽¹⁾	2,687	406,290	408,977

⁽¹⁾ Dividend rediscount amounting to TL 2,048 not included in the table.

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(Continued)**

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

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

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	1,606	50,647	52,253
Business Loans	-	13,783	13,783
Vehicle Loans	1,606	36,864	38,470
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	4,359	4,359
Business Loans	-	-	-
Vehicle Loans	-	4,359	4,359
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	1,606	55,006	56,612

f) Breakdown of domestic and international loans:

	Current Period
Domestic Loans	3,593,293
Foreign Loans	-
Interest Income Accruals of Loans	43,485
Total	3,636,778

g) Loans Granted to Subsidiaries and Participations:

As of 30 June 2016, the subsidiaries has no loans granted to subsidiaries and participations.

h) Specific Provisions Provided Against Loans:

As of 30 June 2016, the Parent Bank makes TL 1 special provision for loans.

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

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

Information on foreign currency non-performing loans:

As of 30 June 2016, the Bank has no receivable from foreign currency non-performing loans.

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

	Group III:	Group IV:	Group V:
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	3	-	-
Specific Provisions (-)	1	-	-
Loans to Real Persons and Legal Entities (Net)	2	-	-
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
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 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.

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.

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:

As of 30 June 2016, the Bank has no comparative net values of held-to-maturity investments subject to repo transactions and given as a collateral/blocked.

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

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

	Current Period
Government Bonds	-
Treasury Bills	-
Other Public Sector Debt Securities	7,685
Total	7,685

c) Information on held-to-maturity investments:

	Current Period
Debt Securities	
Quoted on a Stock Exchange	-
Unquoted	7,685
Impairment Provision (-)	-
Total	7,685

d) Movements of held-to-maturity investments:

	Current Period
Beginning Balance	-
Foreign Currency Differences on Monetary Assets	-
Purchases During the Year	7,685
Disposals through Sales and Redemptions	-
Provision for Impairment (-)	-
Period End Balance	7,685

7. Information on subsidiaries (Net):

As of 30 June 2016, there are no subsidiary of the bank.

8. Information on joint ventures (net):

a) Information on unconsolidated associates::

As of 30 June 2016, there are no unconsolidated associates.

b) Information on consolidated subsidiaries:

	Name	Adress (City/Country)	Bank's share percentage – if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul / TURKEY	100.00	100.00

⁽¹⁾ Ziraat Katılım Varlık Kiralama A.Ş. was established as of January 22, 2016.

	Total Assets ⁽¹⁾	Sharehold ers Equity ⁽¹⁾	Total Fixed Assets ⁽¹⁾	Dividend or profit share income	Income from marketable securities	Current Period Income/Loss	Prior period income/loss	Fair Value	Needed shareholders Equity
1	101,329	51	-	-	1,292	1	-	-	-

(1) Unaudited financial statements used.

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

2) Information on consolidated subsidiaries:

	Current Period
Balance at the beginning of the year	-
Movements during the year	50
Included in the scope of consolidation	50
Purchases	-
Bonus Share	-
Dividends from current year income	-
Transfers to available for sale financial assets	-
Sales	-
Revaluation increase	-
Specific provision for impairment(-)	50
Balance at the end of the year	-
Capital commitments	-
Share percentage at the end of the year (%)	

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

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

	Current Period
Ziraat Katılım Varlık Kiralama A.Ş.	50

8. Information on consolidated subsidiaries

c) Subsidiaries that are quoted on the stock exchange:

As of 30 June 2016, there are no subsidiaries that are quoted on the stock exchange.

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

As of 30 June 2016, there are no entities under common control of the bank.

10. Information on finance lease receivables:

	Current Period	
	Gross	Net
Up to 1 year	-	-
1-4 years	56,718	45,941
Over 4 years	-	-
Total	56,718	45,941

11. Information on derivative financial assets for hedging purposes:

As of 30 June 2016, the group has no derivative financial assets for hedging purposes.

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

12. Information on investment property:

As of 30 June 2016, the group has no investment property.

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

As of 30 June 2016, the group has no assets held for sale and tangibles corresponding discontinuing operations.

14. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Operation al Leasing Developm ent Costs	Other Tangibles	Total
Prior Period End:						
Cost	-	-	-	13,021	27,683	40,704
Accumulated Depreciation (-)	-	-	-	1,136	780	1,916
Net Book Value	-	-	-	11,885	26,903	38,788
Current Period End:						
Net Book Value at the Beginning of the Period	-	-	-	11,885	26,903	38,788
Change During the Period (Net)	-	-	-	4,647	4,337	8,984
Amortisman Bedeli (Net) (-)	-	-	-	1,544	4,169	5,713
Depreciation (Net) (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	-	-	-	17,668	32,020	49,688
Accumulated Depreciation at Period End (-)	-	-	-	2,680	4,949	7,629
Closing Net Book Value	-	-	-	14,988	27,071	42,059

15. Information on intangible assets:

	Current Period		
	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-
Establishment Costs	-	-	-
Goodwill	-	-	-
Intangible Rights	23,737	2,267	21,470
Total	23,737	2,267	21,470

16. Information on deferred tax asset:

The Parent Bank's deferred tax asset is calculated as TL 2,984 however it's reflected on the financial statements as TL 1,504 by offsetting with deferred tax liability.

17. Information on other assets:

As of 30 June 2016, other assets of banks not to exceed total balance sheet of 10%, exclude off-balance sheet liabilities.

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II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

1. a) Information on funds collected:

1) Information on maturity structure of funds collected:

Current Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	52,026	-	-	-	-	-	-	-	52,026
II Real persons profit sharing accounts TL	-	78,853	643,593	15,195	-	8,882	28,044	-	774,567
III Other current accounts-TL	120,713	-	-	-	-	-	-	-	120,713
Public sector	22,615	-	-	-	-	-	-	-	22,615
Commercial sector	93,089	-	-	-	-	-	-	-	93,089
Other institutions	5,007	-	-	-	-	-	-	-	5,007
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	2	-	-	-	-	-	-	-	2
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	2	-	-	-	-	-	-	-	2
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	53,365	489,572	67,654	-	46,542	11,534	-	668,667
Public sector	-	-	97,889	44,076	-	33,002	-	-	174,967
Commercial sector	-	52,404	207,928	7,860	-	10,809	11,534	-	290,535
Other institutions	-	961	183,755	15,718	-	2,731	-	-	203,165
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts- FC	46,149	-	-	-	-	-	-	-	46,149
VI. Real persons profit sharing accounts-FC	-	42,113	339,199	24,230	-	21,593	21,076	-	448,211
VII. Other current accounts-FC	119,178	-	-	-	-	-	-	-	119,178
Commercial residents in Turkey	119,002	-	-	-	-	-	-	-	119,002
Commercial residents in Abroad	-	-	-	-	-	-	-	-	-
Banks and participation banks	176	-	-	-	-	-	-	-	176
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	176	-	-	-	-	-	-	-	176
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	20,552	496,932	-	-	1,445	1,344	-	520,273
Public sector	-	-	24,532	-	-	-	-	-	24,532
Commercial sector	-	20,552	368,648	-	-	-	1,344	-	390,544
Other institutions	-	-	74,884	-	-	1,445	-	-	76,329
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	28,868	-	-	-	-	-	28,868
IX. Precious metal funds	822	-	2,168	61	-	79	16	-	3,146
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	338,888	194,883	1,971,464	107,140	-	78,541	62,014	-	2,752,931

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

2) Exceeding Amounts of Insurance Limit:

a) Information's on current and profit share accounts within the scope of Saving Deposit/Saving Deposit Insurance Fund:

	Under the guarantee of saving deposit insurance	Exceeding the limit of saving Deposit
	Current Period	Current Period
Real persons current and profit sharing accounts that are not subject to commercial activities	660,613	664,424
TL accounts	498,665	327,895
FC accounts	161,948	336,529
Foreign branches' deposits under foreign authorities' insurance	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-

Amounts which are not covered by the deposit insurance:

b) Current and Profit Share Accounts of the real persons who are not within the scope of Saving Deposits Insurance Fund:

	Current Period
Foreign branches' profit sharing accounts and other accounts	
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	206
Profit sharing account and other accounts within the scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-

2. Information on derivative financial liabilities held for trading:

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

None.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

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

	Current Period	
	TL	FC
Borrowings from CBRT		
Domestic Banks and Institutions	50,007	282,081
Foreign Banks, Institutions and Funds	-	741,701
Total	50,007	1,023,782

b) Information on maturity structure of borrowings:

	Current Period	
	TL	FC
Short-term	50,007	543,591
Medium and Long-Term	-	480,191
Total	50,007	1,023,782

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:

57% of the Group's liabilities consist of current and share profit account.

d) Funds provided under repurchasing agreements:

	Current Period	
	TL	FC
Domestic	86,650	-
Financial Institutions	86,650	-
Other Institutions	-	-
Real Persons	-	-
Abroad	-	-
Financial Institutions	-	-
Other Institutions	-	-
Real Persons	-	-
Total	86,650	-

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 component do not exceed 10% of total balance sheet.

5. Information on Financial Lease Obligations:

None.

6. Information on hedging derivative financial liabilities:

The parent bank has no hedging derivative financial liabilities.

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

7. Information on provisions:

a) Information on general provisions:

	Current Period
General Provisions	32,720
I.For Loans and Receivables in Group I (Total)	28,686
Profit Sharing Accounts' Share	17,713
The Bank's Share	10,973
Other	-
I.Additional Provision for Loans and Receivables with Extended Maturities	-
Profit Sharing Accounts' Share	-
The Bank's Share	-
Other	-
II.Loans and Receivables in Group II (Total)	108
Profit Sharing Accounts' Share	59
The Bank's Share	49
Other	-
II.Additional Provision for Loans and Receivables with Extended Maturities	-
Profit Sharing Accounts' Share	-
The Bank's Share	-
Other	-
Provisions for Non Cash Loans	3,560
Other	366

b) Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans and Financial Lease Obligations:

Provisions related with foreign currency evaluation difference of foreign currency indexed loans and financial lease obligation is TL 15,371.

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

Specific provisions for unindemnified non-cash loans amount to TL 1.

d) Information on other provisions:

1) Information on free provisions for possible risks:

None.

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

Other provisions does not exceed 10% of the total provision amount.

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

e) Information on provisions for employee benefits:

1) Employment termination benefits and unused vacation rights

Under the Turkish Labor Law, the Parent Bank is required to pay termination benefits to each employee who has completed at least one year of service, excluding resignation or misconduct, whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire. As of the date of 30 June 2016, the amount payable consists of one month's salary limited to a maximum of TL 4,093 (full amount) (31 December 2015 – TL 3,828) for each year of service.

In the Group's financial statements according to TAS 19 – provisions were made for the employee benefits over the payables of non-discounted amounts as a return of services provided during the one accounting period.

Bank uses actuary method in the calculation and recognition of severance pay with in the standard of TAS 19 – "Turkish Accounting Standard on Employee Benefits".

The Bank used its own parameters in the calculation of the total liabilities which were calculated with the actuary assumptions.

	Current Period
Discount Rate (%)	3.30
Entitled to pension possibility (%)	100

Movements in the reserve for employment termination benefits during period are as follows:

	Current Period
Balance at the beginning of the period	-
Changes during the period	524
Paid during the period	-
Balance at the end of the period	524

As of the date of 30 June 2016, Bank has a TL 671 short-run employees' rights provision.

8. Explanations on tax liability:

a) Explanations on current tax liability:

1) Information on tax provisions:

As of 30 June 2016, the Group's corporate income tax liability is TL 2,129 after deducting temporary taxes paid during the period from the tax provisions.

2) Information on taxes payable:

	Current Period
Corporate Tax Payable	605
Taxation on Income From Securities	1,463
Property Tax	71
Banking Insurance Transactions Tax (BITT)	1,082
Foreign Exchange Transactions Tax	-
Value Added Tax Payable	174
Other	661
Total	4,056

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

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

3) Information on premiums:

	Current Period
Social Security Premiums - Employee	10
Social Security Premiums - Employer	13
Bank Social Aid Pension Fund Premium - Employee	-
Bank Social Aid Pension Fund Premium - Employer	-
Pension Fund Membership Fees and Provisions - Employee	-
Pension Fund Membership Fees and Provisions - Employer	-
Unemployment Insurance - Employee	31
Unemployment Insurance - Employer	61
Other	-
Total	115

b) Information on deferred tax liabilities, if any:

The Group's deferred tax liability amounts to TL 1,480 and this amount is net off against the deferred tax asset and accordingly deferred tax asset amounting to TL 1,504 is presented in the financial statements.

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
Common stock	747,000
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 Group 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:

The bank was established with full capital amount of TL 675,000 after completed trade registry operations on 16 February 2015. With the March 1 2016 dated 5/8 numbered decision of the board of directors, Bank's capital increased by the amount of TL 72,000 by the treasury, the decision has been approved in the ordinary meeting of general assembly in 29 April 2016. On the date of 18 May 2016, trade registry operations are completed and Bank's capital increased to the TL 747,000.

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

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

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

None.

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

There is no capital commitment for the last financial year and the end of the following interim period.

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

The group has no any uncertainty related to profitability and liquidity for the previous period.

g) Information on preferred shares:

As of 30 June 2016, the group has no preferred shares.

h) Information on marketable securities value increase fund:

	Current Period	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-
Revaluation Difference	-	-
Foreign Exchange Difference	-	-
From Available for Sale Marketable Securities	2,574	26
Revaluation Difference	1,992	26
Deferred Tax Effect	582	-
Foreign Exchange Difference	-	-
Total	2,574	26

i) Information on minority shareholder:

None.

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

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

1. Information on off-balance sheet liabilities::

a) Nature and amount of irrevocable loan commitments:

	Current Period
Commitments for Credit Card Expenditure Limits	-
Other Irrevocable Commitments	-
Payment Commitments for Cheques	18,546
Loan Granting Commitments	-
Asset Purchase Commitments	242,367
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	139
Total	261,052

**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
Guarantee Letters	1,652,901
Letter of Credits	114,991
Bank Acceptances	133
Other Contingencies	293,713
Total	2,061,738

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

	Current Period
Letters of Temporary Guarantees	299,415
Letters of Certain Guarantees	699,400
Letters of Advance Guarantees	295,168
Letters of Guarantees given to Customs Offices	-
Other Letters of Guarantees	358,918
Total	1,652,901

3) Total non-cash loans:

	Current Period
Non-Cash Loans for Providing Cash Loans	332,822
With Original Maturity of One Year or Less	28,421
With Original Maturity of More than One Year	304,401
Other Non-Cash Loans	1,728,916
Total	2,061,738

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

IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

1. a) Information on profit share received from loans:

	Current Period	
	TL	FC
Profit share on loans ⁽¹⁾	114,721	9,138
Short term loans	56,248	2,598
Medium and long term loans	58,473	6,540
Profit share on non-performing loans	-	-
Premiums received from resource utilization support fund	-	-

⁽¹⁾ Includes fees and commissions income on cash loans

b) Information on profit share received from banks:

	Current Period	
	TL	FC
The Central Bank of the Republic of Turkey	-	-
Domestic Banks	353	-
Foreign Banks	-	-
Branches and head office abroad	-	-
Total	353	-

c) Information on profit share income from securities portfolio:

	Current Period	
	TL	FC
Financial Assets Held for Trading	-	-
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available-for-Sale	8,072	-
Investments Held-to-Maturity	185	-
Total	8,257	-

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

None.

2. a) Information on profit share expense on borrowing:

	Current Period	
	TL	FC
Banks	-	-
Central Bank of the Republic of Turkey	-	-
Domestic Banks	3,214	2,056
Foreign Banks	-	2,928
Head Office and Branches	-	-
Other Institutions	-	1,270
Total	3,214	6,254

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

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

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

None.

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

None.

d) Distribution of profit share on funds based on maturity of funds:

Current Period	Participation Accounts						
Account Name	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	Over 1 Year	Total
Turkish Lira							
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	2,380	16,220	448	-	204	990	20,242
Public Sector Participation Accounts	426	2,376	1,117	-	344	0	4,263
Commercial Sector Participation Accounts	1,347	5,723	49	-	470	482	8,071
Other Institutions Participation Accounts	73	3,718	235	-	28	0	4,054
Total	4,226	28,037	1,849	-	1,046	1,472	36,630
Foreign Currency							
Funds Collected from Banks via Current and Participation Accounts	269	253	145	-	-	-	667
Real Person's Non Commercial Participation Accounts	339	1,648	115	-	154	129	2,385
Public Sector Participation Accounts	5	107	-	-	-	-	112
Commercial Sector Participation Accounts	390	2,676	3	-	-	10	3,079
Other Institutions Participation Accounts	-	474	-	-	1	-	475
Public Sector Participation Accounts	1	-	-	-	-	-	1
Total	1,004	5,158	263	-	155	139	6,719
Grand Total	5,230	33,195	2,112	-	1,201	1,611	43,349

3. Information on trading income/loss (Net):

	Current Period
Income	260,145
Foreign exchange gains	257,206
Gain on derivative financial instruments	2,939
Gain on capital market transactions	-
Losses (-)	257,011
Foreign exchange losses	256,684
Losses on derivative financial instruments	327
Losses on capital market transactions	-
Net	3,134

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

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

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

	Current Period
Effect of the change in exchange rates on profit/loss	2,612
Effect of the change in interest rates on profit/loss	-
Toplam	2,612

5. Information on other operating income:

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

There are no significant matters covering the recent developments which have significant effect on the Bank's income.

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

	Current Period
Specific Provisions for Loans and Other Receivables	1
III. group loans and receivables	1
IV. group loans and receivables	-
V. group loans and receivables	-
General provision expenses	19,144
Provision expenses for possible losses	-
Impairment provision of marketable securities	-
Financial Assets at fair value through profit and loss	-
Investment securities available for sale	47
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-
Associates	-
Subsidiaries	-
Joint ventures	-
Held to maturity investments	-
Other	3,793
Total	22,985

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

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

7. a) Information on other operating expenses:

	Current Period
Personnel expenses	30,645
Reserve for Employee Termination Benefits	524
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	-
Depreciation Expenses of Tangible Fixed Assets	4,520
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	1,090
Impairment Expense for Equity Shares subject to the Equity Method	-
Impairment Expense for Investment Securities that will be Disposed	-
Amortization Expenses of Investment Securities that will be Disposed	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-
Other Operating Expenses	17,751
Operational Leasing Expenses	5,177
Maintenance Expenses	117
Advertisement Expenses	4,632
Other Expenses	7,825
Loss on Sales of Assets	-
Other	6,747
Total	61,277

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

As of 30 June 2016, The Group does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period
Net Profit Share Income	79,857
Other Operating Expenses (-)	61,277
Provision for Loan or Other Receivables Losses (-)	22,985
Other Operating Income	1,264
Net Fees and Commissions Income	4,892
Dividend Income	-
Trading Income/Expense (Net)	3,134
Income/(Loss) from Continuing Operations	4,885

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

As of 30 June 2016, the Group's total tax provision expense amounting to TL 2,416 consists of TL 4,501 of current tax expense and 2,085 TL of deferred tax expense.

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

The Group's net operating income after tax amounts to TL 2,469.

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

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

11. Information on net profit/loss:

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

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

- b) **The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:**

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period.

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

None.

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

- 1) Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses for the period:**

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	337,726	-	-	-
Balance at end of period	-	-	100,977	-	-	-
Profit share and commission income	-	-	5,113	-	-	-

- 2) Current and profit sharing account held by the Bank's risk group:**

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	-	-	891	-	-	-
Balance at the end of period	-	-	475	891	-	-
Profit share expense	-	-	-	-	-	-

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
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**V. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE PARENT
BANK (Continued)**

**3) 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	-	-	126,798	-	-	-
Closing Balance	-	-	130,145	126,798	-	-
Total Profit/Loss	-	-	406	-	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

4) Information on remunerations provided to group top management:

The group has paid TL 1,313 to top management.

**VI. INFORMATION ON THE BANK'S DOMESTIC AND FOREIGN BRANCHES AND
FOREIGN REPRESENTATIVES OF THE BANK**

None.

**VII. SIGNIFICANT EVENTS AND MATTERS ARISING SUBSEQUENT TO BALANCE SHEET
DATE**

None.

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SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE GROUP’S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON REVIEW REPORT

I. EXPLANATIONS ON THE LIMITED REVIEW REPORT

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

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

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Section Eight (*)

EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT

I. Chairman's Assessment

In the second quarter of the year 2016, recession signals seen in the U.S economy and the slowed recovery speed in the employment conduce toward the Federal Reserve System to be on the safe side about the interest rate hike. This following development perceived positively in the economy and support the fund flow to the developing countries.

Recession seen in the EU and Japan economies caused wage incentives come to the fore again. English People's votes for the Brexit (England's exit from The European Union) in the referendum become a factor that increase the concerns in the EU economy. In order to decrease the pressure of the referendum result in England and to support financial markets, Bank of England stated that BOE may take some new steps. Due to the lower growth performance of the EU economy in the second quarter of the year, additional wage incentives expected from the European Central Bank. Recession risks and expectation for the low level inflation for a long period of time in the global economy increase the demand for the assets of the developing countries and it also had a depressing affect on these countries risk premiums. With the increase of risk appetite there is a little recovery actualized after the sharp fall of the commodity prices in the first quarter. Besides this increase seen in the commodity prices, with the slight decrease in the concerns for the China economy, global economy macro outlook was improved.

In the second quarter of the year 2016, Turkish economy caught the objectives on the basis economic indicators. Manufacturing industry's strong financial outlook, which has the highest share in the gross domestic product, supports the employment increase and made a significant decrease on rate of unemployment. The expectation of growth takes support from domestic demand and public expenditures. Expectation of growth continues strongly with getting the support from domestic demand and public expenditures and recovery in the inflation actualized with the stabilization of food prices. In accordance with the Central Bank's simplification steps in the monetary policy and considering the declining trend in the inflation, high margin interest rate cut was made in the second quarter of the year. Despite the interest rate cuts, low-run in the inflation and continuation of the fund flow in the developing countries was provide Turkish Lira to stay strong.

Turkish economy caught 4.8% growth rate, which is beyond the expectation, in the first quarter of the year. When examined the composition of the growth, household consumption and public expenditures were the main factors. Expenditures of immigrants and high rate increase in the subsistence wage were the basis of this main factors. Domestic investment and consumption expenditures expect to be increase with the decrease in the interest rates in the second quarter of the year and with the positive return in the economic conditions in the U.S, exportation was expect to be positively contribute to the growth.

Stabilization tend in the rising food prices for the past several years gain stability of the Turkish Lira, made a significant decline in the inflation. In the second quarter of the year, recovery seen in the core inflation and recovery expect to be continue in the second other half of the year.

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EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

I. Chairman’s Assessment (Continued)

In the second half of the year 2015, Central Bank of Turkey stated that there will be simplification in the monetary policy within this scope with considering the international market conditions and inflation data’s CBT made a 200 basis point discount on the loan interest rate. Central Bank of Turkey expected to take milder steps in the interest rate cut according to the conditions in the global markets and the progress of inflation in the forthcoming period. Central Bank of Turkey’s interest rate cuts expect to have a positive affect and contribute Turkey’s growth both for the investments and consumption expenditures.

Drop of the petrol and commodity prices which had a substantial share in Turkey’s importation. In order to restrain consumption based import, foreign trade deficit rapidly decreasing with contribution of the measures taken in the consumer loans and current deficit declined to the lowest level since 2010 with the affect of foreign-based fund inflows.

Budget balance which continues its strong process in the first half of the year 2016, expect to maintain its strong process in the second half of the year with the continuation of fiscal discipline. Maintaining current budget realization allow for a drop in the public debt stock rate over the domestic income which is in a good shape according to the Maastricht criterions. Banking sector obtain finance that economy needs with its strong equity structure and high asset quality and the growth continues consistently.

Ziraat Katılım Bank, which was the first public bank and carry this tittle, successfully completed the first operating year in the first half of the year 2016. During the time elapsed, the bank follows a rapid branching policy therefore new customers are gained to the Participation Banking at many points in our country and the bank aims at meeting the customer needs ideally. The extension of the number of domestic branches planned by the bank and maintains its strong financial structure in accordance with the “Participation Banking” principles and continuously increase the service quality and contribution to the Turkish economy.

Hüseyin AYDIN

Chairman

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EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

II. Assessment of General Manager

In the second quarter of the year 2016, Federal Reserve System’s interest rate hike arguments and continuity of the risk environment in the global markets were occurred in the period. Employment increase regression to the low levels in U.S, referendum result which is going to end England’s EU membership and although uncertainty in the markets production and investment recovery be seen in Turkey. Within this scope in the first half of the year in our country positive period was occurred to positive continuity of the growth in an economic dynamism and reform agenda. Macroeconomic indicators, year-end expectations which are determined within the medium-term program (MTP) will be attain in the forthcoming periods.

Assessment in the way of Ziraat Katılım Bank for the second quarter of the year 2016, Bank’s total assets size is 4.9 Billion TL, total current collecting funds size is 3.6 Billion TL. %75 of the total assets was formed by collecting funds.

Bank completed its first year of operation in the same period with 2.5 Million TL profit, we become a participation bank which achieved returning to profitability in the first year of its establishment.

In the year 2016, in spite of World-wide economic fluctuation, we took significant steps for gaining new customers and made a successful performance. Attained volumes in our first year refers to vindicate our branching strategy as well as presents the strong demand for the participation banking products and services.

By the end of June 2016, our total branch number increased to 37. Ziraat Katılım Bank is going to reach the areas which represents %80 of the gross domestic product (GDP) with the new branch opening objectives in the second half of the year.

As Ziraat Katılım Bank, before the end of our first year we had performed significant operations in the money markets. In the year of 2015 May, besides our Bank’s 155 Million USD we had completed the first murabaha syndication, 100 Million TL lease certificate export in the domestic market also completed. Within the scope of our mission to contribute the healthy growth of the participation banking sector, we aim at providing opportunity to the investors in the field of lease certificates and bring depth to the interest-free instruments as both an originator and investor.

On the other hand, on the date of 29 May 2016, we are living pleasure and being proud of ending our first establishment year. We thank the shareholders of the great value that we created in the first year of operation for trusted and opened their hearts to us.

With all of our employees, we are working faithfully and ardently in order to successfully represent Ziraat Finance Group’s brand strength and its culture in the Participation Banking sector and carry the tradition of the participation banking to higher with the strong basis. Ziraat Katılım Bank as a visionary participation bank, aims sustainable growth in the forthcoming period as well and continuously contribute our country’s economy within the scope of “Growth Through Sharing” policy.

Osman ARSLAN

General Manager

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EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

III. Parent Bank’s Shareholding Structure

Ziraat Katılım Bank’s paid in capital is TL 747,000,000 and this capital divided into 747,000,000 shares that each one of all worth 1,00 Turkish Lira. Members of the Board of Auditors, the General Manager and Assistant General Managers do not hold shares in the Bank.

Title	Share Amount (TL)	Number of Shares
T.C. Ziraat Bankası A.Ş.	746,999,996	746,999,996
Ziraat Sigorta A.Ş.	1	1
Ziraat Hayat ve Emeklilik A.Ş.	1	1
Ziraat Teknoloji A.Ş.	1	1
Ziraat Yatırım Menkul Değerler A.Ş.	1	1

IV. Parent Bank’s Changes in the Articles of Association

With the March 1 2016 dated 5/8 numbered decision of the board of directors, Bank’s capital increased by the amount of TL 72,000,00 by the treasury, the decision has been approved in the ordinary meeting of general assembly in 29 April 2016. On the date of 18 May 2016, trade registry operations are completed and Bank’s capital increased to the TL 747,000,000.

Article 6 Old Version
Bank’s capital of TL 675,000,000.00 is divided into 675,000,000 shares in which one share is valued as TL 1. Thereof 1. 674,999,996 shares of total equals to TL 674,999,996.00 belongs to Türkiye Cumhuriyeti Ziraat Bankası Anonim Şirketi Thereof one share equals to 1.00 belongs to Ziraat Sigorta A.Ş. Thereof one share equals to 1.00 belongs to Ziraat Hayat ve Emeklilik Anonim Şirketi Thereof one share equals to 1.00 belongs to Ziraat Teknoloji Anonim Şirketi Thereof one share equals to 1.00 belongs to Ziraat Yatırım Menkul Değerler Anonim Şirketi subscribed in cash and the amount which was pledged paid in advance before the registration. Transfer of shares and establishment of the rights and establishment of rights on them have been materialized in consequence of the approval of Bank’s General Assembly. These establishment of rights be carried out by law of banking, Turkish code of commerce and other related regulation terms.

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IV.Changes in the Articles of Association (Continued)

Article 6 New Version			
Bank’s capital of TL 747,000,000.00 is divided into 747,000,000 shares in which one share is valued as TL 1.			
Bank’s capital of 675,000,000.00 in the previous period is paid in cash.			
This time, all of the amount of TL 72,000,000 increase by the cash subscribed in cash by T.C Ziraat Bankası A.Ş and paid before the registration.			
Bank’s partnership structure was given below;			
Name Surname / Trade Name	Share Amount (TL)	Share Ratio	Share Item
T.C.Ziraat Bankası A.Ş.	746,999,996	99.9999996	746,999,996
Ziraat Sigorta A.Ş.	1	0.0000001	1
Ziraat Hayat ve Emeklilik A.Ş.	1	0.0000001	1
Ziraat Teknoloji A.Ş.	1	0.0000001	1
Ziraat Yatırım Menkul Değerler A.Ş.	1	0.0000001	1
Total	747,000,000	100.00	747,000,000
Transfer of shares and establish a right over them can actualize by the approval of Bank’s General Assembly. These establish of rights implemented within the terms of the related regulations of the law of banking and Turkish code of commerce.			
Equity shares are written in the name of the holder.			

V. Consolidated Financial Indicators

In the Bank’s assets with a volume of; 3,636,780 TL (thousand) credits with %75.0, 849,173 TL (thousand) with liquid assets and banks with %17.5, 225,613 TL (thousand) securities with %4.70, 139,231 TL (thousand) other assets with %2.80 shares takes place.

ASSETS (THOUSAND TL)	June 2016	Balance Sheet Share (%)
Liquid Assets and Banks	849,173	17.5
Securities	225,613	4.7
Loans	3,636,780	75.0
Other Assets	139,231	2.8
Total Assets	4,850,797	100

In the Bank’s Liabilities with a volume of; TL (thousand) 2,752,983 deposit with %56.8, TL (thousand) 1,261,709 non-deposit funds with %26.0, TL (thousand) 740,087 shareholder’s equity with %15.3 and TL (thousand) 96,070 other assets with %1.9 shares takes place.

LIABILITIES (THOUSAND TL)	June 2016	Balance Sheet Share (%)
Deposits	2,752,931	56.8
Resources Out of Deposit	1,261,709	26.0
Other Liabilities	96,070	1.9
Shareholders’ Equity	740,087	15.3
Total Liabilities	4,850,797	100

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EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

V. Main Financial Indicators

SELECTED PROFIT AND LOSS ITEMS (THOUSAND TL)	June 2016
Dividend Income	134,855
Dividend Expense	54,998
Net Dividend Income/Expense	79,857
Net Fees and Commissions Income/Expense	4,892
Trading Income/Expense (Net)	1,264
Other Operating Expenses	61,277
Provision for Loan and Other Receivables	22,985
Profit/Loss Before Tax	4,885
Tax Provision	(2,416)
Net Profit/Loss	2,469
RATIOS (%)	June 2016
Capital Adequacy Ratio	17.2
Shareholders' Equity/Total Assets	15.3
Total Loans/Total Assets	75.0
Demand Deposit/Total Deposit	12.3
FC Assets/FC Liabilities	59.2
Liquid Assets/Total Assets	17.5

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INFORMATIONS ON THE CONSOLIDATED SUBSIDIARIES

ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.:

Ziraat Katılım Varlık Kiralama A.Ş. was established with the permission of Banking Regulation and Supervision Agency at 22 January 2016 which was published in the Official Gazette numbered as 28760 within the scope of Lease Certificate Rescript (III-61.1) at 7 June 2013 with a capital of TL 50,000 and the purpose of exporting the lease certificates.

The address of the head Office was Fatih / ISTANBUL.

The company does not have an employee as of the date of 30 June 2016.

Lease certificates which was issued by Ziraat Katılım Varlık Kiralama A.Ş; with the permission of the General Directorate of Borsa Istanbul, TL 100,000,000 nominal value, 86 days maturity, 12 August 2016 redemption date, "TRDZKVK81614" ISIN coded at 24 March 2016, issue dated 18 May 2016 and will be in trade only between qualified investors in the Primary and Debt Instruments Markets since the date of 23 May 2016.

Sales of the domestic issue of lease certificates by Ziraat Katılım Varlık Kiralama A.Ş was completed, and transferred to the investors accounts which were based on the management agreement, 86 maturity, TL 100,000,000 nominal valued and Ziraat Katılım Bank takes part as a fund user.

ISIN Code of Issued Capital Market Instrument	TRDZKVK81614
Type of the Issued Capital Market Instrument	Lease Certificate
Form of Sale	Sale to the qualified investor without offer to public
Nominal Value of the Issue	TL 100,000,000
Sold Nominal Value	TL 100,000,000
Issue Price	TL 1
Maturity of the Issued Capital Market Instrument	12 August 2016 - 86 days
Redemption Plan of the Issued Capital Market Instrument	Principal Batch Payment at Maturity and Return Payment
Return/Profit Share Ratio of the Issued Capital Market Instrument	Yearly Ratio %10.60 , Return Ratio %2.49753

Subsidiaries	Location Adress	Share Amount	Share Number
Ziraat Katılım Bankası A.Ş.	Hobyar Eminönü Mahallesi Hayri Efendi Street. Fatih / İSTANBUL	50.000	50.000

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EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

VI. 2016’s II. Interim Period Operations

The Bank starts its operations shortly after gets the certificate of incorporation. With the getting started to the operations, satisfy the needs of customers based structure was formed. The Bank’s one of the main establishment operations which is implementation of banking setup and adaptation studies was completed in March, 2015 and started to put into the service of customers.

Within this scope, there are variety of products are opened for use in the following fields; the basic banking system, loans, treasury, foreign trade, internet banking, ATM and call center.

In the bank which has a rapid growth objective in the sector, formed infrastructures that are scale designed in order to meet the prospective requirements.

Bank’s customer satisfaction based approach and special services in the field of private banking continues its operations successfully within in the scope of Participation Banking principles in the second quarter of the year.

In the second quarter of the year 2016, growth in the personal loans increased by a percentage of %68.3 and reached TL 409 Million at the end of June. Our Bank signed protocols of 8 large housing projects and started to fulfill the financing needs of our customers with the related projects. We organized a “Doctor’s Day Campaign” which was valid from March to April in order to fulfill the financing needs of our healthcare worker customers.

Besides our Bank started to offer State Subsidy Dowery Participation Account to the Bank’s customers. “Social security institution’s Income/Monthly Payments” for our Bank’s retiring pension customers be in progress in the second quarter.

Our Bank’s membered office number increased to 428 and terminal number in the field increased to 491. TROY card acceptance from our POS machines was started.

Customer satisfaction ISO10002 certificate of quality was taken and also Central Banking Branch Solution&Support Center was established for our reporter customers and English IVR services was started in the Customer Contact.

Risk management activities cover the main headings of credit risk, market risk, operational risk, liquidity risk and other risks and have the ultimate objective of achieving compliance with international best practices. Within this scope, in addition to these current studies, activities which are actualized in the related period are stated below;

The internal capital adequacy assessment process (ICAAP) report which was prepared as of the date of 31.12.2015 within the scope of “Internal Systems and Internal Capital Adequacy Assessment Process of Banks” which was published on the date of 11.07.2014 by “Banking Regulation and Supervision Agency” was transmitted to the BRSA. In accordance with “Regulation on the Assessment Process of Banks’ Internal Systems and Internal Capital Adequacy” and “Guideline on Stress Testing to be used for Capital and Liquidity Planning” are published by BRSA, scenario analysis-stress test studies, related to the year 2015, are made and transmitted to the BRSA at end of January, 2016.

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EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

VI. 2016's II. Interim Period Operations (Continued)

Newly opened branches which were opened after the first quarter of the year 2016;

Kahramanmaraş branch was started to the customer acceptance on the date of April 6, 2016.
Kütahya branch was started to the customer acceptance on the date of April 7, 2016.
Rize branch was started to the customer acceptance on the date of April 11, 2016.
Gebze/Kocaeli branch was started to the customer acceptance on the date of April 20, 2016.
Şanlıurfa branch was started to the customer acceptance on the date of May 5, 2016.
Çallı/Antalya branch was started to the customer acceptance on the date of June 3, 2016.
Beyazıt/İstanbul branch was started to the customer acceptance on the date of June 8, 2016.
Güneşli/İstanbul branch was started to the customer acceptance on the date of June 9, 2016.
Balgat/Ankara branch was started to the customer acceptance on the date of July 14, 2016.
Mevlana/Konya branch was started to the customer acceptance on the date of July 19, 2016.

899 coded Central Banking branch was started to the customer acceptance.

VII. Expectations After the 2016's II. Interim Period

In the first quarter of the year 2016, political developments plays a part in the shaping of the global economy rather than the economic developments. English People's votes for the Brexit (England's exit from The European Union) in the referendum affects both EU countries, U.S economy and the economies of developing countries. Outflow of funds occurred in the developing countries markets and risky assets. With the shift of funds to developing countries public bonds, interest rate of these bonds come to the lowest levels. Moreover demand for the gold, which was identified as a safe port, was increased and rapid increase occurred in the price of gold's ounce. Eventhough there was a recovery in the commodity prices, there was no mention for the recovery in this kind of an environment that growth expectations were globally taken down. Sui generis problems of countries economics especially China and other developing countries both in a politic and economic manner become another perturbative issue for the World's economy. In the light of these developments, FED's decision about interest rate hike expected to be more prudent in the second quarter of the year. On the other hand, European Central Bank (ECB) and Bank of Japan (BOS) were took supportive steps for the global economy with performing expansionary monetary policy. However, when examined the global economies current position, need for trustworthy financial policy and structural reforms were mentioned monetary policies for long term and sustainable growth.

Strong positioning of the American Dollar started to affect the U.S economy negatively and continuity of the recovery in U.S economy in the first half of the year 2016 was mentioned. Although household expenditures strongly continues, decay in the domestic markets expected to make pressure over the U.S economies growth rates. Besides the speed of recovery in the employment market slows down in the last period create concerns for the future of U.S economy. Most of the Federal Reserve System's (FED) members mentioned that interest rate hike may be appropriate in the case of; confirmation of the growth recovery in the U.S, no financial shocks actualized in the global economy, speed of employment continuously increase with a level of reaching the full employment objective and confirmation of the %2 inflation objective in the medium term. Likewise, because of the reason why England's referendum results, which addresses England exiting from the E.U, is going to be negatively affects the U.S economy, the low possibility of FED's interest rate hike decision in the second half of the year was mentioned.

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EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

VII. Expectations After the 2016's II. Interim Period (Continued)

In the first half of the year 2016, the result of exit of the England from European Union (EU) was seriously affected the Continental Europe in both economic and political way. British pound decreased in value toward Dollar and tested the lowest level of 30 years. Especially Northern Ireland's which is under the United Kingdom and Scotland's willingness to stay inside the European Union and for the some of the union countries mentioned about exiting from the European Union caused uncertainty for the future of the European Union. Besides, demand for the public bond was increased with the results of the referendum which was the opposite of the expectations of the markets and the danger of recession, long-term public bond returns of Germany and Switzerland turned negative. Addition to the issue of negative interest to the problems seen in the Europe's economy started to seriously affect the Banking sector. European Central Bank (ECB) didn't changed the interest rates and the amount of asset purchases programs in the second quarter of the year. The Bank was remained the interest on policy to %0, interest on deposits to negative %0.4, marginal loan interest %0.25. Growth in the last four years only supported by the European Central Bank's (ECB) monetary policies alongside of monetary policy and trustworthy financial policy, need for structural reforms emphasized for a long-term and sustainable growth. Additional monetary easing may done by the European Central Bank (ECB) because of the negative affect from the increase of the signs in the global recession and the exit of England from European Union (EU) over the economy of the European Union (EU).

Slowing trend in the China's economy also affects the global economy in the first quarter of the year 2016. Especially the slowing trend in the China's economy, which formed the %11 percent of the global economy, was reduced the demand for commodities and caused sharp changes in the developing countries asset prices. As from the last year data's which were aimed at China's economy, were not meet with the expectations also evaluated negatively by the credit rating agencies. Downward trend of China's growth ratios mentioned to be continues and year-end growth objectives reduced to %6.5-7. Besides, because of the continuity of the support for the China Government to the economy, expectations for the China supposed to be in a sum of positive. However, the possibility of deterioration in the China's markets shows up with the decrease in the government support and stabilization of the markets.

Geopolitical risks as well as changefulness and political developments on the global economy played a major role on the Turkey's markets in the first half of the year. Actualization of Brexit, slowdown signals in the global economy and low recovery on the commodity prices made pressure on the Turkish economy in the first half of the year. Nevertheless, continuity of public discipline, growth numbers which came better than the expectations, declining trend of the numbers of current account deficit were increased the demand for the Turkish Lira instruments and provide the interest rate in Turkey to decrease at digit numbers. FED's explanation to behave prudently about data's that will come for the interest rate hike and expectations toward the European Central Bank to take new steps on the new monetary easing were the other factors which increased the demand to the Turkish Lira assets. Central Bank of the Republic of Turkey (CBRT) decreased the loan interest rate of the year 2016 by 175 basis point having regard to stabilization of the food prices and recovery in the inflation rates. Central Bank of the Republic of Turkey (CBRT) was expected to reduce a sum of the interest rate in the second half of the year in line with the cancellation policy and pay regard to inflation outlook.

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EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

VII. Expectations After the 2016's II. Interim Period (Continued)

Turkey's growth which was far above from the expectations of 2015 and also growth in the first quarter of the current year with %4.8, show some promise for catching the targeted growth numbers for the year 2016. Political developments, geopolitical risks and despite the problems taken place in the global economy, solidity of the main building stones of the economy and the experience of the political authority about the management of the economy were the factors of the rapid growth of the economy which was above from the expectations. Solely, gaining weight of the domestic demand on the growth numbers in the first quarter of the year 2016, caused for the interrogation of the quality of growth numbers. With decreased interest rates, improvement for the investment environment and if global economic conditions support the Turkish economy; reaching the growth numbers expected to be higher than the year 2015 in 2016.

As a result of the sharp fall in the natural gas and petrol prices in last year, the started constriction in Turkey's foreign trade deficit continues to shrink in the first half of this year. Recovery started on the prices of petrol and natural gas after the February 2016, positively affected the petrol export oriented country's economies even though it was limited. This situation increased the export of the Turkey to the petrol export oriented countries. Also the political problems with the Russia was solved therefore the awaited increase on the tourism income in this summer expecting to recover the current account deficit.

Stabilization of the food prices in the year 2016, foreign-based sharp fall in the energy prices and decrease in the value of Turkish Lira comparing to the last year, these events positively affected the inflation and made an important decline. The explanation of the FED's more prudent behavior about the interest rate hike supports Turkish Lira in the second half of the year. Decrease in the inflation was actualized together with the moderate trend of the food prices in this year, it has a %25 weight on the inflation, which showed high trend in the couple of years. There is a significant increase expectation in the domestic energy prices because of the Recession in the global economy does not support a rapid recovery in the energy prices and the falling of the possibility for a permanent decrease in value.

Sharp fall in the interest rates actualized along with the recession signals in the global economy during the first half of the year 2016. Central Bank of the Turkish Republic (CBRT) publicly announced the normalization process in the monetary policy is going to be start considering the global economic condition in the second half of the year 2015. Within this scope, Central Bank of the Turkish Republic (CBRT) made a 175 basis point discount in the top strap of the interest rate corridor during the first half of the year. Developed countries other than U.S such as Germany, Japan's short and long-term bonds are treated with negative interest in the world. Central Banks of the developed countries take new liquidity enhancing measures in order to struggle with the deflation along with this the amount of bonds which are treated with negative interest expected to be increase. The practice of expanding monetary policies by the developed countries and possible declines in the inflation allows of new interest rate cuts for the Central Bank of the Republic of Turkey (CBRT) and there can be a sum of regression in the interests in the year 2016.

In the first half of the year 2016, while the recession signs were increased in the global economy, political developments especially Brexit were caused the increase of the problems in the global economy. With the FED's prudent behavior about the interest rate hike and European Central Bank's (ECB) explanation about the wage incentives if required, developed countries public bond interests performed the historic lowest level. Sharp fall seen in the global economy and decline trend in the inflation of Turkey allow of interest rate hike for the Central Bank of the Republic of Turkey (CBRT). Low recovery in the petrol prices was positively reflected to the numbers of Turkey's foreign trade and foreign trade deficit continues to economically shrinkage in the year 2016. Turkey's economic growth, which was above from the expectations, expected to continue with the same dynamism in the rest of the year with the positive contribution of interest rate cuts.

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