

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

**PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT  
AT 31 DECEMBER 2013**

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



**CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY PREPARED AND ISSUED IN TURKISH**

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 2013 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 Authorization 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 5<sup>th</sup> 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 TL1.006.000 thousand (TL361.700 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 the qualified opinion" paragraph above on the consolidated financial statements, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and its consolidated subsidiaries as of 31 December 2013 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

Istanbul, 11 March 2014

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

**THE CONSOLIDATED FINANCIAL REPORT OF  
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 31 DECEMBER 2013**

The Bank's Headquarter Address: Doğanbey Mahallesi Atatürk Bulvarı  
No: 8 06107-Altındağ/ANKARA  
Phone: (312) 584 20 00  
Facsimile: (312) 584 49 63  
Website: www.ziraatbank.com.tr

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

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

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

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

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Hüseyin AYDIN  
Member of the Board of  
Directors,  
General Manager

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

---

Cem İNAL  
Financial Coordination  
Assistant General Manager

---

Atakan BEKTAŞ  
Head of  
Reporting Management

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

Name/Title : Kubilay ŞAHİN / External Reporting Officer  
Telephone Number : 0312 584 59 33  
Facsimile Number : 0312 584 59 38

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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**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 Republic of Turkey Prime Ministry Undersecretariat of Treasury.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013**

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

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

**III. INFORMATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, GENERAL MANAGER AND ASSISTANT GENERAL MANAGERS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE PARENT BANK THEY POSSESS**

<b>Name</b>	<b>Administrative Function</b>
<b>Members of the Board of Directors</b>	
Muharrem KARSLI	Chairman
Hüseyin AYDIN	General Manager and Member
Yusuf DAĞCAN	Vice Chairman and Member
Erdal ERDEM	Member
Fahrettin ÖZDEMİRCİ	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>	
Alpaslan ÇAKAR	Individual Banking
Bilgehan KURU	Treasury and Strategy Management
Bülent SUER	Operational Transactions
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
Peyami Ömer ÖZDİLEK	Human Resources
Yunus Uygur KOCAOĞLU	Information Technologies Management
<b>Chairman of the Board of Inspectors</b>	
Yüksel CESUR	Chairman of the Board of Inspectors
<b>Head of Group</b>	
Bülent YALIM	Internal Control and Risk Management

Ali Toker is continuing his mission as assistant general manager under the authority of General Management.

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

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

<b>Name/Trade Name</b>	<b>Amount of Share</b>	<b>Percentage of Share %</b>	<b>Paid-in Shares</b>	<b>Unpaid Shares</b>
Treasury	2.500.000	100	2.500.000	-

The sole shareholder of the Bank is the Treasury.

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013**

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

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

**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 2013, the Parent Bank carries its activities with a grand total of 1.661 branches; 1.636 branches including 5 corporate branches, 27 commercial branches, 81 entrepreneurial branches, 1.521 domestic branches and 2 mobile branches (31 December 2012: 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) and 25 branches abroad including 21 branches and 4 sub branches (New York branch in United States, London branch in England, Tbilisi branch, and Batumi sub branch in Georgia, Baghdad and Arbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Filibe/Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Lefkoşa, Girne, Güzelyurt, Gazimağusa and Gönyeli branches with Akdoğan, Near East University, Karaoğlanoğlu, Karakum and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has 1 representative office in Tehran, Iran.

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

Başakkart is a bank card through which demand deposit accounts and agricultural loan accounts can be linked. Bank can associate Başakkart with enterprise loans below TRY50.000 and agricultural loan limits in line with the demands of the customers. All limits of loan accounts assigned to the Başakkart can be used via POS machines of the Bank in Başakkart Member Business points for the purchase of agricultural inputs (feed, grain, fuel, etc.). According to preferences of customers, maximum 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 2013, the number of the Group’s employees is 25.920 (31 December 2012: 24.092).

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013**

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

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

**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, Araptürk 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., which is subsidiary of the Bank, is not consolidated into the Bank’s consolidated financial statements in accordance with Communiqué of the Preparation Consolidated Financial Statements since this entity is not financial institution. Kredi Kayıt Bürosu and Bankalararası Kart Merkezi which are associates of the bank are not consolidated but carried at cost since these entities are not controlled by the Bank and are not financial companies.

All other subsidiaries are fully consolidated.

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

None.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**SECTION TWO**  
**CONSOLIDATED FINANCIAL STATEMENTS**

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	Current Period (31/12/2013)			Prior Period (31/12/2012)		
		ASSETS			ASSETS		
		TL	FC	Total	TL	FC	Total
<b>I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	(1)	3.664.513	23.233.518	26.898.031	5.908.346	15.373.382	21.281.728
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)</b>	(2)	315.470	149.319	464.789	39.496	129.662	169.158
2.1 Financial Assets Held for Trading		315.470	149.319	464.789	39.496	129.662	169.158
2.1.1 Public Sector Debt Securities		21.652	4.432	26.084	30.789	4.582	35.371
2.1.2 Securities Representing a Share in Capital		78	-	78	819	-	819
2.1.3 Derivative Financial Assets Held for Trading		293.740	144.887	438.627	7.888	125.080	132.968
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		-	-	-	-	-	-
<b>III. BANKS</b>	(3)	1.686.802	1.318.451	3.005.253	650.945	971.787	1.622.732
<b>IV. MONEY MARKET PLACEMENTS</b>		16.139	37.133	53.272	2.049	59.673	61.722
4.1 Interbank Money Market Placements		-	37.133	37.133	-	13.087	13.087
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		16.139	-	16.139	2.049	46.586	48.635
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	40.386.943	6.506.018	46.892.961	33.715.982	4.646.421	38.362.403
5.1 Securities Representing a Share in Capital		130.910	232.287	363.197	141.674	118.147	259.821
5.2 Public Sector Debt Securities		40.097.467	6.140.538	46.238.005	33.365.777	4.391.810	37.757.587
5.3 Other Marketable Securities		158.566	133.193	291.759	208.531	136.464	344.995
<b>VI. LOANS AND RECEIVABLES</b>	(5)	90.469.955	22.898.704	113.368.659	63.978.529	9.168.557	73.147.086
6.1 Loans and Receivables		89.675.429	22.881.971	112.557.400	63.183.707	9.159.764	72.343.471
6.1.1 Loans Granted to Risk Group of The Bank		-	-	-	-	61.333	61.333
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		89.675.429	22.881.971	112.557.400	63.183.707	9.098.431	72.282.138
6.2 Loans under Follow-up		2.396.871	73.342	2.470.213	2.040.802	43.745	2.084.547
6.3 Specific Provisions (-)		1.602.345	56.609	1.658.954	1.245.980	34.952	1.280.932
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	10.601.586	5.197.752	15.799.338	23.030.009	4.292.029	27.322.038
8.1 Public Sector Debt Securities		10.520.533	5.167.636	15.688.169	23.020.788	4.267.973	27.288.761
8.2 Other Marketable Securities		81.053	30.116	111.169	9.221	24.056	33.277
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	77.349	762	78.111	69.742	612	70.354
9.1 Accounted with Equity Method		71.283	-	71.283	63.676	-	63.676
9.2 Unconsolidated Associates		6.066	762	6.828	6.066	612	6.678
9.2.1 Financial Associates		-	762	762	-	612	612
9.2.2 Non-financial Associates		6.066	-	6.066	6.066	-	6.066
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	6.237	-	6.237	8.032	-	8.032
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237	8.032	-	8.032
<b>XI. ENTITIES UNDER COMMON CONTROL (Net)</b>	(9)	-	62.167	62.167	-	46.704	46.704
11.1 Accounted with Equity Method		-	62.167	62.167	-	46.704	46.704
11.2 Unconsolidated Entities Under Common Control		-	-	-	-	-	-
11.2.1 Financial Entities Under Common Control		-	-	-	-	-	-
11.2.2 Non Financial Entities Under Common Control		-	-	-	-	-	-
<b>XII. RECEIVABLES FROM LEASING TRANSACTIONS</b>	(10)	376.798	1.100.751	1.477.549	152.321	465.228	617.549
12.1 Finance Lease Receivables		480.051	1.249.100	1.729.151	193.108	527.664	720.772
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		103.253	148.349	251.602	40.787	62.436	103.223
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(11)	-	-	-	-	-	-
13.1 Fair Value Hedges		-	-	-	-	-	-
13.2 Cash Flow Hedges		-	-	-	-	-	-
13.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(14)	1.045.686	35.064	1.080.750	926.585	27.323	953.908
<b>XV. INTANGIBLE ASSETS (Net)</b>	(15)	133.497	9.658	143.155	57.426	8.899	66.325
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		133.497	9.658	143.155	57.426	8.899	66.325
<b>XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)</b>	(12)	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>		341.745	3.334	345.079	227.548	2.733	230.281
17.1 Current Tax Asset		3.498	3.334	6.832	340	2.733	3.073
17.2 Deferred Tax Asset	(16)	338.247	-	338.247	227.208	-	227.208
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(13)	105.904	-	105.904	66.066	-	66.066
18.1 Held for Sale		105.904	-	105.904	66.066	-	66.066
18.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	(17)	1.052.354	769.870	1.822.224	1.022.832	51.977	1.074.809
<b>TOTAL ASSETS</b>		150.280.978	61.322.501	211.603.479	129.855.908	35.244.987	165.100.895

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	Current Period (31/12/2013)			Prior Period (31/12/2012)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES AND EQUITY					
<b>I. DEPOSITS</b>	(1)	<b>100.541.591</b>	<b>42.969.671</b>	<b>143.511.262</b>	<b>92.079.627</b>	<b>27.599.627</b>	<b>119.679.254</b>
1.1 Deposits Held By the Risk Group of the Bank		76.546	91.503	168.049	543.630	14.006	557.636
1.2 Other		100.465.045	42.878.168	143.343.213	91.535.997	27.585.621	119.121.618
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	<b>18.520</b>	<b>37.833</b>	<b>56.353</b>	<b>38.987</b>	<b>16.604</b>	<b>55.591</b>
<b>III. FUNDS BORROWED</b>	(3)	<b>1.082.326</b>	<b>8.179.935</b>	<b>9.262.261</b>	<b>879.745</b>	<b>2.602.533</b>	<b>3.482.278</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>12.509.222</b>	<b>12.061.628</b>	<b>24.570.850</b>	<b>5.577.693</b>	<b>5.584.781</b>	<b>11.162.474</b>
4.1 Interbank Money Market Borrowings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Takasbank Borrowings		-	-	-	-	-	-
4.3 Funds Provided under Repurchase Agreements		12.509.222	12.061.628	24.570.850	5.577.693	5.584.781	11.162.474
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		<b>2.656.460</b>	<b>-</b>	<b>2.656.460</b>	<b>1.854.137</b>	<b>-</b>	<b>1.854.137</b>
5.1 Bills		2.347.777	-	2.347.777	1.675.007	-	1.675.007
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		308.683	-	308.683	179.130	-	179.130
<b>VI. FUNDS</b>		<b>4.036.491</b>	<b>-</b>	<b>4.036.491</b>	<b>4.292.229</b>	<b>-</b>	<b>4.292.229</b>
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		4.036.491	-	4.036.491	4.292.229	-	4.292.229
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>1.064.330</b>	<b>315.873</b>	<b>1.380.203</b>	<b>844.063</b>	<b>313.051</b>	<b>1.157.114</b>
<b>VIII. OTHER LIABILITIES</b>	(4)	<b>1.423.725</b>	<b>490.082</b>	<b>1.913.807</b>	<b>1.182.682</b>	<b>368.050</b>	<b>1.550.732</b>
<b>IX. FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. PAYABLES FROM LEASING TRANSACTIONS (Net)</b>	(5)	<b>-</b>	<b>7</b>	<b>7</b>	<b>-</b>	<b>287</b>	<b>287</b>
10.1 Finance Lease Payables		-	9	9	-	297	297
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	2	2	-	10	10
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	(6)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(7)	<b>5.101.401</b>	<b>43.195</b>	<b>5.144.596</b>	<b>3.885.824</b>	<b>33.527</b>	<b>3.919.351</b>
12.1 General Provisions		1.977.215	26.278	2.003.493	1.210.302	22.913	1.233.215
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		705.421	735	706.156	777.731	520	778.251
12.4 Insurance Technical Reserves (Net)		1.139.179	-	1.139.179	876.567	-	876.567
12.5 Other Provisions		1.279.586	16.182	1.295.768	1.021.224	10.094	1.031.318
<b>XIII. TAX LIABILITY</b>	(8)	<b>400.716</b>	<b>3.134</b>	<b>403.850</b>	<b>525.828</b>	<b>1.537</b>	<b>527.365</b>
13.1 Current Tax Liability		400.716	1.453	402.169	525.828	1.169	526.997
13.2 Deferred Tax Liability		-	1.681	1.681	-	368	368
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1 Held for Sale		-	-	-	-	-	-
14.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	(9)	<b>18.812.746</b>	<b>(145.407)</b>	<b>18.667.339</b>	<b>16.969.799</b>	<b>450.284</b>	<b>17.420.083</b>
16.1 Paid-in Capital		2.500.000	-	2.500.000	2.500.000	-	2.500.000
16.2 Capital Reserves		(113.564)	(145.407)	(258.971)	1.035.303	450.284	1.485.587
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(658.133)	(145.407)	(803.540)	474.452	450.284	924.736
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		17.388	-	17.388	17.369	-	17.369
16.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other Capital Reserves		527.181	-	527.181	543.482	-	543.482
16.3 Profit Reserves		12.578.459	-	12.578.459	10.200.423	-	10.200.423
16.3.1 Legal Reserves		2.645.390	-	2.645.390	2.525.171	-	2.525.171
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		9.011.091	-	9.011.091	7.041.211	-	7.041.211
16.3.4 Other Profit Reserves		921.978	-	921.978	634.041	-	634.041
16.4 Profit or Loss		3.846.416	-	3.846.416	3.197.558	-	3.197.558
16.4.1 Prior Years Profit/Loss		582.187	-	582.187	446.544	-	446.544
16.4.2 Net Period Profit/Loss		3.264.229	-	3.264.229	2.751.014	-	2.751.014
16.5 Minority Interest		1.435	-	1.435	36.515	-	36.515
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>147.647.528</b>	<b>63.955.951</b>	<b>211.603.479</b>	<b>128.130.614</b>	<b>36.970.281</b>	<b>165.100.895</b>

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

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013  
(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 (31/12/2013)			Prior Period (31/12/2012)		
		TL	FC	Total	TL	FC	Total
		<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>47.871.004</b>	<b>72.752.844</b>	<b>120.623.848</b>	<b>54.173.751</b>
<b>I. GUARANTEES AND WARRANTIES</b>	(1),(3)	<b>10.831.743</b>	<b>19.060.838</b>	<b>29.892.581</b>	<b>5.530.506</b>	<b>10.121.614</b>	<b>15.652.120</b>
1.1 Letters of Guarantee		10.739.853	12.776.246	23.516.099	5.465.461	6.787.048	12.252.509
1.1.1 Guarantees Subject to State Tender Law		741.194	12.209.334	12.950.528	379.750	6.132.611	6.512.361
1.1.2 Guarantees Given for Foreign Trade Operations		9.275.313	-	9.275.313	4.281.844	-	4.281.844
1.1.3 Other Letters of Guarantee		723.346	566.912	1.290.258	803.867	654.437	1.458.304
1.2 Bank Acceptances		68.438	2.049.565	2.118.003	5.363	955.606	960.969
1.2.1 Import Letter of Acceptance		68.438	2.037.730	2.106.168	5.363	941.199	946.562
1.2.2 Other Bank Acceptances		-	11.835	11.835	-	14.407	14.407
1.3 Letters of Credit		23.452	4.205.662	4.229.114	59.682	2.355.459	2.415.141
1.3.1 Documentary Letters of Credit		23.452	3.838.627	3.862.079	59.682	2.291.766	2.351.448
1.3.2 Other Letters of Credit		-	367.035	367.035	-	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		-	29.365	29.365	-	23.501	23.501
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(1),(3)	<b>34.702.138</b>	<b>32.669.994</b>	<b>67.372.132</b>	<b>47.204.131</b>	<b>20.743.710</b>	<b>67.947.841</b>
2.1 Irrevocable Commitments		12.293.762	5.154.199	17.447.961	8.120.364	937.008	9.057.372
2.1.1 Asset Purchase and Sale Commitments		326.682	4.154.496	4.481.178	115.642	340.276	455.918
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		1.020.202	193.393	1.213.595	11	198.997	199.008
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		2.513.009	14	2.513.023	2.410.263	37	2.410.300
2.1.8 Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9 Commitments for Credit Card Limits		6.275.095	20.039	6.295.134	3.813.950	15.439	3.829.389
2.1.10 Commitments for Credit Cards and Banking Services Promotions		13.049	-	13.049	10.985	-	10.985
2.1.11 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		2.145.725	786.257	2.931.982	1.769.513	382.259	2.151.772
2.2 Revocable Commitments		22.408.376	27.515.795	49.924.171	39.083.767	19.806.702	58.890.469
2.2.1 Revocable Loan Granting Commitments		22.408.364	27.515.795	49.924.159	39.083.755	19.806.702	58.890.457
2.2.2 Other Revocable Commitments		12	-	12	12	-	12
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	<b>2.337.123</b>	<b>21.022.012</b>	<b>23.359.135</b>	<b>1.439.114</b>	<b>9.948.421</b>	<b>11.387.535</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		2.337.123	21.022.012	23.359.135	1.439.114	9.948.421	11.387.535
3.2.1 Forward Foreign Currency Buy/Sell Transactions		357.260	363.104	720.364	7.225	105.117	112.342
3.2.1.1 Forward Foreign Currency Transactions-Buy		178.811	181.566	360.377	3.611	52.564	56.175
3.2.1.2 Forward Foreign Currency Transactions-Sell		178.449	181.538	359.987	3.614	52.553	56.167
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		1.979.863	20.658.908	22.638.771	1.431.889	9.843.304	11.275.193
3.2.2.1 Foreign Currency Swap-Buy		179.214	11.329.933	11.509.147	664	5.695.231	5.695.895
3.2.2.2 Foreign Currency Swap-Sell		1.800.649	9.328.975	11.129.624	1.431.225	4.148.073	5.579.298
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. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>320.577.537</b>	<b>34.167.121</b>	<b>354.744.658</b>	<b>231.307.867</b>	<b>15.817.059</b>	<b>247.124.926</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>46.911.455</b>	<b>6.071.450</b>	<b>52.982.905</b>	<b>30.258.214</b>	<b>2.479.818</b>	<b>32.738.032</b>
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		20.973.487	2.922.058	23.895.545	10.785.482	1.298.862	12.084.344
4.3 Checks Received for Collection		1.790.488	124.295	1.914.783	942.646	22.480	965.126
4.4 Commercial Notes Received for Collection		3.606.962	130.038	3.737.000	2.627.395	132.381	2.759.776
4.5 Other Assets Received for Collection		8.445	-	8.445	8.879	-	8.879
4.6 Assets Received for Public Offering		20.295.171	112	20.295.283	15.722.252	90	15.722.342
4.7 Other Items Under Custody		235.253	2.894.947	3.130.200	169.911	1.026.005	1.195.916
4.8 Custodians		1.649	-	1.649	1.649	-	1.649
<b>V. PLEDGES RECEIVED</b>		<b>273.653.063</b>	<b>27.549.642</b>	<b>301.202.705</b>	<b>201.042.222</b>	<b>12.750.929</b>	<b>213.793.151</b>
5.1 Marketable Securities		940.376	18.700	959.076	595.136	37.418	632.554
5.2 Guarantee Notes		10.097.025	1.498.284	11.595.309	8.062.281	616.679	8.678.960
5.3 Commodity		1.263.180	18.155	1.281.335	1.249.249	13.603	1.262.852
5.4 Warranty		-	-	-	-	-	-
5.5 Immovable		242.419.327	22.144.209	264.563.536	177.847.875	9.733.171	187.581.046
5.6 Other Pledged Items		18.927.946	3.862.021	22.789.967	13.282.472	2.343.229	15.625.701
5.7 Pledged Items-Depository		5.209	8.273	13.482	5.209	6.829	12.038
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>13.019</b>	<b>546.029</b>	<b>559.048</b>	<b>7.431</b>	<b>586.312</b>	<b>593.743</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>368.448.541</b>	<b>106.919.965</b>	<b>475.368.506</b>	<b>285.481.618</b>	<b>56.630.804</b>	<b>342.112.422</b>

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

<b>III. STATEMENT OF INCOME</b>			
<b>INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five IV)</b>	<b>Current Period 01/01-31/12/2013</b>	<b>Prior Period 01/01-31/12/2012</b>
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>14.641.237</b>	<b>15.004.188</b>
1.1 Interest Income from Loans		9.600.863	8.729.428
1.2 Interest Income from Reserve Deposits		1.223	1.647
1.3 Interest Income from Banks		107.224	64.787
1.4 Interest Income from Money Market Placements		1.758	1.279
1.5 Interest Income from Marketable Securities		4.834.460	6.133.358
1.5.1 Financial Assets Held for Trading		1.367	2.887
1.5.2 Financial Assets at Fair Value through Profit and Loss		1.060	963
1.5.3 Financial Assets Available-for-Sale		3.016.436	3.201.311
1.5.4 Investments Held-to-Maturity		1.815.597	2.928.197
1.6 Finance Lease Income		81.618	48.053
1.7 Other Interest Income		14.091	25.636
<b>II. INTEREST EXPENSES</b>	<b>(2)</b>	<b>6.677.766</b>	<b>7.901.565</b>
2.1 Interest Expense on Deposits		5.605.766	6.279.263
2.2 Interest on Borrowings		165.813	88.930
2.3 Interest on Money Market Borrowings		693.866	1.381.240
2.4 Interest on Marketable Securities Issued		171.143	133.407
2.5 Other Interest Expense		41.178	18.725
<b>III. NET INTEREST INCOME/EXPENSES (I - II)</b>		<b>7.963.471</b>	<b>7.102.623</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>871.950</b>	<b>697.715</b>
4.1 Fees and Commissions Received		1.050.953	883.660
4.1.1 Non-cash Loans		103.348	64.118
4.1.2 Other		947.605	819.542
4.2 Fees and Commissions Paid		179.003	185.945
4.2.1 Non-cash Loans		2.307	19
4.2.2 Other		176.696	185.926
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>14.327</b>	<b>17.679</b>
<b>VI. TRADING PROFIT/LOSS (Net)</b>	<b>(4)</b>	<b>(174.631)</b>	<b>(44.715)</b>
6.1 Profit/Loss from Capital Market Operations		93.679	66.792
6.2 Profit/losses on Derivative Financial Transactions	(5)	405.787	(45.184)
6.3 Profit/Loss from Foreign Exchanges		(674.097)	(66.323)
<b>VII. OTHER OPERATING INCOME</b>	<b>(6)</b>	<b>2.105.121</b>	<b>1.438.807</b>
<b>VIII. TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>		<b>10.780.238</b>	<b>9.212.109</b>
<b>IX. PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)</b>	<b>(7)</b>	<b>1.879.370</b>	<b>1.807.710</b>
<b>X. OTHER OPERATING EXPENSES(-)</b>	<b>(8)</b>	<b>4.546.250</b>	<b>3.758.510</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>4.354.618</b>	<b>3.645.889</b>
<b>XII. GAINS RECORDED AFTER MERGER</b>		-	-
<b>XIII. PROFIT/LOSS ON EQUITY METHOD</b>		<b>17.318</b>	<b>11.285</b>
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>(9)</b>	<b>4.371.936</b>	<b>3.657.174</b>
<b>XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(10)</b>	<b>(1.107.604)</b>	<b>(901.643)</b>
16.1 Current Tax Provision		(730.902)	(1.187.066)
16.2 Deferred Tax Provision		(376.702)	285.423
<b>XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>(11)</b>	<b>3.264.332</b>	<b>2.755.531</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1 Income from Non-current Assets Held for Sale		-	-
18.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
18.3 Other Income from Discontinued Operations		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Expenses for Non-current Assets Held for Sale		-	-
19.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3 Other Expenses from Discontinued Operations		-	-
<b>XX. PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(12)</b>	<b>3.264.332</b>	<b>2.755.531</b>
23.1 Group's Profit/Loss		3.264.229	2.751.014
23.2 Minority Shares Profit/Loss		103	4.517
Earnings/Loss per Share		1,306	1,100

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013**

(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 (31/12/2013)	Prior Period (31/12/2012)
I.	ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	(2.931.510)	2.262.321
II.	PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	(27.061)	18.450
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	(20.376)	93.907
IX.	DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	484.923	(351.322)
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(2.494.024)	2.023.356
XI.	CURRENT YEAR PROFIT/LOSS	765.767	(655.605)
11.1	Net change in fair value of marketable securities (transfer to profit-loss)	758.836	(667.102)
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	6.931	11.497
XII.	TOTAL PROFIT/LOSS FOR THE PERIOD (X±XI)	(1.728.257)	1.367.751

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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI 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 Cancell. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
I. Balance at the Beginning of the Period		2.500.000	543.482	-	-	2.400.181	-	5.305.510	634.041	2.220.585	271.407	(443.015)	-	17.361	-	-	90.583	13.540.135
II. Corrections according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. The Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. The Effect of Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I-II)		2.500.000	543.482	-	-	2.400.181	-	5.305.510	634.041	2.220.585	271.407	(443.015)	-	17.361	-	-	90.583	13.540.135
IV. Changes During the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Marketable Securities Valuation Differences		-	-	-	-	11.528	-	-	-	-	-	1.349.301	-	-	-	-	(206)	1.360.623
VII. Hedging Funds (Active Part)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	8	-	-	-	8
XI. Foreign Exchange Differences		-	-	-	-	(4.272)	-	-	-	-	-	18.450	-	-	-	-	-	14.178
XII. Changes Resulted from Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Changes Resulted from Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Increase in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 From Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Net Profit or Losses		-	-	-	-	-	-	-	-	2.751.014	55.226	-	-	-	-	-	(55.226)	2.755.531
XX. Profit Distribution		-	-	-	-	117.734	-	1.735.701	-	(2.220.585)	119.911	-	-	-	-	-	4.517	(250.392)
20.1 Dividend Distributed		-	-	-	-	-	-	-	-	-	(247.239)	-	-	-	-	-	(3.153)	(250.392)
20.2 Transfers to Legal Reserves		-	-	-	-	117.734	-	1.735.701	-	(2.220.585)	367.150	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the end of the period (I+II+III+.....+XVIII+XIX+XX)		2.500.000	543.482	-	-	2.525.171	-	7.041.211	634.041	2.751.014	446.544	924.736	-	17.369	-	-	36.515	17.420.083

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



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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2013**

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

VI. STATEMENT OF CASH FLOWS			
	Note (Section Five VI)	Current Period (31/12/2013)	Prior Period (31/12/2012)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		5.180.212	3.502.274
1.1.1 Interest Received		15.922.425	13.738.401
1.1.2 Interest Paid		(6.654.910)	(7.941.910)
1.1.3 Dividend Received		3.430	20.972
1.1.4 Fees and Commissions Received		1.052.316	883.736
1.1.5 Other Income		1.591.670	2.491.400
1.1.6 Collections from Previously Written-off Loans and Other Receivables		1.354.961	749.391
1.1.7 Payments to Personnel and Service Suppliers		(1.858.253)	(350.720)
1.1.8 Taxes Paid		(1.160.330)	(1.156.789)
1.1.9 Other		(5.071.097)	(4.932.207)
1.2 Changes in Operating Assets and Liabilities		(5.399.592)	(14.042.253)
1.2.1 Net (Increase)/Decrease in Trading Securities		8.173	28.120
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3 Net (Increase)/Decrease in Banks		(5.826.542)	(8.528.796)
1.2.4 Net (Increase)/Decrease in Loans		(42.168.397)	(804.789)
1.2.5 Net (Increase)/Decrease in Other Assets		(1.014.453)	(94.071)
1.2.6 Net Increase/(Decrease) in Bank Deposits		13.317.669	(10.897.438)
1.2.7 Net Increase/(Decrease) in Other Deposits		23.927.001	2.194.406
1.2.8 Net Increase/(Decrease) in Funds Borrowed		5.752.842	2.777.459
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		604.115	1.282.856
<b>I. Net Cash Provided from Banking Operations</b>		<b>(219.380)</b>	<b>(10.539.979)</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>		<b>409.779</b>	<b>7.741.998</b>
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		(27.974)	(58.847)
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		6.549	-
2.3 Fixed Assets Purchases		(494.942)	(59.728)
2.4 Fixed Assets Sales		292.295	37.469
2.5 Cash for Purchase of Financial Assets Available for Sale		(17.055.354)	(10.942.498)
2.6 Cash Obtained from Sale of financial Assets Available for Sale		7.077.560	12.983.207
2.7 Cash Paid for Purchase of Investment Securities		(339.130)	(418.658)
2.8 Cash Obtained from Sale of Investment Securities		12.737.663	5.253.824
2.9 Other		(1.786.888)	947.229
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>		<b>542.335</b>	<b>1.656.341</b>
3.1 Cash from Funds Borrowed and Securities Issued		802.322	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3 Marketable Securities Issued		-	1.903.580
3.4 Dividends Paid		(259.987)	(247.239)
3.5 Payments for Finance Leases		-	-
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>424.386</b>	<b>(72.871)</b>
<b>V. Net Decrease/Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>1.157.120</b>	<b>(1.214.511)</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>	(1)	<b>7.066.624</b>	<b>8.281.135</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>	(1)	<b>8.223.744</b>	<b>7.066.624</b>

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF PROFIT APPROPRIATION AS OF 31 DECEMBER 2013**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

<b>VII.</b>	<b>STATEMENT OF PROFIT APPROPRIATION <sup>(1)</sup></b>	<b>Current Period (31/12/2013)</b>	<b>Prior Period <sup>(2)</sup> (31/12/2012)</b>
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1	Current Year Income	4.378.523	3.504.725
1.2	Taxes And Duties Payable (-) <sup>(3)</sup>	1.048.449	1.142.233
1.2.1	Corporate Tax (Income tax)	670.519	1.142.233
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	377.930	-
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>3.330.074</b>	<b>2.362.492</b>
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	166.504	118.125
1.5	Other Statutory Reserves (-)	-	-
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]</b>	<b>3.163.570</b>	<b>2.244.367</b>
1.6	First Dividend To Shareholders (-)	-	125.000
1.6.1	To Owners Of Ordinary Shares	-	125.000
1.6.2	To Owners Of Privileged Shares	-	-
1.6.3	To Owners Of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.7	Dividends To Personnel (-)	-	134.987
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 (-)	-	14.500
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	1.969.880
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>		
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends To Shareholders (-)	-	-
2.3.1	To Owners Of Ordinary Shares	-	-
2.3.2	To Owners Of Privileged Shares	-	-
2.3.3	To Owners Of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders Of Profit And Loss Sharing Certificates	-	-
2.4	Dividends To Personnel (-)	-	-
2.5	Dividends To Board Of Directors (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>		
3.1	To Owners Of Ordinary Shares	1,3320	0,9450
3.2	To Owners Of Ordinary Shares ( % )	133,20	94,50
3.3	To Owners Of Privileged Shares	-	-
3.4	To Owners Of Privileged Shares ( % )	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>		
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 General Assembly of the Parent Bank over the unconsolidated financial statements of the Parent Bank. As of the date of the preparation of financial statements, the meeting for General Assembly has not been held.

<sup>(2)</sup> The profit distribution table belongs to prior period becomes definite with the decision of General Assembly after the publishing of 31 December 2012 audited financial statements. It is rearranged in this direction.

<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 consolidated financial statements.

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013**

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

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

The 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”(“IFRS”) issued by the Public Oversight Accounting and Auditing Standards Authority, and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA (all defined as “BRSA Principles”). 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 2013, financial statements are presented comparatively with independently audited financial statements as of 31 December 2012.

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.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

Main activity of the 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 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; Borsa Istanbul (“BIST”), Central Bank of the Republic of Turkey, Money Market or Interbank Money Market in case of need. In case of a liquidity crisis, the deposit base of the Bank is not presumed to be significantly affected from such a case since the Parent Bank is a public bank with an extensive branch network.

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

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

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

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

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

**a. Consolidation principles applied:**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**a. Consolidation principles applied (Continued)**

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.

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	2013		2012	
			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	100,00	99,99	99,99	99,98
Ziraat Sigorta A.Ş.	İstanbul/Turkey	Insurance	100,00	99,99	99,99	99,98
Ziraat Finansal Kiralama A.Ş.	İstanbul/Turkey	Leasing	100,00	100,00	90,00	90,00
Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	Investment Management	99,60	99,60	72,60	75,00
Ziraat Portföy Yönetimi A.Ş.	İstanbul/Turkey	Portfolio Management	99,70	99,80	68,08	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	99,58	99,58

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**a. Consolidation principles applied (Continued):**

2. Consolidation principles of associates and joint ventures:

An Associate is a partnership with which the Parent Bank participates in its capital and has significant effect on it although it has no capital or management control, whose main operation is banking and which operates according to special legislation with permission and license and is established abroad. The related associate is consolidated with equity method in accordance with materiality principle.

Significant effect refers to the participation power on the constitution of the financial and management policies of the participated associate. If the Parent Bank has 10% or more voting right on the associate, as long as it is not proved otherwise, it will be accepted that the Parent Bank has significant effect on that associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changed amount in the associate participating shareholder’s equity during the period by the portion of the participant and the deduction of the dividend from the associate from the changed value of the associate amount.

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

Title	Address (City/Country)	Main Activities	31 December 2013		31 December 2012	
			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 recognized in the consolidated financial statements.

When the cost of investments, associates and share certificates which are classified under available for sale portfolio is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value if any, considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

The Parent Bank’s derivative transactions mostly include currency and precious metal 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.

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, corporate, commercial and entrepreneurial cash loans are recognized on an accrual basis by using internal rate of return method and transferred to the income statement in accordance with the matching principle. Other fees and commission expenses are recorded as expense on the date they are paid.

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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 incompliance with the principles of financial assets classification.

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

Held to maturity assets are initially recognized at cost. 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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.

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS**

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

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

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

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

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 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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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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 recognized 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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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

**a. Employment Termination and Vacation Benefits**

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).

The Parent Bank uses independent actuaries in determining liability, and also makes assumptions relating to the discount rate, future salary increases, and the employee turnover. These assumptions are reviewed on an annual basis. Retirement benefit obligation is TL 570.074 as of 31 December 2013. (31 December 2012: TL 642.480)

	<b>Current Period</b>	<b>Prior Period</b>
Discount rate (%)	9,60	9,80
Expected inflation rate (%)	6,00	5,21

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS (Continued)**

**a. Employment Termination and Vacation Benefits (Continued)**

Communiqué on “Turkish Accounting Standard (TAS19) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (POA) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss after tax effect, which is amounted 16.301 TL, regarding the accounting period of 1 January – 31 December 2013 has been classified as ‘Other Comprehensive Expenses’ in financials.

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

The 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 18.066 (31 December 2012: 14.060). 14.443 of these members are active while 3.623 are passive members. (31 December 2012: 10.537 active members, 3.523 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 1st paragraph of the 1st article of the 23rd 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.

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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS (Continued)**

**b. Pension Rights (Continued)**

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 2013 which is prepared in accordance with the new law and the rate determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Parent Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

**XVII. EXPLANATIONS ON TAXATION**

**a. Current Tax**

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

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

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**a. Current Tax (Continued)**

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

Tax rates used in tax calculation considering the related countries' tax legislation as of 31 December 2013 are presented below:

Russia	20,00%
Kazakhstan	20,00%
Germany	15,00%
Bosnia Herzegovina	10,00%

**b. Deferred tax**

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

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

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

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

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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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” 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVIII. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES (Continued)**

**Technical Reserves (Continued)**

*Mathematical provisions:*

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

**XIX. EXPLANATIONS ON BORROWINGS**

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

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

The Group has issued no convertible bonds.

**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 values of these assets represent their fair values. Cash equivalents and balances regarding banks are valued by the period end counter foreign currency buying rate of the Bank.

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

**XXIV. EXPLANATIONS ON SEGMENT REPORTING**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXV. EXPLANATIONS ON OTHER MATTERS**

In accordance with the decision taken in the General Assembly of the Parent Bank of the year 2012 which was carried out on 29 March 2013, on the basis of distribution amounting to TL2.362.492 of the profit for the year 2012 amounting to TL2.650.428, TL118.125 is transferred to first legal reserve and TL14.500 is transferred to second legal reserve, TL145.000 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, TL1.959.867 of the profit is preserved, dividend payment made to Treasury on 15 April 2013, and within the framework of the dividend to be distributed to the employees, TL134.987 is paid. The remaining TL10.013 from the dividends distributed to the personnel as of 31 December 2013 was transferred to the extraordinary reserves.

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**SECTION FOUR**

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

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

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

The Group’s consolidated capital adequacy ratio calculated in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” is 12,88%. (31 December 2012: 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 are assigned by the weight of risk. After, they are subject to risk reduction in accordance with the principles of “Communiqué on Credit Risk Mitigation Techniques”, their risk-weighted amount is calculated by multiplying risk weights.

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

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

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

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

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

**I. EXPLANATIONS ON THE CONSOLIDATED CAPITAL ADEQUACY STANDARD RATIO (Continued)**

**Information related to capital adequacy ratio:**

Current Period	Risk Weights										
	The Parent Bank										
	0%	10%	20%	%50 Real Est. Mort. Coll.	50%	75%	100%	150%	200%	250%	1250%
<b>Value at Credit Risk Exposure Categories</b>	<b>72.326.224</b>	-	<b>25.979.031</b>	-	<b>20.540.912</b>	<b>45.308.880</b>	<b>58.020.949</b>	<b>3.269.187</b>	<b>17.464.372</b>	<b>9.215</b>	-
Risk Classes											
Conditional and unconditional receivables from central governments or central banks	66.553.362	-	-	-	10.882.453	-	244.666	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	138.899	-	132	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	383.439	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	6	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organisations	-	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	25.254.905	-	7.524.260	-	394.401	-	-	-	-
Conditional and unconditional corporate receivables	-	-	585.222	-	2.134.065	-	52.532.583	-	-	-	-
Conditional and unconditional retail receivables	-	-	-	-	2	37.720.339	651.189	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-	7.588.541	236.898	-	-	-	-
Past due receivables	-	-	-	-	-	-	545.855	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	3.269.187	17.464.372	9.215	-
Securities collateralised by mortgages	-	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	52.987	-	-	-	-
Other receivables	5.772.856	-	5	-	-	-	2.978.931	-	-	-	-

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

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

**I. EXPLANATIONS ON THE CONSOLIDATED CAPITAL ADEQUACY STANDARD RATIO (Continued)**

**Information related to capital adequacy ratio (Continued)**

Current Period	Risk Weights										
	Consolidated										
	0%	10%	20%	%50 Real Est. Mort. Coll.	50%	75%	100%	150%	200%	250%	1250%
<b>Value at Credit Risk Exposure Categories</b>	<b>72.627.435</b>	<b>-</b>	<b>26.933.485</b>	<b>-</b>	<b>19.343.392</b>	<b>45.884.424</b>	<b>60.840.258</b>	<b>3.279.767</b>	<b>17.464.372</b>	<b>9.215</b>	<b>-</b>
Risk Classes											
Conditional and unconditional receivables from central governments or central banks	66.599.345	-	29.454	-	10.945.625	-	277.481	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	139.209	-	284	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	383.918	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	6	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organisations	-	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	26.011.818	-	6.517.927	-	24.339	-	-	-	-
Conditional and unconditional corporate receivables	-	-	752.999	-	1.879.554	-	55.511.987	-	-	-	-
Conditional and unconditional retail receivables	-	-	-	-	2	38.295.883	651.190	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-	7.588.541	236.898	-	-	-	-
Past due receivables	-	-	-	-	-	-	551.996	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	3.279.767	17.464.372	9.215	-
Securities collateralised by mortgages	-	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	52.987	-	-	-	-
Other receivables	6.028.084	-	5	-	-	-	3.149.462	-	-	-	-

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

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

**I. EXPLANATIONS ON THE CONSOLIDATED CAPITAL ADEQUACY STANDARD RATIO (Continued)**

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

	<b>Consolidated</b>	<b>The Parent Bank</b>
	<b>Current Period</b>	<b>Current Period</b>
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	11.450.786	11.222.068
Capital Requirement for Market Risk (CRMR)	728.104	657.522
Capital Requirement for Operational Risk (CROR)	1.120.110	960.999
Shareholders' Equity	21.410.537	21.197.616
<b>Shareholders' Equity / ((CRCR+CRMR+CROR)*12.5*100)</b>	<b>12,88</b>	<b>13,21</b>

**Information related to the components of consolidated shareholders' equity:**

	<b>Current Period</b>	<b>Prior Period</b>
<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	12.562.158	10.200.423
Inflation Adjustments to Reserves	-	-
Profit	3.846.416	3.197.558
Current Period's Profit	3.264.229	2.751.014
Prior Period's Profit	582.187	446.544
Provision for Possible Losses (up to 25% of Core Capital)	1.017.586	654.776
Income on Sale of Equity Shares and Real Estates	-	-
Primary Subordinated Debts(up to 15% of Core Capital) <sup>(1)</sup>	-	-
Minority Shareholders	1.435	36.515
Loss (in excess of Reserves) (-)	-	-
Current Period's Losses	-	-
Prior Period's Losses	-	-
Leasehold Improvements on Operational Leases (-)	59.550	32.458
Intangible Assets (-)	83.605	33.867
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>20.327.922</b>	<b>17.066.429</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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**EXPLANATIONS RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**I. EXPLANATIONS ON THE CONSOLIDATED CAPITAL ADEQUACY STANDARD RATIO (Continued)**

**Information related to the components of consolidated shareholders' equity: (Continued)**

	<b>Current Period</b>	<b>Prior Period</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General Provisions	2.003.493	1.233.215
45% of Movable Assets Revaluation Fund	-	-
45% of Immovables Revaluation Fund	-	-
Bonus Shares of Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	17.388	17.369
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	(803.540)	416.131
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>1.217.341</b>	<b>1.666.715</b>
<b>CAPITAL</b>	<b>21.545.263</b>	<b>18.733.144</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>134.726</b>	<b>112.043</b>
Shares in Unconsolidated Banks and Financial Institutions	762	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	133.450	110.380
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	409	386
Other	105	665
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>21.410.537</b>	<b>18.621.101</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 analyzed within the scope of the accord to legal ratios and legal capital adequacy of budget considering imposed risks.
- Analyzing operations with stress tests are carried out the preservation potential against financial fluctuations of budget and convenience to capital adequacy policy in the process of these fluctuations

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

**II. EXPLANATIONS ON THE CREDIT RISK**

Credit risk is the possibility of loss that the Parent Bank may be exposed due to the partial or complete default of the debtor by not complying to the obligations of the agreement made, or due to the decrease in credit worthiness.

The limits of the credit customers are identified, after combined assessment of various factors like the financial and non-financial information of the credit customers, credit requirements, sectoral and geographical features and, in conformity with the legal legislation, in line with the credit authorization limits of the branches, Regional Managements, Group Presidencies, Department Presidencies, Assistant General Management, General Manager, Credit Committee and Board of Directors.

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

In order to prevent the risk intensity on the 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 Managements/Branches.

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

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

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

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 analyzing credit worthiness and determining credit allocation for Corporate/Commercial/ Entrepreneurial consumer loans.

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

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

**II. EXPLANATIONS ON THE CREDIT RISK (Continued)**

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

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

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

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

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

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

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

The percentage of top 100 and top 200 cash loans of the Parent Bank in the total cash loan portfolio is 19% and 23% respectively. (31 December 2012: 10%).

The percentage of top 100 and top 200 non-cash loans of the Parent Bank in the total non-cash loan portfolio is 63% and 73% respectively. (31 December 2012:56%).

The percentage of top 100 and top 200 cash and non-cash loans of the Parent Bank in the total cash and non-cash loan portfolio is 24% and 29% respectively. (31 December 2012: 18%).

General provision made by the Group for the credit risk is TL2.003.493.( 31 December 2012: TL1.233.215).

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

**II. EXPLANATIONS ON THE CREDIT RISK (Continued)**

	Conditional and unconditional receivables from central governments or regional or local governments	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	Total
<b>Current Period</b>																	
Domestic	77.495.327	139.032	383.434	6	-	14.610.375	55.850.288	38.335.999	7.823.179	546.355	20.743.276	-	-	-	52.987	8.922.339	224.902.597
European Union Countries	8.720	-	-	-	-	14.649.403	143.280	109.151	-	68	9	-	-	-	-	226.349	15.136.980
OECD Countries <sup>(1)</sup>	-	-	-	-	-	466.618	-	-	-	-	-	-	-	-	-	-	466.618
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	1.809	-	-	-	-	2.359.414	117.435	1.086	-	-	-	-	-	-	-	-	2.479.744
Other Countries	346.049	461	484	-	-	468.274	2.002.647	500.839	2.260	5.573	10.069	-	-	-	-	28.863	3.365.519
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	30.890	-	-	-	-	-	-	-	-	-	30.890
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>77.851.905</b>	<b>139.493</b>	<b>383.918</b>	<b>6</b>	<b>-</b>	<b>32.554.084</b>	<b>58.144.540</b>	<b>38.947.075</b>	<b>7.825.439</b>	<b>551.996</b>	<b>20.753.354</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52.987</b>	<b>9.177.551</b>	<b>246.382.348</b>

	Conditional and unconditional receivables from central governments or regional or local governments	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	Total
<b>Prior Period</b>																	
Domestic	82.057.885	99.272	333.015	-	-	2.392.333	20.634.581	35.219.107	7.867.954	586.351	11.649.643	-	-	-	-	8.139.446	168.979.587
European Union Countries	4.860	-	-	-	-	8.072.801	88.326	56.254	-	1.363	11.682	-	-	-	-	506.746	8.742.032
OECD Countries <sup>(1)</sup>	-	-	-	-	-	81.116	-	-	-	-	-	-	-	-	-	-	81.116
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	175.065	-	-	-	-	37.737	151.880	1.903	-	-	-	-	-	-	-	-	366.585
Other Countries	331.390	-	-	-	-	332.221	430.736	182.477	5.820	1.333	2.240	-	-	-	-	57.903	1.344.120
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	14.098	-	-	-	-	-	-	-	-	-	-	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>	<b>35.459.741</b>	<b>7.873.774</b>	<b>589.047</b>	<b>11.663.565</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8.704.095</b>	<b>179.527.538</b>

Prepared with the numbers after conversion rate to credit and before credit risk reduction.

- (1) OECD Countries other than EU countries, USA and Canada  
(2) Assets and liabilities that could not be distributed on a consistent basis.

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

**II. EXPLANATIONS ON THE CREDIT RISK (Continued)**

Current Period	Risk Classes																			Total
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	TL	FC		
<b>Sectors/Counter Parties</b>																				
Agriculture	-	-	-	-	-	-	3.555.661	16.320.687	348.896	6.539	22.749	-	-	-	-	2.487.247	22.589.023	152.756	22.741.779	
Farming and Stockbreeding	-	-	-	-	-	-	3.393.649	16.133.423	324.553	6.409	18.580	-	-	-	-	2.487.247	22.317.897	45.964	22.363.861	
Forestry	-	-	-	-	-	-	90.767	80.743	1.623	128	2.780	-	-	-	-	-	94.674	81.367	176.041	
Fishing	-	-	-	-	-	-	71.245	106.521	22.720	2	1.389	-	-	-	-	-	176.452	25.425	201.877	
Manufacturing	-	1.679	61.196	-	-	-	25.772.785	2.114.750	55.213	12.135	29.418	-	-	-	-	-	11.106.139	16.941.037	28.047.176	
Mining and Quarrying	-	39	15	-	-	-	350.277	49.183	4.364	91	1.434	-	-	-	-	-	305.781	99.622	405.403	
Production	-	1.152	61.176	-	-	-	20.355.050	2.052.844	50.148	9.787	25.367	-	-	-	-	-	9.394.281	13.161.243	22.555.524	
Electric, Gas and Water	-	488	5	-	-	-	5.067.458	12.723	701	2.257	2.617	-	-	-	-	-	1.406.077	3.680.172	5.086.249	
Construction	-	69	12.831	-	-	-	6.471.344	948.725	21.360	3.080	15.657	-	-	-	-	-	3.126.996	4.346.070	7.473.066	
Services	25.847.279	6.229	224.641	6	-	27.409.493	17.539.944	6.493.657	253.698	23.935	216.984	-	-	-	49.674	-	34.213.785	43.851.755	78.065.540	
Wholesale and Retail Trade	-	39	2.444	-	-	-	8.290.284	4.584.466	161.291	15.255	91.327	-	-	-	-	-	10.601.052	2.544.054	13.145.106	
Hotel Food and Beverage Services	-	168	82	-	-	-	1.889.021	461.011	23.417	1.333	23.794	-	-	-	-	-	765.113	1.633.713	2.398.826	
Transportation and Telecommunication	-	272	38.543	-	-	-	705.425	741.003	18.433	2.423	28.653	-	-	-	-	-	1.202.379	332.373	1.534.752	
Financial Institutions	25.847.279	587	483	6	-	25.767.778	3.271.522	7.825	701	31	42.978	-	-	-	-	-	18.327.272	36.611.918	54.939.190	
Real Estate and Leasing Services	-	654	78.203	-	-	1.641.715	3.091.015	447.121	35.743	4.352	18.298	-	-	-	49.674	-	2.720.483	2.646.292	5.366.775	
Self Employment Services	-	-	-	-	-	-	12	125	-	-	-	-	-	-	-	-	-	137	137	
Education Services	-	16	94.404	-	-	-	126.204	65.171	2.883	333	2.709	-	-	-	-	-	215.573	76.147	291.720	
Health and Social Services	-	4.493	10.482	-	-	-	166.461	186.935	11.230	208	9.225	-	-	-	-	-	381.913	7.121	389.034	
Other	52.004.626	131.516	85.250	-	-	5.144.591	4.804.806	13.069.256	7.146.272	506.307	20.468.546	-	-	-	3.313	6.690.304	89.594.601	20.460.186	110.054.787	
<b>Total</b>	<b>77.851.905</b>	<b>139.493</b>	<b>383.918</b>	<b>6</b>	<b>-</b>	<b>32.554.084</b>	<b>58.144.540</b>	<b>38.947.075</b>	<b>7.825.439</b>	<b>551.996</b>	<b>20.753.354</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52.987</b>	<b>9.177.551</b>	<b>160.630.544</b>	<b>85.751.804</b>	<b>246.382.348</b>	

Prepared with the numbers after conversion rate to credit and before credit risk reduction.



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

**II. EXPLANATIONS ON THE CREDIT RISK (Continued)**

**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	1.116.652	1.937.869	6.608.525	5.520.972	62.667.887
Conditional and unconditional exposures to regional governments or local authorities	23.029	280	5.562	18.617	92.005
Conditional and unconditional receivables from administrative units and non-commercial enterprises	91.241	5.432	9.764	42.094	235.387
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	6
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	21.403.689	3.969.326	1.404.630	1.697.322	4.079.117
Conditional and unconditional exposures to corporates	3.314.218	1.598.410	2.597.424	16.470.525	34.163.963
Conditional and unconditional retail exposures	2.177.343	1.856.455	2.960.720	10.046.421	21.906.136
Conditional and unconditional exposures secured by real estate property	68.375	91.266	250.690	923.827	6.491.281
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	44.103	-	-	199.494	20.488.575
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	3.313	-	-	-	49.674
<b>Grand Total</b>	<b>28.241.963</b>	<b>9.459.038</b>	<b>13.837.315</b>	<b>34.919.272</b>	<b>150.174.031</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.

Rating Scores are used in the following risk classes:

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

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

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

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

**II. EXPLANATIONS ON THE CREDIT RISK (Continued)**

**Exposures by Risk Weights:**

	<b>Risk Weights</b>	<b>%0</b>	<b>%10</b>	<b>%20</b>	<b>%50</b>	<b>%75</b>	<b>%100</b>	<b>%150</b>	<b>%200</b>	<b>%250</b>	<b>%1250</b>	<b>Deductions from Equity</b>
1	Exposures before Credit Risk Mitigation	72.627.435	-	26.933.485	19.343.392	45.884.424	60.840.258	3.279.767	17.464.372	9.215	-	134.726
2	Exposures after Credit Risk Mitigation	89.424.716	-	14.037.192	24.483.299	37.877.946	59.805.840	3.279.767	17.464.372	9.215	-	134.726

Prepared with the numbers after conversion rate to credit.

**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.

	<b>Credits</b>			
	<b>Impaired Credits</b>	<b>Past Due Credits</b>	<b>Value Adjustments</b>	<b>Provisions</b>
<b>Agriculture</b>	608.954	884.011	21.838	345.444
Farming and Stockbreeding	595.216	875.842	21.632	331.911
Forestry	2.763	2.545	93	2.763
Fishery	10.975	5.624	113	10.770
<b>Manufacturing</b>	179.368	93.754	2.652	168.212
Mining and Quarrying	9.713	3.151	135	9.634
Production	164.479	89.794	2.483	155.636
Electricity, Gas and Water	5.176	809	34	2.942
<b>Construction</b>	742.420	106.992	3.320	265.365
<b>Services</b>	348.163	356.017	10.111	323.190
Wholesale and Retail Trade	188.387	173.898	5.411	175.878
Accommodation and Dining	12.156	23.335	686	11.130
Transportation and Telecom.	33.182	57.876	1.461	31.213
Financial Institutions	2.320	4.797	150	2.218
Real Estate and Rental Services	98.290	73.494	1.694	89.449
Professional Services	89	244	11	89
Educational Services	2.775	5.029	145	2.465
Health and Social Services	10.964	17.344	553	10.748
<b>Other</b>	591.308	1.916.522	97.646	556.743
<b>Total</b>	<b>2.470.213</b>	<b>3.357.296</b>	<b>135.567</b>	<b>1.658.954</b>

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**II. EXPLANATIONS ON THE CREDIT RISK (Continued)**

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

		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	1.263.361	705.702	310.109	-	1.658.954
2	General Provisions	1.217.404	791.633	5.544	-	2.003.493

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	464.789	169.158
Banks	3.005.253	1.622.732
Interbank Money Market Placements	53.272	61.722
Available-for-Sale Financial Assets	46.892.961	38.362.403
Held-to-Maturity Investments	15.799.338	27.322.038
Loans	113.368.659	73.147.086
Other Assets	1.639.055	901.599
<b>Total Credit Risk Exposure of Balance Sheet Items</b>	<b>181.223.327</b>	<b>141.586.738</b>
Financial Guarantees	29.892.581	15.652.120
Commitments	67.372.132	67.947.841
<b>Total Credit Risk Exposure of Off-Balance Sheet Items</b>	<b>97.264.713</b>	<b>83.599.961</b>
<b>Total Credit Risk Exposure</b>	<b>278.488.040</b>	<b>225.186.699</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	3.005.253	-	3.005.253	1.622.732	-	1.622.732
Financial Assets at Fair Value Through Profit or Loss	464.789	-	464.789	169.158	-	169.158
Loans Given:	109.200.104	3.357.296	112.557.400	67.842.058	4.501.413	72.343.471
Commercial Loans	49.852.726	690.996	50.543.722	18.849.892	1.008.778	19.858.670
Consumer Loans	37.725.793	1.786.696	39.512.489	27.901.936	2.678.930	30.580.866
Specialized Loans	21.621.585	879.604	22.501.189	21.090.230	813.705	21.903.935
Available-for-Sale Financial Assets	46.892.961	-	46.892.961	38.362.403	-	38.362.403
Held-to-Maturity Investments	15.799.338	-	15.799.338	27.322.038	-	27.322.038

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

**II. EXPLANATIONS ON THE CREDIT RISK (Continued)**

**Information about Credit Quality per Class of Financial Assets (Continued)**

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 Given:	2.261.263	665.905
Commercial Loans	943.893	288.605
Consumer Loans	57.973	31.515
Specialized Loans	1.259.397	345.785
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 determined market risk management operations and taken the necessary measures in order to hedge market risk within its financial risk management purposes, in accordance with “Measurement and Assessment of the Capital Adequacy of Banks” and ‘Regulation on Internal Systems 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 performs scenario analysis with measurements that are suitable for structure and complexity of positions related to the market risk management, limiting, scenario analysis and stress test and bank also reports 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 is used in daily reporting and limit allocation. VAR results, calculated with Parametric and Monte Carlo Methods, are used for monitoring. Backward testing is performed so as to measure performance of used model. Also, Parent Bank performs as per daily and monthly periods stress tests and scenario analysis so as to observe the effect of excessive market fluctuations that are not covered by models over the Parent Bank’s financial position.

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

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

**III. EXPLANATIONS ON THE MARKET RISK (Continued)**

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

	<b>Current Period</b>
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	312.688
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	51.174
Capital Requirement for Specific Risk of Securitization Positions	-
(III) Capital Requirement to be Employed for Currency Risk - Standard Method	351.485
(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	12.757
(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)	728.104
<b>(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x IX)</b>	<b>9.101.300</b>

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

	<b>Current Period</b>			<b>Prior Period</b>		
	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>
Interest Rate Risk	201.841	326.410	188.510	329.633	357.613	245.055
Equity Share Risk	27.990	37.452	21.038	27.640	17.716	19.310
Currency Risk	263.282	351.485	155.976	96.287	101.457	118.764
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counter Party Credit Risk	12.461	12.757	11.818	19.374	17.009	21.738
<b>Amount Subject to Total Risk</b>	<b>6.319.672</b>	<b>9.101.300</b>	<b>4.716.775</b>	<b>5.790.578</b>	<b>6.172.438</b>	<b>5.060.838</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.

**Quantitative Information on Counterparty Risk:**

	<b>Amount</b>
Agreements Based on Interest Rate	-
Agreements Based on Foreign Exchange Currency	252.400
Agreements Based on Commodity	-
Agreements Based on Shares	-
Other	-
Gross Positive Fair Values	145.602
Benefits of Netting	-
Current Net Risk Amount	-
Reserved Guarantee	204.710
Net Position of Derivatives	143.979

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**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 data in Operational Risk Loss database, Operational Value at Risk (OpVAR) measurements are calculated using Monte Carlo Simulation within the scope of Loss Distribution Method.

	31.12.2010	31.12.2011	31.12.2012	Total/Positive Year	Rate (%)	Total
Gross Income	6.702.784	6.962.068	8.737.357	7.467.403	15	1.120.110
Amount Subject to Operational Risk						14.001.381

- b) **The Parent Bank does not apply standard method.**

**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”, “Reprising Gap Analysis” and “Structural Liquidity Gap Analysis” which takes into account historical reprising rates of foreign currency accounts, are prepared periodically in order to define liquidity and interest rate risks at US Dollar and Euro, which are mainly used by the Parent Bank in its operations. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders’ Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

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

**V. EXPLANATIONS ON THE CURRENCY RISK (Continued)**

- 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
24.12.2013	2,0629	2,8161	1,8431	0,3788	0,3143	2,3058	1,9490	0,3350	3,3830	0,5514	1,9820
25.12.2013	2,0724	2,8336	1,8532	0,3816	0,3162	2,3250	1,9565	0,3374	3,3862	0,5539	1,9906
26.12.2013	2,1129	2,8917	1,8810	0,3888	0,3235	2,3662	1,9943	0,3439	3,4816	0,5650	2,0230
27.12.2013	2,1383	2,9481	1,9087	0,3966	0,3304	2,4180	2,0076	0,3499	3,5386	0,5717	2,0441
30.12.2013	2,1101	2,9097	1,8830	0,3915	0,3284	2,3810	1,9812	0,3470	3,4920	0,5642	2,0137
31.12.2013	2,1300	2,9365	1,9132	0,3955	0,3323	2,4053	2,0144	0,3515	3,5408	0,5707	2,0385

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
2,0528	2,8120	1,8468	0,3782	0,3149	2,3046	1,9335	0,3347	3,3709	0,5487	1,9880

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**V. EXPLANATIONS ON THE CURRENCY RISK (Continued)**

**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	8.935.187	8.334.911	5.963.420	23.233.518
Banks	161.872	949.039	207.540	1.318.451
Financial Assets at Fair Value Through Profit and Loss	-	4.432	-	4.432
Money Market Placements	-	6.307	30.826	37.133
Financial Assets Available-for-Sale	3.602.980	2.902.941	97	6.506.018
Loans <sup>(2)</sup>	7.486.336	14.761.006	740.126	22.987.468
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(4)</sup>	12.516	44.827	5.586	62.929
Investments Held-to-Maturity	1.744.360	3.423.532	29.860	5.197.752
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	7.097	1.317	26.650	35.064
Intangible Assets	2.302	2.173	5.183	9.658
Other Assets	1.292.438	555.839	19.272	1.867.549
<b>Total Assets</b>	<b>23.245.088</b>	<b>30.986.324</b>	<b>7.028.560</b>	<b>61.259.972</b>
<b>Liabilities</b>				
Interbank Deposits	1.404.558	3.897.792	84.248	5.386.598
Foreign Currency Deposits	23.489.825	11.032.724	3.060.524	37.583.073
Money Market Borrowings	2.853.819	9.207.809	-	12.061.628
Funds Provided from Other Financial Institutions	2.233.565	5.945.928	442	8.179.935
Issued Marketable Securities	-	-	-	-
Sundry Creditors	297.896	13.456	4.521	315.873
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	358.082	117.392	60.944	536.418
<b>Total Liabilities</b>	<b>30.637.745</b>	<b>30.215.101</b>	<b>3.210.679</b>	<b>64.063.525</b>
<b>Net Balance Sheet Position</b>	<b>(7.392.657)</b>	<b>771.223</b>	<b>3.817.881</b>	<b>(2.803.553)</b>
<b>Net Off-Balance Sheet Position</b> <sup>(3)</sup>	<b>7.916.641</b>	<b>(1.054.754)</b>	<b>(4.860.901)</b>	<b>2.000.986</b>
Financial Derivative Assets	8.374.906	2.347.877	788.716	11.511.499
Financial Derivative Liabilities	458.265	3.402.631	5.649.617	9.510.513
<b>Non-Cash Loans</b>	<b>5.058.346</b>	<b>12.699.489</b>	<b>1.303.003</b>	<b>19.060.838</b>
<b>Prior Period</b>				
Total Assets	14.087.344	16.106.298	5.046.909	35.240.551
Total Liabilities	17.936.117	16.775.578	1.791.698	36.503.393
<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</b> <sup>(3)</sup>	<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>

(1) Of the foreign currencies presented in the other FC column of assets 83,39% is Gold, 0,76% is IQD, 0,93% is GBP, and the remaining 14,92% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 62,50% is Gold, 12,97% is GBP, 7,47% is CHF, 2,78% is DKK and the remaining 14,28% is other foreign currencies. (31 December 2012: 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.)

(2) TL14 equivalent of EUR and TL88.750 equivalent of USD loans are originated as foreign currency indexed loans (31 December 2012: TL14 equivalent of USD and TL264 equivalent of EUR).

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

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

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

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**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):**

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	35.196	-	-	-	-	26.862.835	26.898.031
Banks	936.516	934.454	98.443	-	-	1.035.840	3.005.253
Financial Assets at Fair Value Through Profit and Loss	1.523	267	4.721	14.676	4.953	438.649	464.789
Money Market Placements	53.272	-	-	-	-	-	53.272
Financial Assets Available-for-Sale	10.381.970	4.560.863	11.287.373	9.678.474	10.590.810	393.471	46.892.961
Loans Given	37.273.709	13.078.393	24.739.445	32.716.457	4.662.317	898.338	113.368.659
Investments Held-to-Maturity	8.754.222	882.504	1.356.263	2.810.478	1.995.871	-	15.799.338
Other Assets	84.397	86.624	905.905	252.815	66.080	3.725.355	5.121.176
<b>Total Assets</b>	<b>57.520.805</b>	<b>19.543.105</b>	<b>38.392.150</b>	<b>45.472.900</b>	<b>17.320.031</b>	<b>33.354.488</b>	<b>211.603.479</b>
<b>Liabilities</b>							
Interbank Deposits	6.518.441	1.301.672	136.587	14.724	-	220.773	8.192.197
Other Deposits	73.411.527	19.626.599	12.085.334	696.872	1.455	29.497.278	135.319.065
Money Market Borrowings	19.861.007	2.579.722	2.130.121	-	-	-	24.570.850
Sundry Creditors	1.183	-	-	-	-	1.379.020	1.380.203
Issued Marketable Securities	1.127.313	578.764	886.976	63.407	-	-	2.656.460
Funds Provided from Other Financial Institutions	925.519	1.263.629	5.355.845	1.179.795	537.473	-	9.262.261
Other Liabilities	3.880	24.308	15.653	4.743.304	70.094	25.365.204	30.222.443
<b>Total Liabilities</b>	<b>101.848.870</b>	<b>25.374.694</b>	<b>20.610.516</b>	<b>6.698.102</b>	<b>609.022</b>	<b>56.462.275</b>	<b>211.603.479</b>
<b>Balance Sheet Long Position</b>	-	-	<b>17.781.634</b>	<b>38.774.798</b>	<b>16.711.009</b>	-	<b>73.267.441</b>
<b>Balance Sheet Short Position</b>	<b>(44.328.065)</b>	<b>(5.831.589)</b>	-	-	-	<b>(23.107.787)</b>	<b>(73.267.441)</b>
Off-Balance Sheet Long Position	367.119	1.172.400	-	35	-	-	1.539.554
Off-Balance Sheet Short Position	-	-	(711.776)	(447.865)	-	-	(1.159.641)
<b>Total Position</b>	<b>(43.960.946)</b>	<b>(4.659.189)</b>	<b>17.069.858</b>	<b>38.326.968</b>	<b>16.711.009</b>	<b>(23.107.787)</b>	<b>379.913</b>

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

(2) TL3.997.095 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the “1 - 5 Years” column TL39.396 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.

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

(4) Net balance of loans under follow-up is shown under the “Non-Interest Bearing” column in loans given.

(5) Total shareholders’ equity is shown under the non-interest bearing column.

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

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	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>4.130.196</b>	<b>21.477.790</b>	<b>26.643.484</b>	<b>9.605.754</b>	-	<b>61.857.224</b>
<b>Balance Sheet Short Position</b>	<b>(41.167.106)</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>

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

(2) TL4.277.386 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is 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.

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

(4) Net balance of loans under follow-up is shown under the “Non-Interest Bearing” column in other assets.

(5) Total shareholders’ equity is shown under the non-interest bearing column.

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

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

**Average interest rate applied to the monetary financial instruments (Represents the 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>	-	-	-	4,00
Banks	2,08	2,08	-	8,13
Financial Assets at Fair Value Through Profit and Loss	-	5,58	-	6,53
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,70	5,67	-	8,09
Loans Given <sup>(2)</sup>	4,65	4,71	-	12,54
Investments Held-to-Maturity	6,36	7,01	-	8,49
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	1,06	1,09	-	7,74
Other Deposits <sup>(4)</sup>	1,96	1,64	-	5,80
Money Market Borrowings	0,80	1,00	-	7,71
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	-	-	7,82
Funds Provided from Other Financial Institutions	1,35	1,71	-	7,20

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

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

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

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

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

	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	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 Northern Cyprus

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

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

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

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

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

**Interest rate risk on banking accounts:**

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

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

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

**Interest rate risk on banking accounts**

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity- (Losses)/Equity
1. TRY	(+) 300bp	(1.897.186)	(8,95%)
2. TRY	(-) 300bp	2.189.561	10,33%
3. EUR	(+) 100bp	(144.380)	(0,68%)
4. EUR	(-) 100bp	155.627	0,73%
5. USD	(+) 100bp	(294.338)	(1,39%)
6. USD	(-) 100bp	339.015	1,60%
<b>Total (of negative shocks)</b>		<b>2.684.203</b>	<b>12,66%</b>
<b>Total (of positive shocks)</b>		<b>(2.335.904)</b>	<b>(11,02%)</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	129.427	129.427	-

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

**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.

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 2013 and 2012 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>	226,85	224,07	139,01	132,62
<b>Maximum (%)</b>	330,78	319,36	163,97	160,26
<b>Minimum (%)</b>	118,48	156,09	121,13	114,51

<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>	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

- 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.

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

**VII. EXPLANATIONS ON THE LIQUIDITY RISK (Continued)**

**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.

**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 <sup>(1) (2)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	26.898.031	-	-	-	-	-	-	26.898.031
Banks	1.035.840	936.516	934.454	98.443	-	-	-	3.005.253
Financial Assets at Fair Value Through Profit and Loss	23	139.934	3.662	150.940	165.277	4.953	-	464.789
Money Market Placements	-	53.272	-	-	-	-	-	53.272
Financial Assets Available-for-Sale	815	339.903	2.276.398	7.637.240	20.376.871	15.898.962	362.772	46.892.961
Loans Given	87.079	4.839.564	7.938.313	42.606.520	48.664.477	8.421.447	811.259	113.368.659
Investments Held-to-Maturity	-	253.607	455.011	5.668.781	6.208.184	3.213.755	-	15.799.338
Other Assets	1.559.278	74.658	73.779	913.361	253.558	66.079	2.180.463	5.121.176
<b>Total Assets</b>	<b>29.581.066</b>	<b>6.637.454</b>	<b>11.681.617</b>	<b>57.075.285</b>	<b>75.668.367</b>	<b>27.605.196</b>	<b>3.354.494</b>	<b>211.603.479</b>
<b>Liabilities</b>								
Interbank Deposits	220.773	6.518.441	1.301.672	136.587	14.724	-	-	8.192.197
Other Deposits	29.497.278	73.411.527	19.626.599	12.085.334	696.872	1.455	-	135.319.065
Funds Provided from Other Financial Instruments	-	111.814	748.535	5.721.886	1.366.104	1.313.922	-	9.262.261
Money Market Borrowings	-	19.861.007	2.579.722	2.130.121	-	-	-	24.570.850
Issued Marketable Securities	-	955.660	578.764	1.058.629	63.407	-	-	2.656.460
Sundry Creditors	741.221	577.915	19.025	4.468	5.141	-	32.433	1.380.203
Other Liabilities <sup>(3)</sup>	1.965.400	292.425	245.368	203.595	4.758.762	779.534	21.977.359	30.222.443
<b>Total Liabilities</b>	<b>32.424.672</b>	<b>101.728.789</b>	<b>25.099.685</b>	<b>21.340.620</b>	<b>6.905.010</b>	<b>2.094.911</b>	<b>22.009.792</b>	<b>211.603.479</b>
<b>Liquidity Gap</b>	<b>(2.843.606)</b>	<b>(95.091.335)</b>	<b>(13.418.068)</b>	<b>35.734.665</b>	<b>68.763.357</b>	<b>25.510.285</b>	<b>(18.655.298)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	22.676.205	5.469.104	7.255.886	46.763.055	65.848.247	14.393.435	2.694.963	165.100.895
Total Liabilities	24.725.693	82.391.575	18.865.243	11.324.967	5.656.378	2.442.896	19.694.143	165.100.895
<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>

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

(2) Deferred tax asset is included under the “Undistributed” column.

(3) TL3.997.095 of the funds balance, whose risk is not born by the Parent Bank, is included in other liabilities and shown under the “1-5 years” column, fund balance amounted to TL39.396 is not granted as loan and is included under “Up to One Month” column.

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

**VII. EXPLANATIONS ON THE LIQUIDITY RISK (Continued)**

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

<b>Current Period<sup>(1)</sup></b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Bank Deposits	6.742.086	1.310.203	139.158	14.724	-	8.206.171
Other Deposits	103.473.261	19.756.529	12.344.579	711.728	1.535	136.287.632
Funds Borrowed from Other Financial Institutions	115.860	757.597	5.836.345	1.687.470	1.429.993	9.827.265
Funds Borrowed from Interbank Money Market	19.866.120	2.583.260	2.141.615	-	-	24.590.995
<b>Total</b>	<b>130.197.327</b>	<b>24.407.589</b>	<b>20.461.697</b>	<b>2.413.922</b>	<b>1.431.528</b>	<b>178.912.063</b>
<b>Prior Period<sup>(1)</sup></b>						
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>

<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 valued daily in the parent bank. Credibility of guarantors are monitored and evaluated in the scope of revision maturity.

The Parent Bank has no position about credit derivatives.

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

**VII. EXPLANATIONS ON THE LIQUIDITY RISK (Continued)**

**e) Credit Risk Mitigation Techniques: (Continued)**

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

<b>Exposure classifications</b>	<b>Amount</b>	<b>Financial Collaterals</b>	<b>Other/Physical Collaterals</b>	<b>Guarantees and Credit Derivatives</b>
Conditional and unconditional receivables from central governments or central banks	77.851.905	988.663	-	-
Conditional and unconditional receivables from regional or local governments	139.493	63.500	-	224
Conditional and unconditional receivables from administrative units and non-commercial enterprises	383.918	131.105	-	-
Conditional and unconditional receivables from multilateral development banks	6	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	32.554.084	21.878.153	-	-
Conditional and unconditional corporate receivables	58.144.540	313.938	-	401.605
Conditional and unconditional retail receivables	38.947.075	374.571	-	43.365
Conditional and unconditional secured mortgage receivables	7.825.439	3.308	-	706
Past due receivables	551.996	-	-	-
Receivables in high risk category defined by BRSA	20.753.354	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporates	-	-	-	-
Investments of natured collective investment enterprise	52.987	3.313	-	-
Other receivables	9.177.551	-	-	-
<b>Total</b>	<b>246.382.348</b>	<b>23.756.551</b>	<b>-</b>	<b>445.900</b>

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

**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 2013, Risk Management organization consists of operation and market risk management, credit risk management and statement risks management units.

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

**VIII. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**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 complexness 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”, “Behavioral Liquidity Gap Analysis”, “Average Maturity Analysis” and “Deposit Analysis”. Liquidity Gap Analysis is done based on time to maturity of assets and liabilities. Deposit Analysis is applied separately for time deposits and demand deposits. Also, for the purpose of the evaluation of the discount rates of Parent Bank’s expected cash flows based on each position and each product, and after adjustment its potential liquidity needs on the basis of the maturity groups in line with 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 complexness 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 provides to report 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.

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

**VIII. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**c) Risk Reporting and Measurement Systems’ Scope and Qualification (Continued)**

**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 June 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 for continuity has been evaluated with the “Regulation on Procurement of Support Services of Banks” published by the BRSA. In this context, Risk Management Program was revised and Risk Analysis Reports regarding support services are being prepared.

**Credit Risk**

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

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.

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 are analyzed periodically. Also, it is made vintage analysis for real estate, vehicle, consumer, commercial, corporate and entrepreneurial loans so as to credit monitoring and comparing past performances.

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

**VIII. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**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 is operating in consumer, corporate, commercial, entrepreneurial banking, investment banking, project financing 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 project financing, 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 Market and Asset-Liability Management and Economic Researches Departments. By foregoing departments, the Parent Bank’s liquidity is used for Turkish Lira, foreign exchange and securities transactions in local and international organized and over-the-counter markets, and enables sources of funds in Turkish Lira and foreign currencies according to the needs of the Parent Bank. The Parent Bank acts as an intermediary for transaction of securities and Eurobonds by the related departments, for transaction of shares and public offerings as an agency of Ziraat Yatırım Menkul Değerler A.Ş. and for transaction of investment funds founded by 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 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.

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

**IX. EXPLANATIONS ON OPERATING SEGMENTS (Continued)**

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

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

As of 31 December 2013, 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:**

	<b>Consumer Banking</b>	<b>Corporate, Commercial, Entrepreneurial Banking</b>	<b>Specialized Banking</b>	<b>Investment Banking</b>	<b>International Banking</b>	<b>Consolidation Adjustments</b>	<b>Total Operations of the Group</b>
<b>Current Period</b>							
Total Operating Income/Expense <sup>(1)</sup>	4.370.957	1.903.175	1.064.448	3.571.192	200.282	(329.816)	10.780.238
Net Operating Profit	1.647.994	787.794	448.451	1.499.633	66.396	9.256	4.459.524
Income from Subsidiaries <sup>(2)</sup>	-	-	-	-	-	(308.565)	14.327
Income Before Taxes	-	-	-	-	-	-	4.371.936
Tax Provision	-	-	-	-	-	-	(1.107.604)
<b>Net Profit for the Period</b>	-	-	-	-	-	-	<b>3.264.332</b>
Segment Assets-Net <sup>(1)</sup>	40.934.078	47.628.208	22.903.484	88.820.281	7.933.573	(1.737.323)	206.482.301
Subsidiaries, Associates and Entities under Common Control (Joint Ventures)	-	-	-	-	-	-	146.515
Undistributed Assets <sup>(3)</sup>	-	-	-	-	-	-	4.974.663
<b>Total Assets</b>							<b>211.603.479</b>
Segment Liabilities – Net <sup>(1)</sup>	27.950.762	33.726.239	20.258.724	87.033.332	6.892.760	(976.663)	<b>174.885.154</b>
Undistributed Liabilities <sup>(3)</sup>	-	-	-	-	-	-	18.050.986
Shareholders’ Equity	-	-	-	-	-	-	18.667.339
<b>Total Liabilities</b>	-	-	-	-	-	-	<b>211.603.479</b>
Other Segment Items							
Capital Investment	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	130.439
Restructuring Costs	-	-	-	-	-	-	-

<sup>(1)</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>(2)</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>(3)</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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**EXPLANATIONS RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**IX. EXPLANATIONS ON OPERATING SEGMENTS (Continued)**

**Table for Segment Reporting (Continued):**

	Consumer Banking	Corporate, Commercial, Entrepreneurial Banking	Specialized Banking	Investment Banking	International Banking	Consolidation Adjustments	Total Operations of the Group
<b>Prior Period</b>							
Total Operating Income/Expense <sup>(1)</sup>	3.668.002	958.710	1.008.284	3.580.709	143.198	(146.795)	9.212.108
Net Operating Profit	1.261.654	411.958	422.584	1.498.262	42.773	5.036	3.642.267
Income from Subsidiaries <sup>(2)</sup>	-	-	-	-	-	(83.167)	17.679
Income Before Taxes	-	-	-	-	-	-	3.657.171
Tax Provision	-	-	-	-	-	-	(897.023)
<b>Net Profit for the Period</b>	-	-	-	-	-	-	<b>2.755.528</b>
Segment Assets-Net <sup>(1)</sup>	31.803.132	17.806.580	22.315.990	86.057.445	5.612.860	(1.679.288)	161.916.719
Subsidiaries, Associates and Entities under Common Control (Joint Ventures)	-	-	-	-	-	-	125.090
Undistributed Assets <sup>(3)</sup>	-	-	-	-	-	-	3.059.086
<b>Total Assets</b>	-	-	-	-	-	-	<b>165.100.895</b>
Segment Liabilities – Net <sup>(1)</sup>	23.110.631	13.395.952	21.097.674	76.098.984	4.861.036	(1.430.740)	137.133.537
Undistributed Liabilities <sup>(3)</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> 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>(2)</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>(3)</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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**EXPLANATIONS RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**X. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES**

**a) Information regarding the fair value of financial assets and liabilities:**

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>179.119.483</b>	<b>140.515.981</b>	<b>178.607.953</b>	<b>141.853.909</b>
Due from Interbank Money Market	53.272	61.722	53.272	61.722
Banks	3.005.253	1.622.732	3.005.253	1.622.732
Available-for-Sale Financial Assets	46.892.961	38.362.403	46.892.961	38.362.403
Held-to-Maturity Investments	15.799.338	27.322.038	15.287.808	28.659.966
Loans	113.368.659	73.147.086	113.368.659	73.147.086
<b>Financial Liabilities</b>	<b>156.810.186</b>	<b>126.172.783</b>	<b>156.850.771</b>	<b>126.172.783</b>
Bank Deposits	8.192.197	7.117.976	8.192.197	7.117.976
Other Deposits	135.319.065	112.561.278	135.319.065	112.561.278
Funds Borrowed from Other Financial Institutions	9.262.261	3.482.278	9.301.533	3.482.278
Issued Marketable Securities	2.656.460	1.854.137	2.657.773	1.854.137
Miscellaneous Payables	1.380.203	1.157.114	1.380.203	1.157.114

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:

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X. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES (Continued)

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

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss) (Net)</b>	<b>26.162</b>	<b>438.627</b>	-	<b>464.789</b>
Government Debt Securities	26.084	-	-	26.084
Share Certificates	78	-	-	78
Trading Derivative Financial Assets	-	438.627	-	438.627
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets (Net)</b>	<b>46.631.658</b>	<b>254.976</b>	<b>97</b>	<b>46.886.731</b>
Equity Securities <sup>(1)</sup>	233.771	123.196	-	356.967
Government Debt Securities	46.237.735	173	97	46.238.005
Other Marketable Securities	160.152	131.607	-	291.759
<b>Total Assets</b>	<b>46.657.820</b>	<b>693.603</b>	<b>97</b>	<b>47.351.520</b>
Trading Derivative Financial Liabilities	1.689	54.664	-	56.353
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>1.689</b>	<b>54.664</b>	-	<b>56.353</b>

<sup>(1)</sup> Since equity securities under the heading of financial assets available for sale amounting to TL6.230 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>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>55.591</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.

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.

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**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	1.227.457	594.206	1.105.775	359.246
Central Bank of the Republic of Turkey	2.437.056	22.390.350	4.802.571	14.473.438
Other	-	248.962	-	540.698
<b>Total</b>	<b>3.664.513</b>	<b>23.233.518</b>	<b>5.908.346</b>	<b>15.373.382</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, and for deposits up to 3-months maturity 11,5%; for deposits up to 6-months maturity 8,5%; for deposits up to 1-year maturity 6,5%; for deposits 1-year and longer maturity 5%; for TL liabilities other than deposits up to 1-year maturity 11,5%; for TL liabilities other than deposits between 1- and 3-years maturity 8%; for TL liabilities other than deposits more than 3-years maturity 5%; for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturities 13%; for FC deposit accounts with 1-year and longer maturity 9%, for FC liabilities other than deposits up to 1-year maturity 13%; for FC liabilities other than deposits up to 3-years maturity 11%; 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 2013, total reserve requirement of the Group is TL25.056.007 including Central Banks abroad. (31 December 2012: TL19.774.030)

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	2.401.860	941.696	4.773.232	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1)(2)</sup>	35.196	21.448.654	29.339	14.473.438
<b>Total</b>	<b>2.437.056</b>	<b>22.390.350</b>	<b>4.802.571</b>	<b>14.473.438</b>

<sup>(1)</sup> Required reserve of branches abroad amounting to TL50.888 is presented in this line (31 December 2012: TL36.777).

<sup>(2)</sup> TL15.735.041 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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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	-	-
Assets Blocked/Given as Collateral	17.925	4.513
<b>Total</b>	<b>17.925</b>	<b>4.513</b>

a.1) Information on financial assets at fair value through profit and loss given or blocked as collateral:

	Current Period		Prior Period	
	TL	FC	TL	FC
Stocks	-	-	-	-
Bonds and Similar Securities	17.925	-	4.513	-
Other	-	-	-	-
<b>Total</b>	<b>17.925</b>	<b>-</b>	<b>4.513</b>	<b>-</b>

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

Derivative Financial Assets Held-for-Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	11.680	25	27	324
Swap Transactions	282.060	144.862	7.861	124.756
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>293.740</b>	<b>144.887</b>	<b>7.888</b>	<b>125.080</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	1.616.867	121.440	638.377	212.856
Foreign Banks	69.935	1.197.011	12.568	758.931
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>1.686.802</b>	<b>1.318.451</b>	<b>650.945</b>	<b>971.787</b>

b) Information on foreign banks accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	66.651	248.833	1	255
USA, Canada	745.856	227.698	-	3.821
OECD Countries <sup>(1)</sup>	25.214	2.989	-	-
Off-Shore Banking Regions	-	-	-	-
Other	408.652	287.673	20.572	230
<b>Total</b>	<b>1.246.373</b>	<b>767.193</b>	<b>20.573</b>	<b>4.306</b>

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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	23.412.254	4.303.003
Assets Blocked/Given as Collateral	1.529.788	289.274
<b>Total</b>	<b>24.942.042</b>	<b>4.592.277</b>

- b) Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	47.688.027	38.155.195
Quoted in Stock Exchange	47.688.027	38.155.195
Not Quoted in Stock Exchange	-	-
Share Certificates	363.606	261.753
Quoted in Stock Exchange	233.318	119.261
Not Quoted in Stock Exchange	130.288	142.492
Provision for Impairment (-)	1.158.672	54.545
<b>Total</b>	<b>46.892.961</b>	<b>38.362.403</b>

5. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	-	-	4.664
<b>Loans Granted to Employees</b>	256.142	124	239.746	86
<b>Total</b>	<b>256.142</b>	<b>124</b>	<b>239.746</b>	<b>4.750</b>

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

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

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

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>	86.807.864	721.866	-	2.197.695	280.000	-
Commercial loans	24.053.384	23.699	-	214.440	50.192	-
Export Loans	2.535.603	-	-	12.960	-	-
Import Loans	61.037	-	-	-	-	-
Loans Given to Financial Sector	2.471.239	-	-	-	-	-
Consumer Loans	33.340.374	34.407	-	1.709.912	22.733	-
Credit Cards	2.465.724	28	-	53.245	805	-
Other <sup>(2)</sup>	21.880.503	663.732	-	207.138	206.270	-
Specialized Lending <sup>(3)(4)</sup>	18.983.562	1.086.106	-	706.314	173.291	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals	1.600.702	-	-	-	-	-
<b>Total</b>	<b>107.392.128</b>	<b>1.807.972</b>	<b>-</b>	<b>2.904.009</b>	<b>453.291</b>	<b>-</b>

(1) Since Restructured or rescheduled loans cannot be decomposed systematically, they have been shown in the “Loans and Other Receivables with Revised Contract Terms” section.

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

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

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

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended <sup>(*)</sup>	1.807.972	453.291
3 - 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-

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

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	222.749	59.711
6 Months – 12 Months	1.208.926	201.555
1 - 2 Years	209.208	60.265
2 - 5 Years	161.100	127.918
5 Years and Over	5.989	3.842
<b>Total</b>	<b>1.807.972</b>	<b>453.291</b>

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

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

**c) Loans according to maturity structure:**

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	Loan and Other Receivables <sup>(1)</sup>	Restructured or Rescheduled <sup>(1)</sup>	Loan and Other Receivables <sup>(1)</sup>	Restructured or Rescheduled <sup>(1)</sup>
Short-Term Loans and Other Receivables	32.790.039	1.350.979	482.793	161.820
Non-Specialized Loans	23.170.962	536.173	117.456	19.145
Specialized Loans	9.619.077	814.806	365.337	142.675
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	73.001.387	456.993	2.421.216	291.471
Non-Specialized Loans <sup>(2)</sup>	63.636.902	185.693	2.080.239	260.855
Specialized Loans	9.364.485	271.300	340.977	30.616
Other Receivables	-	-	-	-

<sup>(1)</sup> Rediscounts are not included.

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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	299.281	34.340.961	34.640.242
Real Estate Loans	1.299	10.246.193	10.247.492
Vehicle Loans	2.396	234.055	236.451
Consumer Loans	291.918	23.502.315	23.794.233
Abroad <sup>(2)</sup>	3.668	358.398	362.066
Other	-	-	-
Consumer Loans- Indexed to FC	538	74.216	74.754
Real Estate Loans	-	11.808	11.808
Vehicle Loans	-	262	262
Consumer Loans	538	62.146	62.684
Other	-	-	-
Consumer Loans-FC	29.694	58.188	87.882
Real Estate Loans	48	6.945	6.993
Vehicle Loans	-	-	-
Consumer Loans	29.646	51.243	80.889
Other	-	-	-
Individual Credit Cards-TL	2.271.375	14.558	2.285.933
With Installment	992.786	13.826	1.006.612
Without Installment	1.278.589	732	1.279.321
Individual Credit Cards-FC	24.055	-	24.055
With Installment	19.755	-	19.755
Without Installment	4.300	-	4.300
Personnel Loans-TL	15.940	153.218	169.158
Real Estate Loans	-	434	434
Vehicle Loans	-	-	-
Consumer Loans	5.532	151.775	157.307
Abroad <sup>(2)</sup>	78	1.009	1.087
Other	10.330	-	10.330
Personnel Loans-Indexed to FC	57	6.811	6.868
Real Estate Loans	-	1.442	1.442
Vehicle Loans	-	-	-
Consumer Loans	57	5.369	5.426
Other	-	-	-
Personnel Loans-FC	555	624	1.179
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	555	364	919
Other	-	260	260
Personnel Credit Cards-TL	75.668	361	76.029
With Installment	37.592	342	37.934
Without Installment	38.076	19	38.095
Personnel Credit Cards-FC	135	-	135
With Installment	-	-	-
Without Installment	135	-	135
Overdraft Accounts-TL (Real Person)	490.496	-	490.496
Overdraft Accounts-FC (Real Person)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>3.207.794</b>	<b>34.648.937</b>	<b>37.856.731</b>

<sup>(1)</sup> TL261.236 of interest income accrual could not be decomposed therefore accruals are not included in the table above.

<sup>(2)</sup> TL1.087 of consumer loans used by the personnel abroad and TL362.066 of consumer loans have been shown under “Other” of 5-b Table.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	1.045.882	7.973.626	9.019.508
Business Loans	2.227	142.151	144.378
Vehicle Loans	8.807	278.243	287.050
Consumer Loans	1.032.868	1.395.590	2.428.458
Other	1.980	6.157.642	6.159.622
Commercial Installment Loans- Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	222.731	8.943.937	9.166.668
Business Loans	-	8.672	8.672
Vehicle Loans	-	675	675
Consumer Loans	147.432	8.538.853	8.686.285
Other	75.299	395.737	471.036
Corporate Credit Cards-TL	132.351	207	132.558
With Installment	32.829	180	33.009
Without Installment	99.522	27	99.549
Corporate Credit Cards-FC	1.092	-	1.092
With Installment	547	-	547
Without Installment	545	-	545
Overdraft Account-TL (Legal Entity)	35.471	-	35.471
Overdraft Account-FC (Legal Entity)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>1.437.527</b>	<b>16.917.770</b>	<b>18.355.297</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	2.194.137	1.374.756
Private	108.762.274	69.304.156
Interest Income Accruals of Loans	1.600.989	1.664.559
<b>Total</b>	<b>112.557.400</b>	<b>72.343.471</b>

g) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	110.069.565	69.374.300
Foreign Loans	887.133	1.304.612
Interest Income Accruals of Loans	1.600.702	1.664.559
<b>Total</b>	<b>112.557.400</b>	<b>72.343.471</b>

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

h) Loans granted to subsidiaries and associates:

None (31 December 2012: None).

i) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	84.107	127.788
Loans and other receivables with doubtful collectability	396.536	561.030
Uncollectible loans and other receivables	1.178.311	592.114
<b>Total</b>	<b>1.658.954</b>	<b>1.280.932</b>

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

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

	Group III: Loans and Receivables with Limited Collectability	Group IV: Loans and Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Receivables
<b>Current Period</b>	<b>15.304</b>	<b>56.855</b>	<b>110.445</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	15.304	56.855	110.445
Rescheduled loans and other receivables	-	-	-
<b>Prior Period</b>	<b>13.471</b>	<b>47.107</b>	<b>66.765</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	13.471	47.107	66.765
Rescheduled loans and other receivables	-	-	-

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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

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>263.000</b>	<b>1.049.253</b>	<b>772.294</b>
Additions (+)	1.275.234	213.245	245.079
Transfers from Other Categories of Loans under Follow-up (+)	9.032	1.121.848	1.783.954
Transfers to Other Categories of Loans under Follow-up (-)	1.121.848	1.783.954	1.963
Collections (-) <sup>(1)</sup>	238.414	193.408	923.139
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance</b> <sup>(2)</sup>	<b>187.004</b>	<b>406.984</b>	<b>1.876.225</b>
Specific Provision (-) <sup>(3)</sup>	84.107	396.536	1.178.311
<b>Net Balance on Balance Sheet</b>	<b>102.897</b>	<b>10.448</b>	<b>697.914</b>

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

(2) Includes the loans originated from funds amounting to TL247.734 whose risk does not belong to the Parent Bank.

(3) As of 31 December 2013, Parent Bank made 100% provision for the portion of TL155.927 of the loans under follow-up which is TL623.703 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>17.715</b>	<b>14.516</b>	<b>41.111</b>
Specific Provision (-)	4.798	14.379	37.432
<b>Net Balance on Balance Sheet</b>	<b>12.917</b>	<b>137</b>	<b>3.679</b>
<b>Prior 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>

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

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

**j) Information on non-performing loans (net): (Continued)**

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

	<b>Group III: Loans and Other Receivables with Limited Collectability</b>	<b>Group IV: Loans and Other Receivables with Doubtful Collectability</b>	<b>Group V: Uncollectible Loans and Other Receivables</b>
<b>Current Period (Net)</b>	<b>102.897</b>	<b>10.448</b>	<b>697.914</b>
Loans to Real Persons and Legal Entities (Gross)	187.004	351.130	1.876.225
Specific Provisions (-)	84.107	340.682	1.178.311
Loans to Real Persons and Legal Entities (Net)	102.897	10.448	697.914
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	55.854	-
Specific Provisions (-)	-	55.854	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior 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)	-	-	-

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

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

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

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

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

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

**m) Other explanations and disclosures:**

<b>Current Period</b>	<b>Commercial<sup>(1)</sup></b>	<b>Consumer<sup>(1)</sup></b>	<b>Agricultural<sup>(1)</sup></b>	<b>Total</b>
Neither Past Due nor Impaired Loans	49.852.726	37.725.793	21.621.585	109.200.104
Past Due but not Impaired Loans	690.996	1.786.696	879.604	3.357.296
Impaired Loans	1.333.228	530.242	606.743	2.470.213
<b>Total</b>	<b>51.876.950</b>	<b>40.042.731</b>	<b>23.107.932</b>	<b>115.027.613</b>
Specific Provisions of Impaired Loans(-)	815.910	499.816	343.228	1.658.954
<b>Net Loan Amount</b>	<b>51.061.040</b>	<b>39.542.915</b>	<b>22.764.704</b>	<b>113.368.659</b>

<sup>(1)</sup> TL1.503.449 consumer, TL2.246.648 agricultural, and TL18 commercial loans originated from funds whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

<b>Prior Period</b>	<b>Commercial<sup>(1)</sup></b>	<b>Consumer<sup>(1)</sup></b>	<b>Agricultural<sup>(1)</sup></b>	<b>Total</b>
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.

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

<b>Current Period</b>	<b>Up to 1 month</b>	<b>1-2 months</b>	<b>2-3 months</b>	<b>Over 3 months</b>	<b>Total</b>
Loans and Receivables <sup>(1)</sup>					
Commercial Loans	218.885	239.915	48.407	-	507.207
Consumer Loans	87.597	61.590	11.467	-	160.654
Agricultural Loans	402.836	227.563	19.096	-	649.495
<b>Total</b>	<b>709.318</b>	<b>529.068</b>	<b>78.970</b>	<b>-</b>	<b>1.317.356</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 TL2.446.782.

<b>Prior Period</b>	<b>Up to 1 month</b>	<b>1-2 months</b>	<b>2-3 months</b>	<b>Over 3 months</b>	<b>Total</b>
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.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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	586.720	4.028.780	4.617.294	3.182.681
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>586.720</b>	<b>4.028.780</b>	<b>4.617.294</b>	<b>3.182.681</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	5.959.248	893.747	6.456.814	594.419
Other	-	-	-	-
<b>Total</b>	<b>5.959.248</b>	<b>893.747</b>	<b>6.456.814</b>	<b>594.419</b>

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

	Current Period	Prior Period
Government Bonds	15.688.169	27.251.620
Treasury Bills	-	37.141
Other Public Sector Debt Securities	-	-
<b>Total</b>	<b>15.688.169</b>	<b>27.288.761</b>

c) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt securities	15.799.338	27.322.038
Quoted in a Stock Exchange	15.688.169	27.305.785
Not Quoted in a Stock Exchange	111.169	16.253
Provision for Impairment (-)	-	-
<b>Total</b>	<b>15.799.338</b>	<b>27.322.038</b>

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
<b>Beginning Balance</b>	<b>27.322.038</b>	<b>32.632.337</b>
Addition to Scope of Consolidation	-	-
Foreign Currency Differences on Monetary Assets	875.833	(277.048)
Purchases During the Year	339.130	220.573
Disposals through Sales and Redemptions	(12.737.663)	(5.253.824)
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	<b>15.799.338</b>	<b>27.322.038</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 Public Oversight Accounting and Auditing Standards Authority.

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. At the end of balance sheet date, negative revaluation differences under shareholders’ equity are amounted as USD13.296 thousand and EUR6.590 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR34.627 thousand and USD64.226 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 TL6.114 would have been recorded. As of 31 December 2013, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL(7.859).

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

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

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

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

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

	Total Assets <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)(3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	33.001	23.773	19.650	365	-	4.171	1.144	-
2	91.353	78.926	48.848	1.784	-	28.150	33.184	-

<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 reviewed financial statements as of 30 September 2013. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 December 2012.

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

**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	3.175.098	445.468	23.757	62.549	10.890	33.222	58.700	-

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

<sup>(2)</sup> Current period information of Arap Türk Bankası A.Ş. has been provided from reviewed financial statements as of 30 September 2013. Prior period profit/loss information of ArapTürk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2012.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

2) Information about consolidated associates:

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>63.676</b>	<b>54.619</b>
<b>Movement During the Period</b>	<b>7.607</b>	<b>9.057</b>
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer	-	-
Sales	-	-
Revaluation	7.607	9.057
Impairment Provision	-	-
<b>Ending Balance</b>	<b>71.283</b>	<b>63.676</b>
Capital Commitments	-	-
Period Ending Share of Capital Participation	-	-

3) Sector information about consolidated associates:

	Current Period	Prior Period
Banks	71.283	63.676
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

4) Consolidated associates quoted to a stock exchange:

None (31 December 2012: None).

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

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

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

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

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage- if different Voting Percentage (%)	The Parent Bank’s Group Share Percentage (%)
1	Fintek Finansal Teknoloji Hizmetleri A.Ş.	Ankara / TURKEY	100,00	100,00

	Total Assets <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	47.859	5.115	36.538	188	29	(364)	689	-

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

<sup>(2)</sup> Current period information of subsidiaries has been provided from unaudited financial statements as of 31 December 2013. Prior period profit/loss information has been provided from audited financial statements as of 31 December 2012.

<sup>(3)</sup> With the board of director decision in 15 May 2013, Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.’s nominal share of TL610.000 was vested in T. Halk Bankası A.Ş. and partnership relation with this subsidiary was actually ended in 23 July 2013.

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

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

	Description	Address (City/ Country)	The Parent Bank’s Share Percentage-if different Voting Percentage (%)	The Parent Bank’s Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	İstanbul / TURKEY	100,00	100,00
2	Ziraat Sigorta A.Ş.	İstanbul / TURKEY	100,00	100,00
3	Ziraat Finansal Kiralama A.Ş.	İstanbul / TURKEY	100,00	100,00
4	Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul / TURKEY	100,00	99,60
5	Ziraat Portföy Yönetimi A.Ş.	İstanbul / TURKEY	100,00	99,70
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	100,00
9	Kazakhstan Ziraat Int. Bank	Almaty / KAZAKHSTAN	100,00	99,58

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

b) 1) Information about consolidated subsidiaries: (Continued)

	Total Assets <sup>(3)</sup>	Shareholders' Equity <sup>(3)</sup>	Total Non-Current Assets <sup>(3)</sup>	Interest Income <sup>(3)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(3)</sup>	Prior Period Profit / Loss <sup>(3)</sup>	Fair Value <sup>(1)</sup>
1	1.217.706	213.177	2.381	56.276	8.616	98.963	70.081	-
2	333.954	109.980	1.601	9.456	462	37.436	45.352	-
3	1.300.039	170.487	432	53.660	3	15.008	19.304	-
4	90.375	75.815	1.441	21.344	662	4.733	8.952	-
5	9.546	9.139	107	462	443	(6)	644	-
6	2.403.126	433.426	3.833	46.250	2.946	1.915	6.217	455.807
7	502.395	104.235	13.638	15.331	397	5.461	(2.556)	58.047
8	143.207	61.037	4.308	7.445	97	2.836	3.611	57.240
9	354.149	229.298	9.485	14.176	814	13.828	6.209	197.734

<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 reviewed financial statements as of 30 September 2013, the prior period profit/loss balances have been provided from audited financial statements as of 31 December 2012.

2) Information about consolidated subsidiaries:

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>886.501</b>	<b>694.228</b>
<b>Movements During the Period</b>	<b>258.568</b>	<b>192.273</b>
Additions to Scope of Consolidation	-	-
Purchases <sup>(1)</sup>	36.764	58.848
Bonus Shares Obtained	221.804	59.676
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales	-	37.469
Revaluation Increase	-	111.218
Impairment Provision	-	-
<b>Balance at the End of the Period</b>	<b>1.145.069</b>	<b>886.501</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

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

	Current Period	Prior Period
Banks	768.828	710.374
Insurance Companies	129.972	39.984
Factoring Companies	-	-
Leasing Companies	182.839	116.291
Financing Companies	-	-
Other Financial Subsidiaries	63.430	19.852

c) Subsidiaries which are quoted on a stock exchange:

None (31 December 2012: 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	17.930	17.930	157.443	10.441	18.839	24.937	13.193
Uzbekistan- Turkish Bank	27.904	27.915	130.590	2.063	2.134	10.303	6.290
Azer Türk Bank ASC	18.842	20.480	254.868	1.656	870	35.300	30.851
<b>Total</b>	<b>64.676</b>	<b>66.325</b>	<b>542.901</b>	<b>14.160</b>	<b>21.843</b>	<b>70.540</b>	<b>50.334</b>

<sup>(1)</sup> Information on entities under joint control is provided from the unaudited financial statements as of 31 December 2013

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

10. Information on finance lease receivables (net):

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	1.303.580	1.129.960	101.537	93.575
1-5 Years	345.998	275.485	510.719	436.059
More than 5 Years	79.573	72.104	108.516	87.915
<b>Total</b>	<b>1.729.151</b>	<b>1.477.549</b>	<b>720.772</b>	<b>617.549</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 (31 December 2012: None).

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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 TL106.547 consisting of TL11.209 due to consumer loans, TL77.641 on its commercial loans and TL17.697 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL303. Total depreciation expense is TL946 for these held for sale assets. (31 December 2012: The Bank’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.)

14. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Other Tangibles	Total
<b>Prior Period End:</b>					
Cost	1.431.009	557	41.708	396.464	1.869.738
Accumulated Depreciation (-)	639.461	66	26.272	250.031	915.830
<b>Net Book Value</b>	<b>791.548</b>	<b>491</b>	<b>15.436</b>	<b>146.433</b>	<b>953.908</b>
<b>Current Period End:</b>					
Net Book Value at the Beginning of the Period	791.548	491	15.436	146.433	953.908
Change During the Period (Net)	27.948	3.150	4.492	135.842	171.432
Depreciation – Net (-)	(3.057)	374	4.762	37.813	39.892
Impairment (-)	-	-	-	3.867	3.867
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-
Cost at Period End	1.458.462	3.691	46.072	532.114	2.040.339
Accumulated Depreciation at Period End (-)	636.404	440	31.034	291.711	959.589
<b>Closing Net Book Value</b>	<b>822.058</b>	<b>3.251</b>	<b>15.038</b>	<b>240.403</b>	<b>1.080.750</b>

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

15. Explanations on intangible assets:

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	107.073	47.523	59.550	58.585	26.127	32.458
Establishment Costs	5.463	3.031	2.432	6.345	4.213	2.132
Goodwill	-	-	-	-	-	-
Intangible Rights	125.179	44.006	81.173	53.248	21.513	31.735
<b>Total</b>	<b>237.715</b>	<b>94.560</b>	<b>143.155</b>	<b>118.178</b>	<b>51.853</b>	<b>66.325</b>

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

**15. Explanations on intangible assets: (Continued)**

- a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.
- b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition : None.
- d) The book value of intangible fixed assets that are pledged or restricted for use: None.
- e) Amount of purchase commitments for intangible fixed assets: None
- f) Information on revalued intangible assets according to their types: None.
- g) Amount of total research and development expenses recorded in income statement within the period if any: None.
- h) Positive or negative consolidation goodwill on the Group basis: Not applicable for the consolidated financial statements
- i) Information on Goodwill: None.

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

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Deferred Tax Assets	338.247	227.208
Deferred Tax Liabilities	1.681	368
Net Deferred Tax Assets	336.566	226.840
Net Deferred Tax Income / (Expense)	(376.702)	285.423

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for Employment Termination Benefits	114.015	127.960
Short Term Employee Benefits	27.216	26.880
Other Provisions	45.600	44.845
Valuation of Financial Assets	124.368	14.793
Other	25.367	12.362
<b>Net Deferred Tax Assets</b>	<b>336.566</b>	<b>226.840</b>

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

**16. Information on deferred tax asset: (Continued)**

	<b>Current Period</b>	<b>Prior Period</b>
<b>As of 1 January</b>	<b>226.840</b>	<b>287.553</b>
Addition to Scope of Consolidation	-	-
Effect of Change in the Effective Tax Rate	-	-
Deferred Tax (Expense)/Income	(376.702)	285.423
<b>Deferred Tax Expenses (Net)</b>	<b>(376.702)</b>	<b>285.423</b>
Deferred Tax Recognized Under Shareholders’ Equity	486.428	351.322
<b>Deferred Tax Assets</b>	<b>336.566</b>	<b>226.840</b>

**17. Information on other assets:**

As of 31 December 2013 and 2012, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

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

**II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES**

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

**1) For deposit banks:**

Current Period	Demand	7 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	9.472.016	-	2.306.619	44.980.013	3.911.099	668.484	855.321	5.011	62.198.563
Foreign Currency Deposits	6.015.294	-	4.898.797	10.869.094	2.664.377	1.741.542	8.671.190	298	34.860.592
Residents in Turkey	5.104.057	-	4.579.296	9.696.394	2.392.136	1.444.909	7.282.356	294	30.499.442
Residents Abroad	911.237	-	319.501	1.172.700	272.241	296.633	1.388.834	4	4.361.150
Public Sector Deposits	7.227.377	-	1.602.155	6.612.879	333.679	481.242	350.236	-	16.607.568
Commercial Inst. Deposits	3.813.654	-	3.923.580	4.703.020	580.976	109.404	129.477	-	13.260.111
Other Inst. Deposits	1.268.523	-	922.784	3.624.714	151.800	412.311	5.208	-	6.385.340
Precious Metals	1.700.414	-	-	306.477	-	-	-	-	2.006.891
Interbank Deposits	220.773	-	5.843.930	675.214	1.092.015	268.250	92.015	-	8.192.197
CBRT	7.386	-	2.769	-	-	-	-	-	10.155
Domestic Banks	89.366	-	3.938.310	248.985	229.863	2.000	2.051	-	4.510.575
Foreign Banks	96.181	-	1.902.851	426.229	862.152	266.250	89.964	-	3.643.627
Participation Banks	27.840	-	-	-	-	-	-	-	27.840
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>29.718.051</b>	<b>-</b>	<b>19.497.865</b>	<b>71.771.411</b>	<b>8.733.946</b>	<b>3.681.233</b>	<b>10.103.447</b>	<b>5.309</b>	<b>143.511.262</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	6.841.656	-	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>

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

**b) Information on saving deposits:**

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

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

Saving Deposits	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits <sup>(2)</sup>	41.444.188	30.505.073	20.481.299	26.579.587
Foreign Currency Saving Deposits <sup>(2)</sup>	13.960.516	8.336.033	12.461.340	10.600.342
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(1)</sup>	467.408	423.579	54.646	28.553
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 TL24.133 and TL12.491 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2012: Bulgaria and Greece, TL10.668 and TL9.642, respectively).

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

Based on the Council of Minister’s decree dated 29 December 2003 and numbered 2003/6668, TL2.654 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 TL100 attributable to a real person is covered by the insurance, TL369.958 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 15 February 2013 and numbered 28560.

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

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

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

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

3) Amounts which are not covered by deposit insurance:

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

	Current Period	Prior Period
Deposits and Other Accounts in Branches Abroad	56.859	64.624
Deposits of Ultimate Shareholders and Their Close Families	-	-
Deposits of Chairman and Members of the Board of Directors , General Manager, Assistant General Managers and Their Close Family Members	2.010	1.691
Deposits Obtained through Illegal Acts Defined in the 282 <sup>nd</sup> Article of the 5237 Numbered Turkish Criminal Code Dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

2. Information on derivative financial liabilities held for trading:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	11.332	-	25	319
Swap Transactions	7.188	37.833	38.962	16.285
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>18.520</b>	<b>37.833</b>	<b>38.987</b>	<b>16.604</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	148.940	225.414	82.261	159.675
Foreign Banks, Institutions and Funds	933.386	7.954.521	797.484	2.442.858
<b>Total</b>	<b>1.082.326</b>	<b>8.179.935</b>	<b>879.745</b>	<b>2.602.533</b>

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	119.473	6.129.742	70.574	1.573.650
Medium and Long-Term	962.853	2.050.193	809.171	1.028.883
<b>Total</b>	<b>1.082.326</b>	<b>8.179.935</b>	<b>879.745</b>	<b>2.602.533</b>

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

3. Information on banks and other financial institutions (Continued)

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:

67,82% of the Group’s liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Group’s liabilities are not subject to a significant concentration risk.

d) Information on funds supplied from repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Domestic Transactions</b>				
Financial Institutions and Organizations	11.040.945	12.061.628	4.599.126	5.584.781
Other Institutions and Organizations	1.456.454	-	971.889	-
Real Person	11.823	-	6.678	-
<b>From Overseas Operations</b>				
Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
<b>Total</b>	<b>12.509.222</b>	<b>12.061.628</b>	<b>5.577.693</b>	<b>5.584.781</b>

e) Information on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.347.777	-	1.675.007	-
Treasury Bills	308.683	-	179.130	-
<b>Total</b>	<b>2.656.460</b>	<b>-</b>	<b>1.854.137</b>	<b>-</b>

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

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

5. Information on finance lease payables (net):

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

Information on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	9	7	27	25
Between 1-4 Years	-	-	270	262
More than 4 Years	-	-	-	-
<b>Total</b>	<b>9</b>	<b>7</b>	<b>297</b>	<b>287</b>

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

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

There are no derivative financial liabilities for hedging purposes (31 December 2012: None).

**7. Explanations on provisions:**

**a) Information on general provisions:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>General Provisions</b>	<b>2.003.493</b>	<b>1.233.215</b>
Allocated for Group-I Loans and Receivables	1.726.438	1.001.019
Additional Provision for Loans and Receivables with Extended Maturities	79.184	20.214
Allocated for Group-II Loans and Receivables	136.142	150.136
Additional Provision for Loans and Receivables with Extended Maturities	18.994	13.702
Allocated for Non-Cash Loans	87.822	47.638
Other	53.091	34.422

**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 TL29.876.

**d) Information on other provisions:**

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

The accompanying financial statements include a general reserve amounting to TL1.006.000 thousand (TL361.700 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 TL11.550 and other provision of TL36 exist for cash transfers made by Parent Bank officials.

	<b>Current Period</b>	<b>Prior Period</b>
General Provisions for Possible Risks	1.017.586	654.776

**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 amounts to TL80.385. Full provision has been provided in the accompanying financial statements for law suits ended against the Parent Bank but not finalized yet, amounting to TL33.859. 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.

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

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

**d) Information on other provisions: (Continued)**

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

With the final decision of the Competition Board in 8 March 2013, the Parent Bank was imposed an administrative penalty amounting to TL148.231 and the reasoned decision of penalty above-mentioned has been communicated to the Bank that is 1% of its annual gross revenue 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, TL111.174 was paid in 16 August 2013 and TL111.200 which was booked as other provision in early period was cancelled by reversal.

Furthermore, based on the decision of the Parent Bank management, provision amounting to TL108.000, 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 TL29.876 for unindemnified non-cash loans, TL22.300 for commission payments of Maximum Card, and TL21.215 for other provisions. As a result of the provisions mentioned above, the other provision balance on the Bank’s balance sheet amounts to TL1.295.768. (31 December 2012: TL1.031.318)

**e) Liabilities on reserve for employee termination benefits:**

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

The Group accounts for its vacation and retirement pay obligations in accordance with the TAS 19 “Employee Benefits”. The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation. As of 31 December 2013, unpaid vacation liability amounted to TL136.082 (31 December 2012: TL134.400), and employment termination amounted to TL570.074 (31 December 2012: TL642.480) are presented under the “Employee Benefits Provision” in the financial statements.

Movement of employment termination benefits liability in the balance sheet:

	<b>Current Period</b>	<b>Prior Period</b>
As of 1 January	642.480	533.222
Payments in the Period	(144.225)	(49.590)
Charge for the Period	71.819	158.848
<b>Total</b>	<b>570.074</b>	<b>642.480</b>

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

**e) Liabilities on reserve for employee termination benefits: (Continued)**

**2) Pension Rights**

The technical balance sheet reports which are prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9,80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2013 and 2012.

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 TL1.371.944 as of 31 December 2013. (31 December 2012: TL813.030)

	<b>Current Period</b>	<b>Prior Period</b>
Present value of funded obligations	382.944	(64.970)
-Pension benefits transferable to SSI	(42.132)	(330.877)
-Post employment medical benefits transferable to SSI	425.076	265.907
Fair value of plan assets	989.000	878.000
<b>Actuarial Surplus</b>	<b>1.371.944</b>	<b>813.030</b>

The principal actuarial assumptions used are as follows:

	<b>Current Period</b>	<b>Prior Period</b>
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.

Plan assets are comprised as follows:

	<b>Current Period</b>	<b>Prior Period</b>
Bank Placements	681.445	694.729
Property and Equipment	185.987	160.982
Marketable Securities	114.084	13.889
Other	7.484	8.400
<b>Total</b>	<b>989.000</b>	<b>878.000</b>

**8. Information on tax liability:**

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

**1) Information on tax provisions:**

As of 31 December 2013, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL175.514 (31 December 2012: TL348.154).

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

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Tax Payable	175.514	348.154
Taxation on Income from Securities	103.901	86.583
Property Tax	1.482	1.023
Banking Insurance Transactions Tax (BITT)	69.055	52.227
Foreign Exchange Transactions Tax	22	5
Value Added Tax Payable	2.850	3.483
Other	46.783	34.231
<b>Total</b>	<b>399.607</b>	<b>525.706</b>

**3) Information on premiums:**

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums - Employee	480	98
Social Security Premiums - Employer	469	134
Bank Social Aid Pension Fund Premium - Employee	135	101
Bank Social Aid Pension Fund Premium - Employer	251	187
Pension Fund Membership Fees and Provisions - Employee	6	5
Pension Fund Membership Fees and Provisions - Employer	21	14
Unemployment Insurance - Employee	408	247
Unemployment Insurance - Employer	792	496
Other	-	9
<b>Total</b>	<b>2.562</b>	<b>1.291</b>

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

The Group’s deferred tax liability amounts to TL1.681 (31 December 2012: TL368). However, this amount is netted off against the deferred tax asset and accordingly deferred tax asset amounting to TL336.566 (31 December 2012: TL226.840) is presented in the financial statements.

**9. Information on shareholders’ equity:**

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

	<b>Current Period</b>	<b>Prior Period</b>
Common Stock	2.500.000	2.500.000
Preferred Stock	-	-

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

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

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

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

9. Information on shareholders’ equity: (Continued)

h) Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	34.084	175.386	-	-
Revaluation Difference	34.084	175.386	-	-
Foreign Exchange Difference	-	-	-	-
From Available for Sale Marketable Securities	(692.217)	(320.793)	474.452	450.284
Revaluation Difference	(1.133.746)	(320.793)	695.188	450.284
Deferred Tax Effect	272.063	-	(212.771)	-
Foreign Exchange Difference	169.466	-	(7.965)	-
<b>Total</b>	<b>(658.133)</b>	<b>(145.407)</b>	<b>474.452</b>	<b>450.284</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	2.513.023	2.410.300
Asset Purchase Commitments	4.481.178	455.918
Commitments for Credit Card Expenditure Limits	6.295.134	3.829.389
Loan Granting Commitments	1.213.595	199.008
Other Irrevocable Commitments	2.931.982	2.151.772
Subsidiaries and Associates Capital Contribution Commitments	-	-
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	13.049	10.985
<b>Total</b>	<b>17.447.961</b>	<b>9.057.372</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	23.545.464	12.276.010
Bank Acceptances	2.118.003	960.969
Letter of Credits	4.229.114	2.415.141
<b>Total</b>	<b>29.892.581</b>	<b>15.652.120</b>

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

	Current Period	Prior Period
Letter of Temporary Guarantees	1.489.824	473.559
Letter of Certain Guarantees	15.023.192	6.832.794
Letters of Advance Guarantees	5.712.825	3.533.511
Letters of Guarantees Given to Customs Offices	94.900	122.121
Other Letters of Guarantees	1.195.358	1.290.524
<b>Total</b>	<b>23.516.099</b>	<b>12.252.509</b>

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III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ACCOUNTS (Continued)

1. Information on off-balance sheet liabilities: (Continued)

c) 1) Total non-cash loans:

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>1.107.629</b>	<b>1.168.472</b>
With Original Maturity of One Year or Less	120.548	244.978
With Original Maturity of More than One Year	987.081	923.494
<b>Other Non-Cash Loans</b>	<b>28.784.952</b>	<b>14.483.648</b>
<b>Total</b>	<b>29.892.581</b>	<b>15.652.120</b>

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

	Current Period				Prior Period			
	TL	(%)	TL	(%)	TL	(%)	TL	(%)
Agricultural	20.404	0,19	91	0,00	10.429	0,19	1.507	0,01
Farming and Raising								
Livestock	297	0,00	-	0,00	352	0,01	-	0,00
Forestry	20.107	0,19	16	0,00	10.077	0,18	1.507	0,01
Fishing	-	0,00	75	0,00	-	0,00	-	0,00
Manufacturing	2.891.237	26,69	10.470.434	54,93	1.334.176	24,12	5.910.412	58,39
Mining and Quarrying	57.269	0,53	172.735	0,91	34.068	0,62	156.134	1,54
Production	1.707.501	15,76	8.287.700	43,48	960.724	17,37	5.087.746	50,27
Electric, Gas and Water	1.126.467	10,40	2.009.999	10,55	339.384	6,14	666.532	6,59
Construction	2.163.664	19,98	3.315.383	17,39	915.437	16,55	1.299.436	12,84
Services	5.138.943	47,44	4.472.635	23,47	2.783.659	50,33	1.392.348	13,76
Wholesale and Retail Trade	2.329.398	21,51	1.235.909	6,48	960.831	17,37	822.514	8,13
Hotel, Food and Beverage Services	38.498	0,36	45.265	0,24	14.639	0,26	14.119	0,14
Transportation and Telecommunication	432.696	3,99	246.946	1,30	227.530	4,11	73.617	0,73
Financial Institutions	1.817.651	16,78	393.100	2,06	1.343.999	24,30	349.503	3,45
Real Estate and Leasing Services	283.671	2,62	594.851	3,12	185.374	3,35	131.890	1,30
Self-Employment Services	-	0,00	-	0,00	-	0,00	-	0,00
Education Services	22.183	0,20	9.756	0,05	14.425	0,26	289	0,00
Health and Social Services	214.846	1,98	1.946.808	10,21	36.861	0,67	416	0,00
Other	617.495	5,70	802.295	4,21	486.805	8,80	1.517.911	15,00
<b>Total</b>	<b>10.831.743</b>	<b>100,00</b>	<b>19.060.838</b>	<b>100,00</b>	<b>5.530.506</b>	<b>100,00</b>	<b>10.121.614</b>	<b>100,00</b>

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>10.742.779</b>	<b>18.953.280</b>	<b>88.964</b>	<b>107.558</b>
Letters of Guarantee	10.650.889	12.672.706	88.964	103.540
Bank Acceptances	68.438	2.049.339	-	226
Letters of Credit	23.452	4.201.870	-	3.792
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	29.365	-	-

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**III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ACCOUNTS (Continued)**

**2. Explanations on derivative transactions:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Types of Trading Transactions</b>		
Foreign Currency Related Derivative Transactions: (I)	23.359.135	11.387.535
Forward Transactions	720.364	112.342
Swap Transactions	22.638.771	11.275.193
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>23.359.135</b>	<b>11.387.535</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>23.359.135</b>	<b>11.387.535</b>

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.

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III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ACCOUNTS (Continued)

2. Explanations on derivative transactions: (Continued)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	140.065	14.957	140.221	17.074	-	312.317
- Inflow	(7.792.576)	(2.168.538)	(1.031.101)	(531.194)	-	(11.523.409)
- Outflow	7.932.641	2.183.495	1.171.322	548.268	-	11.835.726
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>(7.792.576)</b>	<b>(2.168.538)</b>	<b>(1.031.101)</b>	<b>(531.194)</b>	<b>-</b>	<b>(11.523.409)</b>
<b>Total outflow</b>	<b>7.932.641</b>	<b>2.183.495</b>	<b>1.171.322</b>	<b>548.268</b>	<b>-</b>	<b>11.835.726</b>

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	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>

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 TL2.513.023 (31 December 2012: TL2.410.300)

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.

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

**III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ACCOUNTS (Continued)**

**5. Information on the Bank’s rating that has been determined by international rating agencies**

Information on the assessment done by the international rating agencies Moody’s Investor Services and Fitch Ratings are as follows:

**Moody’s Investor Services: May 2013**

<b>Outlook</b>	Stable
<b>Bank Financial Strength</b>	D+

**Fitch Ratings: November 2013**

**Foreign Currency Commitments**

Long Term	BBB-
Short Term	F3
Outlook	Stable

**Local Currency Commitments**

Long Term	BBB
Short Term	F3
Outlook	Stable
National	AAA (tur)
Outlook	Stable
<b>Viability Rating</b>	bbb-
<b>Support Rating</b>	2

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IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

1. a) Information on interest income from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Interest on Loans</b> <sup>(1)</sup>	<b>8.805.150</b>	<b>795.713</b>	<b>8.333.265</b>	<b>396.163</b>
Short Term Loans	2.617.514	98.129	2.483.854	66.886
Medium and Long Term Loans	6.049.093	696.998	5.746.064	328.762
Interest on Non-Performing Loans	138.543	586	103.347	515
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	-	-	-	-
Domestic Banks	94.562	4.718	56.607	858
Foreign Banks	939	6.900	863	6.345
Head Office and Branches	-	105	-	114
<b>Total</b>	<b>95.501</b>	<b>11.723</b>	<b>57.470</b>	<b>7.317</b>

c) Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Trading Financial Assets	946	421	2.404	483
From Financial Assets at Fair Value through Profit or Loss	1.060	-	963	-
From Available-for-Sale Financial Assets	2.755.407	261.029	3.007.160	194.151
From Held-to-Maturity Investments	1.499.694	315.903	2.640.001	288.196
<b>Total</b>	<b>4.257.107</b>	<b>577.353</b>	<b>5.650.528</b>	<b>482.830</b>

d) Information on interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	521	3.770

2. a) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b> <sup>(1)</sup>	<b>69.335</b>	<b>96.478</b>	<b>43.134</b>	<b>45.796</b>
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	8.239	5.029	842	16.632
Foreign Banks	61.096	91.449	42.292	29.164
Head Office and Branches	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>69.335</b>	<b>96.478</b>	<b>43.134</b>	<b>45.796</b>

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

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

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

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	3.653	25.786

d) Information on interest given on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	171.143	-	133.407	-

d) 1) Maturity structure of the interest expense on deposits:

Account Name	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 year		
TL								
Bank Deposit	-	155.177	-	-	-	-	-	155.177
Saving Deposit	9	120.599	3.020.608	283.134	51.861	62.189	755	3.539.155
Public Sector Deposit	196	133.714	417.906	22.756	30.205	958	-	605.735
Commercial Deposit	151	139.984	289.713	42.051	21.048	678	-	493.625
Other Deposit	32	16.672	190.378	22.971	28.875	343	-	259.271
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>388</b>	<b>566.146</b>	<b>3.918.605</b>	<b>370.912</b>	<b>131.989</b>	<b>64.168</b>	<b>755</b>	<b>5.052.963</b>
FC								
Foreign Currency Deposit	8.612	53.974	149.721	56.646	29.997	169.698	6	468.654
Bank Deposit	58.950	-	-	4	9.336	14.376	-	82.666
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	152	1.153	81	51	46	-	1.483
<b>Total</b>	<b>67.562</b>	<b>54.126</b>	<b>150.874</b>	<b>56.731</b>	<b>39.384</b>	<b>184.120</b>	<b>6</b>	<b>552.803</b>
<b>Grand Total</b>	<b>67.950</b>	<b>620.272</b>	<b>4.069.479</b>	<b>427.643</b>	<b>171.373</b>	<b>248.288</b>	<b>761</b>	<b>5.605.766</b>

3. Explanations on dividend income:

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	21	-
Available-for-Sale Financial Assets	9.035	14.998
Other <sup>(1)</sup>	5.271	2.681
<b>Total</b>	<b>14.327</b>	<b>17.679</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>10.954.989</b>	<b>5.250.568</b>
Profit from the Capital Market Transactions	95.642	86.786
Profit on Derivative Financial Instruments	1.958.796	1.331.691
Foreign Exchange Gains	8.900.551	3.832.091
<b>Loss (-)</b>	<b>11.129.620</b>	<b>5.295.283</b>
Loss from the Capital Market Transactions	1.963	19.994
Loss on Derivative Financial Instruments	1.553.009	1.376.875
Foreign Exchange Loss	9.574.648	3.898.414

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

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	243.834	(654.435)
Effect of the change in interest rates on profit/loss	161.953	609.251
<b>Total</b>	<b>405.787</b>	<b>(45.184)</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 TL(630.015).

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>	713.652	815.403
Group III Loans and Receivables	98.161	131.824
Group IV Loans and Receivables	332.752	510.664
Group V Loans and Receivables	282.739	172.915
General Provision Expenses <sup>(2)</sup>	771.022	229.131
Provision Expenses for the Possible Losses	387.388	630.853
Marketable Securities Impairment Expense	1.068	106
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available for Sale	1.068	106
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity		
Associates	-	-
Subsidiaries	-	-
Entities under Common Control	-	-
Investment Securities Held to Maturity	-	-
Other	6.240	132.217
<b>Total</b>	<b>1.879.370</b>	<b>1.807.710</b>

<sup>(1)</sup> The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL310.711 are presented in other operating income (31 December 2012: 132.966 TL).

<sup>(2)</sup> The relevant balances include the expenses related to the current period. The provision reversals within the period amounting to TL185 are presented in other operating income.

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Personnel Expenses	1.858.253	1.430.198
Reserve for Employee Termination Benefits	52.345	159.120
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	898	878
Depreciation Expenses of Tangible Fixed Assets	87.364	63.114
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	43.298	19.060
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	553	350
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	1.586.105	1.121.949
Operational Leasing Expenses	115.331	90.404
Maintenance Expenses	72.032	38.709
Advertisement Expenses	81.711	45.554
Other Expenses	1.317.031	947.282
Loss on Sales of Assets	946	216
Other <sup>(1)</sup>	916.488	963.625
<b>Total</b>	<b>4.546.250</b>	<b>3.758.510</b>

<sup>(1)</sup> TL301.092 (31 December 2012: TL199.939) of other item consists of Saving Deposit Insurance Fund accrual expense while TL304.600 (31 December 2012: TL224.139) 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:

	<b>Current Period</b>	<b>Prior Period</b>
Net Interest Income	7.963.471	7.102.623
Net Fees and Commissions Income	871.950	697.715
Dividend Income	14.327	17.679
Trading Income/Expense (Net)	(174.631)	(44.715)
Other Operating Income	2.105.121	1.438.807
Provision for Loan or Other Receivables Losses (-)	1.879.370	1.807.710
Other Operating Expenses (-)	4.546.250	3.758.513
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	17.318	11.285
<b>Income/(Loss) from Continuing Operations</b>	<b>4.371.936</b>	<b>3.657.171</b>

**10. Information on tax provision for continued and discontinued operations**

As of 31 December 2013, TL(1.107.604) (31 December 2012: TL(901.643)) of the Group’s total tax provision expense amounting to TL(730.902) (31 December 2012: TL(1.187.066)), consists of current tax expense while the rest amounting to TL(376.702) (31 December 2012: TL285.423) consists of deferred tax income.

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

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

The Group's net operating income after tax amounts to TL3.264.332 (31 December 2012: TL2.755.531).

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

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

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

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

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period (31 December 2012: 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 2013, the Group's other fee and commission income amounting to TL947.605 (31 December 2012: TL819.542) consists of TL263.257 (31 December 2012: TL268.971) of credit card fees and commission income, TL231.068 (31 December 2012: TL145.288) of insurance commission and the remaining TL453.280 (31 December 2012: TL405.283) 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 decree numbered 1623 on 21 April 2005.

**b) Explanations on profit distribution:**

The General Assembly of the Parent Bank for the year 2012 was carried out on 29 March 2013. In accordance with the decision taken, the amount of TL2.362.492 on the basis of distribution of the profit for the year 2012 amounting to TL2.650.428, TL118.125 is decided to transfer to primary legal reserves and TL14.500 is decided to transfer to secondary legal reserves, TL145.000 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, TL1.959.867 of the profit has been preserved and TL134.987 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 TL10.013 is transferred to the account of the "Profit Reserves".

The Parent Bank is planning to distribute its 2013 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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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY (Continued)**

- 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:**

**c) Explanations on Available For Sale Financial Assets:**

Available for sale financial assets are not included in the current income statement, until their collections, disposals, sales or losses are realized and those assets are recognized under the “Marketable Securities Revaluation Fund” under equity. In accordance with TAS 39 and due to the change in the Parent Bank’s intention to hold the previously classified as available for sale securities to maturity the Parent Bank has reclassified the securities under available for sale portfolio to held to maturity portfolio. The valuation differences of these securities is presented under shareholders’ equity as a “Marketable Securities Valuation Differences” and transferred to profit/loss with subject to redemption with proportional to the maturity of security.

Subsidiaries and jointly controlled entities domiciled and operating abroad are followed by their fair values. For such subsidiaries and entities under common control, the fair value is determined with revaluation report prepared by independent valuation firm and revaluation differences are recognized under “Marketable Securities Revaluation Fund” under equity.

**d) Profit Reserves:**

As of the balance sheet date, profit reserves amount to TL12.578.459, legal reserves amount to TL2.645.390, extraordinary reserves amount to TL9.011.091 and other profit reserves amount to TL921.978.

**VI. EXPLANATIONS AND NOTES RELATED TO THE 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 TL5.191.109 is composed mainly from interest received from loans and securities amounting to TL15.922.425 and interest paid to deposit and money market operations which is amounting to TL6.654.910. 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 TL424.386 as of 31 December 2013 (31 December 2012: TL (72.871)).

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”.

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VI. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CASH FLOWS (Continued)

1. Explanations about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents: (Continued)

Period opening and end cash and cash equivalents balance:

Period Opening	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>

Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	1.821.663	1.465.021
Central Bank of the Republic of Turkey and Other Banks	6.348.809	5.539.881
Money Market Operations	53.272	61.722
<b>Total Cash and Cash Equivalents</b>	<b>8.223.744</b>	<b>7.066.624</b>

VII. EXPLANATIONS AND NOTES TO THE RISK GROUP OF THE PARENT BANK

1) Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

a) Current Period:

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	61.333	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Interest and Commissions Income</b>	<b>521</b>	-	-	-	-	-

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

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 <sup>(1)</sup>						
Opening Balance	18.419	-	-	-	-	-
Closing Balance	61.333	-	-	-	-	-
<b>Interest and Commissions Income</b>	<b>3.770</b>	-	-	-	-	-

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

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	557.636	580.370	-	-	-	-
Closing Balance	168.049	557.636	-	-	-	-
<b>Interest Expense on Deposits</b>	<b>3.653</b>	<b>25.786</b>	-	-	-	-

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

**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	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	<b>(297)</b>	-	-	-	-
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

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

Fees paid to the Group’s key management amount to TL28.108 (31 December 2012: TL18.628).

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

- The Board of Directors of the Parent Bank has decided to take all necessary actions regarding the issue of bills, bonds and similar kinds of debt instruments which will be issued abroad through one or more issuance, in total up to 3 billion USA dollars or equivalent foreign exchange or TL, and establishing bond issuance program which would allow issuances with different foreign currencies, and maturities (Medium Term Note Program/Global Medium Term Note Program) at the amount of the equivalent of 3 billion USA dollars. Related to that, Board of Director has decided the authorization for the applications to Capital Market Board and other in charge parties regarding necessary permits. In this regard, the required application has been made to Capital Market Board and it has been announced that the application has been approved by Capital Market Board on January 14, 2014. In addition, Banking Regulation and Supervision Agency has declared that it is not considered risky to issue debt instruments as part of bond issuance program to abroad at the amount of the equivalent of 3 billion USA dollars.
- The issue and the public offerings of the Parent Bank’s bonds with a nominal value of TRY450 million with 126-day maturity and having a fixed term on 30 May 2014 and of the bonds with a nominal value of TRY300 million with 175-day maturity and having a fixed term on 18 July 2014 have been performed via book-building method on 20, 21, 22 January 2014. The compound interest rates were respectively 9.39% and 9.81%.

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**IX. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR AFFILIATES AND FOREIGN REPRESENTATIVES OF THE PARENT BANK**

**Information on the Parent Bank’s domestic and foreign branches and foreign representatives of the Bank:**

	<b>Number</b>	<b>Number of Employees</b>			
Domestic Branch	1.636	24.639			
			<b>Country of Incorporation</b>		
Foreign Representative Office	1	1	1- Iran		
				<b>Total Assets</b>	<b>Statutory Share Capital</b>
Foreign Branch <sup>(1)</sup>	1	2	1- USA	1.639.080	250.200
	1	3	2- England	1.080.279	113.562
	4	6	3- Bulgaria	95.934	41.676
	2	4	4- Georgia	52.937	18.648
	2	6	5- Iraq	197.850	29.820
	4	5	6- Greece	350.702	96.905
	1	1	7- Saudi Arabia	57.619	31.950
	10	37	8-T.R. of Northern Cyprus	874.096	57.539
Off-Shore Banking Region Branches	-	-	-	-	-

<sup>(1)</sup> Excluding the local employees of the foreign branches.

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**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 2013, 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 11 March 2014 is presented preceding the financial statements.

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

None.

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