

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

**PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT  
AT 30 June 2013**

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



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

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

We have reviewed the accompanying consolidated balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ("the Bank") and its consolidated subsidiaries at 30 June 2013 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility, as independent auditors is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Uniform Chart of Accounts of banks, accounting standards and the independent audit principles in conformity with Banking Law No. 5411. Those principles require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries concerning the Bank's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

As mentioned in Section II. Note 7.d1 of Explanations and Notes to the Consolidated Financial Statements; as of the balance sheet date, the accompanying financial statements include a free provision amounting to TL853.300 thousand (TL209.000 thousand of this provision 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.

Based on our review except for the effect of the matter on the financial statements described in the paragraph above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. at 30 June 2013 and the results of its operations and its cash flows for the period then ended in accordance with accounting principles and standards set out by regulations in conformity with Article 37 and 38 of Banking Law No. 5411 and other regulations, interpretations and circulars published by the Banking Regulation and Supervision Agency 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 Article 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, 23 August 2013

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

**THE CONSOLIDATED INTERIM FINANCIAL REPORT OF  
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 30 JUNE 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  
E-mail: zbmail@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 REVIEW 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 reviewed.

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<p>Muharrem KARSLI Chairman of the Board of Directors, Member of the Audit Committee</p>	<p>Hüseyin AYDIN Member of the Board of Directors, General Manager</p>	<p>Feyzi ÇUTUR Member of the Board of Directors, Member of the Audit Committee</p>
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Cem İNAL  
Assistant General Manager  
Financial Coordination

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Atakan BEKTAŞ  
Deputy Head of  
Reporting Management

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

Name/Title : Kubilay ŞAHİN / External Reporting Manager  
Telephone Number : 0312 584 43 23  
Facsimile Number : 0312 584 47 98

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 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”, “Bank” or “the Parent Bank”) is based on Government Funds established in 1863. In 1883, Government Funds were replaced with Benefit Funds. The Bank was officially established by the re-organization of the Benefit Funds in 1888, to grant loans to farmers, to accept interest-bearing deposits and to act as a moneylender and an intermediary for agricultural operations. The Bank, which was given the authority to perform all the banking activities, has its head office located in Ankara and all shares of the Bank belong to the Treasury.

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

The sole shareholder of the Bank is the Treasury.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 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, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS, 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 ÖZDEMİRÇİ	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Mustafa ÇETİN	Member
Salim ALKAN	Member
<b>Audit Committee Members</b>	
Muharrem KARSLI	Member
Feyzi ÇUTUR	Member
<b>Assistant General Managers</b>	
Ali TOKER	Human Resources
Alpaslan ÇAKAR	Operational Transactions
Bilgehan KURU	Treasury and Strategy Management
Cem İNAL	Financial Coordination
Mehmet Cengiz GÖĞEBAKAN	Credit Policies
Musa ARDA	Credit Allocation and Management
Osman ARSLAN	International Banking and Joint Ventures
Ömer Muzaffer BAKTIR	Marketing
Yunus Uygur KOCAOĞLU	Information Technologies Management
<b>Chairman of the Internal Audit</b>	
Ali ARAS	Chairman of the Internal Audit
<b>Head of Group</b>	
Bülent YALIM	Internal Control and Risk 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 NOTE I. OF SECTION THREE**

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 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 30 June 2013, Parent Bank carries its activities with a grand total of 1.561 Branches; 1.536 Branches including 5 Corporate Branches, 27 Commercial Branches, 80 Enterprising Branches, 1.422 Domestic Branches and 2 Mobile Branches (31 December 2012: 1.490 Domestic Branches including 1.316 Branches, 5 Corporate Branches, 27 Commercial Branches, 77 Enterprising 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, Gümülcine, İskeçe and Rhodos Branches in Greece, Sofia Branch and Filibe, Kardzhali and Varna Sub Branches in Bulgaria, Jeddah Branch in Saudi Arabia, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Akdoğan, Near East University, Karaoğlanoğlu, Karakum and İskele 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 enable the usage of agricultural loan limits associated with the Başakkart 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 30 June 2013, the number of the Group’s employees is 25.721 (31 December 2012: 24.092).

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 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., Bileşim Alternatif Dağıtım Kanalı ve Ödeme Sistemleri A.Ş. which are subsidiaries of the Bank, are not consolidated into the Bank’s consolidated financial statements in accordance with Communiqué of the Preparation Consolidated Financial Statements since these entities are not financial institutions. Kredi Kayıt Bürosu ve Bankalararası Kart Merkezi which are associates of the bank are not consolidated but carried at cost since these entities are not controlled by the Bank and are not financial companies.

All other subsidiaries are fully consolidated.

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

None.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2013 AND 31 DECEMBER 2012**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**SECTION TWO  
THE BANK’S CONSOLIDATED FINANCIAL STATEMENTS**

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	Current Period (30/06/2013)			Prior Period (31/12/2012)		
		TL	FC	Total	TL	FC	Total
		ASSETS					
<b>I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	(1)	4.835.414	16.711.457	21.546.871	5.908.346	15.373.382	21.281.728
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)</b>	(2)	145.284	336.024	481.308	39.496	129.662	169.158
2.1 Financial Assets Held for Trading		145.284	336.024	481.308	39.496	129.662	169.158
2.1.1 Public Sector Debt Securities		33.229	4.338	37.567	30.789	4.582	35.371
2.1.2 Securities Representing a Share in Capital		36	-	36	819	-	819
2.1.3 Derivative Financial Assets Held for Trading		112.019	331.686	443.705	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)	1.654.507	859.149	2.513.656	650.945	971.787	1.622.732
<b>IV. MONEY MARKET PLACEMENTS</b>		13.507	54.039	67.546	2.049	59.673	61.722
4.1 Interbank Money Market Placements		-	54.039	54.039	-	13.087	13.087
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables From Reverse Repurchase Agreements		13.507	-	13.507	2.049	46.586	48.635
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	35.848.415	5.094.516	40.942.931	33.715.982	4.646.421	38.362.403
5.1 Securities Representing a Share in Capital		160.725	147.503	308.228	141.674	118.147	259.821
5.2 Public Sector Debt Securities		35.515.548	4.833.239	40.348.787	33.365.777	4.391.810	37.757.587
5.3 Other Marketable Securities		172.142	113.774	285.916	208.531	136.464	344.995
<b>VI. LOANS AND RECEIVABLES</b>	(5)	76.625.591	15.860.206	92.485.797	63.978.529	9.168.557	73.147.086
6.1 Loans and Receivables		75.828.188	15.851.963	91.680.151	63.183.707	9.159.764	72.343.471
6.1.1 Loans Granted to Risk Group of The Bank		-	7.961	7.961	-	61.333	61.333
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		75.828.188	15.844.002	91.672.190	63.183.707	9.098.431	72.282.138
6.2 Loans under Follow-up		2.227.531	51.685	2.279.216	2.040.802	43.745	2.084.547
6.3 Specific Provisions (-)		1.430.128	43.442	1.473.570	1.245.980	34.952	1.280.932
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	17.288.638	4.550.575	21.839.213	23.030.009	4.292.029	27.322.038
8.1 Public Sector Debt Securities		17.279.742	4.525.121	21.804.863	23.020.788	4.267.973	27.288.761
8.2 Other Marketable Securities		8.896	25.454	34.350	9.221	24.056	33.277
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	73.323	650	73.973	69.742	612	70.354
9.1 Accounted with Equity Method		67.257	-	67.257	63.676	-	63.676
9.2 Unconsolidated Associates		6.066	650	6.716	6.066	612	6.678
9.2.1 Financial Associates		-	650	650	-	612	612
9.2.2 Non-financial Associates		6.066	-	6.066	6.066	-	6.066
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	12.204	-	12.204	8.032	-	8.032
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		12.204	-	12.204	8.032	-	8.032
<b>XI. ENTITIES UNDER COMMON CONTROL (Net)</b>	(9)	-	57.430	57.430	-	46.704	46.704
11.1 Accounted with Equity Method		-	57.430	57.430	-	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. RECEIVABLE FROM LEASING TRANSACTIONS</b>	(10)	242.107	730.413	972.520	152.321	465.228	617.549
12.1 Finance Lease Receivables		308.545	830.886	1.139.431	193.108	527.664	720.772
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		66.438	100.473	166.911	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>		947.976	30.950	978.926	926.585	27.323	953.908
<b>XV. INTANGIBLE ASSETS (Net)</b>		84.380	8.350	92.730	57.426	8.899	66.325
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		84.380	8.350	92.730	57.426	8.899	66.325
<b>XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)</b>	(12)	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>		224.674	1.722	226.396	227.548	2.733	230.281
17.1 Current Tax Asset		1.615	1.722	3.337	340	2.733	3.073
17.2 Deferred Tax Asset		223.059	-	223.059	227.208	-	227.208
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(13)	84.328	-	84.328	66.066	-	66.066
18.1 Held for Sale		84.328	-	84.328	66.066	-	66.066
18.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>		935.857	448.550	1.384.407	1.022.832	51.977	1.074.809
<b>TOTAL ASSETS</b>		139.016.205	44.744.031	183.760.236	129.855.908	35.244.987	165.100.895

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

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2013 AND 31 DECEMBER 2012**  
(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 (30/06/2013)			Prior Period (31/12/2012)		
			TL	FC	Total	TL	FC	Total
<b>LIABILITIES AND EQUITY</b>								
<b>I. DEPOSITS</b>	(1)	<b>94.323.249</b>	<b>32.681.612</b>	<b>127.004.861</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		60.365	2.054.871	2.115.236	543.630	14.006	557.636	
1.2 Other		94.262.884	30.626.741	124.889.625	91.535.997	27.585.621	119.121.618	
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	<b>45.741</b>	<b>63.305</b>	<b>109.046</b>	<b>38.987</b>	<b>16.604</b>	<b>55.591</b>	
<b>III. FUNDS BORROWED</b>	(3)	<b>1.471.640</b>	<b>4.914.613</b>	<b>6.386.253</b>	<b>879.745</b>	<b>2.602.533</b>	<b>3.482.278</b>	
<b>IV. MONEY MARKET BALANCES</b>		<b>8.476.629</b>	<b>8.983.378</b>	<b>17.460.007</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		8.476.629	8.983.378	17.460.007	5.577.693	5.584.781	11.162.474	
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		<b>2.569.204</b>	-	<b>2.569.204</b>	<b>1.854.137</b>	-	<b>1.854.137</b>	
5.1 Bills		2.269.582	-	2.269.582	1.675.007	-	1.675.007	
5.2 Asset-backed Securities		-	-	-	-	-	-	
5.3 Bonds		299.622	-	299.622	179.130	-	179.130	
<b>VI. FUNDS</b>		<b>4.455.830</b>	-	<b>4.455.830</b>	<b>4.292.229</b>	-	<b>4.292.229</b>	
6.1 Borrower Funds		-	-	-	-	-	-	
6.2 Other		4.455.830	-	4.455.830	4.292.229	-	4.292.229	
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>867.444</b>	<b>179.980</b>	<b>1.047.424</b>	<b>844.063</b>	<b>313.051</b>	<b>1.157.114</b>	
<b>VIII. OTHER LIABILITIES</b>	(4)	<b>1.644.999</b>	<b>424.319</b>	<b>2.069.318</b>	<b>1.182.682</b>	<b>368.050</b>	<b>1.550.732</b>	
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-	
<b>X. PAYABLES FROM LEASING TRANSACTIONS (Net)</b>	(5)	-	-	-	-	<b>287</b>	<b>287</b>	
10.1 Finance Lease Payables		-	-	-	-	297	297	
10.2 Operating Lease Payables		-	-	-	-	-	-	
10.3 Other		-	-	-	-	-	-	
10.4 Deferred Finance Lease Expenses ( - )		-	-	-	-	10	10	
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	(6)	-	-	-	-	-	-	
11.1 Fair Value Hedges		-	-	-	-	-	-	
11.2 Cash Flow Hedges		-	-	-	-	-	-	
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	
<b>XII. PROVISIONS</b>	(7)	<b>4.607.311</b>	<b>30.241</b>	<b>4.637.552</b>	<b>3.885.824</b>	<b>33.527</b>	<b>3.919.351</b>	
12.1 General Provisions		1.569.304	21.060	1.590.364	1.210.302	22.913	1.233.215	
12.2 Restructuring Provisions		-	-	-	-	-	-	
12.3 Employee Benefits Provisions		689.938	1.023	690.961	777.731	520	778.251	
12.4 Insurance Technical Reserves (Net)		1.122.073	-	1.122.073	876.567	-	876.567	
12.5 Other Provisions		1.225.996	8.158	1.234.154	1.021.224	10.094	1.031.318	
<b>XIII. TAX LIABILITY</b>	(8)	<b>241.359</b>	<b>1.595</b>	<b>242.954</b>	<b>525.828</b>	<b>1.537</b>	<b>527.365</b>	
13.1 Current Tax Liability		241.359	1.279	242.638	525.828	1.169	526.997	
13.2 Deferred Tax Liability		-	316	316	-	368	368	
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-	
14.1 Held for Sale		-	-	-	-	-	-	
14.2 Held from Discontinued Operations		-	-	-	-	-	-	
<b>XV. SUBORDINATED LOANS</b>		-	-	-	-	-	-	
<b>XVI. SHAREHOLDERS' EQUITY</b>	(9)	<b>17.819.239</b>	<b>(41.452)</b>	<b>17.777.787</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		423.427	(41.452)	381.975	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		(126.827)	(41.452)	(168.279)	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		532.866	-	532.866	543.482	-	543.482	
16.3 Profit Reserves		12.609.710	-	12.609.710	10.200.423	-	10.200.423	
16.3.1 Legal Reserves		2.686.654	-	2.686.654	2.525.171	-	2.525.171	
16.3.2 Statutory Reserves		-	-	-	-	-	-	
16.3.3 Extraordinary Reserves		9.001.078	-	9.001.078	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		2.265.835	-	2.265.835	3.197.558	-	3.197.558	
16.4.1 Prior Years Profit/Loss		564.094	-	564.094	446.544	-	446.544	
16.4.2 Net Period Profit/Loss		1.701.741	-	1.701.741	2.751.014	-	2.751.014	
16.5 Minority Interest		20.267	-	20.267	36.515	-	36.515	
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>136.522.645</b>	<b>47.237.591</b>	<b>183.760.236</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 financial statements

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2013 AND 31 DECEMBER 2012  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (30/06/2013)			Prior Period (31/12/2012)		
		TL	FC	Total	TL	FC	Total
		<b>A</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>103.916.232</b>	<b>75.293.781</b>	<b>179.210.013</b>	<b>54.173.751</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>7.732.461</b>	<b>14.255.199</b>	<b>21.987.660</b>	<b>5.530.506</b>	<b>10.121.614</b>	<b>15.652.120</b>
1.1	Letters of Guarantee	7.623.378	9.831.163	17.454.541	5.465.461	6.787.048	12.252.509
1.1.1	Guarantees Subject to State Tender Law	598.108	9.124.356	9.722.464	379.750	6.132.611	6.512.361
1.1.2	Guarantees Given for Foreign Trade Operations	6.289.918	23.887	6.313.805	4.281.844	-	4.281.844
1.1.3	Other Letters of Guarantee	735.352	682.920	1.418.272	803.867	654.437	1.458.304
1.2	Bank Acceptances	49.013	1.526.080	1.575.093	5.363	955.606	960.969
1.2.1	Import Letter of Acceptance	49.013	1.523.796	1.572.809	5.363	941.199	946.562
1.2.2	Other Bank Acceptances	-	2.284	2.284	-	-	14.407
1.3	Letters of Credit	60.070	2.873.065	2.933.135	59.682	2.355.459	2.415.141
1.3.1	Documentary Letters of Credit	60.070	2.815.598	2.875.668	59.682	2.291.766	2.351.448
1.3.2	Other Letters of Credit	-	57.467	57.467	-	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	-	24.891	24.891	-	23.501	23.501
1.9	Other Collaterals	-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	<b>93.679.300</b>	<b>47.466.630</b>	<b>141.145.930</b>	<b>47.204.131</b>	<b>20.743.710</b>	<b>67.947.841</b>
2.1	Irrevocable Commitments	8.740.100	1.394.745	10.134.845	8.120.364	937.008	9.057.372
2.1.1	Asset Purchase and Sale Commitments	348.993	679.322	1.028.315	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	6	247.358	247.364	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	2.525.918	86	2.526.004	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	3.883.580	-	3.883.580	3.813.950	15.439	3.829.389
2.1.10	Commitments for credit cards and banking services promotions	12.426	15.609	28.035	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	1.969.177	452.370	2.421.547	1.769.513	382.259	2.151.772
2.2	Revocable Commitments	84.939.200	46.071.885	131.011.085	39.083.767	19.806.702	58.890.469
2.2.1	Revocable Loan Granting Commitments	84.888.778	46.071.885	130.960.663	39.083.755	19.806.702	58.890.457
2.2.2	Other Revocable Commitments	50.422	-	50.422	12	-	12
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>2.504.471</b>	<b>13.571.952</b>	<b>16.076.423</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	2.504.471	13.571.952	16.076.423	1.439.114	9.948.421	11.387.535
3.2.1	Forward Foreign Currency Buy/Sell Transactions	200.665	204.429	405.094	7.225	105.117	112.342
3.2.1.1	Forward Foreign Currency Transactions-Buy	100.370	102.202	202.572	3.611	52.564	56.175
3.2.1.2	Forward Foreign Currency Transactions-Sell	100.295	102.227	202.522	3.614	52.553	56.167
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates	2.303.806	13.367.523	15.671.329	1.431.889	9.843.304	11.275.193
3.2.2.1	Foreign Currency Swap-Buy	157.164	7.864.441	8.021.605	664	5.695.231	5.695.895
3.2.2.2	Foreign Currency Swap-Sell	2.146.642	5.503.082	7.649.724	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.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>	<b>269.543.286</b>	<b>24.139.961</b>	<b>293.683.247</b>	<b>231.307.867</b>	<b>15.817.059</b>	<b>247.124.926</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>	<b>39.239.077</b>	<b>3.660.569</b>	<b>42.899.646</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	19.507.490	1.632.406	21.139.896	10.785.482	1.298.862	12.084.344
4.3	Checks Received for Collection	1.179.612	93.226	1.272.838	942.646	22.480	965.126
4.4	Commercial Notes Received for Collection	3.145.228	176.610	3.321.838	2.627.395	132.381	2.759.776
4.5	Other Assets Received for Collection	8.646	-	8.646	8.879	-	8.879
4.6	Assets Received for Public Offering	15.180.097	95	15.180.192	15.722.252	90	15.722.342
4.7	Other Items Under Custody	216.355	1.758.232	1.974.587	169.911	1.026.005	1.195.916
4.8	Custodians	1.649	-	1.649	1.649	-	1.649
<b>V.</b>	<b>PLEDGES RECEIVED</b>	<b>230.277.148</b>	<b>19.858.798</b>	<b>250.135.946</b>	<b>201.042.222</b>	<b>12.750.929</b>	<b>213.793.151</b>
5.1	Marketable Securities	877.239	15.287	892.526	595.136	37.418	632.554
5.2	Guarantee Notes	9.175.397	470.417	9.645.814	8.062.281	616.679	8.678.960
5.3	Commodity	1.250.217	14.408	1.264.625	1.249.249	13.603	1.262.852
5.4	Warranty	-	-	-	-	-	-
5.5	Immovable	203.299.206	16.227.750	219.526.956	177.847.875	9.733.171	187.581.046
5.6	Other Pledged Items	15.669.880	3.123.614	18.793.494	13.282.472	2.343.229	15.625.701
5.7	Pledged Items-Depository	5.209	7.322	12.531	5.209	6.829	12.038
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>	<b>27.061</b>	<b>620.594</b>	<b>647.655</b>	<b>7.431</b>	<b>586.312</b>	<b>593.743</b>
	<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>	<b>373.459.518</b>	<b>99.433.742</b>	<b>472.893.260</b>	<b>285.481.618</b>	<b>56.630.804</b>	<b>342.112.422</b>

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CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2013 AND 2012**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

<b>III. INCOME STATEMENT</b>						
<b>INCOME AND EXPENSE ITEMS</b>		<b>Note (Section Five IV)</b>	<b>Current Period 1/1-30/06/2013</b>	<b>Prior Period 1/1-30/06/2012</b>	<b>Current Period 1/4-30/06/2013</b>	<b>Prior Period 1/4-30/06/2012</b>
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>6.896.773</b>	<b>7.667.824</b>	<b>3.419.274</b>	<b>3.870.438</b>
1.1	Interest Income from Loans		4.477.194	4.330.264	2.251.214	2.227.089
1.2	Interest Income From Reserve Deposits		732	902	382	408
1.3	Interest Income from Banks		45.009	21.022	27.514	2.540
1.4	Interest Income from Money Market Placements		622	320	416	205
1.5	Interest Income from Marketable Securities		2.334.119	3.284.071	1.119.413	1.625.199
1.5.1	Financial Assets Held for Trading		642	1.830	272	756
1.5.2	Financial Assets at Fair Value through Profit and Loss		445	488	313	276
1.5.3	Financial Assets Available-for-Sale		1.337.638	1.674.226	654.792	830.966
1.5.4	Investments Held-to-Maturity		995.394	1.607.527	464.036	793.201
1.6	Finance Lease Income		30.606	22.834	17.492	12.308
1.7	Other Interest Income		8.491	8.411	2.843	2.689
<b>II.</b>	<b>INTEREST EXPENSES</b>	<b>(2)</b>	<b>3.043.442</b>	<b>4.362.638</b>	<b>1.478.227</b>	<b>2.129.729</b>
2.1	Interest Expense on Deposits		2.680.435	3.266.252	1.283.775	1.626.583
2.2	Interest on Borrowings		69.654	36.080	40.772	23.067
2.3	Interest on Money Market Borrowings		193.171	1.004.275	104.480	440.032
2.4	Interest on Marketable Securities Issued		71.317	48.333	38.071	38.083
2.5	Other Interest Expense		28.865	7.698	11.129	1.964
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSES (I - II)</b>		<b>3.853.331</b>	<b>3.305.186</b>	<b>1.941.047</b>	<b>1.740.709</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>409.180</b>	<b>352.367</b>	<b>222.561</b>	<b>188.396</b>
4.1	Fees and Commissions Received		487.312	439.568	272.865	192.637
4.1.1	Non-cash Loans		43.091	31.554	21.709	15.280
4.1.2	Other		444.221	408.014	251.156	177.357
4.2	Fees and Commissions Paid		78.132	87.201	50.304	4.241
4.2.1	Non-cash Loans		1.079	12	981	5
4.2.2	Other		77.053	87.189	49.323	4.236
<b>V.</b>	<b>DIVIDEND INCOME</b>		<b>62.346</b>	<b>9.504</b>	<b>62.296</b>	<b>9.462</b>
<b>VI.</b>	<b>TRADING PROFIT/LOSS (Net)</b>	<b>(3)</b>	<b>(7.563)</b>	<b>16.987</b>	<b>(38.876)</b>	<b>(831)</b>
6.1	Profit/Loss from Capital Market Operations		44.764	49.224	20.539	32.853
6.2	Profit/losses on Derivative Financial Transactions	<b>(4)</b>	335.148	(83.618)	459.418	(9.024)
6.3	Profit/Loss from Foreign Exchanges		(387.475)	51.381	(518.833)	(24.660)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>1.076.676</b>	<b>821.762</b>	<b>430.550</b>	<b>339.207</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>		<b>5.393.970</b>	<b>4.505.806</b>	<b>2.617.578</b>	<b>2.276.943</b>
<b>IX.</b>	<b>PROVISION FOR LOANS OR OTHER RECEIVABLES LOSSES(-)</b>	<b>(6)</b>	<b>944.000</b>	<b>858.636</b>	<b>573.481</b>	<b>600.028</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES(-)</b>	<b>(7)</b>	<b>2.213.205</b>	<b>1.892.495</b>	<b>1.024.541</b>	<b>870.474</b>
<b>XI.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>2.236.765</b>	<b>1.754.675</b>	<b>1.019.556</b>	<b>806.441</b>
<b>XII.</b>	<b>GAINS RECORDED AFTER MERGER</b>		-	-	-	-
<b>XIII.</b>	<b>PROFIT/LOSS ON EQUITY METHOD</b>		<b>6.635</b>	<b>4.774</b>	<b>3.846</b>	<b>1.805</b>
<b>XIV.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		-	-	-	-
<b>XV.</b>	<b>INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>(8)</b>	<b>2.243.400</b>	<b>1.759.449</b>	<b>1.023.402</b>	<b>808.246</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(9)</b>	<b>(540.877)</b>	<b>(454.116)</b>	<b>(263.658)</b>	<b>(228.115)</b>
16.1	Current Tax Provision		(276.395)	(523.126)	(43.081)	(227.102)
16.2	Deferred Tax Provision		(264.482)	69.010	(220.577)	(1.013)
<b>XVII.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>(10)</b>	<b>1.702.523</b>	<b>1.305.333</b>	<b>759.744</b>	<b>580.131</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
18.1	Income from Non-current Assets Held for Resale		-	-	-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-
18.3	Other Income From Discontinued Operations		-	-	-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
19.1	Expenses for Non-current Assets Held for Resale		-	-	-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-
19.3	Other Expenses From Discontinued Operations		-	-	-	-
<b>XX.</b>	<b>PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-	-	-
<b>XXI.</b>	<b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-	-	-
21.1	Current tax provision		-	-	-	-
21.2	Deferred tax provision		-	-	-	-
<b>XXII.</b>	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-	-	-
<b>XXIII.</b>	<b>NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(11)</b>	<b>1.702.523</b>	<b>1.305.333</b>	<b>759.744</b>	<b>580.131</b>
23.1	Group's Profit/Loss		1.701.741	1.297.179	759.596	576.489
23.2	Minority Shares Profit/Loss		782	8.154	148	3.642
	Earnings/Loss per Share (Full TL)		0,681	0,522	0,304	0,232

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

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2013 AND 2012**

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

<b>IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		
<b>PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>	<b>Current Period (30/06/2013)</b>	<b>Prior Period (30/06/2012)</b>
<b>I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>(1.890.304)</b>	<b>1.335.827</b>
<b>II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES</b>	-	-
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	<b>(424)</b>	<b>(4.975)</b>
<b>V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)</b>	-	-
<b>VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS</b>	-	-
<b>VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS</b>	<b>(13.270)</b>	-
<b>IX. DEFERRED TAX RELATED TO VALUATION DIFFERENCES</b>	<b>261.390</b>	<b>(137.872)</b>
<b>X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>(1.642.608)</b>	<b>1.192.980</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>737.873</b>	<b>(646.499)</b>
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	734.937	(653.658)
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	2.936	7.159
<b>XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)</b>	<b>(904.735)</b>	<b>546.481</b>

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 JUNE 2012**

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY																		
30 June 2012	Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. 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
<b>I. Balance at the beginning of the period</b>		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
Changes During the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Increase/Decrease Related to Merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Marketable Securities Valuation Differences</b>		-	-	-	-	9.445	-	-	-	-	-	547.239	-	-	-	-	149	556.833
<b>IV. Hedging Funds (Active Part)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Revaluation Differences of Tangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Revaluation Differences of Intangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)</b>		-	-	-	-	-	-	-	-	-	-	-	-	8	-	-	-	8
<b>VIII. Foreign Exchange Differences</b>		-	-	-	-	(7.559)	-	-	-	-	-	(4.975)	-	-	-	-	-	(12.534)
<b>IX. Changes Resulted from Disposal of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Changes Resulted from Reclassification of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.217	-	4.217
<b>XI. Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII. Increase in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 From Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Issuance of Share Certificates</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Share Cancellation Profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Adjustment to Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Other<sup>(1)</sup></b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII. Net Profit or Losses</b>		-	-	-	-	-	-	-	-	1.297.179	-	-	-	-	-	-	8.154	1.305.333
<b>XVIII. Profit Distribution</b>		-	-	-	-	117.734	-	1.730.940	-	(2.220.585)	119.911	-	-	-	-	-	(4.152)	(256.152)
18.1 Dividend Distributed		-	-	-	-	-	-	-	-	-	(252.000)	-	-	-	-	-	(4.152)	(256.152)
18.2 Transfers to Legal Reserves		-	-	-	-	117.734	-	1.730.940	-	(2.220.585)	371.911	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)</b>		2.500.000	543.482	-	-	2.519.801	-	7.036.450	634.041	1.297.179	391.318	99.249	-	17.369	-	4.217	94.734	15.137.840

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 JUNE 2013**

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY																			
30 June 2013		Note (Section Five)	Paid-in Capital	Adjustmen t to Paid-in Capital	Share Premium	Share Canc. 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
<b>I.</b>	<b>Balance at the beginning of the period</b>		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
	Changes During the Period																		
<b>II.</b>	<b>Increase/Decrease Related to Merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III.</b>	<b>Marketable Securities Valuation Differences</b>		-	-	-	-	14.952	-	-	-	-	-	(1.092.003)	-	-	-	-	(57)	(1.077.108)
<b>IV.</b>	<b>Hedging Funds (Active Part)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V.</b>	<b>Revaluation Differences of Tangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI.</b>	<b>Revaluation Differences of Intangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII.</b>	<b>Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)</b>		-	-	-	-	-	-	-	-	-	-	-	-	19	-	-	-	19
<b>VIII.</b>	<b>Foreign Exchange Differences</b>		-	-	-	-	13.907	-	-	-	-	-	(1.012)	-	-	-	-	-	12.895
<b>IX.</b>	<b>Changes Resulted from Disposal of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X.</b>	<b>Changes Resulted from Reclassification of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI.</b>	<b>Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII.</b>	<b>Increase in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	From Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII.</b>	<b>Issuance of Share Certificates</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV.</b>	<b>Share Cancellation Profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV.</b>	<b>Adjustment to Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI.</b>	<b>Other<sup>(1)</sup></b>		-	-	-	-	-	-	-	(10.616)	-	16.964	-	-	-	-	-	(16.964)	(10.616)
<b>XVII.</b>	<b>Net Profit or Losses</b>		-	-	-	-	-	-	-	-	1.701.741	-	-	-	-	-	-	782	1.702.523
<b>XVIII.</b>	<b>Profit Distribution</b>		-	-	-	-	132.624	-	1.959.867	287.937	(2.751.014)	100.586	-	-	-	-	-	(9)	(270.009)
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	(270.000)	-	-	-	-	-	(9)	(270.009)
18.2	Transfers to Legal Reserves		-	-	-	-	132.624	-	1.959.867	287.937	(2.751.014)	370.586	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)</b>		2.500.000	543.482	-	-	2.686.654	-	9.001.078	911.362	1.701.741	564.094	(168.279)	-	17.388	-	-	20.267	17.777.787

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF CASH FLOWS AT 30 JUNE 2013 AND 2012**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

VI. STATEMENT OF CASH FLOWS			
	Note (Section Five)	Current Period 1/1 - 30/06/2013	Prior Period 1/1 - 30/06/2012
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		1.794.506	2.051.151
1.1.1 Interest Received		6.561.822	7.174.349
1.1.2 Interest Paid		(3.043.014)	(4.335.080)
1.1.3 Dividend Received		62.346	12.797
1.1.4 Fees and Commissions Received		485.821	436.761
1.1.5 Other Income		1.867.703	720.322
1.1.6 Collections from Previously Written-off Loans and Other Receivables		576.722	318.672
1.1.7 Payments to Personnel and Service Suppliers		(928.173)	(720.590)
1.1.8 Taxes Paid		(698.634)	(497.300)
1.1.9 Other		(3.090.087)	(1.058.780)
1.2 Changes in Operating Assets and Liabilities		(2.481.372)	(9.514.148)
1.2.1 Net Decrease/(Increase) in Trading Securities		128.547	(3.264)
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3 Net Decrease in Banks		505.929	(1.104.516)
1.2.4 Net (Increase) in Loans		(19.992.121)	2.162.271
1.2.5 Net (Increase) in Other Assets		(318.327)	108.699
1.2.6 Net Increase/(Decrease) in Bank Deposits		6.297.533	(4.554.798)
1.2.7 Net (Decrease)/Increase in Other Deposits		7.354.426	(8.859.443)
1.2.8 Net (Decrease)/Increase in Funds Borrowed		2.874.728	1.488.224
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net (Decrease)/Increase in Other Liabilities		667.913	1.248.679
<b>I. Net Cash Provided from Banking Operations</b>		<b>(686.866)</b>	<b>(7.462.997)</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>		<b>1.969.982</b>	<b>3.282.187</b>
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		(18.517)	-
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	482
2.3 Fixed Assets Purchases		(86.817)	(102.580)
2.4 Fixed Assets Sales		21.754	14.814
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		(8.941.092)	(4.831.707)
2.6 Cash Obtained from Sale of financial Assets Available for Sale		5.624.331	6.498.063
2.7 Cash Paid for Purchase of Investment Securities		(237.257)	(324.120)
2.8 Cash Obtained from sale of Investment Securities		5.902.607	1.803.458
2.9 Other		(295.027)	223.777
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>		<b>327.961</b>	<b>1.919.365</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3 Marketable Securities Issued		597.961	1.919.365
3.4 Dividends Paid		(270.000)	-
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>54.797</b>	<b>(82.589)</b>
<b>V. Net Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>1.665.874</b>	<b>(2.344.034)</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>		<b>7.066.624</b>	<b>8.281.135</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>		<b>8.732.498</b>	<b>5.937.101</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2013**

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

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

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

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

Balance sheet and statement of off-balance sheet accounts as of 30 June 2013 are presented comparatively with balances as of 31 December 2012 while income statement, statement of income and expense items accounted under shareholders’ equity, cash flows and changes in shareholders’ equity are presented comparatively with balances as of 30 June 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

Main activity of the Parent Bank comprises of banking services, such as; launching all kinds of cash and non-cash loans in terms of Turkish Lira and foreign currencies, performing transactions in local, international money and capital markets, supporting agricultural sector financially and collecting deposits in Turkish Lira and foreign currencies. The Parent Bank’s main funding source is Turkish Lira deposits, repurchase agreements, issued securities, shareholders’ equity and government funds transferred from the budget, ministerial offices and other public resources to the Bank by means of legislative and administrative decisions. The Parent Bank directs these funds to assets with high return and low risk. These assets include predominantly domestic government bonds and loans. The Parent Bank’s liquidity structure covers the financing of all liabilities at due date. Although most of the sources in the Parent Bank’s balance sheet are with fixed interest rate, some of the securities in assets have floating interest rate. Since the remaining time to re-pricing date of sources is short, cost of sources is repriced in short periods based on the market conditions. Moreover, the Parent Bank adopts high return principle for its long-term placements.

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

Since the Parent Bank’s total debt to the market is low among its total liabilities, the 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 Bank’s prevailing counter currency buying rate. At period ends, foreign currency asset and liability balances are valued at the Bank’s period end counter currency buying rates and translated to Turkish currency and the resulting exchange differences are recognized as a “foreign exchange gain or loss”.

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

Assets, liabilities and income statement items of 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	30 June 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 (%)
Ziraat Hayat ve Emeklilik A.Ş.	İstanbul/Turkey	Insurance	99,99	99,98	99,99	99,98
Ziraat Sigorta A.Ş.	İstanbul/Turkey	Insurance	99,99	99,98	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	74,00	74,00	72,60	75,00
Ziraat Portföy Yönetimi A.Ş.	İstanbul/Turkey	Portfolio Management	93,33	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	30 June 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 recognised in the consolidated financial statements.

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

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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 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 off-balance sheet accounts from their contractual values.

**V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES**

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 for 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 trade, corporate and agricultural cash loans and from individual loans in which the commission is in the form of interest, (depending on the amount of commission that the interest rate is changed), 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

Government bonds and treasury bills included in held for trading and available for sale portfolios traded in 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 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

When there is lack of price quotation on the basis of fair value calculations in an active market or in cases that fair value cannot be measured reliably, the fair value of available-for-sale-financial-assets is determined by using the effective interest rate 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 “Value Loss Expenses for 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 “Value Loss Expenses for Securities” account in accordance with the related Turkish Accounting Standard.

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

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

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

**IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES**

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

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

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

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

As of the balance sheet date, there is no security of the Parent Bank subject to lending transactions.

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

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

A discontinued operation is a part of the 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

Other intangible assets are amortized by using the straight line method based on their useful lives. Useful lives of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected 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.

Applied depreciation rates 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.

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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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.

**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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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 of the Bank 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).

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. For the period of 1 January - 30 June 2013, actuarial loss amounting to TL10.616 was classified as “Other Comprehensive Expense” in the 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 which was established by 20th provisional article of Social Security Law Act numbered 506.

In accordance with 23rd 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 30 June 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**b. Pension Rights: (Continued)**

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

In accordance with 58th article and 7th temporary 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.

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

The technical balance sheet report as of 30 June 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 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 Parent 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” (“New Tax Law”) No. 5520 was taken into effect after being published in the Official Gazette dated 21 June 2006 No.26205. Many clauses of the “New Tax Law” are effective from 1 January 2006. According to the New Tax Law, the corporate tax rate in Turkey is payable at the rate of 20% as of 1 January 2006. The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income (like affiliate gains) and other allowances. No further tax is payable unless the profit is distributed.

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

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**a. Current Tax (Continued)**

Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

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

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments with tax authorities. Tax returns are required to be filled and delivered to the related tax office until the evening of the 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 30 June 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 "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 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.

*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.

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**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 and foreign real people and entities with debt instruments such as bill/bond issuance. These transactions are recognized at fair value including acquisition costs at the transaction date while accounted with effective interest rate method over their discounted costs in the following periods.

The Group has issued no convertible bonds and has no instruments representing its own borrowings.

**XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES**

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

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

**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 VII. of Section Four.

**XXV. EXPLANATIONS ON OTHER MATTERS**

The General Assembly for the year 2012 was carried out on 29 March 2013. In accordance with the decision taken, of the profit for the year 2012 amounting to TL2.650.428, TL118.124 is transferred to legal reserves 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 and dividend is paid to Treasury on 15 April 2013 and of the dividend decided to be paid to personnel, TL134.472 dividend is paid on 19 April 2013.

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**SECTION FOUR**

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

**I. EXPLANATIONS ON THE 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 15,49% (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 is assigned by the weight of risk. After, they are subject to risk reduction in accordance with the principles of “Communiqué on Credit Risk Mitigation Techniques”, their risk-weighted amount is calculated by multiplying risk weights.

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

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

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

Calculations regarding counter parties credit risks are made with method of basic financial collateral for banking accounts, and for purchase-sale accounts are made with method of extensive collateral. Conter 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 CAPITAL ADEQUACY STANDARD RATIO (Continued)**

**Information related to capital adequacy ratio:**

Current Period	Risk Weights									
	Parent Bank									
	0%	10%	20%	%50 Real Est. Mort. Coll.	50%	75%	100%	150%	200%	1250 %
<b>Credit Risk Based Amount</b>	<b>79.245.400</b>	-	<b>10.826.280</b>	-	<b>14.527.040</b>	<b>41.994.670</b>	<b>42.695.692</b>	<b>3.257.552</b>	<b>13.168.180</b>	-
Risk Classes										
Conditional and unconditional receivables from central governments or central banks	73.515.419	-	-	-	8.740.333	-	185.433	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	110.823	-	148	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	352.375	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organisations	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	10.715.084	-	5.786.559	-	620.093	-	-	-
Conditional and unconditional receivables from corporate	-	-	-	-	-	-	38.249.510	-	-	-
Conditional and unconditional retail Receivables	-	-	-	-	-	34.859.267	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-	7.135.403	278.994	-	-	-
Past due receivables	-	-	-	-	-	-	541.518	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	3.257.552	13.168.180	-
Securities collateralised by mortgages	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Other receivables	5.729.981	-	373	-	-	-	2.467.769	-	-	-

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

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**I. EXPLANATIONS ON THE 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%	1250%
<b>Credit Risk Based Amount</b>	<b>79.330.474</b>	-	<b>12.373.503</b>	-	<b>13.398.422</b>	<b>42.430.588</b>	<b>44.778.656</b>	<b>3.263.346</b>	<b>13.168.180</b>	-
Risk Classes										
Conditional and unconditional receivables from central governments or central banks	73.515.421	-	24.108	-	8.795.785	-	203.964	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	111.512	-	148	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	352.982	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organisations	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	12.237.510	-	4.602.489	-	225.246	-	-	-
Conditional and unconditional receivables from corporate	-	-	-	-	-	-	40.560.117	-	-	-
Conditional and unconditional retail Receivables	-	-	-	-	-	35.295.185	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-	7.135.403	278.994	-	-	-
Past due receivables	-	-	-	-	-	-	542.814	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	3.263.346	13.168.180	-
Securities collateralised by mortgages	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Other receivables	5.815.053	-	373	-	-	-	2.614.539	-	-	-

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 CAPITAL ADEQUACY STANDARD RATIO (Continued)**

**Summary Information Related To The Capital Adequacy Ratio:**

	<b>Consolidated</b>	<b>The Parent Bank</b>
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	8.840.907	8.674.433
Capital Requirement for Market Risk (CRMR)	377.664	320.539
Capital Requirement for Operational Risk (CROR)	1.120.110	960.999
Shareholders' Equity	20.013.227	19.866.339
Shareholders' Equity / ((CRCR+CRMR+CROR)*12.5*100)	<b>15,49</b>	<b>15,96</b>

**Information Related To The Components Of 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	12.599.094	10.200.423
Inflation Adjustments to Reserves	-	-
Profit	2.265.835	3.197.558
Current Period's Profit	1.701.741	2.751.014
Prior Period's Profit	564.094	446.544
Provision for Possible Losses (upto 25% of Core Capital)	863.788	654.776
Income on Sale of Equity Shares and Real Estates	-	-
Primary Subordinated Debts(upto 15% of Core Capital) <sup>(1)</sup>	-	-
Minority Shareholders	20.267	36.515
Loss (in excess of Reserves) (-)	-	-
Current Period's Losses	-	-
Prior Period's Losses	-	-
Leasehold Improvements on Operational Leases (-)	42.050	32.458
Intangible Assets (-)	50.680	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>18.699.736</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 CAPITAL ADEQUACY STANDARD RATIO (Continued)**

**Information related to components of shareholders’ equity: (Continued)**

	<b>Current Period</b>	<b>Prior Period</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General Provisions	1.590.364	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	(168.279)	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)	-	-
Minority Interest	-	-
<b>Total Supplementary Capital</b>	<b>1.439.473</b>	<b>1.666.715</b>
<b>CAPITAL</b>	<b>20.139.209</b>	<b>18.733.144</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>125.982</b>	<b>112.043</b>
Shares in Unconsolidated Banks and Financial Institutions	650	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	124.687	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	438	386
Other	207	665
<b>TOTAL SHAREHOLDERS’ EQUITY</b>	<b>20.013.227</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 analysed within the scope of the accord to legal ratios and legal capital adequacy of budget considering imposed risks.
- Analyzing operations with stress tests are carried out the preservation potential against financial fluctuations of budget and convenience to capital adequacy policy in the process of these fluctuations.

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

**II. EXPLANATIONS ON THE MARKET RISK**

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

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

Market risk management strategy policy and implementation procedures of the Parent Bank are determined within the context of “Regulation for Market Risks Management” which is approved by the Board of Directors..

In order to manage the market risk, the Parent Bank performs monitoring, limiting, stress testing and scenario analysis activities suitable to its position structure and complexity, and periodically reports the results. Operations are carried out through a trading portfolio defined by the Treasury Management of the Bank. New products and services are evaluated from the point of market risk.

The amount subject to the total market risk in the 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 for the purchase – sell accounts and is reported to the related units. Historical Simulation Method is used in daily reportings and limit allocation. VAR results, calculated with Parametric and Monte Carlo Methods, are used for monitoring. Backward testing is performed in order to measure performance of used model. Besides, Bank performs daily and monthly stress tests and scenario analysis in order to observe the effect of excessive market fluctuations that are not covered by models over the Bank’s financial position.

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

**Information Related to Market Risk:**

	<b>Amount</b>
(I) Capital Requirement Calculated For General Market Risk - Standard Method	110.201
(II) Capital Requirement Calculated For Specific Risk - Standard Method	47.508
Capital requirement Calculated For Specific Risks of Securitisation Positions– Standard Method	
(III) Capital Requirement Calculated For Currency Risk - Standard Method	207.838
(IV) Capital Requirement Calculated For Commodity Risk - Standard Method	-
(V) Capital Requirement Calculated For Exchange Risk - Standard Method	-
(VI) Capital Requirement Calculated For Market Risk Resulting From Options - Standard Method	-
(VII) Capital requirement Calculated For the Counterparty Credit Risks - Standard Method	12.117
(VIII) Capital Requirement Calculated For Market Risk of Banks Using Risk Measurement Model	-
(IX) Total Capital Requirement Calculated For Market Risk (I+II+III+IV+V+VI)	377.664
<b>(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x IX)</b>	<b>4.720.800</b>

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

**III. 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 Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, VAR is calculated for daily foreign exchange position and reported to the related departments. VaR based currency risk limit is also daily followed which was approved by Board of Directors.

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

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

None.

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

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
<b>24.06.2013</b>	1,9399	2,5367	1,7963	0,34126	0,28723	2,0821	1,8453	0,31620	2,9964	0,51859	1,9946
<b>25.06.2013</b>	1,9201	2,5095	1,7770	0,33761	0,28650	2,0514	1,8279	0,31474	2,9660	0,51323	1,9685
<b>26.06.2013</b>	1,9231	2,5005	1,7989	0,33641	0,28750	2,0487	1,8415	0,31718	2,9611	0,51411	1,9808
<b>27.06.2013</b>	1,9072	2,4823	1,7796	0,33400	0,28426	2,0211	1,8260	0,31651	2,9112	0,50989	1,9438
<b>28.06.2013</b>	1,9168	2,4891	1,7604	0,33486	0,28454	2,0311	1,8246	0,31515	2,9154	0,51237	1,9344
<b>30.06.2013</b>	1,9168	2,4891	1,7604	0,33486	0,28454	2,0311	1,8246	0,31515	2,9154	0,51237	1,9344

**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	100JPY
1,8848	2,4787	1,7794	0,33344	0,28620	2,0180	1,8293	0,32082	2,9175	0,50372	1,9349

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

**III. 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	6.552.108	6.204.751	3.954.598	16.711.457
Banks	280.013	403.795	175.341	859.149
Financial Assets at Fair Value Through Profit and Loss <sup>(5)</sup>	-	4.338	-	4.338
Money Market Placements	-	5.690	48.349	54.039
Financial Assets Available-for-Sale	2.939.326	2.155.100	90	5.094.516
Loans <sup>(2)</sup>	5.368.095	9.972.513	519.612	15.860.220
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(4)</sup>	11.649	24.733	21.698	58.080
Investments Held-to-Maturity	1.434.134	3.084.080	32.361	4.550.575
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	6.769	1.837	22.344	30.950
Intangible Assets	2.030	2.455	3.865	8.350
Other Assets	921.455	236.026	17.044	1.174.525
<b>Total Assets</b>	<b>17.515.579</b>	<b>22.095.318</b>	<b>4.795.302</b>	<b>44.406.199</b>
<b>Liabilities</b>				
Interbank Deposits	982.364	2.688.311	36.183	3.706.858
Foreign Currency Deposits	17.947.558	8.578.239	2.448.957	28.974.754
Money Market Borrowings	2.131.885	6.851.493	-	8.983.378
Funds Provided from Other Financial Institutions	1.367.627	3.546.983	3	4.914.613
Issued Marketable Securities	-	-	-	-
Miscellaneous Payables	162.580	9.685	7.715	179.980
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	280.861	126.867	48.427	456.155
<b>Total Liabilities</b>	<b>22.872.875</b>	<b>21.801.578</b>	<b>2.541.285</b>	<b>47.215.738</b>
<b>Net Balance Sheet Position</b>	<b>(5.357.296)</b>	<b>293.740</b>	<b>2.254.017</b>	<b>(2.809.539)</b>
<b>Net Off-Balance Sheet Position<sup>(3)</sup></b>	<b>4.855.222</b>	<b>(827.694)</b>	<b>(1.666.194)</b>	<b>2.361.334</b>
Assets on Derivative Instruments	4.927.750	2.323.636	715.257	7.966.643
Liabilities on Derivative Instruments	72.528	3.151.330	2.381.451	5.605.309
<b>Non-cash Loans</b>	<b>3.722.382</b>	<b>9.800.594</b>	<b>732.223</b>	<b>14.255.199</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<sup>(3)</sup></b>	<b>3.633.754</b>	<b>733.994</b>	<b>(2.820.579)</b>	<b>1.547.169</b>
Financial Derivative Assets	3.673.362	1.530.053	544.380	5.747.795
Financial Derivative Liabilities	39.608	796.059	3.364.959	4.200.626
<b>Non-cash Loans</b>	<b>2.772.831</b>	<b>6.905.465</b>	<b>443.318</b>	<b>10.121.614</b>

(1) Of the foreign currencies presented in the other FC column of assets 81,10% is Gold, 1% is IQD, 1,07% is SAR, 0,87% is GBP, and the remaining 15,96% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 65,22% is Gold, 12,89% is GBP, 7,18% is CHF, 2,99% is DKK and the remaining 11,72% is other foreign currencies.

(2) TL14 equivalent of EUR loans are originated as foreign currency indexed loans (31 December 2012: TL 264 equivalent of USD and TL14 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 Entities Under Common Control 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) The derivative financial assets held-for-trading and liabilities are not included in the table.

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

**IV. EXPLANATIONS ON THE INTEREST RATE RISK**

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	30.636	-	-	-	-	21.516.235	21.546.871
Banks	1.005.588	473.633	617.279	64.945	-	352.211	2.513.656
Financial Assets at Fair Value Through Profit and Loss	1.636	499	2.431	23.434	9.569	443.739	481.308
Money Market Placements	67.546	-	-	-	-	-	67.546
Financial Assets Available-for-Sale	10.462.722	5.033.680	11.579.924	6.489.956	7.063.064	313.585	40.942.931
Loans Given	32.237.435	7.922.532	19.547.148	28.476.400	3.408.942	893.340	92.485.797
Investments Held-to-Maturity	8.695.784	6.382.169	2.562.111	2.422.698	1.776.451	-	21.839.213
Other Assets	66.100	50.381	213.619	678.829	23.913	2.850.072	3.882.914
<b>Total Assets</b>	<b>52.567.447</b>	<b>19.862.894</b>	<b>34.522.512</b>	<b>38.156.262</b>	<b>12.281.939</b>	<b>26.369.182</b>	<b>183.760.236</b>
<b>Liabilities</b>							
Interbank Deposits	4.070.452	967.207	1.222.459	-	-	90.094	6.350.212
Other Deposits	74.977.231	14.260.849	6.210.781	516.035	949	24.688.804	120.654.649
Money Market Borrowings	13.706.694	3.140.984	612.329	-	-	-	17.460.007
Miscellaneous Payables	4.809	606	1.084	-	-	1.040.925	1.047.424
Issued Marketable Securities	451.942	1.341.733	744.595	30.934	-	-	2.569.204
Funds provided from Other Financial Institutions	1.152.149	1.102.138	3.277.117	519.359	335.490	-	6.386.253
Other Liabilities	461.096	44.111	1.069	4.477.927	696.572	23.611.712	29.292.487
<b>Total Liabilities</b>	<b>94.824.373</b>	<b>20.857.628</b>	<b>12.069.434</b>	<b>5.544.255</b>	<b>1.033.011</b>	<b>49.431.535</b>	<b>183.760.236</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>-</b>	<b>22.453.078</b>	<b>32.612.007</b>	<b>11.248.928</b>	<b>-</b>	<b>66.314.013</b>
<b>Balance Sheet Short Position</b>	<b>(42.256.926)</b>	<b>(994.734)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23.062.353)</b>	<b>(66.314.013)</b>
Off-Balance Sheet Long Position	435.005	1.054.262	187	-	-	-	1.489.454
Off-Balance Sheet Short Position	46.195	-	(940)	(1.162.781)	-	-	(1.117.526)
<b>Total Position</b>	<b>(41.775.726)</b>	<b>59.528</b>	<b>22.452.325</b>	<b>31.449.226</b>	<b>11.248.928</b>	<b>(23.062.353)</b>	<b>371.928</b>

- (1) Balances without fixed maturity are shown in the “Up to 1 Month” and “Non-Interest Bearing” columns.
- (2) TL4.421.019 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the “1-5 Years” column. TL34.811 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)**

**IV. 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):**

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
Miscellaneous Payables	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 under 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)**

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

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

	EUR	USD	JPY	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	3,50
Banks	2,08	1,79	-	6,02
Financial Assets at Fair Value Through Profit and Loss	-	5,58	-	7,13
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,63	5,51	-	7,18
Loans Given <sup>(2)</sup>	4,54	4,56	-	13,24
Investments Held-to-Maturity	6,36	7,00	-	7,22
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0,96	1,47	-	6,19
Other Deposits <sup>(4)</sup>	1,88	1,44	-	4,78
Money Market Borrowings	0,63	0,92	-	5,68
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities	-	-	-	5,88
Funds Provided from Other Financial Institutions	1,10	1,73	-	6,41

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

(2) Does not include credit card loans.

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

(4) Related ratios include demand deposits.

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

	EUR	USD	JPY	TL
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	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
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities	-	-	-	7,48
Funds Provided from Other Financial Institutions	1,81	2,16	-	6,37

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

(2) Does not include credit card loans.

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

(4) Related ratios include demand deposits.

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

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

**A) 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 provide to perform scenario analysis with measurements that are suitable for structure and complexity of positions related to the market risk management, limiting, scenario analysis and stress test and also provide to report the findings cyclically. Banks perform analysis related to interest rate risks for the entire own balance sheet. New products and services are also evaluated from the point of interest rate risk that are originated from banking accounts.

In risk management as a minimum requirement, monitoring the rate between the funds with fixed and floating interest rates and utilizations and maturity mismatches, possible downward and upward ordinary and extraordinary interest rate changes, analysis of the effect of interest margin on the current values of the assets and liabilities, analyzing and following up the contractual maturities of the assets and liabilities and the behavioral maturities, following up the TL and FC money interest margins, monitoring the effects of the interest rate fluctuations on the Parent Bank’s economic value and its capital need, calculation and determination of the size of interest rate shock in Parent Bank 's internal practices, monitoring the yield curve, base risk and option risk are carried out. Besides, in order to limit the effects of the fluctuations of the interest rates on Parent Bank’s financial structure, the interest rate risk resulted from banking accounts which is approved by the Board of the Directors is monthly monitored.

**Interest rate risk on banking accounts: (Values belong to the Parent Bank)**

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity– (Losses)/Equity
1. TRY	(+) 300bp	(1.783.424)	(8,98)%
2. TRY	(-) 300bp	2.074.752	10,44%
3. EUR	(+) 100bp	(29.924)	(0,15)%
4. EUR	(-) 100bp	35.180	0,18%
5. USD	(+) 100bp	(313.283)	(1,58)%
6. USD	(-) 100bp	355.599	1,79%
<b>Total (of negative shocks)</b>		<b>2.465.531</b>	<b>12,41%</b>
<b>Total (of positive shocks)</b>		<b>(2.126.631)</b>	<b>(10,70)%</b>

**Equity share position risk in banking accounts**

Equity Share Investments	Comparison		
	Balance Sheet Value	Fair Value	Market Value
1. Stock Investment Group A	-	-	-
Stock Exchange Securities	-	-	-
2. Stock Investment Group B	-	-	-
Stock Exchange Securities	-	-	-
3. Stock Investment Group C	-	-	-
Stock Exchange Securities	-	-	-
4. Stock Investment Other Group	-	-	-
Other	159.266	159.266	-

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

**V. EXPLANATIONS ON THE LIQUIDITY RISK**

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

**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 are mainly composed 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 "Liquidity Risk and Liquidity and Financial Emergency Situation 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 are 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 are longer when compared to the maturity of deposits, securities with coupon payments are constituting majority of the securities portfolio and installments of loans supply regular cash inflow for the Parent Bank. Besides, volume of deposits constituting the majority of the liabilities is not subject to significant changes. The Parent Bank also provides funds from long term financial transactions.

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

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

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

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

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(1) (2)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	21.546.871	-	-	-	-	-	-	21.546.871
Banks	352.211	1.314.087	761.829	85.529	-	-	-	2.513.656
Financial Assets at Fair Value Through Profit and Loss	37	364.897	1.240	5.446	99.243	9.569	876	481.308
Money Market Placements	-	67.546	-	-	-	-	-	67.546
Financial Assets Available-for-Sale	-	501.517	312.286	11.493.210	19.426.943	8.900.348	308.627	40.942.931
Loans Given	87.695	4.161.648	6.134.352	35.111.347	40.418.006	5.767.103	805.646	92.485.797
Investments Held-to-Maturity	-	203.819	118.743	10.935.946	7.629.461	2.951.244	-	21.839.213
Other Assets	1.008.447	63.637	80.244	251.543	684.369	23.913	1.770.761	3.882.914
<b>Total Assets</b>	<b>22.995.261</b>	<b>6.677.151</b>	<b>7.408.694</b>	<b>57.883.021</b>	<b>68.258.022</b>	<b>17.652.177</b>	<b>2.885.910</b>	<b>183.760.236</b>
<b>Liabilities</b>								
Interbank Deposits	90.094	3.817.837	856.042	863.982	459.184	263.073	-	6.350.212
Other Deposits	24.688.804	74.976.715	14.260.285	6.206.435	521.332	1.078	-	120.654.649
Funds Provided from Other Financial Instruments	-	770.705	936.107	2.958.772	705.826	1.014.843	-	6.386.253
Money Market Borrowings	-	13.706.694	3.140.984	612.329	-	-	-	17.460.007
Issued Marketable Securities	-	283.245	1.341.733	913.292	30.934	-	-	2.569.204
Miscellaneous Payables	459.964	510.798	28.098	18.392	-	217	29.955	1.047.424
Other liabilities <sup>(3)</sup>	2,111.600	303.794	131.052	290.126	5,156.735	691.094	20,608.086	29,292.487
<b>Total liabilities</b>	<b>27.350.462</b>	<b>94.369.788</b>	<b>20.694.301</b>	<b>11.863.328</b>	<b>6.874.011</b>	<b>1.970.305</b>	<b>20.638.041</b>	<b>183.760.236</b>
<b>Liquidity Gap</b>	<b>(4.355.201)</b>	<b>(87.692.637)</b>	<b>(13.285.607)</b>	<b>46.019.693</b>	<b>61.384.011</b>	<b>15.681.872</b>	<b>(17.752.131)</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) TL4.421.019 of the funds balance, whose risk is not born by the Parent Bank, is included in other liabilities and shown under the "1-5 Year" column, fund balance amounted to TL34.811 is not granted as loan and is included under “Up to 1 Month” column.

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

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

**e) Credit Risk Mitigation Techniques:**

The Parent Bank makes credit risk reduction by using simple financial collateral method in accordance with the 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 considered as funded credit safe guards in bank are; treasury bills, government bonds, cash, mortgage on deposit and gold. Financial collaterals considered as unfunded credit safe guards in the Parent Bank are; guarantees and counter guarantees.

Financial collaterals are valued daily in the Parent Bank. Credibilities of guarantors are monitored and evaluated in the scope of maturity.

The Parent Bank has no position about credit derivatives.

**Collaterals in terms of Risk Categories**

<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	82.539.279	5.837.822	-	-
Conditional and unconditional receivables from regional or local governments	111.660	33.988	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	352.982	150.720	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	17.065.245	7.952.166	-	-
Conditional and unconditional corporate receivables	40.560.116	2.870.489	-	404.412
Conditional and unconditional retail receivables	35.295.185	311.453	-	52.224
Conditional and unconditional secured mortgage receivables	7.414.397	5.172	-	622
Non-performing loan	542.814	-	-	-
Receivables in high risk category defined by BRSA	16.431.526	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporates	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	8.429.965	-	-	-
<b>Total</b>	<b>208.743.169</b>	<b>17.161.810</b>	<b>-</b>	<b>457.258</b>

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

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

**VI. RISK MANAGEMENT OBJECTIVES AND POLICIES**

**a) Strategies and Practices on Risk Management:**

The Parent Bank, manages the interest and credit risks occurred from the exposed market, liquidity and banking accounts, within the scope of BRSA regulations and by considering the best practices suitable to the volume of operations, qualification and complexity.

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

Risk Management Operations are conducted in accordance with the Regulation 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 30 June 2013, Risk Management organization is composed of operation and market risk management, credit risk management and balance sheet risks management units.

**c) Risk Reporting and Scope and Qualification of the Measurement Systems**

In order to put forward the potential risks which may be encountered by the Parent Bank, it is essential to consider the results of risk measurement and monitoring activities in the process of Parent Banks’ strategic decisions. In the buy – sell strategy context, the analyses presented below are performed regarding the measurement and monitoring of the whole balance sheet and portfolios determined by the Parent Bank.

**Liquidity Risk**

In order to put forward the liquidity risk of the Parent Bank, measurement, monitoring, limiting, stress tests and scenario analyses suitable to positions structures and complexity are carried out and the results are periodically reported.

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

**Interest Rate Risk On Banking 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 the Parent Bank can face with and report the findings cyclically.

It is made periodically Repricing Gap Analysis, Net Interest Margin/Revenue Analysis and Duration Analysis based on whole balance sheet intended for measurement and monitoring operations of interest rate on banking accounts and the 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.

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

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

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

**Market Risk**

In order to put forward the possible interest risks resulted from the banking accounts, the Parent Bank carries out measurement, monitoring, limiting, stress testing and scenario analyses in accordance with the position structure and complexity of the operations and reports the results periodically.

In the Parent Bank, market risk based amount is calculated monthly by using Standard Method as within the context of legal reporting. This amount is included in Bank’s Standard Capital Adequacy Ratio.

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

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

**Operational Risks**

Operational risk represents the possibility of damage from inadequate or failed internal processes, people and systems or from external events and including legal risks. The Operational Risk Management Services in the Bank in order to ensure compliance with Basel II, are carried out with the regulations issued on 28 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 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, studyings 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 actualised risks and actions taken are monitored via the database.

By being revised of Parent Bank Business Continuity Plan, that possible risks that may occur in activities due to corruption and its potential effects evaluated are documented as “Business Impact Analysis”.

Risk arising from purchase of services provided from support service organizations in order for continuity has been evaluated with the “Regulation on Procurement of Support Services of Banks” published by the BRSA. In this context, Risk Management Program was established and Risk Analysis Reports regarding support services taken by the Bank are prepared.

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

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

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

**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 Enterprising 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 is analysed periodically. Also, it is made vintage analysis for real estate, vehicle, consumer, commercial, agricultural and SME loans so as to credit monitoring and comparing past performances.

**d) Procedures On Risk Management And Risk Mitigation Policies With Regular Control Of Their Effectiveness**

In order to prevent the negations, the Parent Bank limits the risk limits with the related risk profile and risk toleration.

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.

In addition, derivative transactions are made by the Parent Bank, in order to obtain long term liabilities and limit the interest risks occurred from liquidity and banking accounts.

The Parent Bank reduces its risks according to basic financial method, and financial commitments are daily assessed. Credibilities of guarantors are monitored and assessed as part of credit revision maturities.

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

**VII. EXPLANATIONS ON OPERATING SEGMENTS**

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

The Group has operations in consumer banking, corporate and commercial banking, entrepreneur 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 Parent 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 Bank has the technical infrastructure required by modern banking sector to meet its clients’ needs.

In the context of corporate, commercial and entrepreneurial banking, the Bank gives loans for operations, mid-term and long-term investment loans, foreign trade financing loans, letter of credits and guarantees in Turkish Lira and foreign currencies; renders project financing, other corporate finance related services, foreign exchange transactions and banking services to large-scale corporate clients and middle-small scale enterprises.

As the Group 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. Besides, it gives support to entities and enterprises having operations in agricultural sector by acting as an intermediary for loans originated from funds.

Investment banking operations are conducted by the Financial Market and Asset-Liability Management and Head of Departments of Economic Researches. By foregoing departments, the 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 Parent 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.

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

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

As of 30 June 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”.

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

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

**Table for Segment Reporting:**

	<b>Retail Banking</b>	<b>Corporate Commercial and SME Banking<sup>(1)</sup></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>	2.321.254	790.191	585.391	1.814.267	88.313	(205.446)	5.393.970
Net Operating Profit	820.280	331.459	240.822	756.842	28.849	2.842	2.181.094
Income from Subsidiaries <sup>(2)</sup>	-	-	-	-	-	(193.828)	62.346
Income Before Taxes	-	-	-	-	-	-	2.243.400
Tax Provision	-	-	-	-	-	-	(540.877)
<b>Net Profit for the Period</b>	-	-	-	-	-	-	<b>1.702.523</b>
Segment Assets-net <sup>(1)</sup>	35.334.973	33.685.323	22.464.244	83.857.399	6.114.483	(1.611.291)	179.845.131
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	-	-	-	-	-	-	143.607
Undistributed Assets <sup>(3)</sup>	-	-	-	-	-	-	3.771.498
<b>Total Assets</b>							<b>183.760.236</b>
Segment Liabilities - net <sup>(1)</sup>	24.529.466	24.238.728	20.300.454	78.389.175	5.260.584	(1.146.715)	151.571.692
Undistributed Liabilities <sup>(3)</sup>	-	-	-	-	-	-	14.410.757
Shareholders' Equity	-	-	-	-	-	-	17.777.787
<b>Total Liabilities</b>	-	-	-	-	-	-	<b>183.760.236</b>
Other Segment Items							
Capital Investment	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	43.453
Restructuring Costs	-	-	-	-	-	-	-

- (1) 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
- (2) “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.
- (3) The total of tangible and intangible assets, tax asset 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)**

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

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

	<b>Retail Banking</b>	<b>Corporate, Commercial and SME Banking <sup>(1)</sup></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>Prior Period</b>							
Total Operating Income/Expense <sup>(2)</sup>	1.819.927	462.359	480.295	1.796.658	69.616	(123.048)	4.505.807
Net Operating Profit	601.127	195.609	196.688	735.902	22.482	(1.863)	1.749.945
Income from Subsidiaries <sup>(2)</sup>	-	-	-	-	-	(81.606)	9.504
Income Before Taxes	-	-	-	-	-	-	1.759.449
Tax Provision	-	-	-	-	-	-	(454.116)
<b>Net Profit for the Period</b>	-	-	-	-	-	-	<b>1.305.333</b>
Segment Assets-net	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	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	-	-	-	-	-	-	-

- (1) For the presentation of operating income, intradepartmental interest charged between branches and Treasury Operations Department 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.
- (2) “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 between segments.
- (3) The total of tangible and intangible assets, tax asset and tangible fixed 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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**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	976.518	410.122	1.105.775	359.246
Central Bank of the Republic of Turkey	3.858.527	16.265.805	4.802.571	14.473.438
Other	369	35.530	-	540.698
<b>Total</b>	<b>4.835.414</b>	<b>16.711.457</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 Communiqué on Required Reserves of Central Bank of the Republic of Turkey’s numbered 2005/1. The Bank’s total domestic liabilities excluding the items stated in the Communiqué as deductibles and the deposits accepted on behalf of foreign branches from Turkey and loans which are obtained by the banks and followed under branches abroad constitutes 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 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 up to 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 deposits 1-year and more than 1-year 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 30 June 2013, total reserve requirement of the Group is TL20.196.695 including Central Banks abroad. (31 December 2012: 19.774.030TL)

**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	3.827.174	641.580	4.773.232	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1)(2)</sup>	31.353	15.624.225	29.339	14.473.438
<b>Total</b>	<b>3.858.527</b>	<b>16.265.805</b>	<b>4.802.571</b>	<b>14.473.438</b>

<sup>(1)</sup> Required reserve of branches abroad amounting to TL43.443 is presented in this line (31 December 2012: TL36.777).

<sup>(2)</sup> TL11.393.927 in FC required reserves is the part of TL required reserves kept as FC (31 December 2012: TL11.100.608).

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

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

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

**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: (Continued)**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bonds, Treasury Bills and Similar Securities	7.239	-	4.513	-
Other	-	-	-	-
<b>Total</b>	<b>7.239</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	4.414	-	27	324
Swap Transactions	107.605	331.686	7.861	124.756
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>112.019</b>	<b>331.686</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	1.610.935	254.371	638.377	212.856
Foreign Banks	43.572	604.778	12.568	758.931
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>1.654.507</b>	<b>859.149</b>	<b>650.945</b>	<b>971.787</b>

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	12.054.835	4.303.003
Assets Blocked/Given as Collateral	1.048.586	289.274
<b>Total</b>	<b>13.103.421</b>	<b>4.592.277</b>

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

	Current Period	Prior Period
Debt Securities	41.084.076	38.155.195
Quoted in Stock Exchange	41.084.076	38.155.195
Not Quoted in Stock Exchange	-	-
Share Certificates	333.611	261.753
Quoted in Stock Exchange	173.601	119.261
Not Quoted	160.010	142.492
Provision for Impairment (-)	474.756	54.545
<b>Total</b>	<b>40.942.931</b>	<b>38.362.403</b>

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

**5. Information related to loans:**

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	<b>12.664</b>	-	<b>4.664</b>
<b>Loans Granted to Employees</b>	<b>250.552</b>	<b>96</b>	<b>239.746</b>	<b>86</b>
<b>Total</b>	<b>250.552</b>	<b>12.760</b>	<b>239.746</b>	<b>4.750</b>

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms <sup>(1)</sup>	Other		Loans and other receivables with revised contract terms	Other
Non-Specialized Loans	66.689.149	162.384	-	2.381.428	301.218	-
Commercial Loans	17.218.042	13.201	-	471.066	86.621	-
Export Loans	2.444.691	-	-	6.678	20	-
Import Loans	49.678	-	-	20.773	-	-
Loans Given to Financial Sector	1.394.089	-	-	-	-	-
Consumer Loans	28.560.729	54.768	-	1.623.707	19.759	-
Credit Cards	2.067.036	25	-	48.145	655	-
Other <sup>(2)</sup>	14.954.884	94.390	-	211.059	194.163	-
Specialized Lending <sup>(3)</sup>	19.121.245	451.619	-	756.119	99.397	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals	1.717.592	-	-	-	-	-
<b>Total</b>	<b>87.527.986</b>	<b>614.003</b>	-	<b>3.137.547</b>	<b>400.615</b>	-

(1) Restructured or Rescheduled loans can not be decomposed systematically. Therefore it is 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 separation of the accruals of other receivables can not 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.

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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: (Continued)**

<b>No. of extensions</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
1 or 2 Times Extended (*)	614.003	400.615
3.4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-

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

<b>Extension Periods</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
0 - 6 Months	292.805	101.771
6 Months – 12 Months	122.364	57.340
1 - 2 Years	119.843	89.860
2 - 5 Years	78.121	151.644
5 Years and Over	870	-
<b>Total</b>	<b>614.003</b>	<b>400.615</b>

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

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

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

	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
Consumer Loans - TL	322.100	29.334.421	29.656.521
Real Estate Loans	2.053	7.911.900	7.913.953
Vehicle Loans	473	171.323	171.796
Consumer Loans	317.173	21.087.030	21.404.203
Abroad <sup>(2)</sup>	2.401	164.168	166.569
Other	-	-	-
Consumer Loans- Indexed to FC	-	10	10
Real Estate Loans	-	10	10
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans- FC	24.814	108.141	132.955
Real Estate Loans	29	15.738	15.767
Vehicle Loans	-	622	622
Consumer Loans	24.785	91.781	116.566
Other	-	-	-
Individual Credit Cards-TL	1.909.068	6.737	1.915.805
With Installment	718.121	6.392	724.513
Without Installment	1.190.947	345	1.191.292
Individual Credit Cards-FC	3.465	-	3.465
With Installment	-	-	-
Without Installment	3.465	-	3.465
Personnel Loans-TL	14.293	161.993	176.286
Real Estate Loans	13	542	555
Vehicle Loans	-	-	-
Consumer Loans	5.172	160.505	165.677
Abroad <sup>(2)</sup>	54	946	1.000
Other	9.054	-	9.054
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	553	5.608	6.161
Real Estate Loans	-	1.482	1.482
Vehicle Loans	-	82	82
Consumer Loans	524	3.797	4.321
Other	29	247	276
Personnel Credit Cards-TL	65.161	227	65.388
With Installment	33.156	218	33.374
Without Installment	32.005	9	32.014
Personnel Credit Cards-FC	160	-	160
With Installment	-	-	-
Without Installment	160	-	160
Overdraft Accounts-TL (Real Person)	454.599	-	454.599
Overdraft Accounts-FC (Real Person)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>2.794.213</b>	<b>29.617.137</b>	<b>32.411.350</b>

<sup>(1)</sup> TL243.609 of interest income accrual is not included in the table above.

<sup>(2)</sup> TL1.037 of consumer loans used by the personnel abroad and TL166,569 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)**

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

	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
Commercial Installment Loans-TL	537.722	5.599.379	6.137.101
Business Loans	2.347	97.274	99.621
Vehicle Loans	5.219	208.164	213.383
Consumer Loans	526.581	1.723.918	2.250.499
Other	3.575	3.570.023	3.573.598
Commercial Installment Loans- Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	127.401	4.937.798	5.065.199
Business Loans	-	10.530	10.530
Vehicle Loans	-	678	678
Consumer Loans	76.254	4.681.170	4.757.424
Other	51.147	245.420	296.567
Corporate Credit Cards-TL	130.319	140	130.459
With Installment	15.480	124	15.604
Without Installment	114.839	16	114.855
Corporate Credit Cards-FC	584	-	584
With Installment	-	-	-
Without Installment	584	-	584
Overdraft Account-TL (Legal Entity)	18.770	-	18.770
Overdraft Account-FC (Legal Entity)	454	-	454
<b>Total <sup>(1)</sup></b>	<b>815.250</b>	<b>10.537.317</b>	<b>11.352.567</b>

<sup>(1)</sup> Accruals are not included in the table above.

**e) Breakdown of domestic and international loans:**

	<b>Current Period</b>	<b>Prior Period</b>
Domestic Loans	89.239.093	69.374.300
Foreign Loans	723.466	1.304.612
Interest Income Accruals of Loans	1.717.592	1.664.559
<b>Total</b>	<b>91.680.151</b>	<b>72.343.471</b>

**f) Loans granted to subsidiaries and associates:**

None (31 December 2012: None).

**g) Specific provisions provided against loans:**

	<b>Current Period</b>	<b>Prior Period</b>
Loans and other receivables with limited collectability	80.737	127.788
Loans and other receivables with doubtful collectability	435.739	561.030
Uncollectible loans and other receivables	957.094	592.114
<b>Total</b>	<b>1.473.570</b>	<b>1.280.932</b>

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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)**

**h) Information on non-performing receivables (net):**

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

	<b>Group III:</b>	<b>Group IV:</b>	<b>Group V:</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period</b>			
(Gross amounts before the specific provisions)	<b>10.738</b>	<b>64.724</b>	<b>79.483</b>
Loans and other receivables which are restructured	10.738	64.724	79.483
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>			
(Gross amounts before the specific provisions)	<b>13.471</b>	<b>47.107</b>	<b>66.765</b>
Loans and other receivables which are restructured	13.471	47.107	66.765
Rescheduled loans and other receivables	-	-	-

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

	<b>Group III:</b>	<b>Group IV:</b>	<b>Group V:</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Prior Period Ending Balance</b>	<b>270.107</b>	<b>1.051.666</b>	<b>773.275</b>
Additions (+)	564.264	98.998	104.440
Transfers from other categories of non-performing loans (+)	-	546.611	1.129.250
Transfers to other categories of non-performing loans (-)	546.611	1.129.251	6.811
Collections (-) <sup>(1)</sup>	120.484	99.968	356.270
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance <sup>(2)</sup></b>	<b>167.276</b>	<b>468.056</b>	<b>1.643.884</b>
Specific Provision (-)	80.737	435.739	957.094
<b>Net Balance on Balance Sheet <sup>(2)</sup></b>	<b>86.539</b>	<b>32.317</b>	<b>686.790</b>

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

<sup>(2)</sup> Includes the loans originated from funds amounting to TL255.981 whose risk does not belong to the Parent Bank.

<sup>(3)</sup> As of 30 June 2013, the Parent Bank made 100% provision for the portion of TL622 million of the loans under follow-up which is TL155 million after taking guarantees into consideration.

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

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

**h) Information on non-performing receivables (net): (Continued)**

**3) Information on foreign currency non-performing loans:**

	<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:</b>			
<b>Period Ending Balance</b>	<b>11.816</b>	<b>13.952</b>	<b>25.917</b>
Specific Provision (-)	4.859	8.375	23.397
<b>Net Balance on Balance Sheet</b>	<b>6.957</b>	<b>5.577</b>	<b>2.520</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>

**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>86.539</b>	<b>32.317</b>	<b>686.790</b>
Loans to Real Persons and Legal Entities (Gross)	167.276	413.896	1.643.884
Specific Provisions (-)	80.737	381.579	957.094
Loans to Real Persons and Legal Entities (Net)	86.539	32.317	686.790
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	54.160	-
Specific Provisions (-)	-	54.160	-
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)	-	-	-

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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	3.202.210	3.583.012	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>3.202.210</b>	<b>3.583.012</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	6.747.849	784.234	6.456.814	594.419
Other	-	-	-	-
<b>Total</b>	<b>6.747.849</b>	<b>784.234</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	21.772.837	27.251.620
Treasury Bills	32.026	37.141
Other Public Sector Debt Securities	-	-
<b>Total</b>	<b>21.804.863</b>	<b>27.288.761</b>

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

	Current Period	Prior Period
Debt securities	21.839.213	27.322.038
Quoted in a Stock Exchange	21.804.863	27.305.785
Not Quoted in a Stock Exchange	34.350	16.253
Provision for Impairment (-)	-	-
<b>Total</b>	<b>21.839.213</b>	<b>27.322.038</b>

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

	Current Period	Prior Period
<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	293.424	(277.048)
Purchases During the Year	126.358	220.573
Disposals through Sales and Redemptions	(5.902.607)	(5.253.824)
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	<b>21.839.213</b>	<b>27.322.038</b>

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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: (Continued)**

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

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 the amendment of 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. As of balance sheet date, negative revaluation differences which are accounted under shareholders’ equity are TL2.055, USD13.477 thousand and EUR7.647 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR33.627 thousand and USD69.484 thousand respectively.

If the reclassification from the held for trading securities portfolio to the held to maturity had not been performed, income accrual amounting to TL25.782 would have been recorded. As of 30 June 2013, the reclassification from held for trading securities to held to maturity investments has an income impact of TL(21.229).

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

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

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

	Total Assets <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2) (3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	27.657	20.724	17.233	246	-	1.116	1.957	-
2	85.008	71.010	48.060	984	-	20.334	15.868	-

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

(2) Current period information of associates has been provided from reviewed financial statements of 30 June 2013. Prior period profit/loss information of associates has been provided from reviewed financial statements as of 30 June 2012.

(3) Total non-current assets include long term loans other than fixed assets.

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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): (Continued)**

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

	Description	Address (City/Country)	The Bank's Share Percentage, if Different, Voting Percentage (%)	The Bank's Risk Group Share Percentage (%)
1	Arap Türk Bankası A.Ş.	Istanbul/Turkey	22,22	15,43

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	3.042.555	435.885	24.477	46.168	3.448	23.466	40.254	-

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

(2) Current period financial statements information of ArapTürk Bankası A.Ş. has been provided from reviewed financial statements as of 30 June 2013 and prior period profit/loss balances of ArapTürk Bankası A.Ş. have been provided from reviewed financial statements as of 30 June 2012.

**2) Explanation regarding 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>3.581</b>	<b>9.057</b>
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer to Available for Sale Fin. Assets	-	-
Sales	-	-
Revaluation	3.581	9.057
Impairment Provision	-	-
<b>Ending Balance</b>	<b>67.257</b>	<b>63.676</b>
<b>Capital Commitments</b>	-	-
<b>Period Ending Share of Capital Participation</b>	-	-

**3) Sector information about consolidated associates:**

	Current Period	Prior Period
Banks	67.257	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 Risk Group Share Percentage (%)
1	Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.	Istanbul/Turkey	71,43	76,00
2	Fintek Finansal Teknoloji Hizmetleri A.Ş.	Ankara/Turkey	100,00	94,24

	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>(3)</sup>	Current Period Profit/ Loss <sup>(3)</sup>	Prior Period Profit/Loss <sup>(3)</sup>	Fair Value <sup>(2)</sup>
1	31.458	16.931	6.215	149	90	3.653	1.244	-
2	31.003	5.319	23.020	128	22	(160)	161	-

(1) With the board of director decision in 15 May 2013, its nominal share of TL610 was vested in T. Halk Bankası A.Ş. and partnership relation with this subsidiary was actually ended in 23 July 2013 (Section 5, Note VI).

(2) Since shares of subsidiaries are not traded in the stock market, fair values cannot be identified.

(3) Current period information of subsidiaries has been provided from reviewed financial statements as of 30 June 2013 and prior period profit/loss balances has been provided from reviewed financial statements as of 30 June 2012.

**b) 1) Explanation regarding consolidated subsidiaries:**

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

	Description	Address (City/Country)	The Parent Bank’s Share Percentage-if different Voting Percentage (%)	The Parent Bank’s Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	İstanbul / TURKEY	100,00	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	Ziraat Bank BH d.d.	Sarajevo / BOSNIA HERZEGOVINA	100,00	100,00
8	Ziraat Bank (Moscow) CJSC	Moscow / RUSSIA	100,00	99,91
9	Kazakhstan Ziraat Int. Bank	Almaty/KAZAKHSTAN	100,00	99,58

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

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

**b) 1) Explanation regarding 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 Portfolio <sup>(2)</sup>	Current Period Profit/Loss <sup>(3)</sup>	Prior Period Profit/Loss <sup>(3)</sup>	Fair Value <sup>(1)</sup>	Shareholders' Equity Amount To Be Needed
1	1.162.081	176.543	2.067	33.260	5.910	61.322	57.234	-	-
2	313.734	87.476	1.249	5.857	474	14.811	39.237	-	-
3	1.075.889	165.658	1.041	31.320	3	10.266	14.401	-	-
4	520.433	74.009	1.428	17.246	444	2.927	6.205	-	-
5	9.325	9.039	116	282	263	(113)	779	-	-
6	2.205.011	398.596	3.710	26.428	3.667	1.822	8.952	397.353	-
7	384.755	93.419	11.139	8.573	245	2.372	(1.102)	58.047	-
8	128.858	56.475	4.082	4.721	61	1.701	2.541	57.240	-
9	285.924	211.575	8.945	8.352	524	3.934	3.863	197.734	-

(1) 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.

(2) The income from marketable securities portfolio of Ziraat Yatırım Menkul Değerler A.Ş. and Ziraat Portföy Yönetimi A.Ş. represents net sales.

(3) Information on subsidiaries shown in the above table has been provided from the reviewed financial statements as of 30 June 2013, the prior period profit/loss balances have been provided from reviewed financial statements as of 30 June 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>200.090</b>	<b>192.273</b>
Additions to Scope of Consolidation	-	-
Purchases <sup>(1)</sup>	-	58.848
Bonus Shares Obtained	200.090	59.676
Dividends from current year income	-	-
Transfers to available for sale assets	-	-
Sales <sup>(2)</sup>	-	37.469
Revaluation Increase	-	111.218
Impairment Provision	-	-
<b>Balance at the End of the Period</b>	<b>1.086.591</b>	<b>886.501</b>
Capital Commitments	-	-
Share percentage at the end of the period (%)	-	-

(1) The capital increase in the period is shown under “Purchases”.

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

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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:**

	<b>Current Period</b>	<b>Prior Period</b>
Banks	710.374	710.374
Insurance Companies	129.948	39.984
Factoring Companies	-	-
Leasing Companies	182.839	116.291
Financing Companies	-	-
Other Financial Subsidiaries	63.430	19.852

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

None. (31 December 2012: None)

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

<b>Entities under Common Control (Joint Ventures) <sup>(1)</sup></b>	<b>Parent Bank's Share <sup>(2)</sup></b>	<b>Group's Share</b>	<b>Current Assets</b>	<b>Non-Current Assets</b>	<b>Long Term Liabilities</b>	<b>Income</b>	<b>Expense</b>
Turkmen Turkish Joint Stock Commercial Bank	15.046	15.046	125.075	8.320	21.563	9.927	5.072
Uzbekistan- Turkish Bank	24.365	24.374	118.663	1.823	31.594	5.003	2.909
Azer Türk Bank ASC	15.797	17.171	216.071	2.472	746	12.865	11.380
<b>Total</b>	<b>55.208</b>	<b>56.591</b>	<b>459.809</b>	<b>12.615</b>	<b>53.903</b>	<b>27.795</b>	<b>19.361</b>

<sup>(1)</sup> Information on entities under common control is provided from the unaudited financial statements as of 30 June 2013.

<sup>(2)</sup> Represents the Parent Bank's share in the shareholders' equity of these entities under common control based on the shareholding rate of the Bank.

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

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than 1 Year	347.944	278.505	101.537	93.575
1-5 Years	753.818	658.937	510.719	436.059
More than 5 Years	37.669	35.078	108.516	87.915
<b>Total</b>	<b>1.139.431</b>	<b>972.520</b>	<b>720.772</b>	<b>617.549</b>

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

The Bank 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 through consumer, trade and agricultural receivables 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 TL84.709 consisting of TL7.221 on consumer loan, TL66.480 on its commercial loans and TL11.008 on its agricultural loans. Also, the sum of movables acquired from consumer loan amount to TL151. Total depreciation expense is TL532 for these held for sale assets.

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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	8.893.599	-	2.230.671	42.244.407	4.994.303	933.471	931.055	5.132	60.232.638
Foreign Currency Deposits	4.860.074	-	4.196.836	7.473.239	2.300.437	1.663.117	6.464.409	276	26.958.388
Residents in Turkey	4.054.734	-	3.656.640	6.905.925	2.095.491	934.855	5.324.292	274	22.972.211
Residents Abroad	805.340	-	540.196	567.314	204.946	728.262	1.140.117	2	3.986.177
Public Sector Deposits	5.091.307	-	1.919.604	7.617.092	300.788	453.474	1.662	-	15.383.927
Commercial Inst. Deposits	2.960.904	-	3.558.696	3.345.048	557.537	568.653	39.697	-	11.030.535
Other Inst. Deposits	1.450.555	-	564.050	2.441.835	476.122	454.223	4.236	-	5.391.021
Precious Metals	1.432.365	-	-	225.777	-	-	-	-	1.658.142
Interbank Deposits	90.092	-	3.478.278	1.313.358	1.428.501	35.819	4.162	-	6.350.210
CBRT	2.112	-	1.533	-	-	-	-	-	3.645
Domestic Banks	31.425	-	3.071.209	93.663	312.160	2.000	4.162	-	3.514.619
Foreign Banks	32.733	-	405.536	1.219.695	1.116.341	33.819	-	-	2.808.124
Participation Banks	23.822	-	-	-	-	-	-	-	23.822
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>24.778.896</b>	<b>-</b>	<b>15.948.135</b>	<b>64.660.756</b>	<b>10.057.688</b>	<b>4.108.757</b>	<b>7.445.221</b>	<b>5.408</b>	<b>127.004.861</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>	40.182.624	30.505.073	19.783.976	26.579.587
Foreign Currency Saving Deposits <sup>(2)</sup>	12.045.671	8.336.033	8.901.662	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>	442.095	423.579	34.468	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, TL17.026 and TL10.806 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2012: Bulgaria and Greece, respectively TL10.668, TL9.642).

<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, TL2.766 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş..

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of the Banks. As total of capital amount and interest expense accruals of saving deposits up to TL100.000 attributable to a real person is covered by the insurance, TL407.133 thousand 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 in 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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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

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	51.774	64.624
Deposits of Ultimate Shareholders and Their Close Families	-	-
Deposits of Chairman and Members of the Board of Directors and Their Close Families	1.439	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:

Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	4.343	25	25	319
Swap Transactions	41.398	63.280	38.962	16.285
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>45.741</b>	<b>63.305</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	538.255	307.534	82.261	159.675
Foreign Banks, Institutions and Funds	933.385	4.607.079	797.484	2.442.858
<b>Total</b>	<b>1.471.640</b>	<b>4.914.613</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	518.731	4.190.847	70.574	1.573.650
Medium and Long-Term	952.909	723.766	809.171	1.028.883
<b>Total</b>	<b>1.471.640</b>	<b>4.914.613</b>	<b>879.745</b>	<b>2.602.533</b>

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

**3. c) Further information is disclosed for the areas of the Group’s liability concentrations. Main liability concentration areas are fund suppliers, sector groups or other risk concentration criteria:**

69,06% of the Group’s liabilities consist of deposits. Deposits are having a diversified base and have steady structures. The Bank’s liabilities are not subject to a significant concentration risk.

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

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

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

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

Information on finance lease payables:

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

**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:**

	Current Period	Prior Period
<b>General Provisions</b>	<b>1.590.364</b>	<b>1.233.215</b>
Provisions for First Group Loans and Receivables	1.373.105	1.001.019
Additional Provision for Loans and Receivables with Extended Maturities	39.864	20.214
Provisions for Second Group Loans and Receivables	121.399	150.136
Additional Provision for Loans and Receivables with Extended Maturities	20.641	13.702
Provisions for Non-Cash Loans	62.713	47.638
Other	33.147	34.422

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

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

**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 TL23.245.

**d) Information on other provisions:**

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

The accompanying financial statements include a free provision amounting to TL853.300 thousand (TL209.000 thousand of this provision amount was charged to the income statement in the current period), provided by the Parent Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions. Moreover, the provision of TL10.250 and other provision of TL238 exist for cash transfers made by Bank officials.

	<b>Current Period</b>	<b>Prior Period</b>
General provisions for possible risks	863.788	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 TL70.906 full provision has been provided in the accompanying financial statements for law suits ended against the Parent Bank but not finalized yet, amounting to TL33.409. 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 amounting to TL62.932 has been provided.

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 as of 17 July 2013 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, TL111.200 defined by early payment is booked as other provisions and this total amount was paid on 16 August 2013 (Section 5, Note VI).

Furthermore, based on the decision of the Parent Bank management, provision amounting to TL121.700 in total 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 TL23.245 for unindemnified non-cash loans, and TL17.880 for other provisions. As a result, in addition to the provisions mentioned above, the other provision balance on the Parent Bank’s balance sheet amounts to TL1.234.154 (31 December 2012: TL1.031.318).

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

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

**e) Vacation and employment termination benefits obligations:**

**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 30 June 2013 unpaid vacation provision amounted to TL135.100 (31 December 2012: TL134.400) and employment termination benefits provision amounted to TL555.861 (31 December 2012: TL639.800) is presented under the “Employee Benefits Provision” in the financial statements.

**8. Information on tax liability:**

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

**1) Information on tax provisions:**

As of 30 June 2013, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL38.695 (31 December 2012: TL348.154).

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

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Tax Payable	38.695	348.154
Taxation on Income From Securities	67.954	86.583
Property Tax	1.479	1.023
Banking Insurance Transactions Tax (BITT)	50.321	52.227
Foreign Exchange Transactions Tax	11	5
Value Added Tax Payable	1.901	3.483
Other	67.203	34.231
<b>Total</b>	<b>227.564</b>	<b>525.706</b>

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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)**

**3) Information on premiums:**

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums - Employee	654	98
Social Security Premiums - Employer	506	134
Bank Social Aid Pension Fund Premium - Employee	4.649	101
Bank Social Aid Pension Fund Premium - Employer	6.524	187
Pension Fund Membership Fees and Provisions - Employee	6	5
Pension Fund Membership Fees and Provisions - Employer	18	14
Unemployment Insurance - Employee	922	247
Unemployment Insurance - Employer	1.795	496
Other	-	9
<b>Total</b>	<b>15.074</b>	<b>1.291</b>

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

The Group’s deferred tax liability amounts to TL316 (31 December 2012: TL368) and deferred tax asset amounts to TL233.059 (31 December 2012: TL227.208) 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	-	-

**b) Paid-in capital amount, explanation whether the registered capital system is applicable by the Parent 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 Bank has no capital commitments.

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

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

**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 is performance and contributes to the profitability structure to be sustainable.

**g) Information on preferred shares:**

The Bank has no preferred shares.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under common control	-	175.386	-	-
Revaluation Difference	-	175.386	-	-
Foreign Exchange Difference	-	-	-	-
From Available for Sale Marketable Securities	(126.827)	(216.838)	474.452	450.284
Revaluation Difference	(190.877)	(216.838)	695.188	450.284
Deferred Tax Effect	45.973	-	(212.771)	-
Foreign Exchange Difference	18.077	-	(7.965)	-
<b>Total</b>	<b>(126.827)</b>	<b>(41.452)</b>	<b>474.452</b>	<b>450.284</b>

**III. EXPLANATIONS AND NOTES RELATED 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	2.526.004	2.410.300
Asset Purchase Commitments	1.028.315	455.918
Commitments for Credit Card Expenditure Limits	3.883.580	3.829.389
Loan Granting Commitments	247.364	199.008
Other Irrevocable Commitments	2.421.547	2.151.772
Subsidiaries and Associates Capital Contribution Commitments	-	-
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	28.035	10.985
<b>Total</b>	<b>10.134.845</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:**

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

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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)**

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

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

	Current Period	Prior Period
Guarantee Letters	17.479.432	12.276.010
Bank Acceptances	1.575.093	960.969
Letter of Credits	2.933.135	2.415.141
<b>Total</b>	<b>21.987.660</b>	<b>15.652.120</b>

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

	Current Period	Prior Period
Letter of Temporary Guarantees	1.209.606	473.559
Letter of Certain Guarantees	10.201.011	6.832.794
Letters of Advance Guarantees	4.625.652	3.533.511
Letters of Guarantees given to Customs Offices	80.422	122.121
Other Letters of Guarantees	1.337.850	1.290.524
<b>Total</b>	<b>17.454.541</b>	<b>12.252.509</b>

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

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>1.288.518</b>	<b>1.168.472</b>
With Original Maturity of One Year or Less	330.659	244.978
With Original Maturity of More than One Year	957.859	923.494
<b>Other Non-Cash Loans</b>	<b>20.699.142</b>	<b>14.483.648</b>
<b>Total</b>	<b>21.987.660</b>	<b>15.652.120</b>

**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 <sup>(1)</sup></b>	<b>4.185.293</b>	<b>291.901</b>	<b>4.131.223</b>	<b>199.041</b>
Short Term Loans	1.220.581	35.712	1.237.373	36.610
Medium and Long Term Loans	2.904.444	256.183	2.852.087	162.087
Interest on Non-Performing Loans	60.268	6	41.763	344
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	-	286	-	-
Domestic Banks	41.795	32	17.135	156
Foreign Banks	191	2.705	592	3.139
Head Office and Branches	-	-	-	-
<b>Total</b>	<b>41.986</b>	<b>3.023</b>	<b>17.727</b>	<b>3.295</b>

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

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

**1. c) Information on interest income received from marketable securities:**

	Cari Dönem		Önceki Dönem	
	TP	YP	TP	YP
Financial assets held for trading	379	263	1.495	335
Financial assets where fair value change is reflected to income statement	445	-	488	-
Financial assets available for sale	1.224.565	113.073	1.578.197	96.029
Investments held to maturity	852.153	143.241	1.458.860	148.667
<b>Toplam</b>	<b>2.077.542</b>	<b>256.577</b>	<b>3.039.040</b>	<b>245.031</b>

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

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	779	3.962

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks <sup>(1)</sup>	30.862	38.792	27.114	8.966
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	3.661	1.868	11.113	901
Foreign Banks	27.201	36.924	16.001	8.065
Head Office and Branches	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>30.862</b>	<b>38.792</b>	<b>27.114</b>	<b>8.966</b>

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

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

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	17.839	47.333

**c) Information on interest expenses on securities issued:**

	Current Period		Prior Period	
	TP	YP	TP	YP
Interest Expense on securities issued	71.317	-	48.333	-

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

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

**d) Distribution of interest expenses on deposits based on maturity of deposits:**

Account Name	Demand Deposits	Time Deposits					Accumulated Deposits	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<b>TL</b>								
Bank deposits	-	64.754	-	-	-	-	-	64.754
Saving deposits	9	60.630	1.469.716	144.024	25.962	33.773	313	1.734.427
Public sector deposits	110	49.004	214.151	9.246	16.495	51	-	289.057
Commercial deposits	79	58.635	135.936	29.872	6.277	475	-	231.274
Other deposits	11	3.491	90.712	15.077	13.795	201	-	123.287
7 days call accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>209</b>	<b>236.514</b>	<b>1.910.515</b>	<b>198.219</b>	<b>62.529</b>	<b>34.500</b>	<b>313</b>	<b>2.442.799</b>
<b>FC</b>								
Foreign currency deposits	4.208	23.995	62.176	29.128	13.267	80.479	4	213.257
Bank deposits	23.815	-	-	-	6	-	-	23.821
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	53	447	29	16	13	-	558
<b>Total</b>	<b>28.023</b>	<b>24.048</b>	<b>62.623</b>	<b>29.157</b>	<b>13.289</b>	<b>80.492</b>	<b>4</b>	<b>237.636</b>
<b>Grand Total</b>	<b>28.232</b>	<b>260.562</b>	<b>1.973.138</b>	<b>227.376</b>	<b>75.818</b>	<b>114.992</b>	<b>317</b>	<b>2.680.435</b>

**3. Information on trading profit/loss (net):**

	Current Period	Prior Period
<b>Profit</b>	<b>4.349.626</b>	<b>2.504.853</b>
Profit from the Capital Market Transactions	45.298	68.426
Profit on Derivative Financial Instruments	1.074.234	574.129
Foreign Exchange Gains	3.230.094	1.862.298
<b>Loss (-)</b>	<b>4.357.189</b>	<b>2.487.866</b>
Loss from the Capital Market Transactions	534	19.202
Loss on Derivative Financial Instruments	739.086	657.747
Foreign Exchange Loss	3.617.569	1.810.917

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	1.345.285	115.186
Effect of the change in interest rates on profit/loss	(1.010.137)	(198.804)
<b>Total</b>	<b>335.148</b>	<b>(83.618)</b>

**5. Information on other operating income:**

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

There are no significant matters covering the recent developments which have significant effect on the Parent Bank's income. Main component of the Bank's other operating income consists of reversals from prior period provisions amounting to TL361.501.

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Specific Provisions for Loans and Other Receivables <sup>(1)</sup>	371.340	273.503
Group III Loans and Receivables	68.995	68.928
Group IV Loans and Receivables	266.740	143.276
Group V Loans and Receivables	35.605	61.299
General Provision Expenses <sup>(2)</sup>	359.690	99.301
Provision Expenses for the Possible Losses	209.300	410.300
Marketable Securities Impairment Expense	2.199	336
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available for Sale	2.199	336
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	1.471	75.196
<b>Total</b>	<b>944.000</b>	<b>858.636</b>

<sup>(1)</sup> The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL177.577 are presented in other operating income (30 June 2012: TL82.644).

<sup>(2)</sup> The relevant balances include the expenses related to the current period. The provision reversals within the period amounting to TL145 are presented in other operating income.

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

	<b>Current Period</b>	<b>Prior Period</b>
Personnel Expenses	928.173	720.590
Reserve for Employee Termination Benefits	34.495	53.312
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	239	473
Depreciation Expenses of Tangible Fixed Assets	32.979	30.033
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	10.474	7.018
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	-	1
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	768.086	346.287
Operational Leasing Expenses	51.664	41.967
Maintenance Expenses	34.494	20.101
Advertisement Expenses	16.910	6.719
Other Expenses	665.018	277.500
Loss on Sales of Assets	275	48
Other <sup>(1)</sup>	438.484	734.733
<b>Total</b>	<b>2.213.205</b>	<b>1.892.495</b>

<sup>(1)</sup> TL134.617 of the relevant balance is Savings Deposit Insurance Fund expense accrual (30 June 2012: TL105.208), TL137.880 is taxes, fees and tolls expenses (30 June 2012: TL109.261).

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

**8. Information on profit/loss before tax 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	3.853.331	3.305.186
Net Fees and Commissions Income	409.180	352.367
Dividend Income	62.346	9.504
Trading Income/Expense (Net)	(7.563)	16.987
Other Operating Income	1.076.676	821.762
Provision for Loan or Other Receivables Losses (-)	944.000	858.636
Other Operating Expenses (-)	2.213.205	1.892.495
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	-	-
<b>Income/(Loss) From Continuing Operations</b>	<b>2.236.765</b>	<b>1.754.675</b>

**9. Information on tax provision for continuing and discontinued operations:**

As of 30 June 2013, the Group's income tax provision amounting to TL(540.877) (30 June 2012: TL454.116) consists of TL(276.395) (30 June 2012: TL523.126) of current tax charge and TL(264.482) (30 June 2012: TL69.010) of deferred tax income.

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

The Group's net operating income after tax amounts to TL1.702.523 (30 June 2012: TL1.305.333).

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

**a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the 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.

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

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

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

As of 30 June 2013, the Group’s other fee and commission income amounting to TL444.221 (30 June 2012: TL408.014) consists of TL127.227 (30 June 2012: TL139.210) of credit card fees and commission income, TL115.269 (30 June 2012: TL78.227) of insurance commission and the remaining TL201.725 (30 June 2012: TL190.577) of money order, account management fee and other commission income.

**V. EXPLANATIONS AND NOTES RELATED 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 <sup>(2)</sup>	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	61.333	-	-	-	-	-
Closing Balance	1.306.177	-	-	-	-	-
<b>Interest and Commissions Income</b>	<b>779</b>	-	-	-	-	-

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

(2) Placements to foreign banks in the risk group amounting to TL757.372 are included in the cash loans.

b) Prior 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 <sup>(2)</sup>	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	18.149	-	-	-	-	-
Closing Balance	71.189	-	-	-	-	-
<b>Interest and Commissions Income</b>	<b>3.962</b>	-	-	-	-	-

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

(2) Placements to foreign banks in the risk group amounting to TL1.021.097 are included in the cash loans.

(3) Interest and commissions income balance is the balance as of 30 June 2012.

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

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

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

**c) Deposits held by the Parent Bank’s risk group:**

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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Deposits</b>						
Opening Balance	557.636	580.370	-	-	-	-
Closing Balance	2.115.236	557.636	-	-	-	-
<b>Interest expense on deposits</b>	<b>17.839</b>	<b>5.834</b>	-	-	-	-

<sup>(1)</sup> The prior period balance of the accrued interest expense of the deposit is the balance as of 30 June 2012.

**d) Information on forward transactions, option agreements and similar transactions between the Parent Bank’s risk group:**

	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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>The Fair Value Differences Through Profit and Loss</b>						
Opening Balance	-	7.402	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	<b>-</b>	<b>(1.072)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Risk Protection Oriented Processes</b>						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> The prior period loss balance is the balance as of 30 June 2012.

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

Fees paid to the Group’s key management total amount is TL13.784 (30 June 2012: TL9.647).

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

1. 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 as of 17 July 2013 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, TL111.200 defined by early payment is booked as other provisions and this amount was paid on 16 August 2013 to Ankara Directorate of Revenue Accounting.
2. With the Board of Directors decision in 15 May 2013, one of the subsidiaries of the Parent Bank, Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.'s nominal share of TL610 which represents 61% of the firm and 15% of the share in associate Ziraat Finansal Kiralama A.Ş. were vested in T. Halk Bankası A.Ş. and partnership relation with this subsidiary was actually ended in 23 July 2013.
3. Including 86-day green shoe option and having a fixed term on 11 October 2013, the issue and public offer of the Bank's bonds with a nominal value of TRY400 million have been performed via book-building method and in the scope of the Bank's permission for bonds and/or bond issue up to TRY7 billion on 11 July, 12 July and 15 July 2013. The compound interest rate was 8.2759%.
4. The issue and public offer of the Bank's bonds with a nominal value of TRY450 million including 95-day green shoe option and having a fixed term on 5 November 2013 and of the bonds with a nominal value of TRY450 million including 175-day green shoe option and having a fixed term on 24 January 2014 have been performed via book-building method on 29 July, 30 July and 31 July 2013. The compound interest rates were 8.2367% and 9.0246% respectively.
5. The Parent Bank, as borrower, entered into a loan agreement of 30-year maturity with World Bank amounting to USD 300 million and non-refundable for 5.5 years, in order to be used in financing SMEs by leasing, on 22 August 2013. In this context, USD 375 million loan is expected to be given to SMEs considering USD 75 million co-financing amount to be provided from bank funds.

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**SECTION SIX**

**OTHER EXPLANATIONS AND NOTES**

**I. OTHER EXPLANATIONS ON THE GROUP’S OPERATIONS**

None.

**SECTION SEVEN**

**EXPLANATIONS ON THE INDEPENDENT AUDITORS’ REVIEW REPORT**

**I. EXPLANATIONS ON THE INDEPENDENT AUDITORS’ REVIEW REPORT**

As of 30 June 2013, consolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Independent Auditor’s Review Report dated 23 August 2013 is presented preceding the financial statements.

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

None.

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