

ZİRAAT KATILIM BANKASI A.Ş.

**PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS
TOGETHER WITH REVIEW REPORT
FOR THE PERIOD 1 JANUARY - 31 MARCH 2016**

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



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 31 March 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 three-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 31 March 2016 and of the results of its operations and its cash flows for the three-month-period then ended in all aspects in accordance with the BRSA Accounting and 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

İstanbul, 16 May 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 UNCONSOLIDATED INTERIM FINANCIAL REVIEW REPORT OF
ZİRAAT KATILIM BANKASI A.Ş. AS OF 31 MARCH 2016**

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi
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The unconsolidated 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
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT
- EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- EXPLANATIONS ON REVIEW REPORT

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

SUBSIDAIRIES
1. ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

The accompanying unconsolidated 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 CUTUR
Member of the Board,
Member of the Audit
Committee

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

HAKAN AYDOĞAN
Financial Coordination and
Human Resources Deputy
General Manager

Osman CETİNER
Vice President
of Financial Reporting, Budget

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

Name-Surname/Position : Tuncay KAMIS / Financial Reporting Manager
Telephone : 0 212 404 13 35
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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 - 31 MARCH 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 Participation 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 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 31 March 2016, Bank’s capital of TL 675,000 is divided into 675,000,000 shares in which one share is valued as TL 1. 674,999,996 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.

**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 - 31 MARCH 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	Marketing
Dr. Raci KAYA	Treasury and International Banking
Mustafa AKIN	Under General Management
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.	674,999,996	99.9999996	674,999,996	-
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	675,000,000	100.0	675,000,000	-

As of 31 March 2016, the sole shareholder of the Bank is the Undersecretariat of Treasury.

**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 - 31 MARCH 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, 3 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 31 March 2016, Group operates with 526 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 31 MARCH 2016**

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

**SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS**

I.	CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	Current Period (31/03/2016)		
			TL	FC	Total
ASSETS					
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	62,336	210,131	272,467
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	994	1	995
2.1	Financial Assets Held for Trading		994	1	995
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		994	1	995
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)	1,041	245,518	246,559
IV.	MONEY MARKET PLACEMENTS		-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	184,149	5,944	190,093
5.1	Securities Representing a Share in Capital		4,719	-	4,719
5.2	Public Sector Debt Securities		-	-	-
5.3	Other Marketable Securities		179,430	5,944	185,374
VI.	LOANS AND RECEIVABLES	(5)	2,060,059	549,973	2,610,032
6.1	Loans and receivables		2,060,057	549,973	2,610,030
6.1.1	Loans to Risk Group of the Bank		-	75,106	75,106
6.1.2	Public sector debt securities		-	-	-
6.1.3	Other		2,060,057	474,867	2,534,924
6.2	Non-performing loans		3	-	3
6.3	Specific provisions (-)		1	-	1
VII.	INVESTMENTS HELD TO MATURITY (Net)	(6)	-	-	-
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(7)	-	-	-
8.1	Accounted with Equity Method		-	-	-
8.2	Unconsolidated 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)	22,904	-	22,904
11.1	Finance Lease Receivables		29,685	-	29,685
11.2	Operating Lease Receivables		-	-	-
11.3	Other		-	-	-
11.4	Unearned Income (-)		6,781	-	6,781
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)	39,425	-	39,425
XIV.	INTANGIBLE ASSETS (Net)		21,087	-	21,087
14.1	Goodwill		-	-	-
14.2	Other		21,087	-	21,087
XV.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-
XVI.	TAX ASSET		1,472	-	1,472
16.1	Current Tax Asset		998	-	998
16.2	Deferred Tax Asset		474	-	474
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		10,064	19	10,083
TOTAL ASSETS			2,403,531	1,011,586	3,415,117

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 31 MARCH 2016**

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

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	Current Period (31/03/2016)		
		TL	FC	Total
		LIABILITIES AND EQUITY		
I. FUND COLLECTED	(1)	1,002,457	897,753	1,900,210
1.1 Fund Collected Held By the Risk Group of the Bank		786	-	786
1.2 Other		1,001,671	897,753	1,899,424
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	-	-	-
III. FUNDS BORROWED	(3)	66,214	670,175	736,389
IV. MONEY MARKET BALANCES		52,746	-	52,746
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-
VI. MISCELLANEOUS PAYABLES		16,572	1,876	18,448
VII. OTHER LIABILITIES	(4)	12,465	2,294	14,759
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)	28,180	361	28,541
10.1 General Provisions		25,787	-	25,787
10.2 Restructuring Provisions		-	-	-
10.3 Employee Benefits Provisions		-	-	-
10.4 Insurance Technical Reserves (Net)		-	-	-
10.5 Other Provisions		2,393	361	2,754
XI. TAX LIABILITY	(8)	2,306	-	2,306
11.1 Current Tax Liability		2,306	-	2,306
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)	661,752	(34)	661,718
14.1 Paid-in Capital		675,000	-	675,000
14.2 Capital Reserves		1,491	(34)	1,457
14.2.1 Share Premium		-	-	-
14.2.2 Share Cancellation Profits		-	-	-
14.2.3 Marketable Securities Valuation Differences		1,491	(34)	1,457
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		(14,739)	-	(14,739)
14.4.1 Prior Years Profit/Loss		(11,982)	-	(11,982)
14.4.2 Net Period Profit/Loss		(2,757)	-	(2,757)
TOTAL LIABILITIES AND EQUITY		1,842,692	1,572,425	3,415,117

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 31 MARCH 2016**

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

II.	CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (31/03/2016)		
			TL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS (I-II+III)		576,539	1,060,264	1,636,803
I.	GUARANTEES AND WARRANTIES	(1)	508,368	1,000,338	1,508,706
1.1	Letters of Guarantee		508,197	671,316	1,179,513
1.1.1	Guarantees Subject to State Tender Law		80	447,775	447,855
1.1.2	Guarantees Given for Foreign Trade Operations		439,221	-	439,221
1.1.3	Other Letters of Guarantee		68,896	223,541	292,437
1.2	Bank Acceptances		-	-	-
1.2.1	Import Letter of Acceptance		-	-	-
1.2.2	Other Bank Acceptances		-	-	-
1.3	Letters of Credit		-	89,445	89,445
1.3.1	Documentary Letters of Credit		-	89,445	89,445
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		-	228,846	228,846
1.7	Other Collaterals		171	10,731	10,902
II.	COMMITMENTS	(1)	35,044	27,836	62,880
2.1	Irrevocable Commitments		35,044	27,836	62,880
2.1.1	Forward asset purchase commitments		22,306	27,836	50,142
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		12,672	-	12,672
2.1.7	Tax and Fund Liabilities from Export Commitments		66	-	66
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		33,127	32,090	65,217
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		33,127	32,090	65,217
3.2.1	Forward Foreign Currency Buy/Sell Transactions		33,127	32,090	65,217
3.2.1.1	Forward Foreign Currency Transactions-Buy		33,127	-	33,127
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	32,090	32,090
3.2.2	Other Forward Buy/Sell Transaction		-	-	-
3.3	Other		-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		1,953,357	182,838	2,136,195
IV.	ITEMS HELD IN CUSTODY		74,967	54,514	129,481
4.1	Customer Fund and Portfolio Balances		-	-	-
4.2	Investment Securities Held in Custody		-	-	-
4.3	Checks Received for Collection		69,449	2,785	72,232
4.4	Commercial Notes Received for Collection		5,518	8	5,526
4.5	Other Assets Received for Collection		-	-	-
4.6	Assets Received for Public Offering		-	-	-
4.7	Other Items Under Custody		-	49,688	49,688
4.8	Custodians		-	2,035	2,035
V.	PLEDGES RECEIVED		1,878,390	128,324	2,006,714
5.1	Marketable Securities		2,666	-	2,666
5.2	Guarantee Notes		315,275	9,121	324,396
5.3	Commodity		166,022	-	166,022
5.4	Warranty		-	-	-
5.5	Properties		1,366,249	-	1,366,249
5.6	Other Pledged Items		28,178	119,203	147,381
5.7	Pledged Items-Depository		-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			2,529,896	1,243,102	3,772,998

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 - 31 MARCH 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)	Current Period 01/01-31/03/2016
I. PROFIT SHARE INCOME	(1)	53,886
1.1 Profit share on loans		49,168
1.2 Profit share on reserve deposits		678
1.3 Profit share on banks		353
1.4 Profit share on money market placements		-
1.5 Profit share on marketable securities portfolio		3,439
1.5.1 Held-for-trading financial assets		-
1.5.2 Financial assets at fair value through profit and loss		3,439
1.5.3 Available-for-sale financial assets		-
1.5.4 Investments held-to-maturity		-
1.6 Finance lease income		248
1.7 Other profit share income		-
II. PROFIT SHARE EXPENSE	(2)	19,903
2.1 Expense on profit sharing accounts		16,560
2.2 Profit share expense on funds borrowed		2,450
2.3 Profit share expense on money market borrowings		893
2.4 Expense on securities issued		-
2.5 Other profit share expense		-
III. NET PROFIT SHARE INCOME (I - II)		33,983
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		2,695
4.1 Fees and commissions received		3,111
4.1.1 Non-cash loans		2,114
4.1.2 Other		997
4.2 Fees and commissions paid		416
4.2.1 Non-cash loans		-
4.2.2 Other		416
V. DIVIDEND INCOME		-
VI. NET TRADING INCOME	(3)	1,632
6.1 Capital market transaction gains / (losses)		-
6.2 Gains/ (losses) from derivative financial instruments		694
6.3 Foreign exchange gains / (losses)		938
VII. OTHER OPERATING INCOME	(4)	777
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		39,087
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(5)	13,890
X. OTHER OPERATING EXPENSES (-)	(6)	26,337
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		(1,140)
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)	(1,140)
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (-)	(9)	(1,617)
16.1 Current Tax Provision		(2,387)
16.2 Deferred Tax Provision		770
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	(2,757)
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)	(2,757)
Earnings per share income/loss (full TL)		(0.0041)

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 - 31 MARCH 2016**

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

IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY		Current Period
Consolidated Statement of income and expenses accounted under equity		01/01 - 31/03/2016
I.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FOR AVAILABLE SALE FINANCIAL ASSETS	(69)
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	14
X.	TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	(55)
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)	(55)

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 - 31 MARCH 2016

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

V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																		
Current Period 31 March 2016		Note (Section Five)	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	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	Asset held for sale and disc.op. valuation fund.	Total equity
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		-	-	-	-	-	-	-	-	-	-	(55)	-	-	-	-	(55)
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	(2,757)	-	-	-	-	-	-	(2,757)
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)		675,000	-	-	-	-	-	-	-	(14,739)	-	1,457	-	-	-	-	661,718

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 - 31 MARCH 2016**

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS		Note (Section Five)	Current Period 01/01-31/03/2016
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities		7,467
1.1.1	Profit share income received		42,708
1.1.2	Profit share expense paid		(16,028)
1.1.3	Dividend received		-
1.1.4	Fees and commissions received		3,111
1.1.5	Other income		4,285
1.1.6	Collections from previously written off loans		-
1.1.7	Payments to personnel and service suppliers		(14,536)
1.1.8	Taxes paid		(2,197)
1.1.9	Others		(9,876)
1.2	Changes in operating assets and liabilities		231,254
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		(68,552)
1.2.4	Net (increase) decrease in loans		(922,317)
1.2.5	Net (increase) decrease in other assets		(942)
1.2.6	Net increase (decrease) in bank deposits		-
1.2.7	Net increase (decrease) in other deposits		641,804
1.2.8	Net increase (decrease) in funds borrowed		570,758
1.2.9	Net increase (decrease) in due payables		-
1.2.10	Net increase (decrease) in other liabilities		10,503
I.	Net cash provided from banking operations		238,721
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from investing activities		(67,021)
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		(2,790)
2.4	Fixed assets sales		-
2.5	Cash paid for purchase of financial assets available for sale		(63,552)
2.6	Cash obtained from sale of financial assets available for sale		-
2.7	Cash paid for purchase of investment securities		-
2.8	Cash obtained from sale of investment securities		-
2.9	Other		(629)
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		(2,681)
V.	Net increase (decrease) in cash and cash equivalents (I + II + III + IV)		169,019
VI.	Cash and cash equivalents at the beginning of the period		145,137
VII.	Cash and cash equivalents at the end of the period		314,156

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 - 31 MARCH 2016**

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

SECTION THREE

ACCOUNTING PRINCIPLES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in 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 unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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
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 - 31 MARCH 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 - 31 MARCH 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:

31 March 2016

Title	Address (City / Country)	Main Activities	31 March 2016	
			Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)
Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul/Turkey	Export to Rent Certificate	100.00	100.00

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 rullings 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.

There is no jointly controlled subsidiaries as of the date of 31 March 2016.

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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 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. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS
AND RELATED LIABILITIES**

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 31 March 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 31 March 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:

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

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

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.

Due to the the bank starts operations within 2015, there are no calculated or needed to calculate provisions for employee termination benefits and allowance as of 31 March 2016.

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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 SHARE CERTIFICATES ISSUED

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

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ACCOUNTING PRINCIPLES (Continued)

XX. EXPLANATIONS ON ACCEPTANCES

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

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

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 31 March 2016, current period equity balance of the bank is TL 638,864 and capital adequacy standard ratio is %20.48. 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 31/03/2016	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL	675,000	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	-	
Share issue premiums	-	
Reserves	1,457	
Gains recognized in equity as per TAS	-	
Profit	-	
Current Period Profit	-	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	676,457	
Common Equity Tier 1 Capital Before Deductions		
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	14,739	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	12,927	
Improvement costs for operating leasing	-	
Goodwill (net of related tax liability)	8,435	14,058
Other intangibles other than mortgage-servicing rights (net of related tax liability)	189	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
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	36,290	
Total Common Equity Tier 1 Capital	640,167	

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Current Period 31/03/2016	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I 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 (-)	12,652	
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 (-)	284	
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	12,936	
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	627,231	
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)	11,633	
Tier II Capital Before Deductions	11,633	
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	11,633	
Total Capital (The sum of Tier I Capital and Tier II Capital)	638,864	

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

	Current Period 31/03/2016	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	638,864	
Total risk weighted amounts	3,119,729	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	20.52	
Tier I Capital Adequacy Ratio	20.11	
Capital Adequacy Ratio	20.48	
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	16.02	
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)	11,633	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	11,633	
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. VAR based currency risk limit is also daily followed which was approved by Board of Directors.

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

b) Hedge against foreign exchange debt instruments and net foreign exchange investments by hedging derivative instruments, if material:

None.

c) Management policy for foreign currency risk:

“Liquidity Gap Analysis”, “Repricing Gap Analysis” and “Structural Liquidity Gap Analysis” which takes into account historical repricing rates of foreign currency accounts, are prepared periodically in order to define liquidity and interest rate risks at US Dollar 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
25.03.2016	2.8100	3.1336	2.0883	0.4165	0.3348	2.8430	2.0964	0.3276	3.9489	0.7418	2.4590
28.03.2016	2.8733	3.2082	2.1591	0.4296	0.3448	2.9346	2.1666	0.3384	4.0631	0.7661	2.5251
29.03.2016	2.8695	3.2114	2.1549	0.4301	0.3450	2.9378	2.1731	0.3380	4.0834	0.7651	2.5193
30.03.2016	2.8334	3.2081	2.1664	0.4297	0.3455	2.9324	2.1711	0.3390	4.0766	0.7555	2.5175
31.03.2016	2.8249	3.2090	2.1607	0.4299	0.3460	2.9276	2.1762	0.3398	4.0534	0.7532	2.5077

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
2.8278	3.1448	2.1021	0.4184	0.3357	2.8545	2.1179	0.3305	4.0124	0.7473	2.4808

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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	62,638	147,445	48	210,131
Banks	141,222	101,756	2,540	245,518
Financial Assets at Fair Value Through Profit and Loss	-	1	-	1
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	5,944	-	5,944
Loans	581,638	566,678	-	1,148,316
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	10	9	-	19
Total Assets	785,508	821,833	2,588	1,609,929
Liabilities	-	-	-	-
Current account and funds collected from Banks via participation accounts	32,090	28,390	-	60,480
Current and profit sharing accounts FC	314,073	520,713	2,487	837,273
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	400,365	269,810	-	670,175
Marketable securities issued	-	-	-	-
Miscellaneous payables	356	1,520	-	1,876
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	386	2,233	2	2,621
Total liabilities	747,270	822,666	2,489	1,572,425
Net balance sheet position	38,238	(833)	99	37,504
Net off-balance sheet position	(32,090)	-	-	(32,090)
Financial derivative assets	-	-	-	-
Financial derivative liabilities	32,090	-	-	32,090
Non-cash Loans	229,644	770,694	-	1,000,338
Prior Period	-	-	-	-
Total Assets	-	-	-	-
Total Liabilities	-	-	-	-
Net Balance Sheet Position	-	-	-	-
Net Off-Balance Sheet Position	-	-	-	-
Financial Derivative Assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
Non-cash Loans	-	-	-	-

⁽¹⁾ TL 211,073 equivalent of USD loans and TL 387,270 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 CONSOLIDATED LIQUIDITY RISK

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 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 CONSOLIDATED LIQUIDITY RISK (Continued)

- b) Payments, whether assets and liabilities are compatible with the rate of profit, whether 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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IV. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued)

Current Period	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	319,986	175,990	267,291	123,389
High quality liquid assets	-	-	267,291	123,389
CASH OUTFLOWS	1,907,501	939,177	750,383	400,477
Real person deposits and retail deposits	782,549	308,116	78,159	30,793
Stable deposit	1,917	375,97	96	19
Deposit with low stability	780,632	307,740	78,063	30,774
Unsecured debts except real person deposits and retail deposits	980,190	563,232	616,347	341,342
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	980,190	563,232	616,347	341,342
Secured debts	-	-	-	-
Other cash outflows	144,762	67,829	55,877	28,342
Derivative liabilities and margin obligations	30,536	24,172	30,536	24,172
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	78,517	7,949	23,555	2,385
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	35,709	35,708	1,786	1,785
TOTAL CASH OUTFLOW	-	-	750,383	400,477
CASH INFLOWS	727,484	333,618	668,207	323,970
Secured receivables	-	-	-	-
Unsecured claims	696,582	321,260	637,306	311,611
Other cash inflows	30,902	12,358	30,901	12,359
TOTAL CASH INFLOWS	727,484	333,618	668,207	323,970
Applied maximum rate values	-	-	-	-
TOTAL High quality liquid asset STOCK	-	-	267,291	123,389
TOTAL NET CASH OUTFLOWS	-	-	191,757	125,437
LIQUIDITY COVERAGE RATIO (%)	-	-	141	106

(*) 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 CONSOLIDATED LIQUIDITY RISK (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	272,467	-	-	-	-	-	-	272,467
Banks	246,559	-	-	-	-	-	-	246,559
Financial Assets at Fair Value Through Profit and Loss	-	995	-	-	-	-	-	995
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available- for-Sale	4,719	-	-	25,105	160,269	-	-	190,093
Loans Given	-	372,387	159,328	771,099	1,138,092	169,124	2	2,610,032
Investments Held-to- Maturity	-	-	-	-	-	-	-	-
Other Assets	-	1,348	-	183	21,373	-	72,067	94,971
Total Assets	523,745	374,730	159,328	796,387	1,319,734	169,124	72,069	3,415,117
Liabilities	-	-	-	-	-	-	-	-
Funds Collected from Banks Via Current and Participation Accounts	141	60,467	-	-	-	-	-	60,608
Current and Participation Accounts	231,350	1,242,516	260,332	103,108	2,297	-	-	1,839,602
Funds Provided from Other Financial Instruments	-	303,760	432,629	-	-	-	-	736,389
Money Market Borrowings	-	52,746	-	-	-	-	-	52,746
Issued Marketable Securities	-	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	-	18,448	18,448
Other Liabilities *	-	-	-	-	-	-	707,324	707,324
Total Liabilities	231,491	1,659,489	692,961	103,108	2,297	-	725,772	3,415,117
Liquidity Gap	292,254	(1,284,759)	(533,633)	693,279	1,317,438	169,124	(653,703)	-

(*) 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 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 31 March 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)	3,004,023
(Assets deducted from main capital)	(49,066)
Total risk amount of the balance sheet assets	2,954,957
Derivative financial instruments and credit derivatives	-
Replacement cost of derivative financial instruments and credit derivatives	583
Potential credit risk amount of derivative financial instruments and credit derivatives	564
Total risk amount of derivative financial instruments and credit derivative	1,147
Security or secured financing transactions	-
Risk amount of security or secured financing transactions (Except balance sheet)	9,982
Risk amount due to intermediated transactions	-
Total risk amount of security or secured financing transactions	9,982
Off-balance sheet transactions	-
Gross nominal amount of off-balance sheet transactions	1,108,636
(Adjustment amount resulting from multiplying by credit conversion rates)	-
Risk amount of the off-balance sheet transactions	1,108,636
Equity and total risk	-
Main capital	626,930
Total risk amount	4,074,722
Leverage ratio	-
Leverage ratio	15.39

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

Comparison table of total assets and total risk amounts in the financial statements prepared in accordance with TAS :

	Cari Dönem(**)
Total assets in the consolidated financial statements prepared in accordance with TAS (*)	3,415,117
Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communiqué on Preparation of Consolidated Financial Statements of the Banks	-
Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	85,745
Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	50,718
Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	-
Other differences in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	632
Total Risk	4,074,722

(*) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks.

(**) The arithmetic average of the last 3 months in the related periods

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

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. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented:

- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of market risk exposures under an IMA

Overview of RWA		Risk Weighted Amount	Minimum capital requirement
		Current Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	2,985,181	238,814
2	Standardised approach (SA)	2,985,181	238,814
3	Internal rating-based (IRB) approach	-	-
4	Counterparty credit risk	375	30
5	Standardised approach for counterparty credit risk (SA-CCR)	375	30
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	2,650	212
17	Standardised approach (SA)	2,650	212
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)	3,119,679	249,574

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

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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.

VIII. 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.

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

VIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

Table for Segment Reporting:

	Retail Banking	Corporate/ Entrepreneu rial Banking	Treasury/ Investment Banking	Other/Undist ributed	Total
Current Period					
OPERATING INCOME/EXPENSE					
Profit Shares Income	5,519	43,649	4,470	248	53,886
Profit Shares from Loans	5,519	43,649	-	-	49,168
Profit Shares from Banks	-	-	353	-	353
Profit Shares from Securities	-	-	3,439	-	3,439
Other Profit Shares	-	-	678	248	926
Profit Shares Expense	10,649	5,911	3,344	-	19,903
Profit Shares Expense on Participation Funds	10,649	5,911	-	-	16,560
Profit Shares Expense on Funds Borrowed	-	-	2,450	-	2,450
Profit Shares Expense on Money Market Transactions	-	-	893	-	893
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	-	-
Net Profit Shares Income/Expense	(5,130)	37,739	1,126	248	33,983
Net Fees and Commission Income/Expense	-	2,115	-	580	2,695
Fees and Commissions Received	-	2,115	-	996	3,111
Fees and Commissions Paid	-	-	-	416	416
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	1,632	-	1,632
Other Operating Income	-	-	-	777	777
Provision for Loans or Other Receivables Losses	618	11,593	-	1,679	13,890
Other Operating Expense	-	10	-	26,327	26,337
Income Before Tax	(5,748)	28,251	2,758	(26,401)	(1,140)
Tax Provision	-	-	-	(1,617)	(1,617)
Net Profit/Loss	(5,748)	28,251	2,758	(28,018)	(2,757)
SEGMENT ASSETS	-	-	-	-	-
Financial Assets at FV Through P/L	-	-	995	-	995
Banks and Other Financial Institutions	-	-	246,559	-	246,559
Financial Assets Available for Sale (Net)	-	-	190,093	-	190,093
Loans	117,840	2,208,799	283,393	-	2,610,032
Held to Maturity Investments (Net)	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets	-	-	-	367,438	367,438
Total Segment Assets	117,840	2,208,799	721,040	367,438	3,415,117
SEGMENT LIABILITIES	-	-	-	-	-
Funds Collected	951,000	949,210	-	-	1,900,210
Derivative Financial Liabilities Held for Trading	-	-	-	-	0
Funds Borrowed	-	-	736,389	-	736,389
Money Market Funds	-	-	52,746	-	52,746
Securities Issued (Net)	-	-	-	-	0
Provisions	-	-	-	28,541	28,541
Other Liabilities	-	-	-	35,513	35,513
Shareholders' Equity	-	-	-	661,718	661,718
Total Segment Liabilities	951,000	949,210	789,135	725,772	3,415,117
OTHER SEGMENT ITEMS	-	-	-	-	-
Capital Investment	-	-	-	-	-
Amortization Expense	-	-	-	2,692	2,692
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	7,265	5,926
Central Bank of the Republic of Turkey	55,071	204,205
Other	-	-
Total	62,336	210,131

1.a.1) Information on required reserves:

Banks that are established 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	54,393	13
Unrestricted Time Deposit	-	-
Restricted Time Deposit	-	-
Required Reserves (1)	678	204,192
Total	55,071	204,205

⁽¹⁾ TL 204,192 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:

As of 31 March 2016, 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	994	1
Swap Transactions	-	-
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	994	1

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

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

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

	Current Period	
Banks	-	-
Domestic Banks	1,041	175,151
Foreign Banks	-	70,367
Foreign Head Office and Branches	-	-
Total	1,041	245,518

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	-
Assets Blocked/Given as Collateral	61,482
Toplam	61,482

b) Information on financial assets available for sale:

	Current Period
Debt Securities	185,393
Quoted in Stock Exchange	179,430
Not Quoted in Stock Exchange	5,963
Share Certificates	4,719
Quoted in Stock Exchange	-
Not Quoted in Stock Exchange	4,719
Provision for Impairment (-)	19
Total	190,093

As of 31 March 2016, Financial Assets for sale portfolio includes rent certificates TL 181,840 nominal value and TL 185,374 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	-	-
Legal Entities	60,694	-
Individuals	-	-
Indirect Loans Granted to Shareholders	-	-
Loans Granted to Employees	103	-
Total	61,067	

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	112,153	-				
Imports Loans	217,176	-				
Enterprise Loans	1,673,300	-		1,246		
Consumer Loans	243,000	-				
Credit Cards	-	-				
Loans Given to Financial Sector	283,335	-				
Other ⁽²⁾	53,753	-				
Other Receivables	-	-				
Profit Share Income						
Accruals and Rediscount	26,066	-		1		
Total	2,608,783	-		1,247		

As of 31 March 2016, there are no loans and other receivables with revised contract terms.

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

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

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

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extension Periods		
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	1,281	241,616	242,897
Real Estate Loans	584	209,905	210,489
Vehicle Loans	626	13,886	14,512
Consumer Loans	71	17,825	17,896
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	16	87	103
Housing Loans	-	-	-
Vehicle Loans	9	30	39
Consumer Loans	7	57	64
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⁾	1,297	241,703	243,000

⁽¹⁾ Dividend rediscount amounting to TL 1,359 not included in the table.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
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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	1,081	32,631	33,712
Business Loans	-	11,495	11,495
Vehicle Loans	1,081	21,136	22,217
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	2,983	2,983
Business Loans	-	-	-
Vehicle Loans	-	2,983	2,983
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	1,081	35,614	36,695

f) Breakdown of domestic and international loans:

	Current Period
Domestic Loans	2,583,963
Foreign Loans	-
Interest Income Accruals of Loans	26,067
Total	2,610,030

g) Loans Granted to Subsidiaries and Participations:

As of 31 March 2016, the subsidiaries has no loans granted to subsidiaries and participations.

h) Specific Provisions Provided Against Loans:

As of 31 March 2016, the Parent Bank makes TL 1 special provision for loans.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
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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 31 March 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)	2	-	-
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 31 March 2016, the Bank has no comparative net values of held-to-maturity investments subject to repo transactions and given as a collateral/blocked.

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

As of 31 March 2016, the Bank has no held-to-maturity government bonds and treasury bills.

c) Information on held-to-maturity investments:

As of 31 March 2016, the Bank has no held-to-maturity investment.

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

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

d) Movements of held-to-maturity investments:

	Current Period
Beginning Balance	-
Foreign Currency Differences on Monetary Assets	-
Purchases During the Year	100,754
Disposals through Sales and Redemptions	100,754
Provision for Impairment (-)	-
Period End Balance	-

7. Information on subsidiaries (Net):

As of 31 March 2016, there are no subsidiary of the bank.

8. Information on joint ventures (net):

a) Information on unconsolidated associates::

As of 31 March 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⁾	Shareholders 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	53	50	-	-	-	-	-	-	-

(1) Unaudited financial statements used.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
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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	-
Purchases	50
Bonus Share	-
Dividends from current year income	-
Transfers to available for sale financial assets	-
Sales	-
Revaluation increase	-
Specific provision for impairment(-)	-
Balance at the end of the year	50
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
Varlık Kiralama Şirketi	50

8. Information on consolidated subsidiaries

c) Subsidiaries that are quoted on the stock exchange:

As of 31 March 2016, there are no subsidiaries that are quoted on the stock exchange.

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

As of 31 March 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	177	173
1-4 years	6,970	5,999
Over 4 years	22,538	16,732
Total	29,685	22,904

11. Information on derivative financial assets for hedging purposes:

As of 31 March 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 31 March 2016, the group has no investment property.

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

As of 31 March 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	Operational Leasing Development Costs (1)	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)	-	-	-	1,742	2,240	3,982
Amortisman Bedeli (Net) (-)	-	-	-	700	2,645	3,345
Depreciation (Net) (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	-	-	-	14,763	29,923	44,686
Accumulated Depreciation at Period End (-)	-	-	-	1,836	3,425	5,261
Closing Net Book Value	-	-	-	12,927	26,498	39,425

15. Information on intangible assets:

	Current Period		
	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-
Establishment Costs	-	-	-
Goodwill	-	-	-
Intangible Rights	22,803	1,716	21,087
Total	22,803	1,716	21,087

16. Information on deferred tax asset:

The Parent Bank’s deferred tax asset is calculated as TL 1,775 however it’s reflected on the financial statements as TL 474 by offsetting with deferred tax liability.

17. Information on other assets:

As of 31 March 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	31,396	-	-	-	-	-	-	-	31,396
II Real persons profit sharing accounts TL	-	71,742	418,318	12,011	-	4,899	24,200	-	531,170
III Other current accounts-TL	91,080	-	-	-	-	-	-	-	91,080
Public sector	15,291	-	-	-	-	-	-	-	15,291
Commercial sector	71,547	-	-	-	-	-	-	-	71,547
Other institutions	4,242	-	-	-	-	-	-	-	4,242
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	24,806	255,832	41,101	-	14,929	12,143	-	348,811
Public sector	-	-	48,655	40,093	-	-	-	-	88,748
Commercial sector	-	23,755	129,090	159	-	14,724	12,143	-	179,871
Other institutions	-	1,051	78,087	849	-	205	-	-	80,192
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	43,066	-	-	-	-	-	-	-	43,066
VI. Real persons profit sharing accounts-FC	-	53,237	225,297	14,245	-	36,478	16,159	-	345,416
VII. Other current accounts-FC	65,253	-	-	-	-	-	-	-	65,253
Commercial residents in Turkey	65,081	-	-	-	-	-	-	-	65,081
Commercial residents in Abroad	31	-	-	-	-	-	-	-	31
Banks and participation banks	141	-	-	-	-	-	-	-	141
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	141	-	-	-	-	-	-	-	141
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	120,684	286,684	32,511	-	-	2,288	-	442,167
Public sector	-	1,177	17,189	-	-	-	-	-	18,366
Commercial sector	-	91,235	235,997	316	-	-	2,288	-	329,836
Other institutions	-	-	33,498	-	-	-	-	-	33,498
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	28,272	-	32,195	-	-	-	-	60,467
IX. Precious metal funds	696	-	1,075	31	-	49	-	-	1,851
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)	231,491	270,469	1,187,206	99,899	-	56,355	54,790	-	1,900,210

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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	Under the guarantee of saving deposit insurance	Exceeding the limit of saving Deposit
	Current Period	Current Period	Current Period	Current Period
Real persons current and profit sharing accounts that are not subject to commercial activities	453,257	500,444	274,733	345,526
TL accounts	335,985	226,581	212,912	161,862
FC accounts	117,272	273,863	61,821	183,664
Foreign branches’ deposits under foreign authorities’ insurance	-	-	-	-
Off-shore banking regions’ under foreign authorities’ insurance	-	-	-	-

Amounts which are not within the scope of insurance:

a) 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	123
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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(Continued)**

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	66,214	428,283
Foreign Banks, Institutions and Funds	-	241,892
Total	66,214	670,175

b) Information on maturity structure of borrowings:

	Current Period	
	TL	FC
Short-term	66,214	641,718
Medium and Long-Term	-	28,457
Total	66,214	670,175

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:

56% of the Group's liabilities consist of current and share profit account. The Group's liabilities are not subject to a significant concentration risk.

d) Funds provided under repurchasing agreements:

	Current Period	
	TL	FC
Domestic	52,746	-
Financial Institutions	52,746	-
Other Institutions	-	-
Real Persons	-	-
Abroad	-	-
Financial Institutions	-	-
Other Institutions	-	-
Real Persons	-	-
Total	52,746	-

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:

None.

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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	25,787
I.For Loans and Receivables in Group I (Total)	22,350
Profit Sharing Accounts' Share	14,132
The Bank's Share	2,450
Other	5,768
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)	25
Profit Sharing Accounts' Share	22
The Bank's Share	3
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	3,043
Other	369

**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 3,624.

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

Specific provisions for unindemnified non-cash loans amount to TL 2.

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)

7. Information on provisions (Continued):

e) Information on provisions for employee benefits:

1) Employment termination benefits and unused vacation rights

In accordance with the Group's financial tables TAS 19, payment for services rendered during an accounting period the provision for other employee benefits are provided to employees through undiscounted amount.

Public oversight, accounting and auditing standards agency, published in the official gazette on 12 March 2013 and numbered 28585 "Related to Employee Benefits of Turkish Accounting Standards ("TAS 19"), communique (sequence no.9)" changes in actuarial assumptions or due to differences between actual and actuarial assumptions in accounting for actuarial gains and losses, Accounting periods beginning on January 1 2013 or after amendment has been applied. The standards under "Transition and effective date" headline, Statement of Recognized Income and Expense application of actuarial gains and losses arising in the Bank thus allowing the start of association reporting period retrospectively Equity and correlating with Equity under "Other Capital Reserves" are accounted. Due to the bank beginning operations in 2015, from the reporting date there is no severance and vacation pay occurrence.

8. Explanations on tax liability:

a) Explanations on current tax liability:

1) Information on tax provisions:

As of 31 March 2016, the Group's corporate income tax liability is TL 297 after deducting temporary taxes paid during the period from the tax provisions.

2) Information on taxes payable:

	Current Period
Corporate Tax Payable	-
Taxation on Income From Securities	783
Property Tax	188
Banking Insurance Transactions Tax (BITT)	629
Foreign Exchange Transactions Tax	-
Value Added Tax Payable	-
Other	617
Total	2,217

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

8. Explanations on tax liability(Continued):

3) Information on premiums:

	Current Period
Social Security Premiums - Employee	5
Social Security Premiums - Employer	4
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	27
Unemployment Insurance - Employer	53
Other	-
Total	89

b) Information on deferred tax liabilities, if any:

The Group's deferred tax liability amounts to TL 1,301 and this amount is net off against the deferred tax asset and accordingly deferred tax asset amounting to TL 474 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	675,000
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 Parent bank was established with full capital amount of TL 675,000 after completed trade registry operations on 16 February 2015, the bank has not any capital increases until 31 March 2016.

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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:

As of 31 March 2016, the Bank has no capital commitments.

With the March 1 March 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, the process of the increase is in progress.

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:

Due to the bank established during the period,has no any uncertainty related to profitability and liquidity for the previous period.

g) Information on preferred shares:

As of 31 March 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	1,491	(34)
Revaluation Difference	1,514	(34)
Deferred Tax Effect	(23)	-
Foreign Exchange Difference		-
Total	1,491	(34)

i) Information on minority shareholder:

None.

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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	66
Payment Commitments for Cheques	12,672
Loan Granting Commitments	-
Asset Purchase Commitments	50,142
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	-
Total	62,880

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	1,179,513
Letter of Credits	89,445
Bank Acceptances	-
Total	1,268,958

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

	Current Period
Letters of Temporary Guarantees	462,946
Letters of Certain Guarantees	109,831
Letters of Advance Guarantees	314,300
Letters of Guarantees given to Customs Offices	517
Other Letters of Guarantees	291,919
Total	1,179,513

3) Total non-cash loans:

	Current Period
Non-Cash Loans for Providing Cash Loans	291,970
With Original Maturity of One Year or Less	-
With Original Maturity of More than One Year	291,970
Other Non-Cash Loans	1,216,736
Total	1,508,706

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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⁾	46,031	3,137
Short term loans	24,015	1,240
Medium and long term loans	22,016	1,897
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	3,424	15
Investments Held-to-Maturity	-	-
Total	3,424	15

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	481	1,969
Central Bank of the Republic of Turkey	-	-
Domestic Banks	481	1,339
Foreign Banks	-	630
Head Office and Branches	-	-
Other Institutions	-	-
Total	481	1,969

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**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						Total
	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	Over 1 Year	
Turkish Lira	-	-	-	-	-	-	-
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-	-
Real Person’s Non Commercial Participation Accounts	992	6,396	185	-	76	441	8,090
Public Sector Participation Accounts	427	418	93	-	-	-	938
Commercial Sector Participation Accounts	323	2,426	18	-	242	237	3,246
Other Institutions Participation Accounts	28	1,191	14	-	2	-	1,235
Total	1,770	10,431	310	-	320	678	13,509
Foreign Currency							
Funds Collected from Banks via Current and Participation Accounts	201	185	105	-	-	-	491
Real Person’s Non Commercial Participation Accounts	132	614	47	-	133	54	980
Public Sector Participation Accounts	2	9	-	-	-	-	11
Commercial Sector Participation Accounts	205	1,259	2	-	-	5	1,471
Other Institutions Participation Accounts	-	97	-	-	-	-	97
Public Sector Participation Accounts	1	-	-	-	-	-	1
Total	541	2,164	154	-	133	59	3,051
Grand Total	2,311	12,595	464	-	453	737	16,560

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

	Current Period
Income	112,210
Foreign exchange gains	111,190
Gain on derivative financial instruments	1,020
Gain on capital market transactions	-
Losses (-)	110,578
Foreign exchange losses	110,252
Losses on derivative financial instruments	326
Losses on capital market transactions	-
Net	1,632

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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	694
Effect of the change in interest rates on profit/loss	-
Toplam	694

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	-
III. group loans and receivables	1
IV. group loans and receivables	-
V. group loans and receivables	-
General provision expenses	-
Provision expenses for possible losses	12,210
Impairment provision of marketable securities	-
Financial Assets at fair value through profit and loss	-
Investment securities available for sale	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-
Associates	-
Subsidiaries	-
Joint ventures	-
Held to maturity investments	-
Other	1,679
Total	13,890

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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	14,536
Reserve for Employee Termination Benefits	-
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	-
Depreciation Expenses of Tangible Fixed Assets	2,153
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	539
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	6,175
Operational Leasing Expenses	2,175
Maintenance Expenses	66
Advertisement Expenses	1,293
Other Expenses	2,641
Loss on Sales of Assets	-
Other	2,934
Total	26,337

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

As of 31 March 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	33,983
Other Operating Expenses (-)	26,337
Provision for Loan or Other Receivables Losses (-)	13,890
Other Operating Income	777
Net Fees and Commissions Income	2,695
Dividend Income	-
Trading Income/Expense (Net)	1,632
Income/(Loss) from Continuing Operations	(1,140)

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

As of 31 March 2016, the Group’s total tax provision expense amounting to TL 1,617 consists of TL 2,387 of current tax expense and 770 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 2,757.

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**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.

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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	-	-	75,106	-	-	-
Profit share and commission income	-	-	6,582	-	-	-

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	-	-	836	-	-	-
Profit share expense	-	-	-	-	-	-

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	-	-	33,192	-	-	-
Total Profit/Loss	-	-	1,349	-	-	-
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 617 to top management.

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

As of 5 May 2016, the Parent Bank use syndicated loan which is USD 113,000 and EUR 37,000 total for a consideration TL 453,636 with 368 day maturity, payable dividend in every three months and principal repayment on the maturity date.

With the March 1 March 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, the process of the increase is in progress.

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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 31 March 2016, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Review Report dated 16 March 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 first quarter of 2016, weak growth signs from China economy, drastic fluctuations in petroleum and commodity prices and FED’s stance about interest rate increasing have played role in shaping global market. Because of volatility in global economy and negative effect of appreciation of USD to USA economy, FED have acted discreetly in interest rate increasing process. Besides, European Central Bank have continued to monetary easing and decreasing in volatility in commodity prices, first quarter have been ended with optimism about future.

In the first quarter of 2016, interest rate increasing process of FED is the most affecting factor in global economy. In the last quarter of 2015, growth rate exceeding the expectations and recovery in labor market have generated the interest rate increasing expectations by FED. Nevertheless, economic slowdown in China alongside volatility in petroleum prices have caused drastic decrease in commodity prices. In this context, FED has mentioned the discreet action in interest rate increase and global development oriented monetary policy.

In the Eurozone, by the force of monetary incentive of the ECB, economic recovery has been seen even if it is below the expectations. Decreasing in petroleum and commodity prices increased the consumer real income and this resulted in consumption expenditure and decrease in inflation. Especially due to disinflation risk caused by decrease in commodity prices, ECB has enlarged bond buying program and decreased deposit and policy interest rate. Besides that, to accelerate the economic activity and to sweep disinflation risk, ECB announced that additional monetary incentives can be applied. However, in case of leave of England from EU, ECB may need to apply additional executions against to political and economic problems.

In 2016, concerns about global growth came into prominence and that caused drastic fluctuations in petroleum prices. Increase in petroleum supply with decreasing demand resulted in decrease in petroleum prices to USD 25 per barrel. After that, cutting supply by petroleum producer countries and FED’s promoter announcements about global economy have delivered some recovery in petroleum prices.

Some developing countries’ central banks have changed their monetary policy because of FED’s monetary policy in the first quarter of 2016. Especially expectations about drastic interest rate increase by FED has result in depreciation of developing countries’ currency against to USD and these countries’ central bank has adopted policies to promote their currency. However, at the last period of the first quarter, with FED announcement about the discreet monetary policy, local currencies have appreciated against to USD and developing countries’ central banks decreased interest rate.

In the first months of 2016, the drastic sale position around the world has been seen in Turkey market. After that, additional monetary incentives and announcements about discreet increase in interest rate by FED and peace negotiations in Syria have affected positively to financial markets in Turkey. Lately, contrary to expectation, positive inflation and foreign trade indicators provide with decrease in interest rate and appreciation in TL against to USD and currency basket.

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EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

I. Chairman’s Assessment (Continued)

In 2016, Turkey economy has been expected to present growth performance above the expectations with growth rate exceeding the expectations and risk appetite in global economy in 2015. The probability to catch up the Medium Term Program’s growth target of 4.5% is increasing especially with increase in domestic demand that is main compact of 2015’s growth accompanied with foreign demand.

The drastic decrease in petroleum prices in 2015 has provided with significant recovery in Turkey’s import expenditures and current deficit. In 2015 it is expected to increase in fund inflow because of the reciprocal agreements with petroleum exporting countries. Within this scope, it is expected that Turkey will gain strength in current deficit financing. Besides that, alongside the increase in demand from European Union, moderate progress in consumer loans are expected to provide with positive effect to current account balance of Turkey.

In 2015, Central Bank of the Turkish Republic (CBTR) has announced that monetary policy will be purified considering the global economic development. With decrease global volatility, CBTR has decreased the overnight interest by 25 basis point in the first quarter of 2016 and in the Monetary Policy Committee in April it is decreased by 50 basis point. Food prices that has 25 % share in inflation basket has been increasing for years and it has positive trend in 2016. By this positive trend, surprising decrease in inflation is expected. Alongside the decrease in inflation, establishing confidence in global markets will provide CBTR with interest rate decreases. It is predicted that, interest rate decreases will be purification oriented. It is expected that decrease in interest rate will provide Turkey with not only purification but also economic growth.

Despite the global economic volatility, Turkish banking sector has continued its stable growth with strong equity structure and qualified asset. In contrast to decreasing profit margin, equity and asset profitability of banking sector promises hope in comparison with other developing countries. With the help of continuous supervision and adaptation studies to Basel III standards provide with confidence.

In the first quarter of 2016, Ziraat Katılım Bankası A.Ş. has obtained positive results. Ziraat Katılım Bankası A.Ş. the first participation bank of Turkey established by government aims to develop new product to meet the needs of customers in accordance with participation bank principles.

Hüseyin AYDIN

Chairman

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EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

II. Assessment of General Manager

Our bank was passed to first quarter of the year that is China’s economic slowdown and raise to interest rate decision by FED in global financial market as to prominence of geopolitical risk domestically. In this period, our bank was finished establishment phase and starting to support real economy for contribute of our country development.

Our bank which will continue to branching activities with the purpose of increase to accessibility status and meet the customer satisfaction, also our bank arrived to 22 branches and 458 employees domestically at the end of 2015, 29 branches and 538 employees in the first quarter of 2016. Our banks plan for the year 2023 is not only focus on significant center but also become widespread countrywide and operate with broad branch network moreover to create an active human resource plan like a crackerjack, equipped with strengthen to system infrastructure within the fierce competition environment of the market.

As of the date of the first quarter of 2016, total credit volume is reached to TL 2,610 million and total fund volume is reached to TL 1,900 million.

Ziraat Participation Bank’s consistent growth continues in accordance with the end of the year 2016 goals.

Ziraat Participation Bank’s primary objectives are;

In order to increase the Participation Banking share in the sector and develop a new understanding, in accordance with Participation Banking principles, own the ethical and moral values, be conscious of social responsibility, carry on a business in world class, make contribution to the sectoral accumulation and capable of new product development and energy.

Our Bank’s fundamental philosophy aims at listening our customers in all conditions and offering them special solutions; carry on a business not only for its customers and shareholders but also for the society and adding value for all of its shares in the studies.

In order to make collected funds available appropriately within the Participation Banking principals; durable credit policies and in addition to this reliable credit processes along with the finance support aimed at increasing the production capacity of our country on the purpose of supporting mainly the real economy, creating a synergy within the Ziraat Finance Group in accordance with the customer-driven needs is aimed.

Along with caring the sustainable profitability concept; play a part in the strategic investments of Turkey’s future and it’s values, financing to proper and correct investments which contributes to increase staffing and economic growth, moreover one of our most important goal is to functionalize the process of Istanbul’s finance center set-up and direct the international funds to our country.

Ziraat Participation Bank make contribution to the new Turkey’s regional and global scale goals with the Ziraat Finance Group synergy and its 153 years brand strength; to serve our country within the scope of “Growth Through Sharing” policy.

Osman ARSLAN

General Manager

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EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

III. Shareholding Structure

Ziraat Katılım Bank’s paid in capital is TL 675,000,000 and this capital divided into 675,000,000 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.	674,999,996	674,999,996
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. Changes in the Articles of Association

There is no change in the articles of association in the first quarter of the year 2016.

V. Main Financial Indicators

In the Bank assets, indicators take shares as follows; loans volume is TL 2,610,032 thousand with 76.4%, liquid assets and banks volume is TL 519,026 thousand with 15.2%, security volume is TL 191,088 thousand with 5.60% and other assets volume is TL 95,021 thousand with 2.78%.

ASSETS (THOUSAND TL)	March 2016	Balance Sheet Share (%)
Liquid Assets and Banks	519,026	15.2
Securities	191,088	5.6
Loans	2,610,032	76.4
Other Assets	94,971	2.8
Total Assets	3,415,117	100.0

In the Bank liabilities, indicators take shares as follows; deposit volume is TL 1,900,259 thousand with 55.6%, shareholders equity volume is TL 661,717 thousand with 19.4%, other liabilities volume is TL 64,055 thousand with 1.9% and resources out of deposit volume is TL 789,135 thousand with 23.1%.

LIABILITIES (THOUSAND TL)	March 2016	Balance Sheet Share (%)
Deposits	1,900,210	55.6
Resources Out of Deposit	789,135	23.1
Other Liabilities	64,054	1.9
Shareholders’ Equity	661,718	19.4
Total Liabilities	3,415,117	100.0

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EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

V. Main Financial Indicators (Continued)

SELECTED PROFIT AND LOSS ITEMS (THOUSAND TL)	March 2016
Dividend Income	53,886
Dividend Expense	19,903
Net Dividend Income/Expense	33,983
Net Fees and Commissions Income/Expense	2,695
Trading Income/Expense (Net)	1,632
Other Operating Expenses	26,337
Provision for Loan and Other Receivables	13,890
Profit/Loss Before Tax	(1,140)
Tax Provision	(1,617)
Net Profit/Loss	(2,757)
RATIOS (%)	March 2016
Capital Adequacy Ratio	20.48
Shareholders' Equity/Total Assets	19.4
Total Loans/Total Assets	76.4
Demand Deposit/Total Deposit	12.2
FC Assets/FC Liabilities	64.3
Liquid Assets/Total Assets	15.2

VI. 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.

Iskenderun branch was started to the customer acceptance on the date of January 14, 2016.

Bornova/İzmir branch was started to the customer acceptance on the date of January 28, 2016.

Aydın branch was started to the customer acceptance on the date of February 4, 2016.

Elazığ branch was started to the customer acceptance on the date of February 16, 2016.

Adapazarı branch was started to the customer acceptance in the temporary address on the date of March 10, 2016.

Van branch was started to the customer acceptance on the date of March 15, 2016.

Kocaeli branch was started to the customer acceptance on the date of March 23, 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.

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EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

VI. Interim Period Operations (Continued)

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 actualised 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.

VII. Expectations After the Interim Period

In the first quarter of the year 2016, recession signals seen in the China’s economy as well as sharp movements in commodity prices in the World economy hit the headlines Deformation in the expectations about China’s economy in January, put the pressure on commodity prices which provide the lowest petrol prices in the last 15 years. The economic problems that are caused by developing countries started to affect developed countries economies conduce toward the FED’s standing to become a bit more moderate in the interest rate hike process. Nonetheless, European Central Bank (ECB) and Japanese Central Bank’s (BOJ) took supporting steps for global economy with reducing interest rates in the first quarter of the year. Expanding monetary policies that executed by the Central Banks are no longer supporting the global growth sufficiently is clarified and the necessity of fiscal policies for the sustainable economic growth is mentioned.

United States economy was actualized a considerable growth above the expectations and continue its recovery in the fourth quarter of the year 2015. Internal consumption was stated as a main factor of growth and strong US Dollar was mentioned as it has negative affect on the growth. Unemployment rate continuously recover alongside increase in the wages are above the expectations.

In the recent period, labor market continuation of recovery with the increasing of labor force participation. Apparent recovery in the labor market while strengthen one's hand of the FED, inflation which is followed closely by FED can fail to satisfy. Core inflation above at a level of %2, whole sale price index inflation fairly under inflation targeting of FED that is %2 by the specific reason of low oil and commodity price.

Generally other economic data’s except inflation are provide motivation to interest rate hike to FED, also FED indicate to consider overall picture of global economy except USA while hike to interest rate. In the current conjuncture, predicted to FED can hike to interest rate one or two at most later this year.

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EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

VII. Expectations After the Interim Period (Continued)

In the early 2016’s, besides economic problems a set of significant political issue come into prominence in European Union Countries. Especially United Kingdom can likely be liable to exit from European Union, alongside to customs union political relationship can affect to emphasized negative signal in the future of European Union. On the other hand, Draghi, president of ECB, indicate to go to addition quantitative easing because of misfire to taken step for reinvigorate the EU economy by European Central Bank (ECB). ECB, later this year increased monthly bond purchases to 80 billion euros with increased quantitative easing and reduced to main interest rate to 0%, reduced to deposit rate to -0.40%. But wage incentives does not show intended effect on EU economy. Especially possibility of starting to deflation process because of the inflation was below to targeting, it is predicted to begin more expansionary to ECB.

In the early 2016’s, especially substantial decline in the developing countries market with transmitted effect of China’s economy slowdown to global economy. While asset prices depreciate, parallel to developing countries currency units were depreciated. Deceleration in the demand for all the world affect to first oil prices and also commodity prices were sharp fall. But in the upcoming period fund outflow was decreased from developing countries by the reason of declared of FED which they can be on the safe side and oil producing countries entered into negotiations about freeze to production. Besides of FED’s supporting instructions to market, ECB and Central Bank of Japan were declared to application expansionary monetary policy, thus risk appetite was restored globally and there was an important cash inflow to developing countries. While developing countries monetary unit increasing, asset prices were also increased. But expansionary monetary policy provide a temporary solutions and were not strengthen to demand globally, and it can be mentioned to necessity of fiscal policy. Also, potential regression of commodity prices were pressing to developing country economies.

Turkey markets cannot make a good start to first month of 2016 due to geopolitical risks, first China’s and developing countries economic problems. After , the first quarter of the year Turkey markets were closed better than expected because of the following events; FED can be on the safe side when hike to interest rate, begin to quantitative easing by ECB and risk appetite was re-increase globally. Due to Turkey was commodity importing country affected less from serious volatility of commodity prices by comparison of other developing countries. Monetary tightening that applied by CBRT was influenced on the strong position of TL especially compare to petroleum exporting countries currency besides Turkey was commodity importing country.

Turkey gives promise in 2016 with growth to 4% that is fairly above to expectations in 2015. Geopolitical problems, building blocks of economy is durable although double general elections and in the belief that is continue to economic stabilizations were prevented to occur significant affect in economic expectations which is forward looking. Accordingly, Turkey was growth on a quarterly basis to 3% even at the time there are many geopolitical problems and uncertainty of elections. Private consumption take a huge share on the growth therefore this is important to healthy and sustained growth of economy. In case of Turkish economy supported by the global economic conditions, in 2016 Turkey’s growth target is 4.5% and probability of exceedance is conceivably.

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FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2016**

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

EXPLANATIONS ON INTERIM PERIOD ANNUAL REPORT (Continued)

VII. Expectations After the Interim Period (Continued)

Import invoice of petroleum and natural gas take a huge share due to Turkey meet the energy requirement from other countries. Therefore sharp fall in petroleum and natural gas prices made a positive impact on Turkey’s current account balance in 2015. Turkey’s export was decreased in the Middle East and North Africa by the reason of geopolitical risks in the some exporting markets. Also these oil producing and exporting countries become a less import goods from abroad as a result of decrease in oil pricing by reason of the fact that decline in income. Due to these reasons provide to decrease on Turkey’s foreign trade deficit although Turkey’s export has been decreased in parallel to affect first low petroleum, sharp fall in commodity price and made a more press on import. Turkey can achieve the more positive figures on the balance of foreign trade with increasingly Turkey’s export performance in case of recover in EU which is primary export market.

Foreign-based reduction in the energy prices within the year 2016, moderate progress in the food prices and Turkish Lira’s increase in value affect the inflation positively and also generated a significant decline in the inflation. Food prices which has a 25% volume in the inflation basket and be in rise for a few years, the balance of food prices may cause a surprisal declines in the inflation. Eventhough energy prices in the foreign tariffing has an increase, sharp increase in the energy prices in domestic markets is expected due to the strengthen Turkish Lira.

Central Bank of Turkey explained that normalization process will be start in 2015 in the face of global economic conditions. Within this scope, in accordance with the developments for the benefit of developing countries in the global economy; in the first quarter of the year, Central Bank of Turkey has done basis point reduction in the interest rate corridor’s top strap. A bit more regression in the interests is within the year 2016 Continuation of the increase in the global risk appetite and potential declines in inflation will allow for new interest discounts to the Central Bank of Turkey.

Encountered economic turbulence which was caused by the economic problems seen in China with spreading to the other countries in the first months of 2016 exchange with the explanation of FED’s prudent behavior about interest rate hike and European Central Bank’s increase on the wage incentives. However, monetary policy based applied economic incentives and increasing geopolitics risks are presenting the presence of the risks in the remainder of the year. Although the sagging trend of petrol prices is a risk for the global economy, it affects Turkey’s foreign trade numbers positively. Appreciation of Turkish currency and fund inflow to the Turkey is expected along with the risk appetite increase in the foreign markets. The strong positioning of Turkish Lira as well as the recovery in the inflation, provides opportunity to the Central Bank of Turkey to make new interest discounts and preserve its strong standing.

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