

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Publicly Announced Consolidated Financial Statements

## together with Independent Auditor's Report at 31 December 2012

Convenience Translation of Publicly Announced Consolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three

### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ("the Bank") and its consolidated subsidiaries at 31 December 2012 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

#### *Disclosure for the responsibility of the Bank's Board of Directors:*

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the consolidated financial statements; and for selecting and applying appropriate accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette No. 26333 dated 1 November 2006, Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, interpretations and circulars published by the Banking Regulation and Supervision Agency ("the BRSA") on accounting and financial reporting principles.

#### *Disclosure for the Responsibility of the Authorized Audit Firm:*

Our responsibility, as independent auditors, is to express an opinion on these consolidated financial statements based on our audit. Our independent audit is conducted in accordance with "Regulation on Authorisation and Activities of Institutions to Conduct Independent Audit in Banks" published on the Official Gazette No.26333 dated 1 November 2006. We planned and conducted our audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the consolidated financial statements; the selection of these audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting process into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

#### *Basis for the qualified opinion:*

As mentioned in Section II. Note 7.d1 of Explanations and Notes to the Consolidated Financial Statements; as of the balance sheet date, the accompanying consolidated financial statements include a general reserve amounting to TL644,300 thousand (TL514,300 thousand of this reserve amount was charged to the income statement as an expense in the current period), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions.

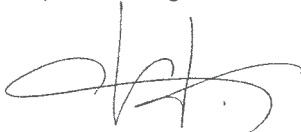
#### *Independent Auditor's Opinion:*

In our opinion, except for the effects of matter described in the "Basis for qualified opinion" paragraph above on the consolidated financial statements, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and its consolidated subsidiaries as of 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles and standards set out by regulations in conformity with articles 37 and 38 of the Banking Act No. 5411 and other regulations, communiqués, interpretations and circulars published by the BRSA on accounting and financial reporting principles.

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

As explained in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with articles 37 and 38 of Banking Law No. 5411, 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, 28 March 2013

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**The Consolidated Financial Report of Türkiye Cumhuriyeti Ziraat Bankası A.Ş.  
as of 31 December 2012**

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

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- INDEPENDENT AUDITOR'S REPORT

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



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



Hüseyin AYDIN  
Member of the Board of Directors  
General Manager



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



Cem İNAL  
Financial Coordination  
Assistant General Manager



Atakan BEKTAŞ  
Deputy Head of  
Reporting Management

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

Name/Title: Kubilay ŞAHİN/External Reporting Officer  
Telephone Number: 0312 584 43 23

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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

(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, IF ANY

The foundation of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“Ziraat Bankası” or “the Parent Bank”) is based on Government Funds established in 1863. In 1883, Government Funds were replaced with Benefit Funds. The Bank was officially established by the re-organization of the Benefit Funds in 1888, to grant loans to farmers, to accept interest-bearing deposits and to act as a moneylender and an intermediary for agricultural operations. The Bank, which was given the authority to perform all the banking activities, has its head office located in Ankara and all shares of the Bank belong to the Treasury.

##### II. EXPLANATION ABOUT THE PARENT BANK’S CAPITAL STRUCTURE, SHAREHOLDERS OF THE BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THE BANK BELONGS TO

The sole shareholder of the Bank is the Treasury.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

Name	Administrative Function
<b>Members of the Board of Directors</b>	
Muharrem KARSLI	Chairman
Hüseyin AYDIN	General Manager and Member
Yusuf DAĞCAN	Deputy Chairman and Member
Erdal ERDEM	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Mustafa ÇETİN	Member
Salim ALKAN	Member
<b>Audit Committee Members</b>	
Muharrem KARSLI	Member
Feyzi ÇUTUR	Member
<b>Assistant General Managers</b>	
Ali TOKER	Human Resources
Alpaslan ÇAKAR	Operational Transactions
Bilgehan KURU	Treasury and Strategy Management
Cem İNAL	Financial Coordination
Mehmet Cengiz GÖĞEBAKAN	Credit Policies
Musa ARDA	Credit Allocation and Management
Osman ARSLAN	International Banking and Joint Ventures
Ömer Muzaffer BAKTIR	Marketing
Yunus Uygur KOCAOĞLU *	Information Technologies Management
<b>Head of Board of Inspectors</b>	
Ali ARAS	Head of Board of Inspectors
<b>Head of Group</b>	
Bülent YALIM	Internal Control and Risk Management

\*Yunus Uygur KOCAOĞLU has been appointed as Assistant General Manager of Information Technologies Management on 25 December 2012 and 34 numbered Board of Director's Decision, began to work on 16 January 2013.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

Name/Trade Name	Amount of Share	Percentage of Share %	Paid-in Shares	Unpaid Shares
Treasury	2,500,000	100	2,500,000	-

The sole shareholder of the Bank is the Treasury.

### V. SUMMARY INFORMATION ON THE PARENT BANK'S ACTIVITIES AND SERVICES

The purpose of activity of the Parent Bank is stated in articles of association as to perform all kinds of banking activities including acceptance of deposits. For this purpose, the Parent Bank can perform all sorts of operations, without prejudice to the provisions of the banking regulations and other legislations, such as launching all kinds of cash and non-cash loans in terms of Turkish Lira and foreign currencies, acting as an intermediary in trade and issue of the financial instruments that are used in local and international markets, performing investment banking transactions, forwards dealing in domestic and foreign futures markets, providing funds from interbank money market, domestic and foreign markets, making all kinds of capital market transactions, acting as an intermediary in export and import transactions, acting as an agency for insurance and other financial institutions, participating in all sort of partnership that is founded by domestic or foreign banks or participated by them within the terms of the related legislation or establishing new partnerships for this purpose, performing all kinds of conservative transactions, such as; acquiring limited real and personal claims like all kinds of movable and immovable goods, industrial and intellectual properties, right of usufruct, easement, superficies and disposing and transferring acquired properties and rights, placing pledge and mortgage on those properties and rights, releasing pledged and mortgaged items and declaring leasing agreements and sale commitments to the Registry Office.

As of 31 December 2012, the Parent Bank carries its activities with a grand total of 1,514 branches; 1,490 domestic branches including 1,316 branches, 5 corporate branches, 27 commercial branches, 77 entrepreneurial branches, 32 bureaus, 31 private operation centers, 2 mobile branches (31 December 2011: 1,434 branches including 1,373 domestic branches, 27 bureaus, 32 private operation centers, 2 mobile branches) and 24 branches abroad including 16 branches and 8 sub branches (New York branch in United States, London branch in England, Tbilisi branch in Georgia, Baghdad and Erbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Filibe/Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Lefkoşa, Girne, Güzelyurt, Gazimağusa and Gönnyeli branches with Akdoğan, Near East University, Karaoğlanoğlu, Çatalköy and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has 1 representative office in Tehran, Iran. Besides, as of 11 March 2013, the Batumi branch in Georgia has started its operations.

The Parent Bank signed a contract with T. İş Bankası A.Ş. on 22 January 2007 to provide longer installment plan and bonus points to their credit card users and benefit from all the advantages within Maximum credit card at merchants that are a part of Maximum plan. Also with this contract the Bank has the right to register members for Maximum. Transactions between the two banks are administered by Interbank Card Centre.

Başakkart is a bank card through which demand deposit accounts and accounts of the loan to finance agricultural production can be linked. Bank, in line with the demands of the customers, can enable the usage of the limits of the loan to finance agricultural production associated with the Başakkart. All limits of loan accounts assigned to the Başakkart can be used via POS machines of the Bank in Başakkart Member Business points for the purchase of agricultural inputs (feed, grain, fuel, etc.). According to preferences of customers, maximum 75% of cash limits of loan accounts can be used through the branches/ATMs of the Bank. Repayments regarding the transactions with Başakkart can be made through the branches of the Bank. Agricultural products/services obtained by using Başakkart are repaid without any interest charge within the time periods defined by the Bank.

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

As of 31 December 2012, the number of the Group's employees is 24,092 (31 December 2011: 25,319).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

According to Communiqué of the Preparation Consolidated Financial Statements and Turkish Accounting Standards, Arap Türk Bankası A.Ş., one of the associates of the Bank, and Turkmen Turkish Joint Stock Com. Bank, Uzbekistan Turkish Bank, Azer Turk Bank, entities under common control are consolidated through "Equity Method" in accompanying consolidated financial statements of the Bank.

Fintek Finansal Teknoloji Hizmetleri A.Ş., Bileşim Alternatif Dağıtım Kanalı ve Ödeme Sistemleri A.Ş. which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué of the Preparation Consolidated Financial Statements since these entities are not financial institutions. Kredi Kayıt Bürosu ve Bankalararası Kart Merkezi which are associates of the bank are not consolidated but carried at cost since these entities are not controlled by the Bank and are not financial companies.

All other subsidiaries are fully consolidated.

### VII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE IMMEDIATE TRANSFER OF SHAREHOLDER'S EQUITY BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES OR REIMBURSEMENT OF LIABILITIES

None.

## SECTION TWO

### THE BANK'S CONSOLIDATED FINANCIAL STATEMENTS

- I. BALANCE SHEET
- II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
- III. STATEMENT OF INCOME
- IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY
- V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
- VI. STATEMENT OF CASH FLOW
- VII. PROFIT APPROPRIATION STATEMENT



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Financial Statements at 31 December 2012 and 2011**

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

		Note (Section Five I)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
I. BALANCE SHEET			TL	FC	Total	TL	FC	Total
I.	ASSETS							
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	5,908,346	15,373,382	21,281,728	6,318,376	8,023,447	14,341,823
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	39,496	129,662	169,158	102,311	40,604	142,915
2.1	Financial Assets Held for Trading		39,496	129,662	169,158	102,311	40,604	142,915
2.1.1	Public Sector Debt Securities		30,789	4,582	35,371	51,574	14,139	65,713
2.1.2	Securities Representing a Share in Capital		819	-	819	34	-	34
2.1.3	Derivative Financial Assets Held for Trading		7,888	125,080	132,968	50,703	26,465	77,168
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)	650,945	971,787	1,622,732	566,617	728,025	1,294,642
IV.	MONEY MARKET PLACEMENTS		2,049	59,673	61,722	5,127	7,085	12,212
4.1	Interbank Money Market Placements		-	13,087	13,087	4,997	7,085	12,082
4.2	Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		2,049	46,586	48,635	130	-	130
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	33,715,982	4,646,421	38,362,403	33,887,985	4,473,922	38,361,907
5.1	Securities Representing a Share in Capital		141,674	118,147	259,821	124,010	93,675	217,685
5.2	Public Sector Debt Securities		33,365,777	4,391,810	37,757,587	33,727,062	4,183,462	37,910,524
5.3	Other Marketable Securities		208,531	136,464	344,995	36,913	196,785	233,698
VI.	LOANS AND RECEIVABLES	(5)	63,978,529	9,168,557	73,147,086	64,315,851	8,907,766	73,223,617
6.1	Loans and Receivables		63,183,707	9,159,764	72,343,471	64,059,258	8,897,971	72,957,229
6.1.1	Loans Granted to Risk Group of The Bank		-	61,333	61,333	-	18,419	18,419
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		63,183,707	9,098,431	72,282,138	64,059,258	8,879,552	72,938,810
6.2	Loans under Follow-up		2,040,802	43,745	2,084,547	850,293	44,306	894,599
6.3	Specific Provisions (-)		1,245,980	34,952	1,280,932	593,700	34,511	628,211
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	INVESTMENTS HELD TO MATURITY (Net)	(6)	23,030,009	4,292,029	27,322,038	27,600,761	5,031,576	32,632,337
8.1	Public Sector Debt Securities		23,020,788	4,267,973	27,288,761	27,592,135	5,006,548	32,598,683
8.2	Other Marketable Securities		9,221	24,056	33,277	8,626	25,028	33,654
IX.	INVESTMENTS IN ASSOCIATES (Net)	(7)	69,742	612	70,354	60,644	635	61,279
9.1	Accounted with Equity Method		63,676	-	63,676	54,619	-	54,619
9.2	Unconsolidated Associates		6,066	612	6,678	6,025	635	6,660
9.2.1	Financial Associates		-	612	612	-	635	635
9.2.2	Non-financial Associates		6,066	-	6,066	6,025	-	6,025
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	8,032	-	8,032	6,520	-	6,520
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		8,032	-	8,032	6,520	-	6,520
XI.	ENTITIES UNDER COMMON CONTROL (Net)	(9)	-	46,704	46,704	-	39,371	39,371
11.1	Accounted with Equity Method		-	46,704	46,704	-	39,371	39,371
11.2	Unconsolidated Entities Under Common Control		-	-	-	-	-	-
11.2.1	Financial Entities Under Common Control		-	-	-	-	-	-
11.2.2	Non Financial Entities Under Common Control		-	-	-	-	-	-
XII.	RECEIVABLES FROM LEASING TRANSACTIONS	(10)	152,321	465,228	617,549	127,924	386,015	513,939
12.1	Finance Lease Receivables		193,108	527,664	720,772	163,798	438,806	602,604
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		40,787	62,436	103,223	35,874	52,791	88,665
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1	Fair Value Hedges		-	-	-	-	-	-
13.2	Cash Flow Hedges		-	-	-	-	-	-
13.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(14)	926,585	27,323	953,908	923,673	33,684	957,357
XV.	INTANGIBLE ASSETS (Net)	(15)	57,426	8,899	66,325	54,255	12,850	67,105
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		57,426	8,899	66,325	54,255	12,850	67,105
XVI.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-	-	-	-
XVII.	TAX ASSET		227,548	2,733	230,281	288,166	2,529	290,695
17.1	Current Tax Asset		340	2,733	3,073	510	2,529	3,039
17.2	Deferred Tax Asset	(16)	227,208	-	227,208	287,656	-	287,656
XVIII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	66,066	-	66,066	51,899	-	51,899
18.1	Held for Sale		66,066	-	66,066	51,899	-	51,899
18.2	Held from Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(17)	1,022,832	51,977	1,074,809	807,768	66,351	874,119
TOTAL ASSETS			129,855,908	35,244,987	165,100,895	135,117,877	27,753,860	162,871,737

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Financial Statements at 31 December 2012 and 2011**

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

I. BALANCE SHEET		Note (Section Five II)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
LIABILITIES AND EQUITY			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(1)	92,079,627	27,599,627	119,679,254	88,697,824	25,073,972	113,771,796
1.1	Deposits Held By the Risk Group of the Bank		543,630	14,006	557,636	573,757	20,084	593,841
1.2	Other		91,535,997	27,585,621	119,121,618	88,124,067	25,053,888	113,177,955
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	38,987	16,604	55,591	29,897	14,514	44,411
III.	FUNDS BORROWED	(3)	879,745	2,602,533	3,482,278	74,146	606,996	681,142
IV.	MONEY MARKET BALANCES		5,577,693	5,584,781	11,162,474	23,319,266	2,517,720	25,836,986
4.1	Interbank Money Market Borrowings		-	-	-	-	871,480	871,480
4.2	Istanbul Stock Exchange Takasbank Borrowings		-	-	-	-	-	-
4.3	Funds Provided under Repurchase Agreements		5,577,693	5,584,781	11,162,474	23,319,266	1,646,240	24,965,506
V.	MARKETABLE SECURITIES ISSUED (Net)		1,854,137	-	1,854,137	-	-	-
5.1	Bills		1,675,007	-	1,675,007	-	-	-
5.2	Asset-backed Securities		-	-	-	-	-	-
5.3	Bonds		179,130	-	179,130	-	-	-
VI.	FUNDS		4,292,229	-	4,292,229	3,871,136	-	3,871,136
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		4,292,229	-	4,292,229	3,871,136	-	3,871,136
VII.	MISCELLANEOUS PAYABLES		844,063	313,051	1,157,114	743,233	207,858	951,091
VIII.	OTHER LIABILITIES	(4)	1,182,682	368,050	1,550,732	796,728	360,805	1,157,533
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	PAYABLES FROM LEASING TRANSACTIONS (Net)	(5)	-	287	287	-	-	-
10.1	Finance Lease Payables		-	297	297	-	-	-
10.2	Operating Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Finance Lease Expenses (-)		-	10	10	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(6)	-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XII.	PROVISIONS	(7)	3,885,824	33,527	3,919,351	2,714,927	25,276	2,740,203
12.1	General Provisions		1,210,302	22,913	1,233,215	982,690	16,641	999,331
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Employee Benefits Provisions		777,731	520	778,251	659,293	344	659,637
12.4	Insurance Technical Reserves (Net)		876,567	-	876,567	817,630	-	817,630
12.5	Other Provisions		1,021,224	10,094	1,031,318	255,314	8,291	263,605
XIII.	TAX LIABILITY	(8)	525,828	1,537	527,365	274,644	2,660	277,304
13.1	Current Tax Liability		525,828	1,169	526,997	274,644	2,557	277,201
13.2	Deferred Tax Liability		-	368	368	-	103	103
XIV.	LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
14.1	Held for Sale		-	-	-	-	-	-
14.2	Held from Discontinued Operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS		-	-	-	-	-	-
XVI.	SHAREHOLDERS' EQUITY	(9)	16,969,799	450,284	17,420,083	13,579,356	(39,221)	13,540,135
16.1	Paid-in Capital		2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital Reserves		1,035,303	450,284	1,485,587	157,049	(39,221)	117,828
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Differences		474,452	450,284	924,736	(403,794)	(39,221)	(443,015)
16.2.4	Tangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.5	Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6	Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7	Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17,369	-	17,369	17,361	-	17,361
16.2.8	Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9	Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10	Other Capital Reserves		543,482	-	543,482	543,482	-	543,482
16.3	Profit Reserves		10,200,423	-	10,200,423	8,339,732	-	8,339,732
16.3.1	Legal Reserves		2,525,171	-	2,525,171	2,400,181	-	2,400,181
16.3.2	Statutory Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		7,041,211	-	7,041,211	5,305,510	-	5,305,510
16.3.4	Other Profit Reserves		634,041	-	634,041	634,041	-	634,041
16.4	Profit or Loss		3,197,558	-	3,197,558	2,491,992	-	2,491,992
16.4.1	Prior Years Profit/Loss		446,544	-	446,544	271,407	-	271,407
16.4.2	Net Period Profit/Loss		2,751,014	-	2,751,014	2,220,585	-	2,220,585
16.5	Minority Interest		36,515	-	36,515	90,583	-	90,583
TOTAL LIABILITIES AND EQUITY			128,130,614	36,970,281	165,100,895	134,101,157	28,770,580	162,871,737

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Financial Statements at 31 December 2012 and 2011**

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

II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS		Note (Section Five III)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
			TL	FC	Total	TL	FC	Total
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>(1),(3)</b>	<b>54,173,751</b>	<b>40,813,745</b>	<b>94,987,496</b>	<b>36,277,904</b>	<b>21,501,989</b>	<b>57,779,893</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>		<b>5,530,506</b>	<b>10,121,614</b>	<b>15,652,120</b>	<b>4,046,227</b>	<b>8,004,544</b>	<b>12,050,771</b>
1.1	Letters of Guarantee		5,465,461	6,787,048	12,252,509	4,044,193	5,936,196	9,980,389
1.1.1	Guarantees Subject to State Tender Law		379,750	6,132,611	6,512,361	391,576	5,600,712	5,992,288
1.1.2	Guarantees Given for Foreign Trade Operations		4,281,844	-	4,281,844	2,959,867	-	2,959,867
1.1.3	Other Letters of Guarantee		803,867	654,437	1,458,304	692,750	335,484	1,028,234
1.2	Bank Acceptances		5,363	955,606	960,969	2,000	361,764	363,764
1.2.1	Import Letter of Acceptance		5,363	941,199	946,562	-	6,354	6,354
1.2.2	Other Bank Acceptances		-	14,407	14,407	2,000	355,410	357,410
1.3	Letters of Credit		59,682	2,355,459	2,415,141	34	1,682,194	1,682,228
1.3.1	Documentary Letters of Credit		59,682	2,291,766	2,351,448	34	1,682,194	1,682,228
1.3.2	Other Letters of Credit		-	63,693	63,693	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		-	23,501	23,501	-	24,390	24,390
1.9	Other Collaterals		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	<b>(1),(3)</b>	<b>47,204,131</b>	<b>20,743,710</b>	<b>67,947,841</b>	<b>30,968,423</b>	<b>8,435,865</b>	<b>39,404,288</b>
2.1	Irrevocable Commitments		8,120,364	937,008	9,057,372	7,778,258	1,103,352	8,881,610
2.1.1	Asset Purchase and Sale Commitments		115,642	340,276	455,918	268,644	369,181	637,825
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	1,000	-	1,000
2.1.4	Loan Granting Commitments		11	198,997	199,008	143	84,384	84,527
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		2,410,263	37	2,410,300	2,461,000	15	2,461,015
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		3,813,950	15,439	3,829,389	3,822,106	15,925	3,838,031
2.1.10	Commitments for Credit Cards and Banking Services Promotions		10,985	-	10,985	8,131	-	8,131
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		1,769,513	382,259	2,151,772	1,217,234	633,847	1,851,081
2.2	Revocable Commitments		39,083,767	19,806,702	58,890,469	23,190,165	7,332,513	30,522,678
2.2.1	Revocable Loan Granting Commitments		39,083,755	19,806,702	58,890,457	23,189,863	7,332,513	30,522,376
2.2.2	Other Revocable Commitments		12	-	12	302	-	302
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>1,439,114</b>	<b>9,948,421</b>	<b>11,387,535</b>	<b>1,263,254</b>	<b>5,061,580</b>	<b>6,324,834</b>
3.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Transactions		1,439,114	9,948,421	11,387,535	1,263,254	5,061,580	6,324,834
3.2.1	Forward Foreign Currency Buy/Sell Transactions		7,225	105,117	112,342	133,195	134,512	267,707
3.2.1.1	Forward Foreign Currency Transactions-Buy		3,611	52,564	56,175	66,617	67,248	133,865
3.2.1.2	Forward Foreign Currency Transactions-Sell		3,614	52,553	56,167	66,578	67,264	133,842
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		1,431,889	9,843,304	11,275,193	1,130,059	4,927,068	6,057,127

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Financial Statements at 31 December 2012 and 2011**

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

II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS		Note (Section Five III)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
			TL	FC	Total	TL	FC	Total
3.2.2.1	Foreign Currency Swap-Buy		664	5,695,231	5,695,895	-	3,032,196	3,032,196
3.2.2.2	Foreign Currency Swap-Sell		1,431,225	4,148,073	5,579,298	1,130,059	1,894,872	3,024,931
3.2.2.3	Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4	Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3	Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1	Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2	Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>231,307,867</b>	<b>15,817,059</b>	<b>247,124,926</b>	<b>213,013,294</b>	<b>14,787,539</b>	<b>227,800,833</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>30,258,214</b>	<b>2,479,818</b>	<b>32,738,032</b>	<b>21,157,268</b>	<b>1,292,258</b>	<b>22,449,526</b>
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		10,785,482	1,298,862	12,084,344	3,561,620	1,133,079	4,694,699
4.3	Checks Received for Collection		942,646	22,480	965,126	977,787	14,781	992,568
4.4	Commercial Notes Received for Collection		2,627,395	132,381	2,759,776	2,770,680	143,105	2,913,785
4.5	Other Assets Received for Collection		8,879	-	8,879	8,893	-	8,893
4.6	Assets Received for Public Offering		15,722,252	90	15,722,342	13,672,892	93	13,672,985
4.7	Other Items Under Custody		169,911	1,026,005	1,195,916	163,747	1,200	164,947
4.8	Custodians		1,649	-	1,649	1,649	-	1,649
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>201,042,222</b>	<b>12,750,929</b>	<b>213,793,151</b>	<b>191,856,026</b>	<b>13,410,956</b>	<b>205,266,982</b>
5.1	Marketable Securities		595,136	37,418	632,554	269,329	38,111	307,440
5.2	Guarantee Notes		8,062,281	616,679	8,678,960	24,544,098	4,535,921	29,080,019
5.3	Commodity		1,249,249	13,603	1,262,852	1,249,461	14,118	1,263,579
5.4	Warranty		-	-	-	-	22,168	22,168
5.5	Immovable		177,847,875	9,733,171	187,581,046	154,552,016	7,077,136	161,629,152
5.6	Other Pledged Items		13,282,472	2,343,229	15,625,701	11,235,913	1,714,834	12,950,747
5.7	Pledged Items-Depository		5,209	6,829	12,038	5,209	8,668	13,877
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>7,431</b>	<b>586,312</b>	<b>593,743</b>	<b>-</b>	<b>84,325</b>	<b>84,325</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>			<b>285,481,618</b>	<b>56,630,804</b>	<b>342,112,422</b>	<b>249,291,198</b>	<b>36,289,528</b>	<b>285,580,726</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Financial Statements at 31 December 2012 and 2011**

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

III. STATEMENT OF INCOME				
	INCOME AND EXPENSE ITEMS	Note (Section Five IV)	Current Period 01/01-31/12/2012	Prior Period 01/01-31/12/2011
I.	<b>INTEREST INCOME</b>	(1)	15,004,188	13,828,840
1.1	Interest Income from Loans		8,729,428	7,454,331
1.2	Interest Income From Reserve Deposits		1,647	1,815
1.3	Interest Income from Banks		64,787	42,538
1.4	Interest Income from Money Market Placements		1,279	94
1.5	Interest Income from Marketable Securities		6,133,358	6,276,401
1.5.1	Financial Assets Held for Trading		2,887	10,266
1.5.2	Financial Assets at Fair Value through Profit and Loss		963	-
1.5.3	Financial Assets Available-for-Sale		3,201,311	3,210,445
1.5.4	Investments Held-to-Maturity		2,928,197	3,055,690
1.6	Finance Lease Income		48,053	38,692
1.7	Other Interest Income		25,636	14,969
II.	<b>INTEREST EXPENSES</b>	(2)	7,901,565	8,434,665
2.1	Interest Expense on Deposits		6,279,263	7,297,676
2.2	Interest on Borrowings		88,930	16,583
2.3	Interest on Money Market Borrowings		1,381,240	1,099,760
2.4	Interest on Marketable Securities Issued		133,407	-
2.5	Other Interest Expense		18,725	20,646
III.	<b>NET INTEREST INCOME/EXPENSES (I - II)</b>		7,102,623	5,394,175
IV.	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		697,715	540,424
4.1	Fees and Commissions Received		883,660	801,067
4.1.1	Non-cash Loans		64,118	46,850
4.1.2	Other		819,542	754,217
4.2	Fees and Commissions Paid		185,945	260,643
4.2.1	Non-cash Loans		19	167
4.2.2	Other		185,926	260,476
V.	<b>DIVIDEND INCOME</b>	(3)	17,679	21,669
VI.	<b>TRADING PROFIT/LOSS (Net)</b>	(4)	(44,715)	(47,361)
6.1	Profit/Loss from Capital Market Operations		66,792	102,543
6.2	Profit/losses on Derivative Financial Transactions	(5)	(45,184)	287,269
6.3	Profit/Loss from Foreign Exchanges		(66,323)	(437,173)
VII.	<b>OTHER OPERATING INCOME</b>	(6)	1,438,807	1,526,962
VIII.	<b>TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>		9,212,109	7,435,869
IX.	<b>PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)</b>	(7)	1,807,710	817,086
X.	<b>OTHER OPERATING EXPENSES(-)</b>	(8)	3,758,510	3,684,448
XI.	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		3,645,889	2,934,335
XII.	<b>GAINS RECORDED AFTER MERGER</b>		-	-
XIII.	<b>PROFIT/LOSS ON EQUITY METHOD</b>		11,285	13,473
XIV.	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
XV.	<b>INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	(9)	3,657,174	2,947,808
XVI.	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	(10)	(901,643)	(713,977)
16.1	Current Tax Provision		(1,187,066)	(353,187)
16.2	Deferred Tax Provision		285,423	(360,790)
XVII.	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>		2,755,531	2,233,831
XVIII.	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1	Income from Non-current Assets Held for Sale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
18.3	Other Income From Discontinued Operations		-	-
XIX.	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1	Expenses for Non-current Assets Held for Sale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3	Other Expenses From Discontinued Operations		-	-
XX.	<b>PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
XXI.	<b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
XXII.	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
XXIII.	<b>NET PROFIT/LOSSES (XVII+XXII)</b>	(12)	2,755,531	2,233,831
23.1	Group's Profit/Loss		2,751,014	2,220,585
23.2	Minority Shares Profit/Loss		4,517	13,246
	Earnings/Loss per Share (Full TL)		1.1004	0.8882

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Consolidated Financial Statements at 31 December 2012 and 2011

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

IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Current Period (31/12/2012)	Prior Period (31/12/2011)
I. ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	2,262,321	(238,745)
II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	18,450	(17,038)
V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)	-	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	93,907	(216)
IX. DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(351,322)	85,332
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	2,023,356	(170,667)
XI. CURRENT YEAR PROFIT/LOSS	(655,605)	(1,050,107)
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	(667,102)	(1,055,826)
11.2 Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3 Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4 Other	11,497	5,719
XII. TOTAL PROFIT/LOSS FOR THE PERIOD (X±XI)	1,367,751	(1,220,774)

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Consolidated Statement of Changes in Shareholders' Equity at 31 December 2011

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

### V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

	31 December 2011	Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves
I.	Balance at the beginning of the period		2,500,000	543,482	-	-	2,104,475
	Changes During the Period		-	-	-	-	-
II.	Increase/Decrease Related to Merger		-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	1,071
IV.	Hedging Funds (Active Part)		-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	16,177
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-
X.	Changes Resulted from Reclassification of Assets		-	-	-	-	-
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity		-	-	-	-	-
XII.	Increase in Capital		-	-	-	-	-
12.1	Cash		-	-	-	-	-
12.2	From Internal Resources		-	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-
XVI.	Other		-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	278,458
18.1	Dividend Distributed		-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	278,458
18.3	Other		-	-	-	-	-
	Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)		2,500,000	543,482	-	-	2,400,181

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

	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/ (Loss)	Prior Period Net Profit/ (Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
	-	3,000,593	583,409	3,750,753	232,862	777,759	-	17,295	-	-	78,305	13,588,933
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	(1,070,571)	-	-	-	-	(63)	(1,069,563)
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	66	-	-	-	66
	-	-	-	-	-	(150,203)	-	-	-	-	-	(134,026)
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	394	-	-	-	-	-	(394)	-
	-	-	-	2,220,585	-	-	-	-	-	-	13,246	2,233,831
	-	2,304,917	50,632	(3,750,753)	38,151	-	-	-	-	-	(511)	(1,079,106)
	-	-	-	-	(1,078,595)	-	-	-	-	-	(511)	(1,079,106)
	-	2,304,917	50,632	(3,750,753)	1,116,746	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	5,305,510	634,041	2,220,585	271,407	(443,015)	-	17,361	-	-	90,583	13,540,135



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Consolidated Statement of Changes in Shareholders' Equity at 31 December 2012

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

### V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

31 December 2012	Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves
I. Balance at the beginning of the period		2,500,000	543,482	-	-	2,400,181
Changes During the Period						
II. Increase/Decrease Related to Merger		-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	11,528
IV. Hedging Funds (Active Part)		-	-	-	-	-
4.1 Cash-Flow Hedge		-	-	-	-	-
4.2 Hedges for Investments Made in Foreign Countries		-	-	-	-	-
V. Revaluation Differences of Tangible Assets		-	-	-	-	-
VI. Revaluation Differences of Intangible Assets		-	-	-	-	-
VII. Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-
VIII. Foreign Exchange Differences		-	-	-	-	(4,272)
IX. Changes Resulted from Disposal of Assets		-	-	-	-	-
X. Changes Resulted from Reclassification of Assets		-	-	-	-	-
XI. Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity		-	-	-	-	-
XII. Increase in Capital		-	-	-	-	-
12.1 Cash		-	-	-	-	-
12.2 From Internal Resources		-	-	-	-	-
XIII. Issuance of Share Certificates		-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-
XV. Adjustment to Paid-in Capital		-	-	-	-	-
XVI. Other		-	-	-	-	-
XVII. Net Profit or Losses		-	-	-	-	-
XVIII. Profit Distribution		-	-	-	-	117,734
18.1 Dividend Distributed		-	-	-	-	-
18.2 Transfers to Legal Reserves		-	-	-	-	117,734
18.3 Other		-	-	-	-	-
Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)		2,500,000	543,482	-	-	2,525,171

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

	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/ (Loss)	Prior Period Net Profit/ (Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
	-	5,305,510	634,041	2,220,585	271,407	(443,015)	-	17,361	-	-	90,583	13,540,135
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	1,349,301	-	-	-	-	(206)	1,360,623
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	8	-	-	-	8
	-	-	-	-	-	18,450	-	-	-	-	-	14,178
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	55,226	-	-	-	-	-	(55,226)	-
	-	-	-	2,751,014	-	-	-	-	-	-	4,517	2,755,531
	-	1,735,701	-	(2,220,585)	119,911	-	-	-	-	-	(3,153)	(250,392)
	-	-	-	-	(247,239)	-	-	-	-	-	(3,153)	(250,392)
	-	1,735,701	-	(2,220,585)	367,150	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	7,041,211	634,041	2,751,014	446,544	924,736	-	17,369	-	-	36,515	17,420,083

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Statement of Cash Flows at 31 December 2012 and 2011**

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

		Note (Section Five VI)	Current Period (31/12/2012)	Prior Period (31/12/2011)
<b>VI. STATEMENT OF CASH FLOWS</b>				
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		3,502,274	4,975,541
1.1.1	Interest Received		13,738,401	16,254,240
1.1.2	Interest Paid		(7,941,910)	(8,472,798)
1.1.3	Dividend Received		20,972	24,962
1.1.4	Fees and Commissions Received		883,736	796,514
1.1.5	Other Income		2,491,400	1,864,592
1.1.6	Collections from Previously Written-off Loans and Other Receivables		749,391	826,500
1.1.7	Payments to Personnel and Service Suppliers		(350,720)	(3,428,330)
1.1.8	Taxes Paid		(1,156,789)	(693,046)
1.1.9	Other		(4,932,207)	(2,197,093)
1.2	Changes in Operating Assets and Liabilities		(14,042,253)	(10,872,343)
1.2.1	Net (Increase)/Decrease in Trading Securities		28,120	145,844
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3	Net (Increase)/Decrease in Banks		(8,528,796)	(4,839,565)
1.2.4	Net (Increase)/Decrease in Loans		(804,789)	(16,137,357)
1.2.5	Net (Increase)/Decrease in Other Assets		(94,071)	(244,336)
1.2.6	Net Increase/(Decrease) in Bank Deposits		(10,897,438)	21,802,965
1.2.7	Net Increase/(Decrease) in Other Deposits		2,194,406	(13,298,545)
1.2.8	Net Increase/(Decrease) in Funds Borrowed		2,777,459	504,344
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		1,282,856	1,194,307
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>(10,539,979)</b>	<b>(5,896,802)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>		<b>7,741,998</b>	<b>1,560,969</b>
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		(58,847)	(22,196)
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3	Fixed Assets Purchases		(59,728)	(204,116)
2.4	Fixed Assets Sales		37,469	32,217
2.5	Cash for Purchase of Financial Assets Available for Sale		(10,942,498)	(51,482,049)
2.6	Cash Obtained from Sale of financial Assets Available for Sale		12,983,207	50,774,354
2.7	Cash Paid for Purchase of Investment Securities		(418,658)	(4,670,750)
2.8	Cash Obtained from Sale of Investment Securities		5,253,824	9,241,040
2.9	Other		947,229	(2,107,531)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>		<b>1,656,341</b>	<b>(1,078,595)</b>
3.1	Cash from Funds Borrowed and Securities Issued		-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3	Marketable Securities Issued		1,903,580	-
3.4	Dividends Paid		(247,239)	(1,078,595)
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>(72,871)</b>	<b>613,618</b>
<b>V.</b>	<b>Net Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>(1,214,511)</b>	<b>(4,800,810)</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	(1)	<b>8,281,135</b>	<b>13,081,945</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	(1)	<b>7,066,624</b>	<b>8,281,135</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Consolidated Statement of Profit Appropriation at December 2012 and 2011**

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

VII. PROFIT APPROPRIATION STATEMENT <sup>(1)</sup>		Current Period (31/12/2012)	Prior Period <sup>(2)</sup> (31/12/2011)
I.	DISTRIBUTION OF CURRENT YEAR INCOME		
1.1	Current Year Income	3,504,725	2,779,504
1.2	Taxes and Duties Payable (-) <sup>(3)</sup>	1,142,233	678,830
1.2.1	Corporate Tax (Income Tax)	1,142,233	314,816
1.2.2	Income Withholding Tax	-	-
1.2.3	Other Taxes and Duties	-	364,014
A.	NET INCOME FOR THE YEAR (1.1-1.2)	2,362,492	2,100,674
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	118,125	105,034
1.5	Other Statutory Reserves (-)	-	-
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	2,244,367	1,995,640
1.6	First Dividend to Shareholders (-)	-	125,000
1.6.1	To Owners of Ordinary Shares	-	125,000
1.6.2	To Owners of Privileged Shares	-	-
1.6.3	To Owners of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.7	Dividends to Personnel (-)	-	122,239
1.8	Dividends to Board of Directors (-)	-	-
1.9	Second Dividend to Shareholders (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Privileged Shares	-	-
1.9.3	To Owners of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	12,700
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	1,735,701
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
II.	DISTRIBUTION OF RESERVES		
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends to Shareholders (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Privileged Shares	-	-
2.3.3	To Owners of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders of Profit and Loss Sharing Certificates	-	-
2.4	Dividends to Personnel (-)	-	-
2.5	Dividends to Board of Directors (-)	-	-
III.	EARNINGS PER SHARE		
3.1	To Owners of Ordinary Shares	1.0601	0.8403
3.2	To Owners of Ordinary Shares (%)	106.01	84.03
3.3	To Owners of Privileged Shares	-	-
3.4	To Owners of Privileged Shares (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1	To Owners of Ordinary Shares	-	0.05
4.2	To Owners of Ordinary Shares (%)	-	5.00
4.3	To Owners of Privileged Shares	-	-
4.4	To Owners of Privileged Shares (%)	-	-

<sup>(1)</sup> Profit distribution is approved by the Ordinary General Assembly of the Parent Bank over the unconsolidated financial statements of the Parent Bank.

<sup>(2)</sup> The profit distribution table belonging to prior period becomes definite with the decision of Ordinary General Assembly after publishing of the audited financial statements as of 31 December 2011, and rearranged accordingly.

<sup>(3)</sup> The deferred tax asset of prior period amounting to TL287,936 is not subject to profit distribution.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

### SECTION THREE

#### EXPLANATIONS ON ACCOUNTING POLICIES

##### I. BASIS OF PRESENTATION

The Parent Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act"), which are effective from 1 November 2005, the Turkish Commercial Code ("TCC") and Turkish tax legislation.

The consolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Keeping Documents" published in the Official Gazette No. 26333 dated 1 November 2006 by the BRSA ("Banking Regulation and Supervision Agency") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the Turkish Accounting Standards Board ("TASB") and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA. The format and the details of the publicly announced consolidated financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No. 28337 dated 28 June 2012.

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

The consolidated financial statements have been prepared in TL, under the historical cost convention as modified in accordance with inflation adjustments applied until 31 December 2004, except for the financial assets and liabilities carried at fair value.

As of 31 December 2012, financial statements are presented comparatively with independently audited financial statements as of 31 December 2011.

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

The preparation of financial statements requires the use of certain critical estimates on assets and liabilities reported as of balance sheet date or amount of contingent assets and liabilities explained and amount of income and expenses occurred in related period. Although these estimates rely on the management's best judgment, actual results can vary from these estimates. Judgements and estimates are explained in related notes.

The accounting policies and valuation principles applied in the preparation of these financial statements are defined and applied in accordance with TAS. Those accounting policies and valuation principles are explained in Notes II. to XXV. below.

##### Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, 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.

##### II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

Main activity of the Parent Bank comprises banking services, such as; launching all kinds of cash and non-cash loans in terms of Turkish Lira and foreign currencies, performing transactions in local, international money and capital markets, supporting agricultural sector financially and collecting deposits in Turkish Lira and foreign currencies. The Parent Bank's main funding source is Turkish Lira deposits, repurchase agreements, shareholders' equity and government funds transferred from the budget, ministerial offices and other public resources to the Bank by means of legislative and administrative decisions. The Parent Bank directs these

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funds to assets with high return and low risk. These assets include predominantly domestic government bonds and loans. The Parent Bank's liquidity structure covers the financing of all liabilities at due date. Although most of the sources in the Parent Bank's balance sheet are with fixed interest rate, some of the securities in assets have floating interest rate. Since the remaining time to re-pricing date of sources is short, cost of sources is repriced in short periods based on the market conditions. Moreover, the Parent Bank adopts high return principle for its long-term placements.

Loans and securities are instruments from which the Parent Bank gets returns above the average returns within its lines of activity. Letter of guarantees, bank loans, and commercial letter of credits, repayment commitments for cheques and expense limit commitments for credit cards are the most important risk areas within the off-balance sheet accounts.

Since the Parent Bank's total debt to the market is low among its total liabilities, the Parent Bank can borrow easily from short-term markets, such as; İstanbul Stock Exchange ("ISE"), Central Bank of the Republic of Turkey, Money Market or Interbank Money Market in case of need. In case of a liquidity crisis, the deposit base of the Bank is not presumed to be significantly affected from such a case since the Parent Bank is a public bank with an extensive branch network.

Cost and return of foreign currency assets are subject to a close follow up. Positive margin of profit is sustained by adjusting deposit interest rates in line with the market interest rates.

Foreign currency operations are recognized at transaction date and valued by Parent Bank's prevailing counter currency buying rate. At period ends, foreign currency asset and liability balances are valued at the Parent Bank's period end counter currency buying rates and translated to Turkish currency and the resulting exchange differences are recognized as a "Foreign exchange gain or loss".

Foreign currency capital amounts transferred to the equity participations operating abroad are evaluated and presented on the financial statements with the exchange rate on the date of the transfer.

Assets and liabilities and income statement items of the abroad branches of the Parent Bank are translated into Turkish Lira with the Bank's prevailing counter currency buying rates at the balance sheet date.

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

#### a. Consolidation principles applied:

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqués related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks" and the "Turkish Accounting Standard for Consolidated and Separate Financial Statements" ("TAS 27") published in the Official Gazette No. 26340 dated 8 November 2006.

##### 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 their acquisition date. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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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 interest in the net income of the consolidated subsidiaries have been identified and deducted from the net income of the subsidiary. In the consolidated balance sheet, minority interest has been presented separately from the liabilities and the shares of the Group shareholders. Also, in the income statement, minority interest has been presented separately.

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

Title	Address (City/Country)	Main Activities	2012		2011	
			Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)	Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)
Ziraat Hayat ve Emeklilik A.Ş.	İstanbul/Turkey	Insurance	99.99	99.98	99.98	99.98
Ziraat Sigorta A.Ş.	İstanbul/Turkey	Insurance	99.99	99.98	99.98	99.98
Ziraat Finansal Kiralama A.Ş.	İstanbul/Turkey	Leasing	90.00	90.00	50.25	50.25
Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	Investment Management	72.60	75.00	63.06	75.00
Ziraat Portföy Yönetimi A.Ş.	İstanbul/Turkey	Portfolio Management	68.08	74.90	65.44	74.90
Ziraat Bank International A.G.	Frankfurt/Germany	Banking	100.00	100.00	100.00	100.00
Ziraat Bank BH d.d.	Sarajevo/Bosnia Herzegovina	Banking	100.00	100.00	100.00	100.00
Ziraat Bank (Moscow) CJSC	Moscow/Russia	Banking	99.91	99.91	99.91	99.91
Kazakhstan Ziraat Int. Bank	Almaty/Kazakhstan	Banking	99.58	99.58	99.36	99.36
Ziraat Banka AD Skopje	Skopje/Macedonia	Banking	-	-	100.00	100.00

\* The whole equity share of the Bank Ziraat Bank AD Skopje will be transferred to Halk Banka A.D. Skopje, Joint Venture of T. Halk Bankası A.Ş. under the Council of Ministers' decision numbered 2002/3555, by taking both Turkey and Macedonia's legislation into consideration. Transfer transaction was completed on November, 2012.

#### 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.

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

Title	Address (City/Country)	Main Activities	2012		2011	
			Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)	Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)
Azer Türk Bank ASC	Baku/Azerbaijan	Banking	50.00	50.00	50.00	50.00
Turkmen Turkish Joint Stock Commercial Bank	Ashgabat/Turkmenistan	Banking	50.00	50.00	50.00	50.00
Uzbekistan- Turkish Bank	Tashkent/Uzbekistan	Banking	50.00	50.00	50.00	50.00
Arap Türk Bankası A.Ş.	İstanbul/Turkey	Banking	15.43	15.43	15.43	15.43

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

4. Transactions with minority shareholders:

The Group considers transactions with minority shareholders as transactions within the Group.

For acquisitions from minority shareholders, the difference between the acquisition cost and related portion of net assets' booked value is deducted from equity. Profit or loss resulting from sales to minority shareholders is booked under equity.

### b. Presentation of unconsolidated subsidiaries and associates in consolidated financial statements:

Turkish lira denominated unconsolidated associates and subsidiaries are booked at cost value, less any impairment if any, in accordance with "Turkish Accounting Standards for Consolidated and Separate Financial Statements" ("TAS 27") are recognised 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.

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

The Parent Bank's derivative transactions mostly include currency swaps and foreign exchange purchase and sale transactions. The Parent Bank has no embedded derivative instruments separated from the host contract.

The derivative instruments of the Parent Bank are classified as trading or hedging instruments in accordance with Turkish Accounting Standard on TAS 39 "Financial Instruments: Recognition and Measurement". The Parent Bank has no derivative instruments for hedging purposes as of the balance sheet date. Accordingly, the Parent Bank is not subject to conditions whether derivative instruments do not meet the determination criteria for being classified as hedging instruments or whether such derivative transactions are finalized through sale, term expiry or fulfillment of obligations under the contract.

Derivative instruments are recognized at fair value on contractual date and subsequently re-valued at their fair values and associated with the income statement. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "financial assets at fair value through profit or loss" in "trading derivative financial assets" and if the fair value difference is negative, it is disclosed under "financial liabilities at fair value through profit or loss" in "trading derivative financial liabilities". Fair value changes are recorded under "Derivative Financial Transactions Gains/Losses" in income statement.

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.



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Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts from their contractual values.

### V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

Interest income and expenses are recognized on an accrual basis using the internal rate of return method in conformity with TAS 39 "Financial Instruments: Recognition and Measurement". In accordance with the Communiqué on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions" came into force after being published in the Official Gazette numbered 26333 dated 1 November 2006, no interest accrual is calculated for non-performing loans. Realized interest accruals calculated for non-performing loans and recognized as income although not collected are reversed and interest income related to these loans is recognized as interest income only when they are collected.

### VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

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

### VII. EXPLANATIONS ON FINANCIAL ASSETS

Financial instruments comprise financial assets and liabilities and derivative instruments. They are included in the balance sheet of the Group, if the Group is a legal party to these instruments.

Financial assets mainly constitute the Group's commercial activities and operations. These instruments have the ability to expose, affect and diminish the liquidity, credit and interest rate risks in the financial statements.

Financial assets are classified as investments held-to-maturity, bank loans and receivables, financial assets available for sale or held-for-trading at initial recognition.

Sale and purchase transactions of financial assets are accounted for using the settlement date basis.

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

In Group, financial assets, which are classified as "financial assets at fair value through profit or loss", are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading securities are initially recognized at cost. The cost of the securities is recognized as fair value. Subsequently, trading securities are carried at fair value in the financial statements.

Government bonds and treasury bills included in held for trading and available for sale portfolios traded in ISE are carried at weighted average exchange prices of ISE as of the balance sheet date and those securities that are not traded in ISE are carried at prices of the Central Bank of the Republic of Turkey. Eurobonds are carried at prices in the over the counter markets. The positive difference between the cost and fair value of held for trading securities is accounted under "Other Interest and Income Accrual" and the negative difference is accounted under "Impairment Loss for Marketable Securities" account. The positive difference between the cost and amortized cost is accounted under "Interest income" account; the negative difference is accounted as impairment loss. The positive difference between the fair value and amortized cost is accounted under "Profit from capital market operations" account and the negative difference is accounted under "Loss from capital market operations" account.

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### b. Held-to-maturity financial assets:

Investments held to maturity include financial assets other than bank loans and receivables and those where there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and where there are fixed or determinable payments with fixed maturity. Marketable securities classified as Financial Assets Held to Maturity may subject to exchange-repurchase bids or refundment transactions within the scope of early redemption.

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

The Parent Bank does not have any financial assets that are previously classified as investments held-to-maturity but prohibited to be classified in this portfolio for two years because of in compliance with the principles of financial assets classification.

Interests received from investments held to maturity are recognized as an interest income.

Held to maturity assets are initially recognized at cost. The cost of the securities is regarded as fair value.

### c. Loans and receivables:

The Parent Bank loans and receivables represent financial assets other than those held for trading or held for sale in a short period generated through providing cash, assets or rendering services to the debtor.

The loans and receivables originated by the Parent Bank are initially carried at cost. Bank loans are measured at amortized cost with internal rate of return. Short-term and long-term loans are grouped as open or guaranteed; FC loans are recognized with fixed price and at period-ends revalued by the counter foreign exchange buying rate of the Bank. Foreign exchange indexed loans are used as TL by the valid counter foreign exchange buying rate of the Bank at usage date. Repayments of these loans are collected as calculated TL value by the valid counter foreign exchange selling rate of Bank at installment date.

The Parent Bank sets specific and general provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 26333 and dated 1 November 2006 on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions". In the previous periods, the bank allocated special provisions considering the minimum rates and prudence principle stated in "Regulation on the Procedures and Principles on Determining the Characteristics of the Loans and other Receivables by the Banks and the provisions that would be Set Aside for them" regardless of such loan collaterals; however, in line with the provision of the General Directorate Authority Approval dated 29 June 2012 and of the clause (8) of Article 10 of the regulation stating that "based on the reliability and prudence assumptions defined in the Communiqué on Conceptual Framework regarding Preparation and Presentation of Financial Statements promulgated in the Official Gazette No. 25702 dated 16 January 2005, special provision may be allocated to the extent of the amount of the said non-performing receivable on condition not to be less than the special provision amounts applicable for the group in which the non-performing receivable is included regardless of the amount of collateral", the bank started to set aside special provisions corresponding to 50% of the non-performing receivable amount as of the date of including the non-performing receivables in the Third Group and special provisions corresponding to 100% of the non-performing receivable amount as of the date of including the non-performing receivables in the Fourth and Fifth Group. Allocated provisions are deducted from the income for the period. If the receivables for which provisions were set in the previous years are collected, provision for allowances are released and recognized as income under "Other Operating Income" account. Releases of current period provisions are made by the reversal of the amount from the "Provision for Impairment of Loans and Other Receivables" account.

### d. Available-for-sale financial assets:

Available-for-sale financial assets are defined as financial assets other than the ones classified as "Loans and receivables", "Held-to-maturity assets" or "Financial asset at fair value through profit or loss".

Available for sale assets are initially recognized at cost. 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.

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

When fair value calculations based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at amortised cost using the effective interest method or appropriate valuation methods.

### VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

If subsidiaries, associates, entities under common control and assets held to maturity are subject to permanent impairment, the amount is charged to "Impairment Expenses for Subsidiaries, Associates, Assets Held to Maturity".

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

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

### IX. EXPLANATIONS ON OFFSETTING 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 Parent Bank currently has a legally enforceable right to set off the recognized amounts or intends either to collect/settle on a net basis or to realize the asset and settle the liability simultaneously.

### X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS

Securities subject to repurchase agreements are classified under "held for trading", "available for sale" and/or "held-to-maturity" portfolios and they are valued based on the revaluation principles of the related portfolios. Funds obtained by these agreements are followed under the "Funds from Repurchase Agreements" account in the balance sheet and interest expense accrual is calculated using the internal rate of return method.

Funds given against securities purchased under agreements ("Reverse Repo") to resell are accounted under "receivables from reverse repurchase agreements" on the balance sheet and interest income accrual is calculated using internal rate of return method.

As of the balance sheet date, there are no securities lending transactions.

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### XI. INFORMATION ON ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS AND EXPLANATIONS ON LIABILITIES RELATED WITH THESE ASSETS

Parent Bank's tangible assets acquired in consideration of receivables are accounted for in accordance with the requirements of the Communiqué on "Methods, Principles for Purchase and Sale of Precious Metal and Sale of Goods and Immovables Obtained in Return of Receivables" published in the Official Gazette numbered 26333 and dated 1 November 2006 and these assets are subject to revaluation by no means.

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

The Parent Bank has no discontinued operations.

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

As at the balance sheet date, the Group has no goodwill.

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

Other intangible assets are amortized by using the straight line method based on their useful lives. Useful lives of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected economical benefit from assets and technical, technological or any other type of obsolescence. Amortization method used in the current period is not subject to any change. Depreciation period is 5 years (20% annual depreciation rate) for establishment/formation expenses for other intangible assets with uncertain leasing period or leasing period over 5 years and depreciation rate is proportional with period for those with certain leasing period.

The Group recognizes its software costs incurred under the intangible assets-intangible rights account and the expenses that do qualify as development are added to software's initial costs and amortized over 3 years considering the useful lives.

### XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. The Parent Bank's tangible fixed assets purchased before 1 January 2005 are carried at inflation adjusted cost in the balance sheet before 31 December 2004 and its tangible fixed assets that are purchased subsequent to 1 January 2005 are valued at historical cost. Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and impairment loss, if any. Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives. No changes made in the current period regarding depreciation method.

Estimated depreciation rates of tangible fixed assets are as follows;

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

Where the carrying amount of an asset is greater than its estimated "Net Recoverable Amount", it is written down to its "Net Recoverable Amount" and the provision for the diminution in value is charged to the income statement.

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Property and equipment has not been re-valued in order to be presented at fair value in the financial statements.

Gain or loss arising from the disposal or retirement of an item of tangible fixed assets is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

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

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

### XIV. EXPLANATIONS ON LEASING TRANSACTIONS

The Group performs financial operations as "Lessor" and "Lessee".

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

##### Financial Lease

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

The Parent Bank does not perform financial operations as "Lessor".

##### Operational ("Management") Lease

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operating lease. Payments that are made as operating leases are accounted in income statements with linear method during the lease period.

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

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

### XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES

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

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

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

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

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in which the change occurs.

### XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

#### a. Employment Termination and Vacation Benefits

Employee benefits liabilities are recognized in accordance with TAS 19 "Employee Benefits" and the Parent Bank provides provision for retirement and termination liabilities by estimating the net present value of future payments arising from the retirement of employees and reflects this provision amount in the financial statements.

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

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

The Parent Bank is not employing its personnel by means of limited-period contracts.

#### b. Pension Rights

Some of the Parent Bank's personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees Pension Fund ("Fund") which was established by 20<sup>th</sup> provisional article of Social Security Law Act numbered 506. As of 31 December 2012 the number of personnel who benefit from the Fund, excluding dependents is 14,060 (2011: 14,325). 10,537 of these members are active while 3,523 are passive members. (2011: 10,925 active members, 3,400 passive members).

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

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

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In an application to the Constitutional Court on 19 June 2008, the cancellation of some articles of the new law regarding the transfer of pension funds to the Social Security Institution has been requested. In its meeting dated 30 March 2011, the Constitutional Court examined the cancellation application and rejected the request to suspend the articles.

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

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

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

On the other hand, according to amendment on the social security and general health insurance law published in the Official Gazette dated 8 March 2012 numbered 6283, mentioned 2-year transfer period has been increased to 4 years.

The technical balance sheet report as of 31 December 2012 which is prepared in accordance with the new law and the rate determined as 9.80%, concluded no technical deficit arises in the above mentioned fund. Since the Parent Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

### XVII. EXPLANATIONS ON TAXATION

#### a. Current Tax

Turkish Tax Legislation does not permit the Parent Bank to file tax return over consolidated subsidiaries financial statements. Therefore, tax provisions which reflected to consolidated financial statements have been calculated per company.

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

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

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



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

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

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

Tax rates used in tax calculation considering the related countries' tax legislation as of 31 December 2012 are presented below:

Russia	20.00%
Kazakhstan	20.00%
Germany	15.00%
Bosnia Herzegovina	10.00%

### b. Deferred tax

In accordance with TAS 12 "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 INSURANCE TECHNICAL RESERVES

### Technical Reserves

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that, future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected ratios. Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. In accordance with "the circular about the Change of Unexpired Risks Reserve Calculation"



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numbered 2012/15 published by Treasury, if the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share.

### ***Reserve for unearned premiums:***

Reserve for unearned premiums represents the proportions of the premiums written in a period that relate to the period of risk subsequent to the balance sheet date, without deductions of commission or any other expense.

### ***Unexpired risk provision:***

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that, future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected ratios. Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. In accordance with "the circular about the Change of Unexpired Risks Reserve Calculation" numbered 2012/15 published by Treasury, if the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share.

### ***Reserve for outstanding claims:***

Insurance companies provide reserve for outstanding claims, incurred and reported but not yet settled in the current or previous years based on reported balances or estimates when actual balances are not exactly known and incurred but not yet reported claims. Within the calculation of reserve for outstanding claims, incurred and reported but not yet settled, entire shares of expense required for maturation of compensation reports including calculated or estimated expert, referee, consultant, court and communication expenses are taken into account and subrogation, salvage and similar revenue items are not discounted. Incurred subrogation, salvage and similar revenue items whose codes of practice will be determined by the undersecretariat are shown under the related credit account of the asset side of the balance sheet and interrelated with period income in condition that subrogation of rights has been gained.

### ***Offset provision:***

In Article 9 of "Communiqué Regarding the Technical Reserves of Insurance and Reinsurance Companies and the Assets that these Reserves Recorded" numbered 27655 dated 28 July 2010, it is stated that insurance companies provide offset provision for loan and earthquake assurances in order to compensate the possible fluctuations in the assurance rates and catastrophic risks in the succeeding accounting periods.

### ***Mathematical provisions:***

Mathematical provisions indicate sum of bonus provisions and actuarial mathematical provisions calculated separately according to technical principles in tariff for each agreement in force. Life branch mathematical provision of the company consists of actuarial mathematical provisions calculated for long-term life insurances on credit. Actuarial mathematical provisions are the differences between risk premiums taken for risks undertaken by the Company and cash values of the liabilities to beneficiaries and insureds.

## **XIX. EXPLANATIONS ON BORROWINGS**

The Group accounts its debt instruments in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". In the following periods, all financial liabilities are carried at amortized cost by using the internal rate of return method. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings.

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

The Group has issued no convertible bonds.

### XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

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

### XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

### XXII. EXPLANATIONS ON GOVERNMENT GRANTS

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

### XXIII. CASH AND CASH EQUIVALENTS

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

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

### XXIV. EXPLANATIONS ON SEGMENT REPORTING

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

### XXV. EXPLANATIONS ON OTHER MATTERS

a. The General Assembly for the year 2011 was carried out on 18 April 2012. In accordance with the decision taken, of the profit for the year 2011 amounting to TL2,100,674, TL105,034 is transferred to legal reserves and TL12,700 is transferred to second legal reserve, TL127,000 is distributed as dividend to employees provided that dividend amount does not exceed two month gross wage for each employee and TL106,250 is distributed to Treasury after deducting withholding tax of 15% (TL18,750) in cash. In this context, TL1,730,940 of the profit is preserved and of the dividend decided to be paid to personnel, TL122,239 dividend is paid. In accordance with the decision taken in General Assembly Meeting, the remaining of dividend paid to employees, TL4,761 was transferred to "profit reserves" account.

#### b. Overview of Changes in Accounting Estimates:

In the previous periods, the parent bank allocated special provisions considering the minimum rates and prudence principle stated in "Regulation on the Procedures and Principles on Determining the Characteristics of the Loans and other Receivables by the Banks and the provisions that would be Set Aside for them" regardless of such loan collaterals; however, in line with the provision of the General Directorate Authority Approval dated 29 June 2012 and of the clause (8) of Article 10 of the regulation stating that "based on the reliability and prudence assumptions defined in the Communiqué on Conceptual Framework regarding Preparation and Presentation of Financial Statements promulgated in the Official Gazette No. 25702 dated 16 January 2005, special provision may be allocated to the extent of the amount of the said non-performing receivable on condition not to be less than the special provision amounts applicable for the group in which the non-performing receivable is included regardless of the amount of

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collateral", the parent bank started to set aside special provisions corresponding to 50% of the non-performing receivable amount as of the date of including the non-performing receivables in the Third Group and special provisions corresponding to 100% of the non-performing receivable amount as of the date of including the non-performing receivables in the Fourth and Fifth Group. As a result of increasing the said special provision rates, an additional special provision corresponding to TL112,989 was allocated as of 30 June 2012.

### SECTION FOUR

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

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

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

The Group's consolidated capital adequacy ratio calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 18.69%.

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

Consolidated Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" and "Communiqué on Credit Risk Mitigation Techniques" published in the Official Gazette dated 28 June 2012 numbered 28337.

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

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

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

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

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

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### Information related to capital adequacy ratio:

	Risk Weights									
	Parent Bank									
	0%	10%	20%	50% Real Est. Mort. Coll.	50%	75%	100%	150%	200%	1250%
Value at Credit Risk Exposure Categories	80,773,000	-	2,954,823	-	15,770,532	42,769,173	23,613,710	2,709,624	8,947,550	-
Risk Classes										
Conditional and unconditional receivables from central governments or central banks	75,058,356	-	-	-	7,189,829	-	201,384	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	99,250	-	22	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	332,421	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organisations	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	2,855,506	-	8,580,681	-	425,570	-	-	-
Conditional and unconditional corporate receivables	-	-	-	-	-	-	19,517,032	-	-	-
Conditional and unconditional retail receivables	-	-	-	-	-	35,074,899	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-	7,694,274	179,500	-	-	-
Past due receivables	-	-	-	-	-	-	588,005	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	2,709,624	8,947,550	-
Securities collateralised by mortgages	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Other receivables	5,714,644	-	67	-	-	-	2,369,798	-	-	-

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

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	Risk Weights									
	Consolidated									
	0%	10%	20%	50% Real Est. Mort. Coll.	50%	75%	100%	150%	200%	1250%
<b>Value at Credit Risk Exposure Categories</b>	<b>81,297,464</b>	-	<b>3,437,315</b>	-	<b>14,713,995</b>	<b>43,154,015</b>	<b>25,261,184</b>	<b>2,716,015</b>	<b>8,947,550</b>	-
<b>Risk Classes</b>										
Conditional and unconditional receivables from central governments or central banks	75,058,409	-	-	-	7,289,156	-	221,635	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	99,250	-	22	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	333,015	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organisations	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	3,337,998	-	7,424,817	-	167,491	-	-	-
Conditional and unconditional corporate receivables	-	-	-	-	-	-	21,305,523	-	-	-
Conditional and unconditional retail receivables	-	-	-	-	-	35,459,741	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-	7,694,274	179,500	-	-	-
Past due receivables	-	-	-	-	-	-	589,047	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	2,716,015	8,947,550	-
Securities collateralised by mortgages	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Other receivables	6,239,055	-	67	-	-	-	2,464,973	-	-	-

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

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

	Consolidated Current Period	The Parent Bank Current Period
Credit Risk Base Amount (CRBA) (Value at Credit Risk* 0.08)	6,553,198	6,450,484
Market Risk Base Amount (MRBA)	404,867	379,023
Operational Risk Base Amount (ORBA)	1,012,507	910,851
Shareholders' Equity	18,621,101	18,390,975
<b>Shareholders' Equity((CRBA+MRBA+ORBA) *12.5)* 100</b>	<b>18.69</b>	<b>19.01</b>

### Information Related to the Components of Consolidated Shareholders' Equity:

	Current Period	Prior Period
<b>CORE CAPITAL</b>		
Paid-in Capital	2,500,000	2,500,000
Nominal Capital	2,500,000	2,500,000
Capital Commitments (-)	-	-
Inflation Adjustment to Paid-in Capital	543,482	543,482
Share Premium	-	-
Share Cancellation Profits	-	-
Reserves	10,200,423	8,339,732
Inflation Adjustments to Reserves	-	-
Profit	3,197,558	2,491,992
Current Period's Profit	2,751,014	2,220,585
Prior Period's Profit	446,544	271,407
Provision for Possible Losses (up to 25% of Core Capital)	654,776	140,248
Income on Sale of Equity Shares and Real Estates	-	-
Primary Subordinated Debts (up to 15% of Core Capital) <sup>(1)</sup>	-	-
Minority Shareholders	36,515	90,583
Loss (in excess of Reserves) (-)	-	-
Current Period's Losses	-	-
Prior Period's Losses	-	-
Leasehold Improvements on Operational Leases (-)	32,458	34,382
Intangible Assets (-)	33,867	32,723
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-
Excess Amount defined in 3 <sup>rd</sup> Clause 56 <sup>th</sup> Article of the Banking Act (-)	-	-
<b>Total Core Capital</b>	<b>17,066,429</b>	<b>14,038,932</b>

<sup>(1)</sup> In accordance with the "Regulation Related to the Change in the Regulation for Shareholders' Equities of Banks" issued on Official Gazette dated 10 March 2011 and numbered 27870, the related row's name is changed as "Primary Subordinated Loans Not Exceeding the Limits Mentioned in Paragraph 8".

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	Current Period	Prior Period
<b>SUPPLEMENTARY CAPITAL</b>		
General Provisions	1,233,215	999,331
45% of Movable Assets Revaluation Fund	-	-
45% of Immovables Revaluation Fund	-	-
Bonus Shares of Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	17,369	17,361
Primary Subordinated Loans Excluding the Portion included in the Core Capital	-	-
Secondary Subordinated Loan	-	-
45% of Value Increase Amount of Available for Sale Securities and Subsidiaries and Associates	416,131	(443,015)
Inflation Adjustments for Capital Reserves, Profit Reserves and Retained Earnings/Accumulated Losses (Except Inflation Adjustments for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-
<b>Total Supplementary Capital</b>	<b>1,666,715</b>	<b>573,677</b>
<b>CAPITAL</b>	<b>18,733,144</b>	<b>14,612,608</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>112,043</b>	<b>94,880</b>
Shares in Unconsolidated Banks and Financial Institutions	612	-
Loans to banks, Financial Institutions (Domestic/Foreign), Holders of Qualified Shares in the form of Secondary Subordinated Loan and Loan Instruments Purchased from those Parties Qualified as Primary or Secondary Subordinated Loan	-	-
Shares of banks and financial institutions equity pick-up method applied but assets and liabilities are not consolidated	110,380	93,990
Equity Shares in Banks and Financial Institutions (Domestic and Foreign), 10% or More of whose Capital is Owned by the Bank and which are Excluded from the Consolidation	-	-
Total Equity Shares in Banks and Financial Institutions (Domestic and Foreign), less than 10% of whose Capital is Owned by the Bank and that Exceeds 10% of the Total Core Capital and Supplementary Capital	-	-
Loans Granted not in Compliance with the Provisions Stated in Articles 50 and 51 of the Act	-	-
Total Net Book Value of the Bank's Real Estates in excess of 50% of the Equity and in accordance with Article 57 of the Act, Net Book Value of Real Estates and Commodities Acquired in Exchange of Loans and Receivables that should be Disposed of however; have not been Disposed for the Last 5 Years Since the Beginning of the Acquisition Date	386	39
Other	665	851
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>18,621,101</b>	<b>14,517,728</b>

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

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

Therefore, in the Parent Bank,

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

**II. EXPLANATIONS ON THE CREDIT RISK**

Credit risk is the probable risks and losses arising from the partial or complete default of the opposite party that the Parent Bank is engaging in relation by not complying to the obligations of the agreement made.

The limits of the credit customers are identified, after combined assessment of various factors like the financial and non-financial information of the credit customers, credit requirements, sectoral and geographical features and, in conformity with the legal legislation, in line with the credit authorization limits of the branches, regional heads, group heads, department heads, Assistant General Managers, General Manager, Credit Committee and Board of Directors.

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

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

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

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

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



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

Loans to finance agricultural production are the specialized loans of the Parent Bank and issued by all of the Parent Bank's branches. The credit limit is determined by considering factors like activities related to agricultural production capacity, unit cost of the product subject to loan, operating capital requirement, investment amount, market value of the product, supporting payments, documentable receivables, income-loss, cash flow projection of the firm and payment ability and the financial information of the customer. The transactions of the loan customers are followed through the periodic visits made and in this way the changes at the credit worthiness are identified. The new limit issuances and changes at the existing limits are made after the on-site detections.

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

On January 2011, the Parent Bank started applying internal ratings processes as a decision support system for analysing credit worthiness and determining credit allocation for SME-Commercial-Corporate consumer loans.

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

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

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

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

The percentage of top 100 and top 200 cash loans in the total cash loan portfolio is 10% (2011: 11%).

The percentage of top 100 and top 200 non-cash loans in the total non-cash loan portfolio is 56% (2011: 71%).

The percentage of top 100 and top 200 cash and non-cash loans in the total cash and non-cash loan portfolio is 18% (2011: 17%).

General provision made by the Bank for the credit risk is TL1,233,215 (2011: TL999,331).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
<b>Current Period</b>							
Domestic	82,057,885	99,272	333,015	-	-	2,392,333	20,634,581
European Union Countries	4,860	-	-	-	-	8,072,801	88,326
OECD Countries <sup>(1)</sup>	-	-	-	-	-	81,116	-
Off-shore Banking Regions	-	-	-	-	-	-	-
USA, Canada	175,065	-	-	-	-	37,737	151,880
Other Countries	331,390	-	-	-	-	332,221	430,736
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	14,098	-
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>82,569,200</b>	<b>99,272</b>	<b>333,015</b>	<b>-</b>	<b>-</b>	<b>10,930,306</b>	<b>21,305,523</b>

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

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada

<sup>(2)</sup> Assets and liabilities that could not be distributed on a consistent basis.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
35,219,107	7,867,954	586,351	11,649,643	-	-	-	-	8,139,446	168,979,587
56,254	-	1,363	11,682	-	-	-	-	506,746	8,742,032
-	-	-	-	-	-	-	-	-	81,116
-	-	-	-	-	-	-	-	-	-
1,903	-	-	-	-	-	-	-	-	366,585
182,477	5,820	1,333	2,240	-	-	-	-	57,903	1,344,120
-	-	-	-	-	-	-	-	-	14,098
-	-	-	-	-	-	-	-	-	-
35,459,741	7,873,774	589,047	11,663,565	-	-	-	-	8,704,095	179,527,538

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

Risk Classes								
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	
<b>Sectors/Counter Parties</b>								
Agriculture	398	1,411	27,744	-	-	4	2,339,649	
Farming and Stockbreeding	80	506	14,001	-	-	-	2,182,256	
Forestry	4	10	495	-	-	-	104,486	
Fishing	314	895	13,248	-	-	4	52,907	
Manufacturing	44,067	1,727	11,351	-	-	-	10,063,049	
Mining and Quarrying	4	139	14	-	-	-	219,899	
Production	44,063	868	11,331	-	-	-	8,506,551	
Electric, Gas and Water	-	720	6	-	-	-	1,336,599	
Construction	-	69	11,957	-	-	9,168	1,823,214	
Services	24,112,398	5,477	228,285	-	-	7,927,754	4,262,261	
Wholesale and Retail Trade	22	171	742	-	-	-	2,165,033	
Hotel Food and Beverage Services	56	193	38	-	-	-	354,134	
Transportation and Telecommunication	8	324	89,507	-	-	-	183,104	
Financial Institutions	24,108,610	1,304	502	-	-	7,391,830	150,721	
Real Estate and Leasing Services	130	741	101,938	-	-	535,924	1,278,777	
Self-Employment Services	-	-	-	-	-	-	-	
Education Services	1,277	27	30,103	-	-	-	39,277	
Health and Social Services	2,295	2,717	5,455	-	-	-	91,215	
Other	58,412,337	90,588	53,678	-	-	2,993,380	2,817,350	
<b>Total</b>	<b>82,569,200</b>	<b>99,272</b>	<b>333,015</b>	<b>-</b>	<b>-</b>	<b>10,930,306</b>	<b>21,305,523</b>	

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short- term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	13,412,627	293,313	8,475	9,884	-	-	-	-	3,005,128	18,861,554	237,079	19,098,633
	9,746,138	270,771	8,028	4,810	-	-	-	-	3,005,128	15,108,742	122,976	15,231,718
	85,593	2,884	192	2,172	-	-	-	-	-	96,835	99,001	195,836
	3,580,896	19,658	255	2,902	-	-	-	-	-	3,655,977	15,102	3,671,079
	1,579,958	90,622	18,484	18,766	-	-	-	-	-	5,027,601	6,800,423	11,828,024
	51,089	1,555	1,479	1,093	-	-	-	-	-	103,106	172,166	275,272
	1,503,084	86,915	15,514	15,155	-	-	-	-	-	4,617,511	5,565,970	10,183,481
	25,785	2,152	1,491	2,518	-	-	-	-	-	306,984	1,062,287	1,369,271
	751,826	46,427	12,660	8,542	-	-	-	-	-	1,769,319	894,544	2,663,863
	4,480,745	305,287	494,410	97,539	-	-	-	-	-	18,709,700	23,204,456	41,914,156
	2,906,220	174,387	22,318	49,256	-	-	-	-	-	4,506,638	811,511	5,318,149
	321,133	35,149	1,870	10,921	-	-	-	-	-	420,729	302,765	723,494
	663,993	36,556	2,948	16,997	-	-	-	-	-	903,571	89,866	993,437
	21,456	3,241	64	824	-	-	-	-	-	10,996,301	20,682,251	31,678,552
	245,176	22,794	465,559	9,090	-	-	-	-	-	1,361,789	1,298,340	2,660,129
	-	-	-	-	-	-	-	-	-	-	-	-
	56,595	4,074	383	2,043	-	-	-	-	-	117,981	15,798	133,779
	266,172	29,086	1,268	8,408	-	-	-	-	-	402,691	3,925	406,616
	15,234,585	7,138,125	55,018	11,528,834	-	-	-	-	5,698,967	90,750,042	13,272,820	104,022,862
	<b>35,459,741</b>	<b>7,873,774</b>	<b>589,047</b>	<b>11,663,565</b>	-	-	-	-	<b>8,704,095</b>	<b>135,118,216</b>	<b>44,409,322</b>	<b>179,527,538</b>

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

**Analysis of maturity-bearing exposures according to remaining maturities:**

	Term To Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Exposure Classifications:					
Conditional and unconditional exposures to central governments or central banks	15,627,686	3,375,829	7,673,566	15,135,704	40,756,415
Conditional and unconditional exposures to regional governments or local authorities	66	256	181	258	98,511
Conditional and unconditional receivables from administrative units and non-commercial enterprises	53,649	4,574	6,033	18,846	249,913
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	2,524,255	2,795,019	717,335	1,931,585	2,962,112
Conditional and unconditional exposures to corporates	1,263,765	336,569	928,633	5,119,234	13,657,322
Conditional and unconditional retail exposures	1,436,495	1,861,106	3,143,626	9,533,027	19,485,487
Conditional and unconditional exposures secured by real estate property	75,750	87,400	258,467	991,103	6,461,054
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	86,034	2,419	795,600	222,221	10,540,688
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
<b>Grand Total</b>	<b>21,067,700</b>	<b>8,463,172</b>	<b>13,523,441</b>	<b>32,951,978</b>	<b>94,211,502</b>

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

Rating scores are used in following risk classes:

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

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

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

### Exposures by risk weights:

	Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deductions from Equity
1	Exposures before Credit Risk Mitigation	81,297,464	-	3,437,315	14,713,995	43,154,015	25,261,184	2,716,015	8,947,550	-	112,043
2	Exposures after Credit Risk Mitigation	85,898,865	-	4,655,066	19,061,505	35,057,808	23,190,729	2,716,015	8,947,550	-	112,043

Prepared with the numbers after conversion rate to credit.



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

### Information in terms of major sectors and type of counterparties:

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

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

	Credits			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture	514,390	819,095	17,863	278,152
Farming and Stockbreeding	502,098	800,665	17,461	267,699
Forestry	2,799	3,429	75	2,759
Fishery	9,493	15,001	327	7,694
Manufacturing	158,828	123,753	2,699	143,430
Mining and Quarrying	3,503	7,751	169	2,072
Production	152,084	115,284	2,514	139,564
Electricity, Gas and Water	3,241	718	16	1,794
Services	861,201	532,126	11,606	365,284
Wholesale and Retail Trade	116,667	257,333	5,612	96,757
Accommodation and Dining	9,671	44,016	960	8,313
Transportation and Telecom.	26,328	102,610	2,238	23,752
Financial Institutions	2,373	6,147	134	2,253
Real Estate and Rental Services	693,443	73,212	1,597	223,027
Professional Services	97	896	20	96
Educational Services	2,128	15,897	347	1,854
Health and Social Services	10,494	32,015	698	9,232
Other	550,128	3,026,439	66,109	494,066
<b>Total</b>	<b>2,084,547</b>	<b>4,501,413</b>	<b>98,277</b>	<b>1,280,932</b>

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

		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	628,211	815,403	162,682	-	1,280,932
2	General Provisions	999,331	233,884	-	-	1,233,215

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	169,158	142,915
Banks	1,622,732	1,294,642
Interbank Money Market Placements	61,722	12,212
Available-for-sale Financial Assets	38,362,403	38,361,907
Held-to-maturity Investments	27,322,038	32,632,337
Loans	73,147,086	73,223,617
Other Assets	901,599	693,336
<b>Total credit risk exposure of balance sheet items</b>	<b>141,586,738</b>	<b>146,360,966</b>
Financial Guarantees	15,652,120	12,050,771
Commitments	67,947,841	39,404,288
<b>Total credit risk exposure of off-balance sheet items</b>	<b>83,599,961</b>	<b>51,455,059</b>
<b>Total credit risk exposure</b>	<b>225,186,699</b>	<b>197,816,025</b>

### Information about credit quality per class of financial assets

	Current Period			Prior Period		
	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
<b>Financial Assets</b>						
Banks	1,622,732	-	1,622,732	1,294,642	-	1,294,642
Financial Assets at Fair Value Through Profit or Loss	169,158	-	169,158	142,915	-	142,915
Loans	67,842,058	4,501,413	72,343,471	69,241,119	3,716,110	72,957,229
Corporate Loans	18,849,892	1,008,778	19,858,670	17,666,517	729,498	18,396,015
Consumer Loans	27,901,936	2,678,930	30,580,866	29,658,241	2,402,036	32,060,277
Specialized Loans	21,090,230	813,705	21,903,935	21,916,361	584,576	22,500,937
Available-for-sale Financial Assets	38,362,403	-	38,362,403	38,361,907	-	38,361,907
Held-to-maturity Investments	27,322,038	-	27,322,038	32,632,337	-	32,632,337

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

Carrying amount per class of financial assets whose terms have been renegotiated:

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Loans	665,905	579,478
Corporate Loans	288,605	113,076
Consumer Loans	31,515	29,452
Specialized Loans	345,785	436,950
Other	-	-
Available-for-sale Financial Assets	-	-
Held-to-maturity Investments	-	-

### III. EXPLANATIONS ON THE MARKET RISK

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

The Parent Bank has established market risk management operations and taken the necessary measures in order to hedge market risk within its financial risk management purposes, in accordance with "Measurement and Assessment of the Capital Adequacy of Banks".

Market risk management strategy policy and implementation procedures of the Parent Bank are determined within the context of "Regulation for Market Risk Management" which was approved by the Board of Directors.

The Parent Bank provides to perform scenario analysis with measurements that are suitable for structure and complexity of positions related to the market risk management, limiting, scenario analysis and stress test and banks also provide to report the findings cyclically. Continuing operations are carried out on a trading portfolio determined by Parent Bank's Treasury Management. New products and services are evaluated from the point of market risk.

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

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

The market risk exposure by VAR based limits (interest rate and currency risk limit) within the context of "Regulation for Market Risk Management".

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

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

	Current Period
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	212,219
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	52,146
Capital Requirement for Specific Risk of Securitization Positions	-
(III) Capital Requirement to be Employed for Currency Risk - Standard Method	118,764
(IV) Capital Requirement to be Employed for Commodity Risk - Standard Method	-
(V) Capital Requirement to be Employed for Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed for Market Risk Resulting from Options - Standard Method	-
(VII) Capital Requirement to be Employed for Counter Party Credit Risk - Standard Method	21,738
(VIII) Total Capital Requirement to be Employed for Market Risk in Banks Using Risk Measurement Model	-
(IX) Total Capital Requirement to be Employed for Market Risk (I+II+III+IV+V+VI+VII)	404,867
<b>(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)</b>	<b>5,060,838</b>

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

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	329,633	357,613	245,055	397,381	405,682	394,521
Equity Share Risk	27,640	17,716	19,310	31,698	33,348	30,188
Currency Risk	96,287	101,457	118,764	92,292	103,546	79,213
Commodity Risk	-	-	-	1,156	1,954	1,565
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counter Party Credit Risk	19,374	17,009	21,738	-	-	-
<b>Amount Subject to Total Risk</b>	<b>5,790,578</b>	<b>6,172,438</b>	<b>5,060,838</b>	<b>6,531,588</b>	<b>6,806,625</b>	<b>6,318,588</b>

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

### Quantitative Information on Counterparty Risk:

	Amount
Agreements based on Interest Rate	-
Agreements based on Foreign Exchange Currency	170,595
Agreements Based on Commodity	-
Agreements Based on Shares	-
Other	-
Gross Positive Fair Values	124,502
Benefits of Netting	-
Current Net Risk Amount	-
Reserved Guarantee	69,269
Net Position of Derivatives	236,981

### IV. EXPLANATIONS ON THE OPERATIONAL RISK

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

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

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

	31.12.2009	31.12.2010	31.12.2011	Total/ Positive Year	Rate (%)	Total
Gross Income	6,585,292	6,702,784	6,962,068	6,750,048	15	1,012,507
Amount Subject to Operational Risk						12,656,340

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

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

**V. EXPLANATIONS ON THE CURRENCY RISK**

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

The Parent Bank's policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Parent Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, VAR is calculated for daily foreign exchange position and reported to the related departments. VaR based currency risk limit is also daily followed which was approved by Board of Directors.

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

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

None.

**c) Management policy for foreign currency risk:**

"Liquidity Gap Analysis", "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 Parent Bank in its operations. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders' Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
24.12.2012	1.7875	2.3548	1.8544	0.31632	0.27310	1.9549	1.8025	0.31938	2.8829	0.47666	2.1089
25.12.2012	1.7850	2.3493	1.8604	0.31558	0.27270	1.9526	1.8018	0.31870	2.8432	0.47600	2.1052
26.12.2012	1.7835	2.3557	1.8492	0.31674	0.27406	1.9567	1.7957	0.31958	2.8808	0.47556	2.0902
27.12.2012	1.7823	2.3530	1.8466	0.31628	0.27386	1.9530	1.7931	0.31979	2.8777	0.47528	2.0785
28.12.2012	1.7783	2.3449	1.8448	0.31509	0.27337	1.9465	1.7855	0.31861	2.8704	0.47420	2.0664
31.12.2012	1.7793	2.3501	1.8478	0.31513	0.27340	1.9467	1.7890	0.31973	2.8903	0.47446	2.0608

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
1.7785	2.3273	1.8601	0.31276	0.26980	1.9312	1.7962	0.31707	2.8687	0.47430	2.1233

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

**Information on the foreign currency risk of the Group:**

	EUR	USD	Other FC <sup>(1)</sup>	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	5,995,127	5,214,984	4,163,271	15,373,382
Banks	296,834	293,773	381,180	971,787
Financial Assets at Fair Value Through Profit and Loss	401	129,261	-	129,662
Money Market Placements	-	3,909	55,764	59,673
Financial Assets Available-for-Sale	2,984,472	1,661,866	83	4,646,421
Loans <sup>(2)</sup>	3,002,780	5,793,353	372,702	9,168,835
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(4)</sup>	11,697	35,619	-	47,316
Investments Held-to-Maturity	1,388,822	2,865,734	37,473	4,292,029
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	6,555	1,738	19,030	27,323
Intangible Assets	1,178	2,292	5,429	8,899
Other Assets	399,478	103,769	11,977	515,224
<b>Total Assets</b>	<b>14,087,344</b>	<b>16,106,298</b>	<b>5,046,909</b>	<b>35,240,551</b>
<b>Liabilities</b>				
Interbank Deposits	783,759	2,366,962	32,743	3,183,464
Foreign Currency Deposits	15,608,913	7,099,775	1,707,475	24,416,163
Money Market Borrowings	657,810	4,926,971	-	5,584,781
Funds Provided from Other Financial Institutions	453,899	2,147,908	726	2,602,533
Issued Marketable Securities	-	-	-	-
Sundry Creditors	205,170	106,698	1,183	313,051
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	226,566	127,264	49,571	403,401
<b>Total Liabilities</b>	<b>17,936,117</b>	<b>16,775,578</b>	<b>1,791,698</b>	<b>36,503,393</b>
<b>Net Balance Sheet Position</b>	<b>(3,848,773)</b>	<b>(669,280)</b>	<b>3,255,211</b>	<b>(1,262,842)</b>
<b>Net Off-Balance Sheet Position <sup>(3)</sup></b>	<b>3,633,754</b>	<b>733,994</b>	<b>(2,820,579)</b>	<b>1,547,169</b>
Financial Derivative Assets	3,673,362	1,530,053	544,380	5,747,795
Financial Derivative Liabilities	39,608	796,059	3,364,959	4,200,626
<b>Non-cash Loans</b>	<b>2,772,831</b>	<b>6,905,465</b>	<b>443,318</b>	<b>10,121,614</b>
<b>Prior Period</b>				
Total Assets	14,159,426	11,933,012	1,632,711	27,725,149
Total Liabilities	15,357,023	12,656,053	782,211	28,795,287
<b>Net Balance Sheet Position</b>	<b>(1,197,597)</b>	<b>(723,041)</b>	<b>850,500</b>	<b>(1,070,138)</b>
<b>Net Off-Balance Sheet Position <sup>(3)</sup></b>	<b>981,926</b>	<b>551,405</b>	<b>(396,023)</b>	<b>1,137,308</b>
Financial Derivative Assets	1,011,239	1,567,061	521,144	3,099,444
Financial Derivative Liabilities	29,313	1,015,656	917,167	1,962,136
<b>Non-cash Loans</b>	<b>2,263,083</b>	<b>5,456,942</b>	<b>284,519</b>	<b>8,004,544</b>

<sup>(1)</sup> Of the foreign currencies presented in the other FC column of assets 83.44% is Gold, 2.23% is GEL, 1.27% is IQD, and the remaining 13.07% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 51.88% is Gold, 17.70% is GBP, 9.73% is CHF, 2.60% is IQD and the remaining 18.09% is other foreign currencies.

<sup>(2)</sup> TL14 equivalent of USD and TL264 equivalent of EUR loans are originated as foreign currency indexed loans (2011: TL1,388 equivalent of USD and TL176 equivalent of EUR).

<sup>(3)</sup> Indicates the net balance of receivables and payables on derivative financial instruments.

<sup>(4)</sup> The foreign currency capital investments to Subsidiaries, Associates and Joint Ventures are evaluated with historical rates on the date of the fair value determination and capital investments made in the subsequent periods are evaluated with the rates on the date of the capital investment and followed with their domestic currency equivalents. No exchange rate difference arises from such investments.

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

**VI. EXPLANATIONS ON THE INTEREST RATE RISK****Information related to interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on days to repricing dates):**

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	27,731	-	-	-	-	21,253,997	21,281,728
Banks	621,037	340,250	161,918	9,470	-	490,057	1,622,732
Financial Assets at Fair Value Through Profit and Loss	1,907	817	2,880	14,345	16,241	132,968	169,158
Money Market Placements	58,162	3,560	-	-	-	-	61,722
Financial Assets Available-for-Sale	11,707,771	4,854,830	10,489,599	5,802,620	5,056,280	451,303	38,362,403
Loans Given	19,526,037	6,891,959	18,393,808	24,285,842	3,184,094	865,346	73,147,086
Investments Held-to-Maturity	8,726,370	10,962,981	3,529,569	1,880,786	2,222,332	-	27,322,038
Other Assets	51,576	54,815	141,513	278,543	91,910	2,515,671	3,134,028
<b>Total Assets</b>	<b>40,720,591</b>	<b>23,109,212</b>	<b>32,719,287</b>	<b>32,271,606</b>	<b>10,570,857</b>	<b>25,709,342</b>	<b>165,100,895</b>
<b>Liabilities</b>							
Interbank Deposits	4,851,442	1,108,979	392,655	229,827	450,939	84,134	7,117,976
Other Deposits	67,883,171	14,004,597	7,961,408	334,251	3,209	22,374,642	112,561,278
Money Market Borrowings	8,334,493	2,023,843	804,138	-	-	-	11,162,474
Sundry Creditors	382	-	-	-	-	1,156,732	1,157,114
Issued Marketable Securities	132,765	1,019,768	701,604	-	-	-	1,854,137
Funds Provided from Other Financial Institutions	683,669	815,686	1,380,677	93,974	508,272	-	3,482,278
Other Liabilities	1,775	6,143	1,015	4,970,070	2,683	22,783,952	27,765,638
<b>Total Liabilities</b>	<b>81,887,697</b>	<b>18,979,016</b>	<b>11,241,497</b>	<b>5,628,122</b>	<b>965,103</b>	<b>46,399,460</b>	<b>165,100,895</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>4,130,196</b>	<b>21,477,790</b>	<b>26,643,484</b>	<b>9,605,754</b>	<b>-</b>	<b>61,857,224</b>
<b>Balance Sheet Short Position</b>	<b>(41,167,106)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,690,118)</b>	<b>(61,857,224)</b>
Off-Balance Sheet Long Position	300,498	978,666	191	51	-	-	1,279,406
Off-Balance Sheet Short Position	-	-	-	(1,162,801)	-	-	(1,162,801)
<b>Total Position</b>	<b>(40,866,608)</b>	<b>5,108,862</b>	<b>21,477,981</b>	<b>25,480,734</b>	<b>9,605,754</b>	<b>(20,690,118)</b>	<b>116,605</b>

<sup>(1)</sup> Non maturity balances are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.<sup>(2)</sup> TL4,277,386 of fund balance, whose risk does not belong to the Parent Bank, is included in other liabilities and shown under the "1 - 5 Years" column. TL14,843 of fund balance is not granted as loan and is shown under the "Non-Interest Bearing" column.<sup>(3)</sup> Deferred tax asset is shown under the non-interest bearing column.<sup>(4)</sup> Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in loans given.<sup>(5)</sup> Total shareholders' equity is shown under the non-interest bearing column.



Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	31,397	2,864	-	-	-	14,307,562	14,341,823
Banks	265,994	477,337	27,142	-	-	524,169	1,294,642
Financial Assets at Fair Value Through Profit and Loss	4,048	3,635	41,209	6,786	10,033	77,204	142,915
Money Market Placements	8,445	-	-	3,767	-	-	12,212
Financial Assets Available-for-Sale	10,396,345	4,552,253	7,970,371	10,174,213	4,650,606	618,119	38,361,907
Loans Given	19,690,452	5,892,076	19,216,992	24,885,855	3,215,367	322,875	73,223,617
Investments Held-to-Maturity	7,748,070	15,992,006	3,529,773	2,539,078	2,823,410	-	32,632,337
Other Assets	25,307	10,358	40,448	361,965	106,176	2,318,030	2,862,284
<b>Total Assets</b>	<b>38,170,058</b>	<b>26,930,529</b>	<b>30,825,935</b>	<b>37,971,664</b>	<b>10,805,592</b>	<b>18,167,959</b>	<b>162,871,737</b>
<b>Liabilities</b>							
Interbank Deposits	3,245,493	-	2,000	-	-	93,409	3,340,902
Other Deposits	69,985,081	12,465,935	7,408,313	282,620	69	20,288,876	110,430,894
Money Market Borrowings	25,363,314	-	471,812	1,860	-	-	25,836,986
Sundry Creditors	3,285	4,934	3,589	-	-	939,283	951,091
Issued Marketable Securities	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	171,164	33,159	447,316	29,479	24	-	681,142
Other Liabilities	45,537	49,736	116,549	4,430,822	46,824	16,941,254	21,630,722
<b>Total Liabilities</b>	<b>98,813,874</b>	<b>12,553,764</b>	<b>8,449,579</b>	<b>4,744,781</b>	<b>46,917</b>	<b>38,262,822</b>	<b>162,871,737</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>14,376,765</b>	<b>22,376,356</b>	<b>33,226,883</b>	<b>10,758,675</b>	<b>-</b>	<b>80,738,679</b>
<b>Balance Sheet Short Position</b>	<b>(60,643,816)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,094,863)</b>	<b>(80,738,679)</b>
Off Balance Sheet Long Position	15,878	527,502	-	-	-	-	543,380
Off Balance Sheet Short Position	-	-	(3,290)	(532,800)	-	-	(536,090)
<b>Total Position</b>	<b>(60,627,938)</b>	<b>14,904,267</b>	<b>22,373,066</b>	<b>32,694,083</b>	<b>10,758,675</b>	<b>(20,094,863)</b>	<b>7,290</b>

<sup>(1)</sup> Non maturity balances are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.

<sup>(2)</sup> TL3,860,700 of fund balance, whose risk does not belong to is included in other liabilities and shown under the "1 - 5 Years" column. TL10,436 of fund balance is not granted as loan and is shown under the "Non-Interest Bearing" column.

<sup>(3)</sup> Deferred tax asset is shown under the non-interest bearing column.

<sup>(4)</sup> Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in other assets.

<sup>(5)</sup> Total shareholders' equity is shown under the non-interest bearing column.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

### Average interest rate applied to the monetary financial instruments (Values belong to the Parent Bank):

	EUR	USD	Yen	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	5.00
Banks	1.44	2.09	-	6.69
Financial Assets at Fair Value Through Profit and Loss	-	5.58	-	9.06
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.67	6.03	-	8.37
Loans Given <sup>(2)</sup>	4.73	5.06	-	14.77
Investments Held-to-Maturity	6.36	7.00	-	8.37
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	1.08	1.47	-	6.02
Other Deposits <sup>(4)</sup>	2.09	1.68	-	6.04
Money Market Borrowings	0.63	1.11	-	5.67
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	-	-	7.48
Funds Provided from Other Financial Institutions	1.81	2.16	-	6.37

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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**Average interest rate applied to the monetary financial instruments (Values belong to the Parent Bank):**

	EUR	USD	Yen	TL
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	5.00
Banks	2.38	2.18	-	-
Financial Assets at Fair Value Through Profit and Loss	3.36	5.57	-	7.80
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.65	6.14	-	8.43
Loans Given <sup>(2)</sup>	5.01	4.22	-	17.04
Investments Held-to-Maturity	6.23	7.00	-	9.51
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	2.94	2.90	-	11.13
Other Deposits <sup>(4)</sup>	2.07	2.73	-	6.87
Money Market Borrowings	3.30	2.77	-	10.81
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	-	-	-
Funds Provided from Other Financial Institutions	3.17	1.55	-	7.46

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

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

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

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

**Interest rate risk on banking accounts:**

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

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

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

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### Interest rate risk on banking accounts

Type of Currency	Shock Applied (+/- x basis point)	Gains/(Losses)	Gains/Equity- (Losses)/Equity
1. TRY	(+) 300bp	(1,294,992)	(7.04)%
2. TRY	(-) 300bp	1,456,026	7.92%
3. EUR	(+) 100bp	(26,881)	(0.15)%
4. EUR	(-) 100bp	32,057	0.17%
5. USD	(+) 100bp	(221,148)	(1.20)%
6. USD	(-) 100bp	248,818	1.35%
<b>Total (of negative shocks)</b>		<b>1,736,901</b>	<b>9.44%</b>
<b>Total (of positive shocks)</b>		<b>(1,543,021)</b>	<b>(8.39)%</b>

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	138,277	138,277	-

### VII. EXPLANATIONS ON THE LIQUIDITY RISK

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

The Parent Bank performs "Remaining Maturity Analysis" for the observation of the maturity structure of the balance sheet, "Liquidity Gap" and "Structural Liquidity Gap Analysis" for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Parent Bank's liquidity and in the worst case scenario and the loss associated with it. The renewal of deposits which constitutes the Parent Bank's most crucial funding resource is monitored on a daily basis. Besides, in order to compare the Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

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**Notes to the Consolidated Financial Statements at 31 December 2012**

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The Parent Bank calculates liquidity adequacy ratio and reports to BRSA on a weekly basis in accordance with the "Measurement and Assessment of Liquidity Adequacy of Banks" issued in the Official Gazette numbered 26333 and dated 1 November 2006. The liquidity adequacy of the Parent Bank is over the limit values specified in the mentioned regulation. Liquidity ratios in 2012 and 2011 are as follows;

<i>Current Period</i>	<b>First Maturity Segment (Weekly)</b>		<b>Second Maturity Segment (Monthly)</b>	
	<b>FC</b>	<b>FC + TL</b>	<b>FC</b>	<b>FC + TL</b>
<b>Average (%)</b>	318.14	218.56	170.13	133.86
<b>Maximum (%)</b>	405.61	346.97	183.5	159.56
<b>Minimum (%)</b>	250.5	169.37	155.17	114.29
<i>Prior Period</i>	<b>First Maturity Segment (Weekly)</b>		<b>Second Maturity Segment (Monthly)</b>	
	<b>FC</b>	<b>FC + TL</b>	<b>FC</b>	<b>FC + TL</b>
<b>Average (%)</b>	446.14	293.62	227.38	157.38
<b>Maximum (%)</b>	558.04	436.26	277.85	196.57
<b>Minimum (%)</b>	320.63	172.03	170.36	119.83

**a) Basis for the current liquidity risk of the Parent Bank and whether the necessary measures taken, limitations imposed by the Parent 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 source of funds is mainly formed of deposits. The Parent Bank's deposits do not fluctuate considerably in line with the broadly dispersed customer network. Besides, internal and external sources that can be used to meet the immediate liquidity need are monitored periodically. Borrowing limits of the Parent Bank from organized markets and other financial institutions can cover the corresponding liquidity gaps with different periods. Parent Bank limits its liquidity risk exposure by the approval of Board of Directors in context with "Regulation for Market and Financial Statement Risks and Liquidity and Financial Emergency State Management".

**b) Consistency of payments with the assets and liabilities and the interest rates, measurement of the probable effects of the actual inconsistency on profitability:**

The consistency of payments with the assets and liabilities and the interest rates is followed regularly by the management and no inconsistency exists.

**c) Internal and external sources for short and long-term liquidity needs of the Parent Bank, unused significant liquidity sources:**

Although the average maturity of the Parent Bank's assets is long when compared with the deposits, securities with coupon payments constituting majority of the securities portfolio and monthly installments of loans supply regular cash inflow for the Parent Bank. Besides, volume of deposits constituting the majority of the liabilities is not subject to significant changes. The Parent Bank also provides funds from long term financial transactions.

**d) Evaluation of amount and sources of the Bank's cash flows:**

The Parent Bank's major source of funds is deposits, and these funds are invested in securities portfolio, other banks and loan placements. Since most significant cash inflows are originated from securities portfolio and cash inflows from these assets are regular, the liquidity risk of the Parent Bank is suggested to be reduced. Furthermore, periodical collections on loans have the role of covering the Parent Bank's need for funds.

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (1) (2)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	21,281,728	-	-	-	-	-	-	21,281,728
Banks	490,057	621,037	340,250	161,918	9,470	-	-	1,622,732
Financial Assets at Fair Value Through Profit and Loss	-	128,853	502	3,201	19,960	16,241	401	169,158
Money Market Placements	-	58,162	3,560	-	-	-	-	61,722
Financial Assets Available-for-Sale	524	1,722,554	819,754	6,951,760	22,911,578	5,696,538	259,695	38,362,403
Loans Given	61,731	2,625,719	5,862,684	26,825,884	32,641,575	4,325,878	803,615	73,147,086
Investments Held-to-Maturity	-	239,298	174,305	12,660,595	9,984,972	4,262,868	-	27,322,038
Other Assets	842,165	73,481	54,831	159,697	280,692	91,910	1,631,252	3,134,028
<b>Total Assets</b>	<b>22,676,205</b>	<b>5,469,104</b>	<b>7,255,886</b>	<b>46,763,055</b>	<b>65,848,247</b>	<b>14,393,435</b>	<b>2,694,963</b>	<b>165,100,895</b>
<b>Liabilities</b>								
Interbank Deposits	84,134	4,851,442	1,108,979	392,655	229,827	450,939	-	7,117,976
Other Deposits	22,374,642	67,883,171	14,004,597	7,961,408	334,251	3,209	-	112,561,278
Funds Provided from Other Financial Instruments	-	498,012	332,110	1,339,215	101,283	1,211,658	-	3,482,278
Money Market Borrowings	-	8,334,493	2,023,843	804,138	-	-	-	11,162,474
Issued Marketable Securities	-	132,765	1,019,768	701,604	-	-	-	1,854,137
Sundry Creditors	675,705	452,949	5,693	8,814	14	-	13,939	1,157,114
Other Liabilities <sup>(3)</sup>	1,591,212	238,743	370,253	117,133	4,991,003	777,090	19,680,204	27,765,638
<b>Total Liabilities</b>	<b>24,725,693</b>	<b>82,391,575</b>	<b>18,865,243</b>	<b>11,324,967</b>	<b>5,656,378</b>	<b>2,442,896</b>	<b>19,694,143</b>	<b>165,100,895</b>
<b>Liquidity Gap</b>	<b>(2,049,488)</b>	<b>(76,922,471)</b>	<b>(11,609,357)</b>	<b>35,438,088</b>	<b>60,191,869</b>	<b>11,950,539</b>	<b>(16,999,180)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	15,517,512	3,097,781	7,448,083	27,800,128	82,369,823	24,436,873	2,201,537	162,871,737
Total Liabilities	22,113,048	99,189,843	12,636,327	8,210,897	4,874,271	966,010	14,881,341	162,871,737
<b>Liquidity Gap</b>	<b>(6,595,536)</b>	<b>(96,092,062)</b>	<b>(5,188,244)</b>	<b>19,589,231</b>	<b>77,495,552</b>	<b>23,470,863</b>	<b>(12,679,804)</b>	<b>-</b>

<sup>(1)</sup> Assets which are required for banking operations and could not be converted into cash in short-term, such as; tangible assets, associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net non-performing loans as well as securities representing a share in capital; and other liabilities such as provisions which are not considered as payables and equity are classified as undistributed.

<sup>(2)</sup> Deferred tax asset is included under the "Undistributed" column.

<sup>(3)</sup> TL4,277,386 of the funds balance, whose risk is not born by the Bank, is included in other liabilities and shown under the "1-5 year" column, fund balance amounted to TL14,843 is not granted as loan and is included under "Up to One Month" column.

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

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

Current Period <sup>(1)</sup>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Bank deposits	5,640,492	1,113,927	398,054	260,410	541,010	7,953,893
Other deposits	90,823,656	14,108,830	8,123,466	358,607	9,972	113,424,531
Funds borrowed from other financial institutions	499,504	336,523	1,380,770	241,310	1,408,756	3,866,863
Funds borrowed from Interbank money market	8,345,215	2,026,567	809,913	-	-	11,181,695
<b>Total</b>	<b>105,308,867</b>	<b>17,585,847</b>	<b>10,712,203</b>	<b>860,327</b>	<b>1,959,738</b>	<b>136,426,982</b>
<b>Prior Period <sup>(1)</sup></b>						
Bank deposits	3,356,298	920	8,404	-	-	3,365,622
Other deposits	90,511,211	12,595,471	7,569,455	294,925	431	110,971,493
Funds borrowed from other financial institutions	3,237	26,896	210,219	186,580	315,531	742,463
Funds borrowed from Interbank money market	25,383,876	-	474,656	1,860	-	25,860,392
<b>Total</b>	<b>119,254,622</b>	<b>12,623,287</b>	<b>8,262,734</b>	<b>483,365</b>	<b>315,962</b>	<b>140,939,970</b>

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

### Separation of Securitization of Non-Performing Loans as Types and Losses in Current Year

There is no securitization of non-performing loans.

#### e) Credit Risk Mitigation Techniques:

The Parent Bank makes a credit risk reduction with regard to simple financial collateral in accordance with Article 33 of Communiqué on Credit Risk Reduction Methods.

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

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

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

The Parent Bank has no position about credit derivatives.

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

Exposure classifications	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	82,569,200	4,559,858	-	-
Conditional and unconditional receivables from regional or local governments	99,272	44,941	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	333,015	138,426	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	10,930,307	4,841,047	-	-
Conditional and unconditional corporate receivables	21,305,523	1,331,761	-	451,684
Conditional and unconditional retail receivables	35,459,741	339,103	-	62,831
Conditional and unconditional secured mortgage receivables	7,873,774	4,959	-	657
Past due receivables	589,047	-	-	-
Receivables in high risk category defined by BRSA	11,663,565	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporates	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	8,704,095	-	-	-
<b>Total</b>	<b>179,527,539</b>	<b>11,260,095</b>	<b>-</b>	<b>515,172</b>

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



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### VIII. RISK MANAGEMENT OBJECTIVES AND POLICIES

#### a) Strategies and Practices on Risk Management

The Parent Bank, within the scope of regulations of BRSA, by also observing the best applications, provides management credit risk, interest rate on banking accounts, liquidity, operational and market risks that Bank faces with accordingly volume of its operations, quality and complexity.

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

Risk Management Operations are conducted in accordance with the Regulation for Banks' Internal Systems issued in the Official Gazette numbered 28337 and dated 28 June 2012 by Banking Regulation and Supervising Agency and within the scope of "Regulation for Risk Management" approved by the Bank's Board of Directors' Decision No. 7/101, dated 21 March 2012.

As of 31 December 2012, Risk Management organization consists of operation and market risk management, credit risk management and statement risks management units.

#### c) Risk Reporting and Measurement Systems' Scope and Qualification

It is essential to consider practicing the risk assessment and monitoring operations and results in process of Parent Banks' strategic decisions so as to be revealed the Parent Bank faced with risks. It is made analysis indicated below regarding measurement and monitoring operations for portfolio that is determined by the Parent Bank and whole balance sheet with scope of these essentials, within the scope of buying-selling strategy.

##### Liquidity Risk

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

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

##### Interest Rate Risk on Banking Accounts

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

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

### Market Risk

Parent Bank performs scenario analysis with measurements that are suitable for structure and complexness of positions related to the market risk management, limiting, scenario analysis and stress test and banks also reports the findings cyclically.

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

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

Market risk exposure is limited with VAR based limit (interest rate and currency risk limit) within the context of "Regulation for Market Risk Management". These limits are daily monitored.

### Operational Risks

Operational risk represents the possibility of damage from inadequate or failed internal processes, people and systems or from external events and including legal risks. The Operational Risk Management Services in the Bank in order to ensure compliance with Basel II are carried out with the regulations issued on 28.06.2012 by the BRSA, revised in accordance with the Parent Bank's "Operational, Reputational and Strategic Risk Management Regulations".

- The amount subject to operational risk is calculated by Basic Indicator Approach within the scope of "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" in order for keeping adequate shareholder's equity against losses that could arise due to operational risks in the Parent Bank, and is reported to BRSA based on yearly.
- Operational risk profile in the Parent Bank is monitored with several effective methods. Actualized operational risks are followed by "Operational Risk Loss Database" which is compatible with accounting system. Advanced Measurement Approach is performed in scope of calculation of economic capital and development of approach is performed.
- So as to be determined the operational risk levels of branches, studying of "Operational Risk Map" are carried out for use in Internal Control Audit Program.
- An integrated risk mainframe is instituted within the scope of risks management arising from information technologies. In this context, a database regarding Information Technologies risks is constituted and actualized risks and actions taken are monitored via the database.
- By being revised of the Parent Bank Business Continuity Plan, that possible risks that may occur in activities due to corruption and its potential effects evaluated are documented as "Business Impact Analysis".
- Risk arising from purchase of services provided from support service organizations in order for continuity has been evaluated with the "Regulation on Procurement of Support Services of Banks" published by the BRSA. In this context, Risk Management Program was established and Risk Analysis Reports regarding support services taken by the Bank are prepared.

### Credit Risk

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

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

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

In the Parent Bank, based on general and sub accounts, credit portfolios' improvement tracking portfolio's improvement and loans under close monitoring is analysed periodically. Also, it is made vintage analysis for real estate, vehicle, consumer, commercial and entrepreneurial loans so as to credit monitoring and comparing past performances.

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

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

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

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

Additionally, derivative transactions are occurred in Parent Bank and thanks to operated transactions, long term funding is provided, liquidity and interest rate risk on banking accounts are limited.

According to financial method, risk reduction is made in Parent Bank and financial commitments are daily assessed. Credibilities of guarantors are monitored and assessed as part of credit revision maturities.

## IX. EXPLANATIONS ON OPERATING SEGMENTS

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

The Group has operations in consumer banking, corporate-commercial-entrepreneurial banking, investment banking and international banking areas.

Known as having the most extensive branch network in retail (consumer) banking sector, the Parent Bank renders services, such as; deposits, consumer loans, loans originated from funds whose risk does not belong to the Bank, credit cards, automatic payment, cheques and notes, money transfer order, foreign exchange transactions, internet banking, mobile banking, safe-deposit box and insurance brokerage services. Moreover, existing instruments are improved and new banking instruments are created in order to benefit from services undertaken as being a state bank in increasing the profitability of the Parent Bank. By "Finart" system, which is working in a centralized manner, the Parent Bank has the technical infrastructure required by modern banking sector to meet its clients' needs.

In the context of corporate-commercial- entrepreneurial banking, the Group gives loans for operations, mid-term and long-term investment loans, foreign trade financing loans, letter of credits and guarantees in Turkish Lira and foreign currencies; renders other corporate finance related services, foreign exchange transactions and banking services to large-scale corporate clients and middle-small scale enterprises. Besides, as the Parent Bank is the main financial institution that meets the financing needs of agricultural sector in Turkey, it extends agricultural operations and investment loans from its own sources for vegetable and animal production, fishery products and agricultural mechanization directly to producers and agricultural credit corporations.

Investment banking operations are conducted by the Financial Markets and Assets-Liabilities Management and Economic Research departments. By foregoing departments, the Parent Bank's liquidity is used for Turkish Lira, foreign exchange and securities transactions in local and international organized and over-the-counter markets, and enables sources of funds in Turkish Lira and foreign currencies according to the needs of the Parent Bank. The Parent Bank acts as an intermediary for transaction of securities and Eurobonds by the related departments, for transaction of shares and public offerings as an agency of Ziraat Yatırım Menkul Değerler A.Ş. and for transaction of investment funds founded by the Bank and Ziraat Yatırım Menkul Değerler A.Ş. and keeps records of these financial instruments and the Parent Bank performs repo/reverse repo transactions. Besides the Parent Bank

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performs derivative transactions which are accounted as held for trading. As financial derivative transactions, the Parent Bank performs foreign currency forward agreements and currency swap transactions.

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

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

As of 31 December 2012, explanations on segment reporting as shown below are in line with Communiqué on "Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures".

**Table for Segment Reporting:**

	Retail Banking	Corporate Commercial Entrepreneurial Banking <sup>(1)</sup>	Investment Banking	International Banking	Foreign Operations	Consolidation Adjustments	Total Operations of the Group
<b>Current Period</b>							
Total Operating Income/Expense <sup>(2)</sup>	3,668,002	1,966,994	3,580,709	56,045	87,153	(146,794)	9,212,109
Net Operating Profit	1,261,654	834,542	1,498,262	23,489	19,284	2,264	3,639,495
Income from Subsidiaries <sup>(3)</sup>	-	-	-	-	-	(83,167)	17,679
Income Before Taxes	-	-	-	-	-	-	3,657,174
Tax Provision	-	-	-	-	-	-	(901,643)
<b>Net Profit for the Period</b>	-	-	-	-	-	-	<b>2,755,531</b>
Segment Assets-net <sup>(2)</sup>	31,803,132	40,122,570	86,057,445	2,763,352	2,849,508	(1,679,288)	161,916,719
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	-	-	-	-	-	-	125,090
Undistributed Assets <sup>(4)</sup>	-	-	-	-	-	-	3,059,086
<b>Total Assets</b>							<b>165,100,895</b>
Segment Liabilities - net <sup>(2)</sup>	23,110,631	34,493,626	76,098,984	2,717,302	2,143,734	(1,430,740)	137,133,537
Undistributed Liabilities <sup>(4)</sup>	-	-	-	-	-	-	10,547,275
Shareholders' Equity	-	-	-	-	-	-	17,420,083
<b>Total Liabilities</b>	-	-	-	-	-	-	<b>165,100,895</b>
Other Segment Items							
Capital Investment	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	82,174
Restructuring Costs	-	-	-	-	-	-	-

<sup>(1)</sup> Shows the Group's commercial and SME loans with interest and commission income related to these loans.

<sup>(2)</sup> For the presentation of operating income, intradepartmental interest charged between branches and Treasury is considered in order to present operations of related departments accurately. However, debtor-creditor relations arising from funds transferred between branches are not included in table since they could not be reported separately.

<sup>(3)</sup> "Dividend income", a part of operating income of the Parent Bank, is included in the "Income from Subsidiaries" row since it could not be decomposed to segments.

<sup>(4)</sup> The total of tangible and intangible assets, tax asset, other assets and assets held for sale is shown in "Undistributed Assets" row, whereas the total of borrowings, miscellaneous payables, other liabilities, finance lease payables, provisions and tax liability is shown in "Undistributed Liabilities" row.

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**Table for Segment Reporting:**

	Retail Banking	Commercial and SME Banking <sup>(1)</sup>	Specialized Banking <sup>(2)</sup>	Investment Banking	International Banking	Foreign Operations	Consolidation Adjustments	Total Operations of the Group
<b>Prior Period</b>								
Total Operating Income/Expense <sup>(3)</sup>	2,924,558	695,700	761,156	2,956,039	40,293	82,775	(24,652)	7,435,869
Net Operating Profit	925,297	315,170	336,789	1,307,600	17,829	18,190	(8,209)	2,912,666
Income from Subsidiaries <sup>(4)</sup>	-	-	-	-	-	-	-	21,669
Income Before Taxes	-	-	-	-	-	-	-	2,947,808
Tax Provision	-	-	-	-	-	-	-	(713,977)
<b>Net Profit for the Period</b>	-	-	-	-	-	-	-	<b>2,233,831</b>
Segment Assets-net <sup>(3)</sup>	33,116,319	15,551,130	22,857,553	84,386,509	2,952,747	2,752,254	(1,610,825)	160,005,687
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	-	-	-	-	-	-	-	107,170
Undistributed Assets <sup>(5)</sup>	-	-	-	-	-	-	-	2,758,880
<b>Total Assets</b>								<b>162,871,737</b>
Segment Liabilities - net <sup>(3)</sup>	23,141,676	11,183,884	20,331,651	85,161,273	2,947,325	2,063,501	(1,305,025)	143,524,285
Undistributed Liabilities <sup>(5)</sup>	-	-	-	-	-	-	-	5,807,317
Shareholders' Equity	-	-	-	-	-	-	-	13,540,135
<b>Total Liabilities</b>	-	-	-	-	-	-	-	<b>162,871,737</b>
Other Segment Items								
Capital Investment	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	75,817
Restructuring Costs	-	-	-	-	-	-	-	-

<sup>(1)</sup> Shows the Group's commercial and SME loans with interest and commission income related to these loans.

<sup>(2)</sup> Current period for Specialized Banking column shows agricultural loans with interest and commission income related to these loans.

<sup>(3)</sup> For the presentation of operating income, intradepartmental interest charged between branches and Treasury is considered in order to present operations of related departments accurately. However, debtor-creditor relations arising from funds transferred between branches are not included in table since they could not be reported separately.

<sup>(4)</sup> "Dividend income", a part of operating income of the Parent Bank, is included in the "Income from Subsidiaries" row since it could not be decomposed to segments.

<sup>(5)</sup> The total of tangible and intangible assets, tax asset, other assets and assets held for sale is shown in "Undistributed Assets" row, whereas the total of borrowings, miscellaneous payables, other liabilities, finance lease payables, provisions and tax liability is shown in "Undistributed Liabilities" row.

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**X. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE****a) Information regarding the fair value of financial assets and liabilities:**

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>140,515,981</b>	<b>145,524,715</b>	<b>141,853,909</b>	<b>146,034,486</b>
Due from Interbank Money Market	61,722	12,212	61,722	12,212
Banks	1,622,732	1,294,642	1,622,732	1,294,642
Available-for-sale Financial Assets	38,362,403	38,361,907	38,362,403	38,361,907
Held-to-maturity Investments	27,322,038	32,632,337	28,659,966	33,142,108
Loans	73,147,086	73,223,617	73,147,086	73,223,617
<b>Financial Liabilities</b>	<b>126,172,783</b>	<b>115,404,029</b>	<b>126,172,783</b>	<b>115,404,029</b>
Bank Deposits	7,117,976	3,340,902	7,117,976	3,340,902
Other Deposits	112,561,278	110,430,894	112,561,278	110,430,894
Funds Borrowed from Other Financial Institutions	3,482,278	681,142	3,482,278	681,142
Issued Marketable Securities	1,854,137	-	1,854,137	-
Miscellaneous Payables	1,157,114	951,091	1,157,114	951,091

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

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

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

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

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

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss) (Net)</b>	<b>35,371</b>	<b>132,968</b>	<b>819</b>	<b>169,158</b>
Government Debt Securities	35,371	-	-	35,371
Share Certificates	-	-	819	819
Trading Derivative Financial Assets	-	132,968	-	132,968
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets (Net)</b>	<b>38,108,799</b>	<b>234,927</b>	<b>83</b>	<b>38,343,809</b>
Equity Securities <sup>(1)</sup>	118,246	122,898	83	241,227
Government Debt Securities	37,757,587	-	-	37,757,587
Other Marketable Securities	232,966	112,029	-	344,995
<b>Total Assets</b>	<b>38,144,170</b>	<b>367,895</b>	<b>902</b>	<b>38,512,967</b>
Trading Derivative Financial Liabilities	-	55,591	-	55,591
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>55,591</b>	<b>-</b>	<b>55,591</b>

<sup>(1)</sup> Since equity securities under the heading of financial assets available for sale amounting to TL18,594 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

Prior Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss) (Net)</b>	<b>65,713</b>	<b>77,168</b>	<b>34</b>	<b>142,915</b>
Government Debt Securities	65,713	-	-	65,713
Share Certificates	-	-	34	34
Trading Derivative Financial Assets	-	77,168	-	77,168
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets (Net)</b>	<b>37,781,580</b>	<b>511,281</b>	<b>51,661</b>	<b>38,344,522</b>
Equity Securities <sup>(1)</sup>	94,419	105,792	89	200,300
Government Debt Securities	37,579,136	-	51,572	37,630,708
Other Marketable Securities	108,025	405,489	-	513,514
<b>Total Assets</b>	<b>37,847,293</b>	<b>588,449</b>	<b>51,695</b>	<b>38,487,437</b>
Trading Derivative Financial Liabilities	-	44,369	-	44,369
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>44,369</b>	<b>-</b>	<b>44,369</b>

<sup>(1)</sup> Since equity securities under the heading of financial assets available for sale amounting to TL17,385 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above.

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

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

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

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

The Parent Bank has no fiduciary transactions.

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

**SECTION FIVE****EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS****I. EXPLANATIONS AND NOTES RELATED TO ASSETS****1. a) Information on Cash and Balances with Central Bank of the Republic of Turkey:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,105,775	359,246	1,094,881	260,320
Central Bank of the Republic of Turkey	4,802,571	14,473,438	5,223,495	7,717,601
Other	-	540,698	-	45,526
<b>Total</b>	<b>5,908,346</b>	<b>15,373,382</b>	<b>6,318,376</b>	<b>8,023,447</b>

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

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to the Central Bank of the Republic of Turkey's Communiqué numbered 2005/1 "Required Reserves". The Bank's total domestic liabilities excluding the items stated in the Communiqué as deductibles, the deposits accepted on behalf of foreign branches from Turkey and loans obtained by the banks but followed under foreign branches constitute the required reserves liabilities.

As of the balance sheet date, according to CBRT's Communiqué about Required Reserves No. 2005/1, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity 11%; for deposits up to 3-months maturity 11%; for deposits up to 6-months maturity 8%; for deposits up to 1-year maturity 6%; for deposits 1-year and longer maturity 5%; for TL liabilities other than deposits up to 1-year maturity 11%; for TL liabilities other than deposits between 1- and 3-years maturity 8%; for TL liabilities other than deposits more than 3-years maturity 5%; for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturities 11%; for deposits 1-year and longer maturity 9%; for FC liabilities other than deposits up to 1-year maturity 11%; for FC liabilities other than deposits up to 3-years maturity 9%; and for FC liabilities other than deposits more than 3-years maturity 6%.

No interest is charged by CBRT for Turkish Lira and foreign currency denominated reserve requirements.

As of 31 December 2012, total reserve requirement of the Group is TL19,774,030 including Central Banks abroad. (2011: TL12,977,192)

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	4,773,232	-	5,192,098	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1) (2)</sup>	29,339	14,473,438	31,397	7,717,601
<b>Total</b>	<b>4,802,571</b>	<b>14,473,438</b>	<b>5,223,495</b>	<b>7,717,601</b>

(1) Required reserve of branches abroad amounting to TL36,777 is presented in this line (2011: TL40,505).

(2) TL11,100,608 of the current period's FC required reserve is the part of the TL required reserves that are held in FC.



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## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

a.1) Group has no financial assets at fair value through profit and loss subject to repo transactions.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bonds, Treasury Bills and Similar Securities	4,513	-	4,711	-
Other	-	-	-	-
<b>Total</b>	<b>4,513</b>	<b>-</b>	<b>4,711</b>	<b>-</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Assets Held-for-Trading				
Forward Transactions	27	324	982	6
Swap Transactions	7,861	124,756	49,721	26,459
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>7,888</b>	<b>125,080</b>	<b>50,703</b>	<b>26,465</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	638,377	212,856	505,577	52,759
Foreign Banks	12,568	758,931	61,040	675,266
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>650,945</b>	<b>971,787</b>	<b>566,617</b>	<b>728,025</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

### b) Information on foreign banks accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	248,833	165,039	255	-
USA, Canada	227,698	343,019	3,821	-
OECD Countries <sup>(1)</sup>	2,989	23,108	-	-
Off-shore Banking Regions	-	-	-	-
Other	287,673	159,156	230	45,984
<b>Total</b>	<b>767,193</b>	<b>690,322</b>	<b>4,306</b>	<b>45,984</b>

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

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	4,303,003	17,061,477
Assets Blocked/Given as Collateral	289,274	2,663,870
<b>Total</b>	<b>4,592,277</b>	<b>19,725,347</b>

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

	Current Period	Prior Period
Debt Securities	38,155,195	38,588,871
Quoted in Stock Exchange	38,155,195	38,125,304
Not Quoted in Stock Exchange	-	463,567
Share Certificates	261,753	219,917
Quoted in Stock Exchange	119,261	94,717
Not Quoted in Stock Exchange	142,492	125,200
Provision for Impairment (-)	54,545	446,881
<b>Total</b>	<b>38,362,403</b>	<b>38,361,907</b>

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## Notes to the Consolidated Financial Statements at 31 December 2012

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

### 5. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	4,664	-	9,216
<b>Loans Granted to Employees</b>	239,746	86	249,450	85
<b>Total</b>	<b>239,746</b>	<b>4,750</b>	<b>249,450</b>	<b>9,301</b>

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms <sup>(1)</sup>	Other		Loans and other receivables with revised contract terms	Other
<b>Non-Specialized Loans</b>	46,208,570	80,839	-	3,448,427	239,281	-
Commercial loans	9,816,018	29,787	-	644,494	118,289	-
Export Loans	1,119,535	-	-	3,392	476	-
Import Loans	75,959	-	-	-	-	-
Loans Given to Financial Sector	729,127	181	-	-	-	-
Consumer loans <sup>(4)</sup>	24,411,135	16,359	-	2,613,590	14,289	-
Credit Cards	1,922,439	24	-	50,503	547	-
Other <sup>(2)</sup>	8,134,357	34,488	-	136,448	105,680	-
Specialized Lending <sup>(3)</sup>	19,588,614	299,476	-	767,396	46,309	-
Other Receivables	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Accruals	1,664,559	-	-	-	-	-
<b>Total</b>	<b>67,461,743</b>	<b>380,315</b>	<b>-</b>	<b>4,215,823</b>	<b>285,590</b>	<b>-</b>

<sup>(1)</sup> Since Restructured or Rescheduled loans can not be decomposed systematically, they have been shown in the "Loans and other receivables with revised contract terms" section.

<sup>(2)</sup> The distinction of the accrual amounts of restructured or rescheduled loans, loans under close monitoring and other receivables can not be obtained via current data processing system.

<sup>(3)</sup> Fund Sourced Agricultural Loans are shown under Specialized Lending.

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

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

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended <sup>(1)</sup>	380,315	285,590
3,4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-

<sup>(1)</sup> Number of modification made according to extent of payment plan can not be decomposed systematically therefore it is shown in this line.

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	97,311	29,654
6 Months - 12 Months	131,909	55,945
1 - 2 Years	57,516	59,865
2 - 5 Years	93,579	140,126
5 Years and Over	-	-

### c) Loans according to maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled <sup>(1)</sup>	Loans and Other Receivables	Restructured or Rescheduled <sup>(1)</sup>
Short-term Loans and Other Receivables	19,590,165	101,413	661,861	58,333
Non-specialized Loans	9,718,838	6,668	237,915	30,231
Specialized Loans	9,871,327	94,745	423,946	28,102
Other Receivables	-	-	-	-
Medium and Long-term Loans and Other Receivables	46,207,019	278,902	3,553,962	227,257
Non-specialized Loans <sup>(2)</sup>	36,489,732	74,171	3,210,512	209,050
Specialized Loans	9,717,287	204,731	343,450	18,207
Other Receivables	-	-	-	-

<sup>(1)</sup> Decomposition of rediscount of restructured or rescheduled loans and loans and other receivables under close monitoring could not be obtained from existing data processing system.

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

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## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	336,032	26,169,234	26,505,266
Real Estate Loans	797	6,907,115	6,907,912
Vehicle Loans	672	217,335	218,007
Consumer Loans	331,729	18,897,378	19,229,107
Abroad <sup>(2)</sup>	2,834	147,406	150,240
Other	-	-	-
Consumer Loans- Indexed to FC	-	12	12
Real Estate Loans	-	12	12
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	13,635	86,846	100,481
Real Estate Loans	36	4,870	4,906
Vehicle Loans	-	-	-
Consumer Loans	13,599	81,976	95,575
Other	-	-	-
Individual Credit Cards-TL	1,783,370	6,745	1,790,115
With Installment	647,977	6,411	654,388
Without Installment	1,135,393	334	1,135,727
Individual Credit Cards-FC	3,026	-	3,026
With Installment	-	-	-
Without Installment	3,026	-	3,026
Personnel Loans-TL	17,143	149,433	166,576
Real Estate Loans	-	1,740	1,740
Vehicle Loans	-	-	-
Consumer Loans	4,999	146,883	151,882
Abroad <sup>(2)</sup>	63	810	873
Other	12,081	-	12,081
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	588	676	1,264
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	555	375	930
Other	33	301	334
Personnel Credit Cards-TL	68,593	223	68,816
With Installment	28,959	211	29,170
Without Installment	39,634	12	39,646
Personnel Credit Cards-FC	109	-	109
With Installment	-	-	-
Without Installment	109	-	109
Overdraft Accounts-TL (Real Person)	447,549	-	447,549
Overdraft Accounts-FC (Real Person)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>2,670,045</b>	<b>26,413,169</b>	<b>29,083,214</b>

<sup>(1)</sup> TL258,678 of interest income accrual could not be decomposed therefore accruals are not included in the table above.

<sup>(2)</sup> TL873 of consumer loans used by the personnel abroad and TL164,902 of consumer loans have been shown under "International Loans" of 5-b Table.

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## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	320,230	4,010,033	4,330,263
Business Loans	81	86,690	86,771
Vehicle Loans	2,268	216,824	219,092
Consumer Loans	308,241	2,418,410	2,726,651
Other	9,640	1,288,109	1,297,749
Commercial Installment Loans- Indexed to FC	453	73,161	73,614
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	453	73,161	73,614
Commercial Installment Loans - FC	14,678	1,145,557	1,160,235
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	13,487	1,060,027	1,073,514
Other	1,191	85,530	86,721
Corporate Credit Cards-TL	110,923	174	111,097
With Installment	5,682	159	5,841
Without Installment	105,241	15	105,256
Corporate Credit Cards-FC	350	-	350
With Installment	-	-	-
Without Installment	350	-	350
Overdraft Account-TL (Legal Entity)	50,226	-	50,226
Overdraft Account-FC (Legal Entity)	29,983	73,161	103,144
<b>Total <sup>(1)</sup></b>	<b>526,843</b>	<b>5,302,086</b>	<b>5,828,929</b>

<sup>(1)</sup> Since interest income accruals could not be decomposed by type, accruals are not included in the table above.

### f) Loans according to types of borrowers:

	Current Period	Prior Period
Public	1,374,756	1,472,561
Private	69,304,156	70,015,558
Interest Income Accruals of Loans	1,664,559	1,469,110
<b>Total</b>	<b>72,343,471</b>	<b>72,957,229</b>

### g) Breakdown of domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	69,374,300	70,176,371
Foreign Loans	1,304,612	1,311,748
Interest Income Accruals of Loans	1,664,559	1,469,110
<b>Total</b>	<b>72,343,471</b>	<b>72,957,229</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

None (31 December 2011: None).

### i) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	127,788	17,444
Loans and other receivables with doubtful collectability	561,030	106,956
Uncollectible loans and other receivables	592,114	503,811
<b>Total</b>	<b>1,280,932</b>	<b>628,211</b>

### j) Information on non-performing receivables (net):

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
<b>Current period</b>			
(Gross amounts before the specific provisions)	13,471	47,107	66,765
Loans and other receivables which are restructured	13,471	47,107	66,765
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>			
(Gross amounts before the specific provisions)	2,981	23,208	63,547
Loans and other receivables which are restructured	2,981	23,208	63,547
Rescheduled loans and other receivables	-	-	-

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

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

	Group III:	Group IV:	Group V:
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Prior Period Ending Balance</b>	<b>77,965</b>	<b>168,783</b>	<b>647,851</b>
Additions (+)	1,731,799	111,196	104,173
Transfers from other Categories of Loans under Follow-Up (+)	-	1,355,799	479,037
Transfers to other categories of Loans under Follow-Up (-)	1,355,799	479,037	-
Collections (-) <sup>(1)</sup>	190,965	107,488	458,368
Write-offs (-)	-	-	399
Corporate and Commercial Loans	-	-	74
Consumer Loans	-	-	325
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance <sup>(2)</sup></b>	<b>263,000</b>	<b>1,049,253</b>	<b>772,294</b>
Specific Provision (-) <sup>(3)</sup>	127,788	561,030	592,114
<b>Net Balance on Balance Sheet</b>	<b>135,212</b>	<b>488,223</b>	<b>180,180</b>

<sup>(1)</sup> The restructured and rescheduled loans are included on the stated sum.<sup>(2)</sup> Includes the loans originated from funds amounting to TL206,962 whose risk does not belong to the Parent Bank.<sup>(3)</sup> As of 31 December 2012, Parent Bank made 100% provision for the portion of TL155 million of the loans under follow-up which is TL619 million after taking guarantees into consideration.**3) Information on foreign currency non-performing loans:**

	Group III:	Group IV:	Group V:
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
<b>Current Period:</b>			
<b>Period Ending Balance</b>	<b>9,175</b>	<b>10,489</b>	<b>24,081</b>
Specific Provision (-)	4,036	9,096	21,820
<b>Net Balance on Balance Sheet</b>	<b>5,139</b>	<b>1,393</b>	<b>2,261</b>
<b>Prior Period:</b>			
<b>Period Ending Balance</b>	<b>13,066</b>	<b>10,257</b>	<b>20,983</b>
Specific Provision (-)	3,655	9,909	20,947
<b>Net Balance on Balance Sheet</b>	<b>9,411</b>	<b>348</b>	<b>36</b>



**Notes to the Consolidated Financial Statements at 31 December 2012**

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

**4) 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
<b>Current Period (Net)</b>	<b>135,212</b>	<b>488,223</b>	<b>180,180</b>
Loans to Real Persons and Legal Entities (Gross)	263,000	996,394	772,294
Specific Provisions (-)	127,788	508,171	592,114
Loans to Real Persons and Legal Entities (Net)	135,212	488,223	180,180
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	52,859	-
Specific Provisions (-)	-	52,859	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>60,520</b>	<b>61,827</b>	<b>144,041</b>
Loans to Real Persons and Legal Entities (Gross)	77,964	117,726	647,852
Specific Provisions (-)	17,444	55,899	503,811
Loans to Real Persons and Legal Entities (Net)	60,520	61,827	144,041
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	51,057	-
Specific Provisions (-)	-	51,057	-
Other Loans and Receivables (Net)	-	-	-

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

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

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

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

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

**m) Other explanations and disclosures:**

Current Period	Commercial	Consumer <sup>(1)</sup>	Agricultural <sup>(1)</sup>	Total
Neither Past Due nor Impaired Loans	18,849,892	27,901,936	21,090,230	67,842,058
Past Due but not Impaired Loans	1,008,778	2,678,930	813,705	4,501,413
Impaired Loans	1,164,364	408,309	511,874	2,084,547
<b>Total</b>	<b>21,023,034</b>	<b>30,989,175</b>	<b>22,415,809</b>	<b>74,428,018</b>
Specific Provisions of Impaired Loans(-)	633,902	371,298	275,732	1,280,932
<b>Net Loan Amount</b>	<b>20,389,132</b>	<b>30,617,877</b>	<b>22,140,077</b>	<b>73,147,086</b>

<sup>(1)</sup> TL1,265,064 consumer, TL2,805,292 agricultural, and TL48 commercial loans originated from funds whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

Prior Period	Commercial	Consumer <sup>(1)</sup>	Agricultural <sup>(1)</sup>	Total
Neither Past Due nor Impaired Loans	17,666,517	29,658,241	21,916,361	69,241,119
Past Due but not Impaired Loans	729,498	2,402,036	584,576	3,716,110
Impaired Loans	276,947	262,073	355,579	894,599
<b>Total</b>	<b>18,672,962</b>	<b>32,322,350</b>	<b>22,856,516</b>	<b>73,851,828</b>
Specific Provisions of Impaired Loans(-)	239,596	210,217	178,398	628,211
<b>Net Loan Amount</b>	<b>18,433,366</b>	<b>32,112,133</b>	<b>22,678,118</b>	<b>73,223,617</b>

<sup>(1)</sup> TL1,198,462 consumer, TL2,507,770 agricultural, and TL168 commercial loans originated from funds whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

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

Current Period	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Loans and Receivables <sup>(1)</sup>					
Commercial Loans	153,179	49,079	26,544	-	228,802
Consumer Loans	52,131	20,954	9,302	-	82,387
Agricultural Loans	320,853	103,323	12,579	-	436,755
<b>Total</b>	<b>526,163</b>	<b>173,356</b>	<b>48,425</b>	<b>-</b>	<b>747,944</b>

<sup>(1)</sup> The amounts at the table are the total of the overdue installments for the loans with installments and overdue principals for other loans; the remaining principal amount of loans with installments equals to TL3,072,006.

Prior Period	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Loans and Receivables <sup>(1)</sup>					
Commercial Loans	119,506	25,159	10,116	-	154,781
Consumer Loans	42,720	16,008	5,284	-	64,012
Agricultural Loans	112,600	28,416	8,624	-	149,640
<b>Total</b>	<b>274,826</b>	<b>69,583</b>	<b>24,024</b>	<b>-</b>	<b>368,433</b>

<sup>(1)</sup> The amounts at the table are the total of the overdue installments for the loans with installments and overdue principals for other loans; the remaining principal amount of loans with installments equals to TL3,349,268.

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## Notes to the Consolidated Financial Statements at 31 December 2012

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

### 6. Information on held-to-maturity investments:

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

##### a.1) Held-to-maturity investments subject to repo transactions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	4,617,294	3,182,681	6,920,200	1,638,210
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>4,617,294</b>	<b>3,182,681</b>	<b>6,920,200</b>	<b>1,638,210</b>

##### a.2) Held-to-maturity investments given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	6,456,814	594,419	9,241,832	1,023,067
Other	-	-	-	-
<b>Total</b>	<b>6,456,814</b>	<b>594,419</b>	<b>9,241,832</b>	<b>1,023,067</b>

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

	Current Period	Prior Period
Government Bonds	27,251,620	32,501,880
Treasury Bills	37,141	96,803
Other Public Sector Debt Securities	-	-
<b>Total</b>	<b>27,288,761</b>	<b>32,598,683</b>

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

	Current Period	Prior Period
Debt securities	27,322,038	32,632,337
Quoted in a Stock Exchange	27,305,785	30,199,138
Not Quoted in a Stock Exchange	16,253	2,433,199
Provision for Impairment (-)	-	-
<b>Total</b>	<b>27,322,038</b>	<b>32,632,337</b>

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

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

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>32,632,337</b>	<b>36,456,153</b>
Addition to Scope of Consolidation	-	-
Foreign Currency Differences on Monetary Assets	(277,048)	817,892
Purchases During the Year	220,573	4,599,332
Disposals through Sales and Redemptions	(5,253,824)	(9,241,040)
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	<b>27,322,038</b>	<b>32,632,337</b>

Within the year 2008, the Parent Bank has reclassified securities previously classified in available for sale portfolio with nominal values of TL23,630,115, EUR717,616 thousand and USD1,483,317 thousand to held-to-maturity portfolio with fair values of TL22,971,669, EUR702,950 thousand and USD1,562,742 thousand respectively which have been taken into consideration as book values after reclassification. The Bank has also reclassified securities previously classified in financial assets at fair value through profit and loss portfolio with nominal values of EUR37,951 thousand and USD45,501 thousand to held-to-maturity portfolio with fair values of EUR37,178 thousand and USD62,311 thousand respectively which have been taken into consideration as book values after reclassification in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" published in the Official Gazette No. 27040 dated 31 October 2008 by TASB.

Revaluation differences of reclassified available for sale securities before deferred tax are TL68,984, EUR (23,067) thousand and USD(15,207) thousand respectively and are recorded under shareholders' equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. As of balance sheet date, negative revaluation difference, which are accounted under shareholders' equity, are TL12, USD13,747 thousand and EUR9,214 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR31,085 thousand and USD45,501 thousand respectively.

If the reclassification from the held for trading securities portfolio to the held-to-maturity portfolio had not been performed, income accrual amounting to TL43,660 would have been recorded. As of 31 December 2012, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL(39,784).

**7. Information about associates (net):****a) 1) Information about unconsolidated associates:**

	Description	Address (City/Country)	The Parent Bank's Share Percentage, if Different, Voting Percentage (%)	The Bank's Risk Group Share Percentage (%)
1	Bankalararası Kart Merkezi A.Ş.	İstanbul/TURKEY	12.50	17.98
2	Kredi Kayıt Bürosu A.Ş.	İstanbul/TURKEY	11.11	9.09

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)(3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	32,354	19,628	15,161	1,045	-	1,144	2,694	-
2	79,837	67,450	45,452	2,164	-	33,184	18,340	-

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

<sup>(2)</sup> Current period information of associates has been provided from audited financial statements as of 31 December 2012. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 December 2011.

<sup>(3)</sup> Total non-current assets include property and equipment.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

	Description	Address (City/Country)	The Parent Bank's Share Percentage, if Different, Voting Percentage (%)	The Parent Bank's Risk Group Share Percentage (%)
1	Arap Türk Bankası A.Ş.	İstanbul/TURKEY	22.22	15.43

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	2,748,287	412,677	25,036	92,508	26,417	58,700	48,095	-

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

<sup>(2)</sup> Current period information of Arap Türk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2012. Prior period profit/loss information of Arap Türk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2011.

### 2) Information about consolidated associates:

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>54,619</b>	<b>47,198</b>
<b>Movement During the Period</b>	<b>9,057</b>	<b>7,421</b>
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer	-	-
Sales	-	-
Revaluation	9,057	7,421
Impairment Provision	-	-
<b>Ending Balance</b>	<b>63,676</b>	<b>54,619</b>
Capital Commitments	-	-
Period Ending Share of Capital Participation	-	-

### 3) Sector information about consolidated associates:

	Current Period	Prior Period
Banks	63,676	54,619
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

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

**4) Consolidated associates quoted to a stock exchange:**

None (2011: None).

**8. Information on subsidiaries (net):****a) 1) Information about unconsolidated subsidiaries:**

	Description	Address (City/Country)	The Parent Bank's Share Percentage-if different Voting Percentage (%)	The Parent Bank's Group Share Percentage (%)
1	Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.	İstanbul/TURKEY	71.43	58.50
2	Fintek Finansal Teknoloji Hizmetleri A.Ş.	Ankara/TURKEY	75.00	90.04

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income ( <sup>2</sup> )	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss ( <sup>2</sup> )	Prior Period Profit/Loss ( <sup>2</sup> )	Fair Value <sup>(1)</sup>
1	27,782	12,670	4,411	534	261	938	2,474	-
2	24,612	5,470	94	453	78	689	569	-

<sup>(1)</sup> Since shares of subsidiaries are not traded in the stock market, fair values cannot be identified.<sup>(2)</sup> Current period information of subsidiaries has been provided from audited financial statements as of 31 December 2012. Prior period profit/loss information has been provided from audited financial statements as of 31 December 2011.**b) 1) Information about consolidated subsidiaries:**

In consolidated financial tables of Parent Bank's, investments related to subsidiaries and joint ventures operating abroad in foreign currency are followed by their fair values. For these subsidiaries, fair value is determined by valuation reports, TL equivalents of investments related to subsidiaries are fixed as of revaluation date and revaluation differences added to subsidiaries' values are recognized in "Marketable Securities Value Increase Fund" under shareholder's equity.

	Description	Address (City/Country)	The Parent Bank's Share Percentage-if different Voting Percentage (%)	The Parent Bank's Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	İstanbul/TURKEY	100.00	99.99
2	Ziraat Sigorta A.Ş.	İstanbul/TURKEY	100.00	99.99
3	Ziraat Finansal Kiralama A.Ş.	İstanbul/TURKEY	100.00	90.00
4	Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/TURKEY	100.00	72.60
5	Ziraat Portföy Yönetimi A.Ş.	İstanbul/TURKEY	60.00	68.08
6	Ziraat Bank International A.G.	Frankfurt/GERMANY	100.00	100.00
7	Turkish Ziraat BH d.d.	Sarajevo/BOSNIA HERZEGOVINA	100.00	100.00
8	Ziraat Bank (Moscow) CJSC	Moscow/RUSSIA	100.00	99.91
9	Kazakhstan Ziraat Int. Bank	Almaty/KAZAKHSTAN	100.00	99.58

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

	Total Assets <sup>(3)</sup>	Shareholders' Equity <sup>(3)</sup>	Total Non-Current Assets <sup>(3)</sup>	Interest Income <sup>(3)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(3)</sup>	Prior Period Profit/Loss <sup>(3)</sup>	Fair Value <sup>(1)</sup>
1	957,139	169,481	1,344	99,093	13,478	88,290	51,829	-
2	238,503	100,693	903	17,051	-	51,253	42,170	-
3	662,218	155,392	1,046	48,609	4	22,140	16,904	-
4	90,919	69,519	1,687	7,607	963	7,360	11,429	-
5	9,585	9,145	120	1,032	1,013	703	1,253	-
6	2,294,644	375,261	2,931	53,125	6,671	6,217	8,585	397,352
7	279,085	81,665	8,479	11,009	476	(2,556)	965	58,047
8	127,581	55,144	3,556	8,494	120	3,611	2,234	57,240
9	261,565	194,118	9,888	11,072	1,520	6,209	3,909	197,733

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

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

<sup>(3)</sup> Information on subsidiaries shown in the above table has been provided from the audited financial statements as of 31 December 2012, the prior period profit/loss balances has been provided from audited financial statements as of 31 December 2011.

### 2) Information about consolidated subsidiaries:

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>694,228</b>	<b>629,955</b>
<b>Movements During the Period</b>	<b>192,273</b>	<b>64,273</b>
Additions to Scope of Consolidation	-	-
Purchases <sup>(1)</sup>	58,848	56,930
Bonus Shares Obtained	59,676	7,343
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales <sup>(2)</sup>	37,469	-
Revaluation Increase	111,218	-
Impairment Provision	-	-
<b>Balance at the End of the Period</b>	<b>886,501</b>	<b>694,228</b>
Capital Commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(1)</sup> Paid Capital Increases made during the period are classified at the "Purchases" account.

<sup>(2)</sup> With the decisions of Bank's Board of Directors No.4, and dated 11 January 2012, the whole equity share of the Bank Ziraat Bank AD Skopje will be transferred to Halk Banka A.D. Skopje, Joint Venture of T. Halk Bankası A.Ş. under the Council of Ministers' decision numbered 2002/3555, by taking both Turkey and Macedonia's legislation into consideration. Transfer transaction was completed on November, 2012.

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

	Current Period	Prior Period
Banks	710,374	576,949
Insurance Companies	39,984	39,984
Factoring Companies	-	-
Leasing Companies	116,291	57,443
Financing Companies	-	-
Other Financial Subsidiaries	19,852	19,852

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

None (2011: None)

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

Entities under Common Control (Joint Ventures) <sup>(1)</sup>	Parent Bank's Share <sup>(2)</sup>	Group's Share	Current Assets	Non-Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	11,972	11,972	117,262	6,387	25,606	18,351	8,756
Uzbekistan- Turkish Bank	20,446	20,454	114,061	1,306	2,947	9,451	6,052
Azer Türk Bank ASC	14,026	15,246	191,493	1,766	547	34,761	32,019
<b>Total</b>	<b>46,444</b>	<b>47,672</b>	<b>422,816</b>	<b>9,459</b>	<b>29,100</b>	<b>62,563</b>	<b>46,827</b>

<sup>(1)</sup> Information on entities under joint control is provided from the audited financial statements as of 31 December 2012.<sup>(2)</sup> Represents the Bank's share in the shareholders equity of these entities under common control based on the shareholding rate of the Bank.

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

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

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	101,537	93,575	48,198	45,830
1-5 Years	510,719	436,059	420,762	361,944
More than 5 Years	108,516	87,915	133,644	106,165
<b>Total</b>	<b>720,772</b>	<b>617,549</b>	<b>602,604</b>	<b>513,939</b>

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

The Group has no derivative financial assets for hedging purposes.

**12. Information on investment property:**

None (2011: None).

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

The group does not have any discontinuing operations. The assets held for sale are composed of immovables acquired due to consumer, commercial and agricultural loans and immovables for which has no necessity of usage exists by the Parent Bank. Those immovables considered for sales are announced at the web site of the Parent Bank.

The Group's immovables acquired amount to TL66,621 consisting of TL4,049 due to consumer loans, TL54,628 on its commercial loans and TL7,944 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL82. Total depreciation expense is TL637 for these held for sale assets.



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### 14. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Other Tangibles	Total
<b>Prior Period End:</b>					
Cost	1,405,218	52,947	26,544	336,975	1,821,684
Accumulated Depreciation (-)	622,944	48,960	14,333	178,090	864,327
<b>Net Book Value</b>	<b>782,274</b>	<b>3,987</b>	<b>12,211</b>	<b>158,885</b>	<b>957,357</b>
<b>Current Period End:</b>					
Net Book Value at the Beginning of the Period	782,274	3,987	12,211	158,885	957,357
Change During the Period (Net)	28,419	(52,342)	15,380	63,608	55,065
Depreciation – net (-)	18,459	(48,846)	12,155	72,153	53,921
Impairment (-)	686	-	-	3,907	4,593
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-
Cost at Period End	1,431,009	557	41,708	396,464	1,869,738
Accumulated Depreciation at Period End (-)	639,461	66	26,272	250,031	915,830
<b>Closing Net Book Value</b>	<b>791,548</b>	<b>491</b>	<b>15,436</b>	<b>146,433</b>	<b>953,908</b>

### 15. Explanations on intangible assets:

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	58,585	26,127	32,458	50,072	15,166	34,906
Establishment Costs	6,345	4,213	2,132	6,000	3,267	2,733
Goodwill	-	-	-	-	-	-
Intangible Rights	53,248	21,513	31,735	46,527	17,061	29,466
<b>Total</b>	<b>118,178</b>	<b>51,853</b>	<b>66,325</b>	<b>102,599</b>	<b>35,494</b>	<b>67,105</b>

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

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

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

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

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

	Current Period	Prior Period
Deferred Tax Assets	227,208	287,656
Deferred Tax Liabilities	368	103
Net Deferred Tax Assets	226,840	287,553
Net Deferred Tax Income/(Expense)	285,423	(360,790)
	Current Period	Prior Period
Reserve for Employment Termination Benefits	127,960	106,644
Short Term Employee Benefits	26,880	25,283
Other Provisions	44,845	18,840
Valuation of Financial Assets	14,793	131,294
Other	12,362	5,492
<b>Net Deferred Tax Assets</b>	<b>226,840</b>	<b>287,553</b>
	Current Period	Prior Period
<b>As of 1 January</b>	<b>287,553</b>	<b>317,280</b>
Addition to Scope of Consolidation	-	-
Effect of Change in the Effective Tax Rate	-	-
Deferred Tax Income	285,423	(360,790)
<b>Deferred Tax Expenses (Net)</b>	<b>285,423</b>	<b>(360,790)</b>
Deferred Tax Recognized Under Shareholders' Equity	351,322	331,063
<b>Deferred Tax Assets</b>	<b>226,840</b>	<b>287,553</b>

**17. Information on other assets:**

As of 31 December 2012 and 2011, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

### II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

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

##### 1) For deposit banks:

Current Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	6,841,656	-	2,177,611	43,630,169	3,366,354	481,282	839,417	5,010	57,341,499
Foreign Currency Deposits	4,419,545	-	3,344,408	6,213,862	2,605,138	929,004	5,692,499	272	23,204,728
Residents in Turkey	3,592,096	-	3,237,316	5,837,263	2,398,288	742,057	4,776,439	270	20,583,729
Residents Abroad	827,449	-	107,092	376,599	206,850	186,947	916,060	2	2,620,999
Public Sector Deposits	6,417,045	-	1,572,256	5,756,571	336,474	366,977	3,577	-	14,452,900
Commercial Inst. Deposits	2,395,630	-	2,488,634	4,793,646	880,897	6,475	46,241	-	10,611,523
Other Inst. Deposits	1,451,961	-	401,365	3,640,179	171,128	348,875	6,788	-	6,020,296
Precious Metals	848,805	-	-	81,527	-	-	-	-	930,332
Interbank Deposits	84,134	-	4,107,739	923,044	1,995,059	2,000	6,000	-	7,117,976
CBRT	6,118	-	1,777	-	-	-	-	-	7,895
Domestic Banks	36,307	-	4,078,998	211,324	279,529	2,000	6,000	-	4,614,158
Foreign Banks	31,460	-	26,964	711,720	1,715,530	-	-	-	2,485,674
Participation Banks	10,249	-	-	-	-	-	-	-	10,249
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>22,458,776</b>	<b>-</b>	<b>14,092,013</b>	<b>65,038,998</b>	<b>9,355,050</b>	<b>2,134,613</b>	<b>6,594,522</b>	<b>5,282</b>	<b>119,679,254</b>

Prior Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	6,304,736	-	3,428,901	39,652,721	4,902,631	567,637	917,720	-	55,774,346
Foreign Currency Deposits	4,140,131	-	3,754,863	8,434,294	2,093,157	670,848	4,792,693	-	23,885,986
Residents in Turkey	3,455,580	-	3,473,756	7,619,667	1,888,860	493,388	4,127,028	-	21,058,279
Residents Abroad	684,551	-	281,107	814,627	204,297	177,460	665,665	-	2,827,707
Public Sector Deposits	5,710,531	-	2,131,409	4,867,465	242,075	301,806	57,185	-	13,310,471
Commercial Inst. Deposits	2,319,645	-	2,655,822	2,963,686	714,921	1,070,363	60,559	-	9,784,996
Other Inst. Deposits	1,813,833	-	644,005	2,861,162	2,164,509	116,823	74,763	-	7,675,095
Precious Metals	-	-	-	-	-	-	-	-	-
Interbank Deposits	93,409	-	3,196,706	48,787	-	-	2,000	-	3,340,902
CBRT	3,780	-	376	-	-	-	-	-	4,156
Domestic Banks	30,444	-	3,044,061	-	-	-	2,000	-	3,076,505
Foreign Banks	37,746	-	152,269	48,787	-	-	-	-	238,802
Participation Banks	21,439	-	-	-	-	-	-	-	21,439
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>20,382,285</b>	<b>-</b>	<b>15,811,706</b>	<b>58,828,115</b>	<b>10,117,293</b>	<b>2,727,477</b>	<b>5,904,920</b>	<b>-</b>	<b>113,771,796</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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

### b) Information on saving deposits:

#### 1) Amounts exceeding the deposit insurance limit:

##### a) Saving deposits under the guarantee of deposit insurance and exceeding the deposit insurance limit:

	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
<b>Saving Deposits</b>				
Saving Deposits <sup>(2)</sup>	30,505,073	30,206,627	26,579,587	25,297,249
Foreign Currency Saving Deposits <sup>(2)</sup>	8,336,033	7,404,412	10,600,342	9,275,852
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(1)</sup>	423,579	412,909	28,553	42,243
Deposits at Off-Shore Banking Regions' and under Foreign Authorities' Insurance	-	-	-	-

<sup>(1)</sup> In Bulgaria and Greece, since both real person and legal entity's saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL10,668 and TL9,642 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2011: Bulgaria and Greece, TL17,026 and TL5,792, respectively).

<sup>(2)</sup> Related deposit balances do not include foreign branches

Based on the Council of Minister's decree dated 29 December 2003 and numbered 2003/6668, TL2,927 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş.

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of banks. As total of capital amount and interest expense accruals of saving deposits up to TL50 attributable to a real person is covered by the insurance, TL367,460 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 7 November 2006 and numbered 26339.

#### 2) Information on saving deposits/real persons' private current and accession accounts not related to commercial transactions in a Turkish branch of the Parent Bank whose head office is abroad, and reasons if it is covered in where the head office is located (Information belongs to the Parent Bank):

The Parent Bank's head office is located in Turkey.

#### 3) Amounts which are not covered by deposit insurance:

##### a) Saving deposits not covered by the deposit insurance fund (Values belong to the Parent Bank):

	Current Period	Prior Period
Deposits and Other Accounts in Branches Abroad	64,624	4,436
Deposits of Ultimate Shareholders and Their Close Families	-	-
Deposits of Chairman and Members of the Board of Directors, General Manager and His Assistants and Their Close Families	1,691	1,199
Deposits Obtained through Illegal Acts Defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

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## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	25	319	943	28
Swap Transactions	38,962	16,285	28,910	14,486
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	44	-
<b>Total</b>	<b>38,987</b>	<b>16,604</b>	<b>29,897</b>	<b>14,514</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	82,261	159,675	74,146	71,330
Foreign Banks, Institutions and Funds	797,484	2,442,858	-	535,666
<b>Total</b>	<b>879,745</b>	<b>2,602,533</b>	<b>74,146</b>	<b>606,996</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	70,574	1,573,650	63,631	157,307
Medium and Long-Term	809,171	1,028,883	10,515	449,689
<b>Total</b>	<b>879,745</b>	<b>2,602,533</b>	<b>74,146</b>	<b>606,996</b>

#### 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:

72.49% of the Group's liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Group's liabilities are not subject to a significant concentration risk.

#### 4. If other liabilities exceed 10% of the balance sheet total, name and amount of sub-accounts constituting at least 20% of these liabilities:

Other liabilities do not exceed 10% of the balance sheet total.

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**5. Information on finance lease payables (net):**

In financial leases, rental installments are determined by the cost of the leasehold good, interest rate for commercial loans and maturity of the agreement. Installment amounts stated in agreements are equally distributed. The Group has no significant liabilities under the scope of these agreements.

Information on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	27	25	-	-
Between 1-4 Years	270	262	-	-
More than 4 Years	-	-	-	-
<b>Total</b>	<b>297</b>	<b>287</b>	<b>-</b>	<b>-</b>

**6. Information on derivative financial liabilities for hedging purposes:**

There are no derivative financial liabilities for hedging purposes.

**7. Explanations on provisions:****a) Information on general provisions:**

	Current Period	Prior Period
<b>General Provisions</b>	<b>1,233,215</b>	<b>999,331</b>
Allocated for Group-I Loans and Receivables	1,001,019	840,216
Additional Provision for Loans and Receivables with Extended Maturities	20,214	-
Allocated for Group-II Loans and Receivables	150,136	93,884
Additional Provision for Loans and Receivables with Extended Maturities	13,702	-
Allocated for Non-cash Loans	47,638	40,199
Other	34,422	25,032

Information required regarding the number of changes and extended terms in the original payment schedule of loans in accordance with the changes made in "Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions" on 28 May 2011:

**i) Rescheduled loans and other receivables that are standard:**

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Total
<b>31 December 2012</b>						
Number of Rescheduled Loan Agreements	525	368	4,112	5,480	-	10,485
Risk Amount	37,264	33,684	176,173	151,095	-	398,216

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ii) Rescheduled loans and other receivables that are closely monitored:

31 December 2012	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Total
Number of Rescheduled Loan Agreements	417	206	1,098	3,197	-	4,918
Risk Amount	9,280	12,269	49,721	199,991	-	271,261

### b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

There are no foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables.

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

Specific provisions for unindemnified non-cash loans amount to TL24,191.

### d) Information on other provisions:

#### 1) Information on general provisions for possible risks:

The accompanying financial statements include a general reserve amounting to TL644,300 thousand (TL514,300 thousand of this reserve amount was charged to the income statement as an expense in the current period), provided by the Parent Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions. Moreover, the provision of TL10,250 and other provision of TL226 exist for cash transfers made by Parent Bank officials.

	Current Period	Prior Period
General provisions for possible risks	654,776	140,248

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

Since the Parent Bank has no centralized database for the outstanding lawsuits, summary of the number and amount of those lawsuits cannot be obtained from the data processing system. However, based on the information provided by the legal department, lawsuits against the Parent Bank over TL100 amount to TL73,526. Full provision has been provided in the accompanying financial statements for law suits ended against the Parent Bank but not finalized yet, amounting to TL32,809. In addition to these, for the interest expenses calculated for the lawsuits against the Parent Bank concerning the remuneration liabilities related to KOSGEB and National Productivity Center, general provision equal to TL62,932 has been provided.

With the final decision of the Competition Board in 08 March 2013, the Parent Bank was imposed an administrative penalty of TL148,231 that is 1% of its gross revenue, (the penalty is formed at the end of 2011 and determined by the board), because of the violation of the fourth article of "Act on the Protection of Competition" numbered 4054. In accordance with 17<sup>th</sup> article of Misdemeanor Law, the Parent Bank sets free provisions amounting to TL111,200 that is determined amount with early payment.

Furthermore, based on the decision of the Parent Bank management, provision amounting to TL128,650 in total, TL108,650 included in the current year, without taking into consideration the guarantees of the loans and in line with the conservatism principle, is provided for the consumer loans followed under standard loan portfolio that also have amounts in the non performing loan portfolio in compliance with the Act on Preservation of Consumers numbered 4077. The provision is made in accordance with the "Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions", published in Official Gazette numbered 26333, dated 1 November 2006 and considering the conservatism principle without taking into consideration the guarantees of these loans.

The Parent Bank also provided provisions amounting to TL24,191 for unindemnified non-cash loans, and TL16,760 for other provisions. As a result, in addition to the provisions mentioned above, the other provision balance on the Parent Bank's balance sheet amounts to TL1,031,318 (2011: TL263,605).

**Notes to the Consolidated Financial Statements at 31 December 2012**

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

**e) Liabilities on reserve for employee termination benefits:****1. Employment termination benefits and unused vacation rights**

The Group accounts for its vacation and retirement pay obligations in accordance with the TAS 19 "Employee Benefits". The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
As of 1 January	533,222	491,494
Payments in the period	(49,590)	(47,577)
Charge for the period	158,848	89,305
<b>Total</b>	<b>642,480</b>	<b>533,222</b>

As of 31 December 2012, unpaid vacation liability amounted to TL135,771 (2011: TL126,415) is presented under the "Employee Benefits Provision" in the financial statements.

**2) Pension Rights**

The technical balance sheet report which is prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9.80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2012 and 2011.

The liability related to Parent Bank's benefits to be transferred to SSI as of the balance sheet date is expected payment to be made to SSI during the transfer. Actuarial parameters and results used in calculation of this amount reflects the Act's, numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, principles related to pension and health benefits to be transferred to SSI (9.80% real discount rate, etc.).

According to related Actuary Report, the Fund's surplus is TL813,030 (2011: TL810,181) as of 31 December 2012.

	Current Period	Prior Period
Present value of funded obligations	(64,970)	181
-Pension benefits transferable to SSI	(330,877)	(266,234)
-Post employment medical benefits transferable to SSI	265,907	266,415
Fair value of plan assets	878,000	810,000
<b>Actuarial Surplus</b>	<b>813,030</b>	<b>810,181</b>

The principal actuarial assumptions used are as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9.80%	9.80%
- Post employment medical benefits transferable to SSI	9.80%	9.80%

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



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Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Bank Placements	694,729	79%	612,231	76%
Property and Equipment	160,982	18%	160,771	20%
Marketable Securities	13,889	2%	26,498	3%
Other	8,400	1%	10,500	1%
<b>Total</b>	<b>878,000</b>	<b>100%</b>	<b>810,000</b>	<b>100%</b>

### 8. Information on tax liability:

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

##### 1) Information on tax provisions:

As of 31 December 2012, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL348,154 (2011: TL92,957).

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

	Current Period	Prior Period
Corporate Tax Payable	348,154	92,957
Taxation on Income From Securities	86,583	108,177
Property Tax	1,023	840
Banking Insurance Transactions Tax (BITT)	52,227	41,494
Foreign Exchange Transactions Tax	5	4
Value Added Tax Payable	3,483	1,363
Other	34,231	22,489
<b>Total</b>	<b>525,706</b>	<b>267,324</b>

##### 3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	98	219
Social Security Premiums - Employer	134	279
Bank Social Aid Pension Fund Premium - Employee	101	3,263
Bank Social Aid Pension Fund Premium - Employer	187	4,598
Pension Fund Membership Fees and Provisions - Employee	5	7
Pension Fund Membership Fees and Provisions - Employer	14	17
Unemployment Insurance - Employee	247	493
Unemployment Insurance - Employer	496	989
Other	9	12
<b>Total</b>	<b>1,291</b>	<b>9,877</b>

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

The Group's deferred tax liability amounts to TL368 (2011: TL103). However, this amount is netted off against the deferred tax asset and accordingly deferred tax asset amounting to TL226,840 (2011: TL287,553) is presented in the financial statements.

### 9. Information on shareholders' equity:

#### a) Presentation on paid-in capital:

	Current Period	Prior Period
Common stock	2,500,000	2,500,000
Preferred stock	-	-

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

The Parent Bank does not have a registered capital system.

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

There is no share capital increase and increased capital shares.

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

There is no increase from capital reserves.

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

The Parent Bank has no capital commitments.

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

In the current period, the Parent Bank follows its operations in line with the previous periods. The Parent Bank's balance sheet has been managed with precaution by being affected by the interest, rate of exchange and credit risks at the minimum level. This helps to reduce the effects of fluctuations in the market to the Parent Bank's performance and contributes to the profitability structure to be sustainable.

#### g) Information on preferred shares:

The Parent Bank has no preferred shares.

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## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
From Available for Sale Marketable Securities	474,452	450,284	(403,794)	(39,221)
Revaluation Difference	695,188	450,284	(549,986)	(39,221)
Deferred Tax Effect	(212,771)	-	134,345	-
Foreign Exchange Difference	(7,965)	-	11,847	-
<b>Total</b>	<b>474,452</b>	<b>450,284</b>	<b>(403,794)</b>	<b>(39,221)</b>

## III. EXPLANATIONS AND NOTES TO THE OFF-BALANCE SHEET ACCOUNTS

### 1. Information on off-balance sheet liabilities:

#### a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Payment Commitments for Cheques	2,410,300	2,461,015
Asset Purchase Commitments	455,918	637,825
Commitments for Credit Card Expenditure Limits	3,829,389	3,838,031
Loan Granting Commitments	199,008	84,527
Other Irrevocable Commitments	2,151,772	1,851,081
Subsidiaries and Associates Capital Contribution Commitments	-	1,000
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	10,985	8,131
<b>Total</b>	<b>9,057,372</b>	<b>8,881,610</b>

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

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

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

	Current Period	Prior Period
Guarantee Letters	12,276,010	9,980,389
Bank Acceptances	960,969	374,545
Letter of Credits	2,415,141	1,695,837
<b>Total</b>	<b>15,652,120</b>	<b>12,050,771</b>

**Notes to the Consolidated Financial Statements at 31 December 2012**

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**2) Certain guarantees, temporary guarantees, suretyships and similar transactions:**

	Current Period	Prior Period
Letter of Temporary Guarantees	473,559	421,609
Letter of Certain Guarantees	6,832,794	5,398,981
Letters of Advance Guarantees	3,533,511	3,130,140
Letters of Guarantees given to Customs Offices	122,121	100,452
Other Letters of Guarantees	1,290,524	929,207
<b>Total</b>	<b>12,252,509</b>	<b>9,980,389</b>

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

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>1,168,472</b>	<b>301,982</b>
With Original Maturity of One Year or Less	244,978	123,676
With Original Maturity of More than One Year	923,494	178,306
<b>Other Non-Cash Loans</b>	<b>14,483,648</b>	<b>11,748,789</b>
<b>Total</b>	<b>15,652,120</b>	<b>12,050,771</b>

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	10,429	0.19	1,507	0.01	71,486	1.77	51,571	0.64
Farming and Raising Livestock	352	0.01	-	-	70,540	1.74	50,682	0.63
Forestry	10,077	0.18	1,507	0.01	-	-	-	-
Fishing	-	-	-	-	946	0.02	889	0.01
Manufacturing	1,334,176	24.12	5,910,412	58.39	1,056,482	26.11	4,954,522	61.90
Mining and Quarrying	34,068	0.62	156,134	1.54	259,156	6.40	488,577	6.10
Production	960,724	17.37	5,087,746	50.27	638,665	15.78	4,344,009	54.27
Electric, Gas and Water	339,384	6.14	666,532	6.59	158,661	3.92	121,936	1.52
Construction	915,437	16.55	1,299,436	12.84	649,232	16.05	669,249	8.36
Services	2,783,659	50.33	1,392,348	13.76	2,145,837	53.03	1,201,679	15.01
Wholesale and Retail Trade	960,831	17.37	822,514	8.13	452,946	11.19	229,216	2.86
Hotel, Food and Beverage Services	14,639	0.26	14,119	0.14	15,650	0.39	26,646	0.33
Transportation and Telecommunication	227,530	4.11	73,617	0.73	387,899	9.59	128,204	1.60
Financial Institutions	1,343,999	24.30	349,503	3.45	817,996	20.22	187,458	2.34
Real Estate and Leasing Services	185,374	3.35	131,890	1.30	4,725	0.12	10,679	0.13
Self-employment Services	-	-	-	-	5,533	0.14	67	0.00
Education Services	14,425	0.26	289	0.00	10,592	0.26	6,184	0.08
Health and Social Services	36,861	0.67	416	0.00	450,496	11.13	613,225	7.66
Other	486,805	8.80	1,517,911	15.00	123,190	3.04	1,127,523	14.09
<b>Total</b>	<b>5,530,506</b>	<b>100.00</b>	<b>10,121,614</b>	<b>100.00</b>	<b>4,046,227</b>	<b>100.00</b>	<b>8,004,544</b>	<b>100.00</b>

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

	Group I:		Group II:	
	TL	FC	TL	FC
<b>Non-Cash loans</b>	<b>5,408,551</b>	<b>10,013,991</b>	<b>121,955</b>	<b>107,623</b>
Letters of Guarantee	5,343,506	6,681,445	121,955	105,603
Bank Acceptances	5,363	955,606	-	-
Letters of Credit	59,682	2,353,439	-	2,020
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	23,501	-	-

### 2. Explanations on derivative transactions:

	Current Period	Prior Period
<b>Types of Trading Transactions</b>		
Foreign Currency Related Derivative Transactions (I)	11,387,535	6,324,834
Forward Transactions	112,342	267,707
Swap Transactions	11,275,193	6,057,127
Futures Transactions	-	-
Option Transactions	-	-
Interest Related Derivative Transactions (II)	-	-
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	-	-
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivative Transactions (III)	-	-
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>11,387,535</b>	<b>6,324,834</b>
<b>Types of Hedging Derivative Transactions</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
<b>B. Total Hedging Derivative Transactions</b>	<b>-</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>11,387,535</b>	<b>6,324,834</b>

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	122,611	87	162	(6,255)	-	116,605
- Inflow	(4,429,946)	(17,032)	(25,687)	(1,162,800)	-	(5,635,465)
- Outflow	4,552,557	17,119	25,849	1,156,545	-	5,752,070
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Derivatives held for hedging</b>	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total Inflow</b>	<b>(4,429,946)</b>	<b>(17,032)</b>	<b>(25,687)</b>	<b>(1,162,800)</b>	<b>-</b>	<b>(5,635,465)</b>
<b>Total Outflow</b>	<b>4,552,557</b>	<b>17,119</b>	<b>25,849</b>	<b>1,156,545</b>	<b>-</b>	<b>5,752,070</b>

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	15,965	(37,067)	(3,290)	31,680	-	7,288
- Inflow	(1,920,418)	(640,035)	(65,520)	(532,800)	-	(3,158,773)
- Outflow	1,936,383	602,968	62,230	564,480	-	3,166,061
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Derivatives held for hedging</b>	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total Inflow</b>	<b>(1,920,418)</b>	<b>(640,035)</b>	<b>(65,520)</b>	<b>(532,800)</b>	<b>-</b>	<b>(3,158,773)</b>
<b>Total Outflow</b>	<b>1,936,383</b>	<b>602,968</b>	<b>62,230</b>	<b>564,480</b>	<b>-</b>	<b>3,166,061</b>

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## Notes to the Consolidated Financial Statements at 31 December 2012

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### 3. Explanations on contingent assets and liabilities:

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

Group's liability resulting from the cheques given to its customers amounts to TL2,410,300 (2011: TL2,461,015).

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

### 4. Explanations on services in the name of others:

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

## IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

### 1. a) Information on interest income from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Interest on Loans <sup>(1)</sup></b>	<b>8,333,265</b>	<b>396,163</b>	<b>7,100,410</b>	<b>353,921</b>
Short Term Loans	2,483,854	66,886	1,921,473	76,898
Medium and Long Term Loans	5,746,064	328,762	5,075,741	276,666
Interest on Non-Performing Loans	103,347	515	103,196	357
Premiums from Resource Utilization Support Fund	-	-	-	-

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

### b) Information on interest received from the banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	8,604	-
Domestic Banks	56,607	858	17,241	577
Foreign Banks	863	6,345	2,419	13,697
Head Office and Branches	-	114	-	-
<b>Total</b>	<b>57,470</b>	<b>7,317</b>	<b>28,264</b>	<b>14,274</b>

**Notes to the Consolidated Financial Statements at 31 December 2012**

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**c) Information on interest income on marketable securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Trading Financial Assets	2,404	483	6,992	3,274
From Financial Assets at Fair Value through Profit or Loss	963	-	-	-
From Available-for-sale Financial Assets	3,007,160	194,151	3,000,539	209,906
From Held-to-maturity Investments	2,640,001	288,196	2,757,847	297,843
<b>Total</b>	<b>5,650,528</b>	<b>482,830</b>	<b>5,765,378</b>	<b>511,023</b>

**d) Information on interest income from subsidiaries and associates:**

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	3,770	3,820

**2. a) Information on interest expense on borrowings:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks <sup>(1)</sup>	43,134	45,796	14,716	1,867
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	842	16,632	14,698	704
Foreign Banks	42,292	29,164	18	1,163
Head Office and Branches	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>43,134</b>	<b>45,796</b>	<b>14,716</b>	<b>1,867</b>

<sup>(1)</sup> Includes fees and commissions expenses on cash loans.**b) Information on interest expenses given to subsidiaries and associates:**

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	25,786	27,535

**c) Information on interest given on securities issued:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	133,407	-	-	-



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### d) 1) Maturity structure of the interest expense on deposits:

Account Name	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
TL								
Bank Deposit	-	324,786	-	-	-	-	-	324,786
Saving Deposit	14	158,330	3,552,065	362,383	42,473	71,674	415	4,187,354
Public Sector Deposit	277	69,256	378,263	45,074	3,984	571	-	497,425
Commercial Deposit	141	123,566	306,938	54,478	16,075	1,659	-	502,857
Other Deposit	23	511	205,860	56,124	23,834	3,548	-	289,900
Deposit With 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>455</b>	<b>676,449</b>	<b>4,443,126</b>	<b>518,059</b>	<b>86,366</b>	<b>77,452</b>	<b>415</b>	<b>5,802,322</b>
FC								
Foreign Currency Deposit	8,320	59,601	161,737	71,454	15,875	128,729	21	445,737
Bank Deposit	31,076	78	-	-	6	-	-	31,160
Deposit With 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	3	37	2	1	1	-	44
<b>Total</b>	<b>39,396</b>	<b>59,682</b>	<b>161,774</b>	<b>71,456</b>	<b>15,882</b>	<b>128,730</b>	<b>21</b>	<b>476,941</b>
<b>Grand Total</b>	<b>39,851</b>	<b>736,131</b>	<b>4,604,900</b>	<b>589,515</b>	<b>102,248</b>	<b>206,182</b>	<b>436</b>	<b>6,279,263</b>

### 3. Explanations on dividend income:

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-Sale Financial Assets	14,998	18,658
Other <sup>(1)</sup>	2,681	3,011
<b>Total</b>	<b>17,679</b>	<b>21,669</b>

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

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

	Current Period	Prior Period
<b>Profit</b>	<b>5,250,568</b>	<b>3,599,867</b>
Profit from the Capital Market Transactions	86,786	103,883
Profit on Derivative Financial Instruments	1,331,691	1,533,269
Foreign Exchange Gains	3,832,091	1,962,715
<b>Loss (-)</b>	<b>5,295,283</b>	<b>3,647,228</b>
Loss from the Capital Market Transactions	19,994	1,340
Loss on Derivative Financial Instruments	1,376,875	1,246,000
Foreign Exchange Loss	3,898,414	2,399,888

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(654,435)	(982,513)
Effect of the change in interest rates on profit/loss	609,251	1,269,782
<b>Total</b>	<b>(45,184)</b>	<b>287,269</b>

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

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

There are no significant matters covering the recent developments which have significant effect on the Parent Bank's income. Main component of the Parent Bank's other operating income consists of reversals from prior period provisions amounting to TL233,156.

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

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables <sup>(1)</sup>	815,403	194,816
Group III Loans and Receivables	131,824	16,375
Group IV Loans and Receivables	510,664	57,034
Group V Loans and Receivables	172,915	121,407
General Provision Expenses <sup>(2)</sup>	229,131	467,350
Provision Expenses for the Possible Losses	630,853	131,535
Marketable Securities Impairment Expense	106	2,916
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available for Sale	106	2,916
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	-	41
Associates	-	41
Subsidiaries	-	-
Entities under Common Control	-	-
Investment Securities Held to Maturity	-	-
Other <sup>(3)</sup>	132,217	20,428
<b>Total</b>	<b>1,807,710</b>	<b>817,086</b>

<sup>(1)</sup> The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL185 are presented in other operating income (2011: TL155,015).

<sup>(2)</sup> The relevant balances include the expenses related to the current period. The provision reversals within the period amounting to TL132,966 are presented in other operating income (2011: TL8,189).

<sup>(3)</sup> Other includes standard loans and consumer loans followed under other receivables account of loan customers that have amounts in non-performing loans accounts amounting to TL108,650 and additional provision for litigation purposes amounting to TL23,000.

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

	Current Period	Prior Period
Personnel Expenses	1,430,198	1,375,305
Reserve for Employee Termination Benefits	159,120	89,187
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	878	-
Depreciation Expenses of Tangible Fixed Assets	63,114	61,194
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	19,060	14,623
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	350	285
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	1,121,949	797,580
Operational Leasing Expenses	90,404	76,365
Maintenance Expenses	38,709	41,925
Advertisement Expenses	45,554	37,272
Other Expenses	947,282	642,018
Loss on Sales of Assets	216	1,630
Other <sup>(1)</sup>	963,628	1,344,644
<b>Total</b>	<b>3,758,513</b>	<b>3,684,448</b>

<sup>(1)</sup> TL199,939 (2011: TL209,381) of other item consists of Saving Deposit Insurance Fund accrual expense while TL224,139 (2011: TL199,880) consists of taxes, duties and charges expense.

### 9. Information on tax provision for continuing and discontinued operations:

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

	Current Period	Prior Period
Net Interest Income	7,102,623	5,394,175
Net Fees and Commissions Income	697,715	540,424
Dividend Income	17,679	21,669
Trading Income/Expense (Net)	(44,715)	(47,361)
Other Operating Income	1,438,807	1,526,962
Provision for Loan or Other Receivables Losses (-)	1,807,710	817,086
Other Operating Expenses (-)	3,758,513	3,684,448
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	11,285	13,473
<b>Income/(Loss) From Continuing Operations</b>	<b>3,657,171</b>	<b>2,947,808</b>

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### 10. Information on tax provision for continued and discontinued operations

As of 31 December 2012, TL(901,643) (2011 TL(713,977)) of the Group's total tax provision expense amounting to TL(1,187,066) (2011: TL(353,187)), consists of current tax expense while the rest amounting to TL285,423 (2011: TL(360,790)) consists of deferred tax income.

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

The Group's net operating income after tax amounts to TL2,755,528 (2011: TL2,220,585).

### 12. Information on net profit/loss:

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

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

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

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period (2011: None).

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

As of 31 December 2012, the Group's other fee and commission income amounting to TL819,542 (2011: TL754,217) consists of TL268,971 (2011: TL193,991) of credit card fees and commission income, TL145,288 (2011: TL169,191) of insurance commission and the remaining TL405,283 (2011: TL391,035) of money order, account management fee and other commission income.

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

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

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

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

#### b) Explanations on profit distribution:

The General Assembly for the year 2011 was carried out on 18 April 2012. In accordance with the decision taken, of the profit for the year 2011 amounting to TL2,100,674, TL105,034 is decided to transfer to primary legal reserves and TL12,700 is decided to transfer to secondary legal reserves, TL127,000 is decided to distribute as dividend to employees provided that dividend amount does not exceed two month gross wage for each employee and TL106,250 is decided to distribute to the Treasury after deducting withholding tax of 15% (TL18,750) in cash. Besides, TL1,730,940 of the profit has been preserved and TL122,239 is paid within the framework of dividend decided to transfer to employees. According to the decision of the General Assembly's the remaining part of dividend reserved to be distributed to personnel TL4,761 is transferred to the account of the "Profit Reserves".

The Parent Bank is planning to distribute its 2012 profit in accordance with its articles of association. However, as of the report date, there is no decision taken regarding the profit distribution.

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### c) Explanations on Available For Sale Financial Assets:

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

### d) Profit Reserves:

As of the balance sheet date, profit reserves amount to TL10,200,423, legal reserves amount to TL2,525,171, extraordinary reserves amount to TL7,041,211 and other profit reserves amount to TL634,041.

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

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

"Operating Profit before Changes in Operating Assets and Liabilities" amounting to TL3,502,274 is composed mainly from interest received from loans and securities amounting to TL13,738,401 and interest paid to deposit and money market operations which is amounting to TL7,941,910. Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rate on cash and cash equivalents is determined, approximately, as TL(72,871) as of 31 December 2012 (2011: TL613,618).

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

### Period opening and end cash and cash equivalents balance:

Period Opening	Current Period	Prior Period
Cash in TL and in Foreign Currency	1,355,201	1,315,656
Central Bank of the Republic of Turkey and Other Banks	6,913,722	11,743,235
Money Market Operations	12,212	23,054
<b>Total Cash and Cash Equivalents</b>	<b>8,281,135</b>	<b>13,081,945</b>
Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	1,465,021	1,355,201
Central Bank of the Republic of Turkey and Other Banks	5,539,881	6,913,722
Money Market Operations	61,722	12,212
<b>Total Cash and Cash Equivalents</b>	<b>7,066,624</b>	<b>8,281,135</b>

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**VII. EXPLANATIONS AND NOTES TO THE RISK GROUP OF THE PARENT BANK****1) Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:****a) Current Period:**

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	18,419	-	-	-	-	-
Closing Balance	61,333	-	-	-	-	-
Interest and Commissions Income	3,770	-	-	-	-	-

**b) Prior Period:**

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	9,275	-	-	-	-	-
Closing Balance	18,419	-	-	-	-	-
Interest and Commissions Income	3,820	-	-	-	-	-

**c) 1) Deposits held by the Parent Bank's risk group:**

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Opening Balance	580,370	879,379	-	-	-	-
Closing Balance	557,636	580,370	-	-	-	-
Interest Expense on Deposits	25,786	27,535	-	-	-	-

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

## Notes to the Consolidated Financial Statements at 31 December 2012

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

### 2) Information on forward transactions, option agreements and similar transactions between the Parent 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	7,402	-	-	-	-	-
Closing Balance	-	7,402	-	-	-	-
<b>Total Profit/Loss</b>	<b>(297)</b>	<b>(359)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 3) Information about fees paid to the Group's top executives:

Fees paid to the Group's key management amount to TL18,628 (2011: TL16,445).

## VIII. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

1. With the Bank's Board of Directors' Decision No. 4, dated 11 January 2012, the whole equity share of the Bank in Ziraat Bank AD Skopje will be transferred to Halk Bank A.D. Skopje, Joint Venture of T. Halk Bankası A.Ş., considering the legislation of Turkey and Macedonia within the scope of Decision No. 2002/3555 by the Council of Ministers. The transfer process was completed as of November 2012.

2. The Board of Directors, on 07 November 2012 with the decision no: 348, has applied to the BRSA (Banking Regulation and Supervision Agency) and CMB (Capital Markets Board) and required permissions and approvals have been received to issue domestic bank bills and/or bonds in different types and maturities up to TL7 billion.

In this context, for the purpose of the performing the public offering on 4-5-6 February 2013, all works were initiated and the required application was made to Capital Market Board, in order to take place of issuance of bank bills and/or bonds (in the value date of 8 February 2013) which have nominal value of TL600 million (including the right to nominal amount of TL200 million additional shares) and maturity of 175 days and bank bonds which have nominal value of TL400 million (including the right to nominal amount of TL100 million additional shares) and maturity of 91 days by public offering, to determine the principles of maturity, interest, distribution and allocation regarding to issuance of these bank bonds, to complete the sales and to trade in İstanbul Stock Exchange. Demand for public offering of related bank bonds which has 91 and 175 days of maturity was approved by Capital Market Board on 28 January 2013. Public offering was performed on 4-5-6 February 2013 and TL1,000,000 of bills were sold (including right of additional sales). Related bank bonds was started to trade in stock market on 12 February 2013.

3. With the final decision of the Competition Board on 08 March 2013, the Parent Bank was imposed an administrative penalty of TL148,231 that is 1% of its gross revenue, (the penalty is formed at the end of 2011 and determined by the board), because of the violation of the fourth article of "Act on the Protection of Competition" numbered 4054. In accordance with 17<sup>th</sup> article of Misdemeanor Law, the Parent Bank sets free provisions amounting to TL111,200 that is three-quarters of the penalty.

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## Notes to the Consolidated Financial Statements at 31 December 2012

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

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

Information on the Parent Bank's domestic and foreign branches and foreign representatives of the Bank:

	Number	Number of Employees				
Domestic Branch <sup>(1)</sup>	1,490	23,069				
				Country of Incorporation		
Foreign Representative Office	1	1	1-	Iran		
					Total Assets	Statutory Share Capital
Foreign Branch <sup>(2)</sup>	1	2	1-	USA	769,256	209,005
	1	4	2-	England	820,970	94,732
	4	4	3-	Bulgaria	62,711	33,299
	1	4	4-	Georgia	27,275	16,334
	2	6	5-	Iraq	142,552	24,910
	4	5	6-	Greece	377,618	77,553
	1	2	7-	Saudi Arabia	45,090	26,690
	10	35	8-	T.R. of Northern Cyprus	582,284	38,422
Off-shore Banking Region Branches	-	-	-	-	-	-

<sup>(1)</sup> Includes the employees of the domestic branches, excluding the employees of head office and districts' head offices.

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

### SECTION SIX

#### OTHER EXPLANATIONS AND NOTES

##### I. OTHER EXPLANATIONS ON THE GROUP'S OPERATIONS

None.

### SECTION SEVEN

#### EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

##### I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

As of 31 December 2012, consolidated financial statements and explanatory notes of the Bank disclosed herein were audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Independent Auditor's Report dated 28 March 2013 is presented preceding the financial statements.

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

None.