

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

**PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT  
AT 30 SEPTEMBER 2014**

**(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 September 2014 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 TL1.230.000 thousand (TL178.000 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. and its consolidated subsidiaries at 30 September 2014 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, 19 November 2014

**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 SEPTEMBER 2014**

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

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

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION 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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<b>Muharrem KARSLI</b> Chairman of the Board of Directors, Member of the Audit Committee	<b>Hüseyin AYDIN</b> Member of the Board of Directors, General Manager	<b>Feyzi ÇUTUR</b> Member of the Board of Directors, Member of the Audit Committee
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**Cem İNAL**  
Assistant General Manager  
of Financial Coordination

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**Atakan BEKTAŞ**  
Head of Financial Statements and  
Reporting Management

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

Name/Title : Kubilay ŞAHİN / Financial Statements Manager  
Telephone Number : 0312 584 59 33  
Facsimile Number : 0312 584 59 38

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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 SEPTEMBER 2014**

(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 Parent Bank is (“Treasury”) the Republic of Turkey Prime Ministry Undersecretariat of Treasury.

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2014

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

GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

Name	Administrative Function
<b>Members of the Board of Directors</b>	
Muharrem KARSLI	Chairman
Hüseyin AYDIN	General Manager and Member
Yusuf DAĞCAN	Vice Chairman and Member
Fahrettin ÖZDEMİRCİ	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Mustafa ÇETİN	Member
Salim ALKAN	Member
Cemalettin BAŞLI	Member
<b>Audit Committee Members</b>	
Muharrem KARSLI	Member
Feyzi ÇUTUR	Member
<b>Assistant General Managers</b>	
Alpaslan ÇAKAR	Individual Banking
Bilgehan KURU	Treasury Management and International Banking
Bülent SUER	Operational Transactions
Cem İNAL	Financial Coordination
Mehmet Cengiz GÖĞEBAKAN	Credit Policies
Musa ARDA	Credit Allocation and Management
Ömer Muzaffer BAKTIR	Marketing
Peyami Ömer ÖZDİLEK	Human Resources
Osman ARSLAN	Information Technologies Management
Yüksel CESUR	Internal Systems

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

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

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

The sole shareholder of the Parent 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 SEPTEMBER 2014**

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

**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 September 2014, the Parent Bank carries its activities with a grand total of 1.686 branches; 1.661 domestic branches including 5 Corporate Branches, 27 Commercial Branches, 79 Enterprising Branches, 75 Dynamic Enterprising Branches, 1.473 branches and 2 mobile branches (31 December 2013: 1.636 domestic branches including 1.521 branches, 5 Corporate Branches, 27 Commercial Branches, 81 Enterprising Branches, 2 mobile branches) and 25 branches abroad including 21 branches and 4 sub branches (New York branch in United States, London branch in England, Tbilisi branch and Batumi sub branch in Georgia, Baghdad and Arbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Filibe/Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Akdoğan, Near East University, Karaoğlanoğlu, Karakum and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has 1 representative office in Tehran, Iran.

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

Başakkart is a bank card through which demand deposit accounts and agricultural loan accounts can be linked. Bank can associate Başakkart with enterprise loans below TL50 and agricultural loan limits in line with the demands of the customers. All limits of loan accounts assigned to the Başakkart can be used via POS machines of the Bank in Başakkart Member Business points for the purchase of agricultural inputs (feed, grain, fuel, etc.). According to preferences of customers, maximum 90% 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 September 2014, the number of the Group’s employees is 25.254 (31 December 2013: 25.920).

**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 SEPTEMBER 2014**

(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.

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

All other subsidiaries are fully consolidated.

**VII. 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 AS OF 30 SEPTEMBER 2014  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)**

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

I. CONSOLIDATED BALANCE SHEET (STATEMENT OF CONSOLIDATED FINANCIAL POSITION)	Note (Section Five I)	Current Period (30/09/2014)			Prior Period (31/12/2013)		
		TL	FC	Total	TL	FC	Total
		ASSETS					
<b>I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	(1)	2.743.561	28.958.131	31.701.692	3.664.513	23.233.518	26.898.031
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)</b>	(2)	297.100	45.709	342.809	315.470	149.319	464.789
2.1 Financial Assets Held for Trading		275.881	45.709	321.590	315.470	149.319	464.789
2.1.1 Public Sector Debt Securities		15.776	12.218	27.994	21.652	4.432	26.084
2.1.2 Securities Representing a Share in Capital		-	-	-	78	-	78
2.1.3 Derivative Financial Assets Held for Trading		260.105	33.491	293.596	293.740	144.887	438.627
2.1.4 Other Marketable Securities		-	-	-	-	-	-
2.2 Financial Assets at Fair Value Through Profit or Loss		21.219	-	21.219	-	-	-
2.2.1 Public Sector Debt Securities		21.204	-	21.204	-	-	-
2.2.2 Securities Representing a Share in Capital		15	-	15	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
<b>III. BANKS</b>	(3)	1.579.235	661.968	2.241.203	1.686.802	1.318.451	3.005.253
<b>IV. MONEY MARKET PLACEMENTS</b>		19.325	64.374	83.699	16.139	37.133	53.272
4.1 Interbank Money Market Placements		-	37.104	37.104	-	37.133	37.133
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		19.325	27.270	46.595	16.139	-	16.139
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	45.107.490	7.570.085	52.677.575	40.386.943	6.506.018	46.892.961
5.1 Securities Representing a Share in Capital		131.827	227.031	358.858	130.910	232.287	363.197
5.2 Public Sector Debt Securities		44.847.039	7.163.344	52.010.383	40.097.467	6.140.538	46.238.005
5.3 Other Marketable Securities		128.624	179.710	308.334	158.566	133.193	291.759
<b>VI. LOANS AND RECEIVABLES</b>	(5)	103.178.776	33.138.947	136.317.723	90.469.955	22.898.704	113.368.659
6.1 Loans and Receivables		102.385.982	33.102.842	135.488.824	89.675.429	22.881.971	112.557.400
6.1.1 Loans Granted to Risk Group of The Bank		-	-	-	-	-	-
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		102.385.982	33.102.842	135.488.824	89.675.429	22.881.971	112.557.400
6.2 Loans under Follow-up		2.634.390	94.212	2.728.602	2.396.871	73.342	2.470.213
6.3 Specific Provisions (-)		1.841.596	58.107	1.899.703	1.602.345	56.609	1.658.954
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	5.038.394	5.001.477	10.039.871	10.601.586	5.197.752	15.799.338
8.1 Public Sector Debt Securities		4.997.989	4.972.018	9.970.007	10.520.533	5.167.636	15.688.169
8.2 Other Marketable Securities		40.405	29.459	69.864	81.053	30.116	111.169
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	86.547	737	87.284	77.349	762	78.111
9.1 Accounted with Equity Method		80.481	-	80.481	71.283	-	71.283
9.2 Unconsolidated Associates		6.066	737	6.803	6.066	762	6.828
9.2.1 Financial Associates		-	737	737	-	762	762
9.2.2 Non-financial Associates		6.066	-	6.066	6.066	-	6.066
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	7.450	-	7.450	6.237	-	6.237
10.1 Unconsolidated Financial Subsidiaries		1.213	-	1.213	-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237	6.237	-	6.237
<b>XI. ENTITIES UNDER COMMON CONTROL (Net)</b>	(9)	-	79.159	79.159	-	62.167	62.167
11.1 Accounted with Equity Method		-	79.159	79.159	-	62.167	62.167
11.2 Unconsolidated Entities Under Common Control		-	-	-	-	-	-
11.2.1 Financial Entities Under Common Control		-	-	-	-	-	-
11.2.2 Non-Financial Entities Under Common Control		-	-	-	-	-	-
<b>XII. RECEIVABLES FROM LEASING TRANSACTIONS</b>	(10)	468.657	1.362.364	1.831.021	376.798	1.100.751	1.477.549
12.1 Finance Lease Receivables		593.253	1.560.416	2.153.669	480.051	1.249.100	1.729.151
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		124.596	198.052	322.648	103.253	148.349	251.602
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(11)	-	-	-	-	-	-
13.1 Fair Value Hedges		-	-	-	-	-	-
13.2 Cash Flow Hedges		-	-	-	-	-	-
13.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(14)	4.669.379	54.267	4.723.646	1.045.686	35.064	1.080.750
<b>XV. INTANGIBLE ASSETS (Net)</b>		176.838	7.285	184.123	133.497	9.658	143.155
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		176.838	7.285	184.123	133.497	9.658	143.155
<b>XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)</b>	(12)	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>		421.363	1.828	423.191	341.745	3.334	345.079
17.1 Current Tax Asset		720	1.828	2.548	3.498	3.334	6.832
17.2 Deferred Tax Asset		420.643	-	420.643	338.247	-	338.247
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(13)	165.342	-	165.342	105.904	-	105.904
18.1 Held for Sale		165.342	-	165.342	105.904	-	105.904
18.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>		1.479.577	1.080.835	2.560.412	1.052.354	769.870	1.822.224
<b>TOTAL ASSETS</b>		165.439.034	78.027.166	243.466.200	150.280.978	61.322.501	211.603.479

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 AS OF 30 SEPTEMBER 2014  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)**

I. CONSOLIDATED BALANCE SHEET (STATEMENT OF CONSOLIDATED FINANCIAL POSITION)		Note (Section Five II)	Current Period (30/09/2014)			Prior Period (31/12/2013)					
			LIABILITIES AND EQUITY			TL	FC	Total	TL	FC	Total
			TL	FC	Total	TL	FC	Total			
<b>I. DEPOSITS</b>	(1)	<b>104.699.953</b>	<b>48.951.715</b>	<b>153.651.668</b>	<b>100.541.591</b>	<b>42.969.671</b>	<b>143.511.262</b>				
1.1 Deposits Held By the Risk Group of the Bank		9.819	37.984	47.803	76.546	91.503	168.049				
1.2 Other		104.690.134	48.913.731	153.603.865	100.465.045	42.878.168	143.343.213				
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	<b>14.045</b>	<b>588.180</b>	<b>602.225</b>	<b>18.520</b>	<b>37.833</b>	<b>56.353</b>				
<b>III. FUNDS BORROWED</b>	(3)	<b>1.231.740</b>	<b>12.695.302</b>	<b>13.927.042</b>	<b>1.082.326</b>	<b>8.179.935</b>	<b>9.262.261</b>				
<b>IV. MONEY MARKET BALANCES</b>		<b>15.221.574</b>	<b>15.117.283</b>	<b>30.338.857</b>	<b>12.509.222</b>	<b>12.061.628</b>	<b>24.570.850</b>				
4.1 Interbank Money Market Borrowings		-	-	-	-	-	-				
4.2 Istanbul Stock Exchange Takasbank Borrowings		-	-	-	-	-	-				
4.3 Funds Provided under Repurchase Agreements		15.221.574	15.117.283	30.338.857	12.509.222	12.061.628	24.570.850				
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		<b>1.715.745</b>	<b>2.086.398</b>	<b>3.802.143</b>	<b>2.656.460</b>	-	<b>2.656.460</b>				
5.1 Bills		1.647.986	380.743	2.028.729	2.347.777	-	2.347.777				
5.2 Asset-backed Securities		-	-	-	-	-	-				
5.3 Bonds		67.759	1.705.655	1.773.414	308.683	-	308.683				
<b>VI. FUNDS</b>		<b>5.112.901</b>	-	<b>5.112.901</b>	<b>4.036.491</b>	-	<b>4.036.491</b>				
6.1 Borrower Funds		-	-	-	-	-	-				
6.2 Other		5.112.901	-	5.112.901	4.036.491	-	4.036.491				
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>1.034.874</b>	<b>340.828</b>	<b>1.375.702</b>	<b>1.064.330</b>	<b>315.873</b>	<b>1.380.203</b>				
<b>VIII. OTHER LIABILITIES</b>	(4)	<b>2.038.009</b>	<b>419.042</b>	<b>2.457.051</b>	<b>1.423.725</b>	<b>490.082</b>	<b>1.913.807</b>				
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-				
<b>X. PAYABLES FROM LEASING TRANSACTIONS (Net)</b>	(5)	-	-	-	-	<b>7</b>	<b>7</b>				
10.1 Finance Lease Payables		-	-	-	-	9	9				
10.2 Operating Lease Payables		-	-	-	-	-	-				
10.3 Other		-	-	-	-	-	-				
10.4 Deferred Finance Lease Expenses ( - )		-	-	-	-	2	2				
<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		-	-	-	-	2	2				
<b>XII. PROVISIONS</b>	(7)	<b>5.685.350</b>	<b>74.069</b>	<b>5.759.419</b>	<b>5.101.401</b>	<b>43.195</b>	<b>5.144.596</b>				
12.1 General Provisions		2.219.599	40.948	2.260.547	1.977.215	26.278	2.003.493				
12.2 Restructuring Provisions		-	-	-	-	-	-				
12.3 Employee Benefits Provisions		817.535	1.448	818.983	705.421	735	706.156				
12.4 Insurance Technical Reserves (Net)		1.175.731	-	1.175.731	1.139.179	-	1.139.179				
12.5 Other Provisions		1.472.485	31.673	1.504.158	1.279.586	16.182	1.295.768				
<b>XIII. TAX LIABILITY</b>	(8)	<b>597.393</b>	<b>2.985</b>	<b>600.378</b>	<b>400.716</b>	<b>3.134</b>	<b>403.850</b>				
13.1 Current Tax Liability		597.393	1.183	598.576	400.716	1.453	402.169				
13.2 Deferred Tax Liability		-	1.802	1.802	-	1.681	1.681				
<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>25.268.378</b>	<b>570.436</b>	<b>25.838.814</b>	<b>18.812.746</b>	<b>(145.407)</b>	<b>18.667.339</b>				
16.1 Paid-in Capital		2.500.000	-	2.500.000	2.500.000	-	2.500.000				
16.2 Capital Reserves		3.721.781	570.436	4.292.217	(113.564)	(145.407)	(258.971)				
16.2.1 Share Premium		-	-	-	-	-	-				
16.2.2 Share Cancellation Profits		-	-	-	-	-	-				
16.2.3 Marketable Securities Valuation Differences		(405.582)	570.436	164.854	(658.133)	(145.407)	(803.540)				
16.2.4 Tangible Assets Revaluation Reserves		3.645.797	-	3.645.797	-	-	-				
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	17.388	-	17.388				
16.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-				
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-				
16.2.10 Other Capital Reserves		464.178	-	464.178	527.181	-	527.181				
16.3 Profit Reserves		15.631.742	-	15.631.742	12.578.459	-	12.578.459				
16.3.1 Legal Reserves		2.852.602	-	2.852.602	2.645.390	-	2.645.390				
16.3.2 Statutory Reserves		-	-	-	-	-	-				
16.3.3 Extraordinary Reserves		11.857.162	-	11.857.162	9.011.091	-	9.011.091				
16.3.4 Other Profit Reserves		921.978	-	921.978	921.978	-	921.978				
16.4 Profit or Loss		3.413.599	-	3.413.599	3.846.416	-	3.846.416				
16.4.1 Prior Years Profit/Loss		367.186	-	367.186	582.187	-	582.187				
16.4.2 Net Period Profit/Loss		3.046.413	-	3.046.413	3.264.229	-	3.264.229				
16.5 Minority Shares		1.256	-	1.256	1.435	-	1.435				
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>162.619.962</b>	<b>80.846.238</b>	<b>243.466.200</b>	<b>147.647.528</b>	<b>63.955.951</b>	<b>211.603.479</b>				

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 AS OF 30 SEPTEMBER 2014  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)**

II.	CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (30/09/2014)			Prior Period (31/12/2013)		
			TL	FC	Total	TL	FC	Total
			<b>A</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I-II+III)</b>	<b>(I)</b>	<b>58.844.457</b>	<b>97.350.210</b>	<b>156.194.667</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>		<b>13.327.983</b>	<b>24.187.754</b>	<b>37.515.737</b>	<b>10.831.743</b>	<b>19.060.838</b>	<b>29.892.581</b>
1.1	Letters of Guarantee		13.235.654	15.318.679	28.554.333	10.739.853	12.776.246	23.516.099
1.1.1	Guarantees Subject to State Tender Law		882.377	14.861.304	15.743.681	741.194	12.209.334	12.950.528
1.1.2	Guarantees Given for Foreign Trade Operations		11.634.642	-	11.634.642	9.275.313	-	9.275.313
1.1.3	Other Letters of Guarantee		718.635	457.375	1.176.010	723.346	566.912	1.290.258
1.2	Bank Acceptances		30.500	3.653.423	3.683.923	68.438	2.049.565	2.118.003
1.2.1	Import Letter of Acceptance		30.500	3.649.953	3.680.453	68.438	2.037.730	2.106.168
1.2.2	Other Bank Acceptances		-	3.470	3.470	-	11.835	11.835
1.3	Letters of Credit		61.829	5.187.143	5.248.972	23.452	4.205.662	4.229.114
1.3.1	Documentary Letters of Credit		61.829	4.718.163	4.779.992	23.452	3.838.627	3.862.079
1.3.2	Other Letters of Credit		-	468.980	468.980	-	367.035	367.035
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		-	28.509	28.509	-	29.365	29.365
1.9	Other Collaterals		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	<b>(I)</b>	<b>42.818.662</b>	<b>34.327.005</b>	<b>77.145.667</b>	<b>34.702.138</b>	<b>32.669.994</b>	<b>67.372.132</b>
2.1	Irrevocable Commitments		14.445.389	2.819.049	17.264.438	12.293.762	5.154.199	17.447.961
2.1.1	Asset Purchase and Sale Commitments		520.798	961.758	1.482.556	326.682	4.154.496	4.481.178
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		1.750.583	254.850	2.005.433	1.020.202	193.393	1.213.595
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		2.725.479	468	2.725.947	2.513.009	14	2.513.023
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		6.963.550	19.128	6.982.678	6.275.095	20.039	6.295.134
2.1.10	Commitments for Credit Cards and Banking Services Promotions		14.901	-	14.901	13.049	-	13.049
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		2.470.078	1.582.845	4.052.923	2.145.725	786.257	2.931.982
2.2	Revocable Commitments		28.373.273	31.507.956	59.881.229	22.408.376	27.515.795	49.924.171
2.2.1	Revocable Loan Granting Commitments		28.373.261	31.507.956	59.881.217	22.408.364	27.515.795	49.924.159
2.2.2	Other Revocable Commitments		12	-	12	-	-	12
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>2.697.812</b>	<b>38.835.451</b>	<b>41.533.263</b>	<b>2.337.123</b>	<b>21.022.012</b>	<b>23.359.135</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		2.697.812	38.835.451	41.533.263	2.337.123	21.022.012	23.359.135
3.2.1	Forward Foreign Currency Buy/Sell Transactions		443.702	474.827	918.529	357.260	363.104	720.364
3.2.1.1	Forward Foreign Currency Transactions-Buy		221.961	237.415	459.376	178.811	181.566	360.377
3.2.1.2	Forward Foreign Currency Transactions-Sell		221.741	237.412	459.153	178.449	181.538	359.987
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		2.245.510	38.180.280	40.425.790	1.979.863	20.658.908	22.638.771
3.2.2.1	Foreign Currency Swap-Buy		254.492	19.805.875	20.060.367	179.214	11.329.933	11.509.147
3.2.2.2	Foreign Currency Swap-Sell		1.991.018	18.374.405	20.365.423	1.800.649	9.328.975	11.129.624
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		8.600	180.344	188.944	-	-	-
3.2.3.1	Foreign Currency Options-Buy		8.600	2.851	11.451	-	-	-
3.2.3.2	Foreign Currency Options-Sell		-	11.751	11.751	-	-	-
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	165.742	165.742	-	-	-
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>422.062.879</b>	<b>73.335.558</b>	<b>495.398.437</b>	<b>320.577.537</b>	<b>34.167.121</b>	<b>354.744.658</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>62.047.825</b>	<b>9.015.364</b>	<b>71.063.189</b>	<b>46.911.455</b>	<b>6.071.450</b>	<b>52.982.905</b>
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		26.871.569	3.040.980	29.912.549	20.973.487	2.922.058	23.895.545
4.3	Checks Received for Collection		2.901.723	175.296	3.077.019	1.790.488	124.295	1.914.783
4.4	Commercial Notes Received for Collection		4.490.721	296.773	4.787.494	3.606.962	130.038	3.737.000
4.5	Other Assets Received for Collection		8.664	747.585	756.249	8.445	-	8.445
4.6	Assets Received for Public Offering		27.524.131	109	27.524.240	20.295.171	112	20.295.283
4.7	Other Items Under Custody		249.368	4.754.621	5.003.989	235.253	2.894.947	3.130.200
4.8	Custodians		1.649	-	1.649	-	-	1.649
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>359.990.952</b>	<b>63.714.654</b>	<b>423.705.606</b>	<b>273.653.063</b>	<b>27.549.642</b>	<b>301.202.705</b>
5.1	Marketable Securities		1.241.825	24.791	1.266.616	940.376	18.700	959.076
5.2	Guarantee Notes		11.463.188	1.965.502	13.428.690	10.097.025	1.498.284	11.595.309
5.3	Commodity		1.167.965	16.502	1.184.467	1.263.180	18.155	1.281.335
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		313.874.157	47.420.819	361.294.976	242.419.327	22.144.209	264.563.536
5.6	Other Pledged Items		32.238.608	14.278.475	46.517.083	18.927.946	3.862.021	22.789.967
5.7	Pledged Items-Depository		5.209	8.565	13.774	5.209	8.273	13.482
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>24.102</b>	<b>605.540</b>	<b>629.642</b>	<b>13.019</b>	<b>546.029</b>	<b>559.048</b>
	<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>480.907.336</b>	<b>170.685.768</b>	<b>651.593.104</b>	<b>368.448.541</b>	<b>106.919.965</b>	<b>475.368.508</b>

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

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2014  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

<b>III. CONSOLIDATED STATEMENT OF INCOME</b>						
<b>INCOME AND EXPENSE ITEMS</b>		<b>Note (Section Five IV)</b>	<b>Current Period 1/1-30/09/2014</b>	<b>Prior Period 1/1-30/09/2013</b>	<b>Current Period 1/7-30/09/2014</b>	<b>Prior Period 1/7-30/09/2013</b>
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>13.675.380</b>	<b>10.543.876</b>	<b>4.682.842</b>	<b>3.647.103</b>
1.1	Interest Income from Loans		9.385.888	6.927.154	3.348.623	2.449.960
1.2	Interest Income From Reserve Deposits		1.869	1.162	897	430
1.3	Interest Income from Banks		121.036	76.929	39.062	31.920
1.4	Interest Income from Money Market Placements		1.271	1.360	(94)	738
1.5	Interest Income from Marketable Securities		4.058.726	3.473.923	1.259.296	1.139.804
1.5.1	Financial Assets Held for Trading		2.083	1.031	354	389
1.5.2	Financial Assets at Fair Value through Profit and Loss		1.630	676	379	231
1.5.3	Financial Assets Available-for-Sale		3.202.186	2.077.418	1.056.238	739.780
1.5.4	Investments Held-to-Maturity		852.827	1.394.798	202.325	399.404
1.6	Finance Lease Income		91.990	52.711	32.506	22.105
1.7	Other Interest Income		14.600	10.637	2.552	2.146
<b>II.</b>	<b>INTEREST EXPENSES</b>	<b>(2)</b>	<b>7.216.433</b>	<b>4.755.285</b>	<b>2.353.449</b>	<b>1.711.843</b>
2.1	Interest Expense on Deposits		5.663.501	4.064.281	1.876.893	1.383.846
2.2	Interest on Borrowings		222.575	113.490	85.604	43.836
2.3	Interest on Money Market Borrowings		1.151.267	425.587	321.546	232.416
2.4	Interest on Marketable Securities Issued		145.803	116.808	58.228	45.491
2.5	Other Interest Expense		33.287	35.119	11.178	6.254
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSES (I - II)</b>		<b>6.458.947</b>	<b>5.788.591</b>	<b>2.329.393</b>	<b>1.935.260</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>723.538</b>	<b>629.620</b>	<b>241.803</b>	<b>220.440</b>
4.1	Fees and Commissions Received		946.136	757.543	325.715	270.231
4.1.1	Non-cash Loans		121.118	70.382	41.466	27.291
4.1.2	Other		825.018	687.161	284.249	242.940
4.2	Fees and Commissions Paid		222.598	127.923	83.912	49.791
4.2.1	Non-cash Loans		99	1.261	58	182
4.2.2	Other		222.499	126.662	83.854	49.609
<b>V.</b>	<b>DIVIDEND INCOME</b>		<b>5.248</b>	<b>64.344</b>	<b>496</b>	<b>1.998</b>
<b>VI.</b>	<b>TRADING PROFIT/LOSS (Net)</b>	<b>(3)</b>	<b>(33.098)</b>	<b>(53.820)</b>	<b>(53.297)</b>	<b>(46.257)</b>
6.1	Profit/Loss from Capital Market Operations		56.954	70.195	11.989	25.431
6.2	Profit/losses on Derivative Financial Transactions	(4)	(969.784)	316.615	(737.170)	(18.533)
6.3	Profit/Loss from Foreign Exchanges		879.732	(440.630)	671.884	(53.155)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>1.439.274</b>	<b>1.645.410</b>	<b>445.985</b>	<b>568.734</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>		<b>8.593.909</b>	<b>8.074.145</b>	<b>2.964.380</b>	<b>2.680.175</b>
<b>IX.</b>	<b>PROVISION FOR LOANS OR OTHER RECEIVABLES LOSSES(-)</b>	<b>(6)</b>	<b>1.129.094</b>	<b>1.410.042</b>	<b>392.686</b>	<b>466.042</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES(-)</b>	<b>(7)</b>	<b>3.555.148</b>	<b>3.333.784</b>	<b>1.179.375</b>	<b>1.120.579</b>
<b>XI.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>3.909.667</b>	<b>3.330.319</b>	<b>1.392.319</b>	<b>1.093.554</b>
<b>XII.</b>	<b>GAINS RECORDED AFTER MERGER</b>		-	-	-	-
<b>XIII.</b>	<b>PROFIT/LOSS ON EQUITY METHOD</b>		<b>16.472</b>	<b>11.209</b>	<b>6.823</b>	<b>4.574</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>3.926.139</b>	<b>3.341.528</b>	<b>1.399.142</b>	<b>1.098.128</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(9)</b>	<b>(879.659)</b>	<b>(834.259)</b>	<b>(305.368)</b>	<b>(293.382)</b>
16.1	Current Tax Provision		(1.164.496)	(554.152)	(323.877)	(277.757)
16.2	Deferred Tax Provision		284.837	(280.107)	18.509	(15.625)
<b>XVII.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>(10)</b>	<b>3.046.480</b>	<b>2.507.269</b>	<b>1.093.774</b>	<b>804.746</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
18.1	Income from Non-current Assets Held for Sale		-	-	-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-
18.3	Other Income From Discontinued Operations		-	-	-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
19.1	Expenses for Non-current Assets Held for Sale		-	-	-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-
19.3	Other Expenses From Discontinued Operations		-	-	-	-
	<b>PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-	-	-
<b>XX.</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>3.046.480</b>	<b>2.507.269</b>	<b>1.093.774</b>	<b>804.746</b>
23.1	Profit/Losses of the Group		3.046.413	2.505.968	1.093.711	804.227
23.2	Profit/Losses of Minority Shares (-)		67	1.301	63	519
	Earnings/Loss per Share (TL)		1,219	1,003	0,438	0,322

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

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IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2014**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

<b>IV. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		
<b>CONSOLIDATED PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>	<b>Current Period (30/09/2014)</b>	<b>Prior Period (30/09/2013)</b>
<b>I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>1.868.463</b>	<b>(2.230.160)</b>
<b>II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES</b>	<b>3.645.797</b>	<b>-</b>
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>	<b>-</b>
<b>IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	<b>(3.593)</b>	<b>(4.990)</b>
<b>V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)</b>	<b>-</b>	<b>-</b>
<b>VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	<b>-</b>	<b>-</b>
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS</b>	<b>62.189</b>	<b>(13.270)</b>
<b>IX. DEFERRED TAX RELATED TO VALUATION DIFFERENCES</b>	<b>(218.677)</b>	<b>333.394</b>
<b>X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>5.354.179</b>	<b>(1.915.026)</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>(739.988)</b>	<b>753.495</b>
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	(739.161)	748.683
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	(827)	4.812
<b>XII. TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)</b>	<b>4.614.191</b>	<b>(1.161.531)</b>

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IN TURKISH, SEE NOTE I. OF SECTION THREE**

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

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 SEPTEMBER 2013**

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY																			
30 September 2013		Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancel. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
I.	Balance at the Beginning of the Period		2.500.000	543.482	-	-	2.525.171	-	7.041.211	634.041	2.751.014	446.544	924.736	-	17.369	-	-	36.515	17.420.083
II.	Corrections according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	The Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	The Effect of Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I+II)		2.500.000	543.482	-	-	2.525.171	-	7.041.211	634.041	2.751.014	446.544	924.736	-	17.369	-	-	36.515	17.420.083
Changes During the Period																			
IV.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable Securities Valuation Differences		-	-	-	-	19.255	-	-	-	-	-	(1.252.518)	-	-	-	-	(93)	(1.233.356)
VI.	Hedging Funds (Active Part)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-	-	-	-	-	-	-	-	19	-	-	-	19
X.	Foreign Exchange Differences		-	-	-	-	(35.138)	-	-	-	-	-	(5.578)	-	-	-	-	-	(40.716)
XI.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Increase in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	From Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Issuance of Share Certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	-	(10.616)	-	16.913	-	-	-	-	-	(16.913)	(10.616)
XIX.	Net Profit or Losses		-	-	-	-	-	-	-	2.505.968	2.505.968	16.913	-	-	-	-	-	1.301	2.507.269
XX.	Profit Distribution		-	-	-	-	132.624	-	1.959.867	287.937	(2.751.014)	100.586	-	-	-	-	-	(6)	(270.006)
20.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	(270.000)	-	-	-	-	-	(6)	(270.006)
20.2	Transfers to Legal Reserves		-	-	-	-	132.624	-	1.959.867	287.937	(2.751.014)	370.586	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the end of the period (I+II+III+.....+XVIII+XIX+XX)			2.500.000	543.482	-	-	2.641.912	-	9.001.078	911.362	2.505.968	564.043	(333.360)	-	17.388	-	-	20.804	18.372.677

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 SEPTEMBER 2014  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)**

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY																			
30 September 2014		Note (Section Five V)	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.</b>	<b>Balance at the Beginning of the Period</b>		2.500.000	543.482	-	-	2.645.390	-	9.011.091	905.677	-	3.846.416	(803.540)	-	17.388	-	-	1.435	18.667.339
<b>II.</b>	<b>Corrections according to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	The Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	The Effect of Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III.</b>	<b>New Balance (I+II)</b>		2.500.000	543.482	-	-	2.645.390	-	9.011.091	905.677	-	3.846.416	(803.540)	-	17.388	-	-	1.435	18.667.339
	Changes During the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV.</b>	<b>Increase/Decrease Related to Merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V.</b>	<b>Marketable Securities Valuation Differences</b>		-	-	-	-	20.099	-	-	-	-	-	804.003	-	-	-	-	(277)	823.825
<b>VI.</b>	<b>Hedging Funds (Active Part)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII.</b>	<b>Revaluation Differences of Tangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	3.645.797	-	-	-	-	3.645.797
<b>VIII.</b>	<b>Revaluation Differences of Intangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX.</b>	<b>Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X.</b>	<b>Foreign Exchange Differences</b>		-	-	-	-	3.103	-	-	-	-	-	164.391	-	-	-	-	-	167.494
<b>XI.</b>	<b>Changes Resulted from Disposal of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII.</b>	<b>Changes Resulted from Reclassification of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII.</b>	<b>Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV.</b>	<b>Increase in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	From Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV.</b>	<b>Issuance of Share Certificates</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI.</b>	<b>Share Cancellation Profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII.</b>	<b>Adjustment to Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVIII.</b>	<b>Other</b>		-	-	-	-	-	-	-	(63.003)	-	(177.582)	-	-	-	-	-	31	(240.554)
<b>XIX.</b>	<b>Net Profit or Losses</b>		-	-	-	-	-	-	-	-	3.046.413	-	-	-	-	-	-	67	3.046.480
<b>XX.</b>	<b>Profit Distribution</b>		-	-	-	-	184.010	-	2.846.071	-	-	(3.301.648)	-	-	-	-	-	-	(271.567)
20.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	(271.567)	-	-	-	-	-	-	(271.567)
20.2	Transfers to Legal Reserves		-	-	-	-	184.010	-	2.846.071	-	-	(3.030.081)	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Balance at the end of the period (I+II+III+.....+XVIII+XIX+XX)</b>		2.500.000	543.482	-	-	2.852.602	-	11.857.162	842.674	3.046.413	367.186	164.854	3.645.797	17.388	-	-	1.256	25.838.814

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30 SEPTEMBER 2014  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

VI. CONSOLIDATED STATEMENT OF CASH FLOW			
	Note (Section Five)	Current Period 1/1 - 30/09/2014	Prior Period 1/1 - 30/09/2013
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		3.800.311	3.116.267
1.1.1 Interest Received		12.267.518	10.326.266
1.1.2 Interest Paid		(7.046.678)	(4.809.290)
1.1.3 Dividend Received		5.248	64.344
1.1.4 Fees and Commissions Received		947.349	759.326
1.1.5 Other Income		2.949.648	2.753.994
1.1.6 Collections from Previously Written-off Loans and Other Receivables		1.097.147	927.608
1.1.7 Payments to Personnel and Service Suppliers		(1.454.334)	(1.345.699)
1.1.8 Taxes Paid		(1.194.251)	(810.347)
1.1.9 Other		(3.771.336)	(4.749.935)
1.2 Changes in Operating Assets and Liabilities		(8.418.214)	(2.118.233)
1.2.1 Net Decrease/(Increase) in Trading Securities		(2.311)	134.391
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		(21.204)	-
1.2.3 Net Decrease in Banks		(5.985.079)	(2.444.848)
1.2.4 Net (Increase) in Loans		(23.252.288)	(31.096.350)
1.2.5 Net (Increase) in Other Assets		(959.347)	(414.655)
1.2.6 Net Increase/(Decrease) in Bank Deposits		4.449.132	13.521.479
1.2.7 Net (Decrease)/Increase in Other Deposits		11.329.695	13.474.905
1.2.8 Net (Decrease)/Increase in Funds Borrowed		4.624.613	3.476.085
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net (Decrease)/Increase in Other Liabilities		1.398.575	1.230.760
<b>I. Net Cash Provided from Banking Operations</b>		<b>(4.617.903)</b>	<b>998.034</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>		<b>1.812.329</b>	<b>(1.006.307)</b>
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		-	-
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	6.549
2.3 Fixed Assets Purchases		(275.487)	(184.349)
2.4 Fixed Assets Sales		20.611	31.101
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		(22.386.005)	(12.321.271)
2.6 Cash Obtained from Sale of financial Assets Available for Sale		19.429.187	6.483.540
2.7 Cash Paid for Purchase of Investment Securities		(285.902)	(329.250)
2.8 Cash Obtained from sale of Investment Securities		6.179.821	5.976.400
2.9 Other		(869.896)	(669.027)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>		<b>815.308</b>	<b>297.948</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued		3.674.082	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.587.207)	-
3.3 Marketable Securities Issued		-	567.948
3.4 Dividends Paid		(271.567)	(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>72.893</b>	<b>53.005</b>
<b>V. Net Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>(1.917.373)</b>	<b>342.680</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>		<b>8.223.744</b>	<b>7.066.624</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>		<b>6.306.371</b>	<b>7.409.304</b>

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

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

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

The consolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Application and Keeping Documents” published in the Official Gazette No. 26333 dated 1 November 2006 by the BRSA (“Banking Regulation and Supervision Agency”) which refers to “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards” (“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 (all defined as “BRSA principles”). 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 TFRS, 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.

Consolidated balance sheet and consolidated statement of off-balance sheet accounts as of 30 September 2014 are presented comparatively with balances as of 31 December 2013 while consolidated income statement, consolidated statement of income and expense items accounted under shareholders’ equity, consolidated cash flows and consolidated changes in shareholders’ equity are presented comparatively with balances as of 30 September 2013.

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. Judgments 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. and 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, and commercial letter of credits, repayment commitments for cheques and expense limit commitments for credit cards are the most important risk areas within the off-balance sheet accounts.

Since the Parent Bank’s total debt to the market is low among its total liabilities, the 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 “Consolidated Financial Statements Standard” (“IFRS 10”) 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 September 2014		31 December 2013	
			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.	Istanbul/Turkey	Insurance	100,00	100,00	100,00	99,99
Ziraat Sigorta A.Ş.	Istanbul/Turkey	Insurance	100,00	100,00	100,00	99,99
Ziraat Finansal Kiralama A.Ş.	Istanbul/Turkey	Leasing	100,00	100,00	100,00	100,00
Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	Investment Management	99,60	99,60	99,60	99,60
Ziraat Portföy Yönetimi A.Ş.	Istanbul/Turkey	Portfolio Management	99,70	99,80	99,70	99,80
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	100,00	100,00	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 September 2014		31 December 2013	
			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.	Istanbul/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 “Consolidated Financial Statements Standard” (“IFRS 10”) are recognized in the consolidated financial statements.

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

The Parent Bank’s derivative transactions mostly include currency and precious metal swaps and foreign currency forward contracts. 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 individual, corporate, commercial and entrepreneurial cash loans are recognized on an accrual basis by using internal rate of return method and transferred to the income statement in accordance with the matching principle. Other fees and commission expenses are recorded as expense on the date they are paid.

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

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

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

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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 Standards.

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, and 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 are no securities of the Parent Bank subject to lending transactions.

**XI. INFORMATION ON ASSETS HELD FOR SALE 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 economic 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 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. As of 31 January 2014 the Bank has changed its accounting policies and has decided to pursue the real estates registered in its portfolio at fair values. In this context, for all real estates registered in the Bank’s inventory, appraisal study was carried by independent expertise companies, and from 1 January 2014 valuation results are reflected in the accounting records. As a result of the fair valuation of the real estates which is included in tangible fixed assets, TL 3.645.797 revaluation difference is followed under shareholders’ equity as of 30 September 2014. 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%

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, employment termination, or resignation when legal requirements are met. 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 (TAS 19) about Benefits for Employee” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (POA) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TL79.304 was classified as “Other Comprehensive Expense” in the financials by the Parent Bank.

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 Members Pension and Relief 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 31 March 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33.

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

According to the new law Bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution and would be subject to its legislation within three years beginning from the date of publication without any required transaction. Three years transfer period would be extended by two years at most with the decision of Council of Ministers. In accordance with the related legislation, as of the transfer date, the cash value of the liabilities will be calculated by considering the income and expenses of the transferred funds by the insurance branches and by using the actuarial interest rate of 9,80%. Moreover, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

In accordance with 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.

Lastly, based on the Council of Ministers’ decree numbered 2014/6042 and issued in the Official Gazette numbered 28987, dated 30 April 2014, 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 one year.

The technical balance sheet report as of 31 December 2013 which is prepared in accordance with the new law and the rate determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**a. Current Tax (Continued)**

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

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

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

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital in accordance with Corporate Tax Law or held in a special account under 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 September 2014 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**b. Deferred tax (Continued)**

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

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

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

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

**XVIII. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES**

**Technical Reserves**

*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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**Technical Reserves (Continued)**

*Reserve for outstanding claims:*

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

*Offset provision:*

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

*Mathematical provisions:*

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

**XIX. EXPLANATIONS ON BORROWINGS**

The Group accounts its debt instruments in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". In the following periods, all financial liabilities are carried at amortized cost by using the internal rate of return method. The Group 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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 VIII. of Section Four.

**XXV. EXPLANATIONS ON OTHER MATTERS**

In accordance with the decision taken in the General Assembly of the year 2013 of the Parent Bank, which was carried out on 31 March 2014, the basis of distribution amounting to TL3.330.074 of the profit for the year 2013, TL166.503 is transferred to first legal reserve and TL17.500 is transferred to second legal reserve TL175.000 is distributed as dividend to employees and TL106.250 is distributed to Treasury after deducting withholding tax of 15% (TL18.750) in cash. In this context, TL2.846.071 of the profit is preserved; dividend payment made to Treasury on 15 April 2014, and within the framework of the dividend to be distributed to employees, at total TL151.338 is paid. The basis of distribution amounting to TL3.846.416 of the profit for the year 2013, TL271.567 dividend payment is reflected in the financial statements, profit amounting to TL2.846.071 has been left in the body.

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**SECTION FOUR**

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

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

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

The Group’s consolidated capital adequacy ratio calculated in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” is 16,81% (31 December 2013: 12,88%).

**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 6 September 2014 numbered 29111..

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

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

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

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

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

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EXPLANATIONS RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

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

Information related to the capital adequacy ratio:

Current Period	Risk Weights										
	The Parent Bank										
	0%	10%	20%	50% Real Est. Mort. Coll.	50%	75%	100%	150%	200%	250%	1250%
<b>Credit Risk Based Amount</b>	<b>76.917.060</b>	-	<b>19.187.294</b>	-	<b>20.914.158</b>	<b>54.645.448</b>	<b>77.186.541</b>	<b>3.621.595</b>	<b>17.880.576</b>	<b>418.318</b>	-
Risk Classes											
Conditional and unconditional receivables from central governments or central banks	70.205.213	-	-	-	9.828.993	-	234.403	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	311.462	-	83	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	413.128	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	707	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organisations	-	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	18.296.571	-	8.439.720	-	524.701	-	-	-	-
Conditional and unconditional corporate receivables	-	-	568.750	-	2.645.362	-	67.216.397	-	-	-	-
Conditional and unconditional retail receivables	-	-	1.920	-	-	43.403.069	492.700	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-	11.242.379	241.118	-	-	-	-
Past due receivables	-	-	-	-	-	-	596.324	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	3.621.595	17.880.576	418.318	-
Securities collateralised by mortgages	-	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	53.151	-	-	-	-
Other receivables	6.711.140	-	8.591	-	-	-	7.414.619	-	-	-	-

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

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EXPLANATIONS RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

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

Information related to the capital adequacy ratio (Continued):

Current Period	Risk Weights										
	Consolidated										
	0%	10%	20%	50% Real Est. Mort. Coll.	50%	75%	100%	150%	200%	250%	1250%
<b>Credit Risk Based Amount</b>	<b>77.163.682</b>	-	<b>20.640.035</b>	-	<b>19.216.566</b>	<b>55.107.245</b>	<b>81.709.103</b>	<b>3.621.595</b>	<b>17.880.576</b>	<b>422.130</b>	-
Risk Classes											
Conditional and unconditional receivables from central governments or central banks	70.370.311	-	39.577	-	9.861.083	-	273.342	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	311.892	-	83	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	413.662	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	707	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organisations	-	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	19.556.309	-	7.078.828	-	250.053	-	-	-	-
Conditional and unconditional corporate receivables	-	-	721.746	-	2.276.572	-	71.770.949	-	-	-	-
Conditional and unconditional retail receivables	-	-	1.920	-	-	43.864.866	492.700	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-	11.242.379	241.118	-	-	-	-
Past due receivables	-	-	-	-	-	-	632.420	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	3.621.595	17.880.576	422.130	-
Securities collateralised by mortgages	-	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	53.151	-	-	-	-
Other receivables	6.792.664	-	8.591	-	-	-	7.581.708	-	-	-	-

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

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

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

**Summary Information Related to the Capital Adequacy Ratio:**

	Consolidated Current Period	Consolidated Prior Peirod	The Parent Bank Current Period	The Parent Bank Prior Peirod
Capital Requirement for Credit Risk (Value at Credit Risk*0,08) (CRCR)	11.319.833	11.450.786	10.974.217	11.222.068
Capital Requirement for Market Risk (CRMR)	1.045.621	728.104	918.710	657.522
Capital Requirement for Operational Risk (CROR)	1.276.599	1.120.110	1.098.374	960.999
Shareholders' Equity	28.662.960	21.410.537	28.548.950	21.197.616
Shareholders' Equity/((CRCR+CRMR+CROR)*12,5)*100	16,81	12,88	17,58	13,21
Tier 1 Capital/((CRCR+CRMR+CROR)*12,5)*100	15,77	-	16,54	-
Common Equity Tier 1 Capital/((CRCR+CRMR+CROR)*12,5)*100	15,83	-	16,59	-

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

	Current Period
<b>Common Equity Tier 1 Capital</b>	
Paid-in Capital to be Entitled for Compensation after All Creditors	3.043.482
Share Premium	-
Share Cancellation Profits	-
Reserves	15.552.438
Income recognized under equity in accordance with TAS	4.216.233
Profit	3.413.599
Current Period's Profit	3.046.413
Prior Period's Profit	367.186
General Reserves for Possible Losses	1.241.565
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	17.388
Minority Shares	178
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>27.484.883</b>
<b>Deductions from Common Equity Tier 1 Capital</b>	
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	405.582
Leasehold Improvements on Operational Leases (-)	67.901
Goodwill and intangible asset and the related deferred tax liability (-)	23.244
Net Deferred Tax Asset / Liability (-)	-
Excess amount expressed in the law (Article 56 4th paragraph) (-)	-
Bank's direct or indirect investments on its own Tier 1 Capital (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Amounts related to mortgage servicing rights (-)	-
Excess amount of deferred tax assests from temporary differences (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from common equity tier 1 capital (-)	-
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>496.727</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>26.988.156</b>
<b>Additional Tier 1 Capital</b>	
Premiums that are not included in Common Equity Tier 1 Capital	-
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014 )	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014 )	-
The shares of third parties in additional Tier 1 Capital	-

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

**Information Related to the Consolidated Components of Shareholders' Equity: (Continued)**

	<b>Current Period</b>
<b>Additional Tier 1 Capital before Deductions</b>	-
<b>Deductions from Additional Tier 1 Capital</b>	-
Bank's a direct or indirect investment in Tier 1 Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from Additional Tier 1 Capital (-)	-
<b>Total Deductions from Additional Tier 1 Capital</b>	-
<b>Total Additional Tier 1 Capital</b>	-
<b>Deductions From Tier 1 Capital</b>	-
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	92.978
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-
<b>Tier 1 Capital</b>	<b>26.895.178</b>
<b>Tier 2 Capital</b>	-
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014 )	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014 )	-
Pledged assets of the shareholders to be used for the Bank's capital increases	-
General Provisions	1.768.724
Third parties share in Tier 2 capital	-
<b>Tier 2 Capital Before Deductions</b>	<b>1.768.724</b>
<b>Deductions From Tier 2 Capital</b>	-
Bank's direct or indirect investment in Tier 2 capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other Items Determined by BRSA (-)	-
<b>Total Deductions From Tier 2 Capital</b>	-
<b>Tier 2 Capital</b>	<b>1.768.724</b>
<b>TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS</b>	<b>28.663.902</b>
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	788
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-
Securitization positions that is deducted -preferably- from the shareholders' equity (Article 20 paragraph 2 ) (-)	-
Other items to be defined by BRSA (-)	154
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%, but exceeding 10% of Common Equity Tier I not deducted from Common Equity Tier 1, Tier 1 or Tier 2 (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of the bank (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of bank (-)	-
<b>TOTAL CAPITAL</b>	<b>28.662.960</b>
<b>Amounts below deduction thresholds</b>	-
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%	-
Mortgage servicing rights	-
Deferred tax assets arising from temporary differences (net of related tax liability) (-)	418.841

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

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

**Information Related to the Consolidated Components of Shareholders' Equity: (Continued)**

**Information Related to the Components which Subject to Temporary Implementation in the Calculation  
of Equity:**

	Parent Bank		Consolidated	
	Amount to be considered in equity calculation in currnt period	Total	Amount to be considered in equity calculation in currnt period	Total
Minority shares in Common Equity Tier 1 Capital	-	-	178	1.256
Third parties in Additional Tier 1 Capital	-	-	-	-
Third parties in Tier 2 Capital	-	-	-	-
Bank's borrowing instruments and related premium (issued before 1.1.2014 )	-	-	-	-

	Prior Period
<b>CORE CAPITAL</b>	
Paid-in Capital	2.500.000
Nominal Capital	2.500.000
Capital Commitments (-)	-
Inflation Adjustments to Paid-in Capital	543.482
Share Premium	-
Share Cancellation Profits	-
Reserves	12.562.158
Inflation Adjustments to Reserves	-
Profit	3.846.416
Current Period's Profit	3.264.229
Prior Period's Profit	582.187
Provision for Possible Losses (up to 25% of Core Capital)	1.017.586
Income on Sale of Equity Shares and Real Estates	-
Primary Subordinated Debts (up to 15% of Core Capital) <sup>(1)</sup>	-
Minority Shares	1.435
Loss (-) (in excess of Reserves)	-
Current Period's Losses	-
Prior Period's Losses	-
Leasehold Improvements on Operational Leases (-)	59.550
Intangible Assets (-)	83.605
Deferred Tax Asset in excess of 10% of Core Capital (-)	-
Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-
<b>Total Core Capital</b>	<b>20.327.922</b>
<b>SUPPLEMENTARY CAPITAL</b>	
General Provisions	2.003.493
45% of Revaluation Surplus on Movables	-
45% of Revaluation Surplus on Immovables	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	17.388
Primary Subordinated Debts excluding the portion included in Core Capital	-
Secondary Subordinated Debts	-
45% of Securities Value Increase Fund	(803.540)
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit/Loss (excluding inflation adjustment of reserves)	-
<b>Total Supplementary Capital</b>	<b>1.217.341</b>
<b>CAPITAL</b>	<b>21.545.263</b>

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

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

**Information Related to the Consolidated Components of Shareholders' Equity: (Continued)**

	<b>Prior Period</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>134.726</b>
Shares in Unconsolidated Banks and Financial Institutions	762
Loans to Banks, Financial Institutions (Domestic/Foreign), Holders of Qualified Shares in the form of Secondary Subordinated Loan and Loan Instruments Purchased from those Parties Qualified as Primary or Secondary Subordinated Loan	-
Shares of Banks and Financial Institutions Equity Pick-up Method Applied but Assets and Liabilities are not Consolidated	133.450
Equity Shares in Banks and Financial Institutions (Domestic and Foreign), 10% or More of Whose Capital is Owned by the Bank and Which are Excluded from the Consolidation	-
Total Equity Shares in Banks and Financial Institutions (Domestic and Foreign), less than 10% of whose Capital is Owned by the Bank and that Exceeds 10% of the Total Core Capital and Supplementary Capital	-
Loans Granted not in Compliance with the Provisions Stated in Articles 50 and 51 of the Act	-
Total Net Book Value of the Bank’s Real Estates in Excess of 50% of the Equity and in Accordance with Article 57 of the Act, Net Book Value of Real Estates and Commodities Acquired in Exchange of Loans and Receivables That Should be Disposed of however; Have not Been Disposed for the Last 5 Years Since the Beginning of the Acquisition Date	409
Other	105
<b>TOTAL SHAREHOLDER’S EQUITY</b>	<b>21.410.537</b>

<sup>(1)</sup> Accordingly “Regulation on the Amendment of Regulation on Banks’ Equity” which is published in the Official Gazette dated 10 March 2011 and numbered 27870, the name of the related line is changed as “Primary Subordinated Debts can not Exceed the Limits Listed in Eighth Paragraph”.

**Information Related to the Debt Instruments which will be Included in the Calculation of Equity:**

None.

**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 CONSOLIDATED 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 “Regulation on the Measurement and Assessment of the Capital Adequacy of Banks” and “Regulation on the Assessment Process of Banks’ Internal Systems and Internal Capital Adequacy”.

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 reporting 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 Group’s Market Risk:**

	<b>Current Period</b>
(I) Capital Requirement Calculated for General Market Risk - Standard Method	420.779
(II) Capital Requirement Calculated for Specific Risk - Standard Method	80.802
Capital requirement Calculated for Specific Risks of Securitisation Positions– Standard Method	
(III) Capital Requirement Calculated for Currency Risk - Standard Method	511.612
(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	32.428
(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+VII)	1.045.621
<b>(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x IX)</b>	<b>13.070.263</b>

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

**III. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK**

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

The 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>23.09.2014</b>	2,2183	2,8543	1,9711	0,3849	0,3125	2,3739	2,0183	0,3503	3,6431	0,5934	2,0456
<b>24.09.2014</b>	2,2219	2,8378	1,9727	0,3826	0,3100	2,3580	2,0073	0,3473	3,6390	0,5942	2,0479
<b>25.09.2014</b>	2,2413	2,8556	1,9751	0,3841	0,3108	2,3692	2,0218	0,3496	3,6616	0,5980	2,0621
<b>26.09.2014</b>	2,2477	2,8492	1,9769	0,3842	0,3109	2,3686	2,0223	0,3489	3,6632	0,6011	2,0636
<b>29.09.2014</b>	2,2608	2,8669	1,9770	0,3866	0,3131	2,3851	2,0354	0,3511	3,6824	0,6048	2,0741
<b>30.09.2014</b>	2,2596	2,8509	1,9826	0,3844	0,3138	2,3722	2,0280	0,3523	3,6759	0,6043	2,0683

**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
2,1958	2,8289	1,9925	0,3813	0,3088	2,3508	2,0018	0,3461	3,5900	0,5873	2,0525

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

**III. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (Continued)**

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

	EUR	USD	Other FC	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	4.358.872	18.300.070	6.299.189	28.958.131
Banks	284.869	229.808	147.291	661.968
Financial Assets at Fair Value Through Profit and Loss <sup>(4)</sup>	-	12.218	-	12.218
Money Market Placements	-	16.224	48.150	64.374
Financial Assets Available-for-Sale	3.435.944	4.103.982	30.159	7.570.085
Loans <sup>(1)</sup>	8.917.136	23.619.718	822.343	33.359.197
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(3)</sup>	32.582	46.810	504	79.896
Investments Held-to-Maturity	1.402.716	3.598.338	423	5.001.477
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	6.383	1.514	46.370	54.267
Intangible Assets	2.164	2.292	2.829	7.285
Other Assets	1.642.984	741.872	52.838	2.437.694
<b>Total Assets <sup>(4)</sup></b>	<b>20.083.650</b>	<b>50.672.846</b>	<b>7.450.096</b>	<b>78.206.592</b>
<b>Liabilities</b>				
Interbank Deposits	3.533.084	2.487.210	32.637	6.052.931
Foreign Currency Deposits	26.436.641	13.156.758	3.305.385	42.898.784
Money Market Borrowings	2.927.628	12.189.655	-	15.117.283
Funds Provided from Other Financial Institutions	3.123.911	9.570.241	1.150	12.695.302
Issued Marketable Securities	-	2.086.398	-	2.086.398
Sundry Creditors	292.277	41.950	6.601	340.828
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	243.648	210.284	42.164	496.096
<b>Total Liabilities</b>	<b>36.557.189</b>	<b>39.742.496</b>	<b>3.387.937</b>	<b>79.687.622</b>
<b>Net Balance Sheet Position</b>	<b>(16.473.539)</b>	<b>10.930.350</b>	<b>4.062.159</b>	<b>(1.481.030)</b>
<b>Net Off-Balance Sheet Position <sup>(2)</sup></b>	<b>16.490.493</b>	<b>(11.587.610)</b>	<b>(3.646.052)</b>	<b>1.256.831</b>
Assets on Derivative Instruments	16.835.933	2.218.653	991.555	20.046.141
Liabilities on Derivative Instruments	345.440	13.806.263	4.637.607	18.789.310
<b>Non-cash Loans</b>	<b>6.274.232</b>	<b>16.250.861</b>	<b>1.662.661</b>	<b>24.187.754</b>
<b>Prior Period</b>				
Total Assets	23.245.088	30.986.324	7.028.560	61.259.972
Total Liabilities	30.637.745	30.215.101	3.210.679	64.063.525
<b>Net Balance Sheet Position</b>	<b>(7.392.657)</b>	<b>771.223</b>	<b>3.817.881</b>	<b>(2.803.553)</b>
<b>Net Off-Balance Sheet Position <sup>(2)</sup></b>	<b>7.916.641</b>	<b>(1.054.754)</b>	<b>(4.860.901)</b>	<b>2.000.986</b>
Financial Derivative Assets	8.374.906	2.347.877	788.716	11.511.499
Financial Derivative Liabilities	458.265	3.402.631	5.649.617	9.510.513
<b>Non-cash Loans</b>	<b>5.058.346</b>	<b>12.699.489</b>	<b>1.303.003</b>	<b>19.060.838</b>

<sup>(1)</sup> TL160.391 equivalent of USD loans, TL59.859 equivalent of EUR loans are originated as foreign currency indexed loans (31 December 2013: TL88.750 equivalent of USD and TL14 equivalent of EUR).

<sup>(2)</sup> Indicates the net balance of receivables and payables on derivative financial instruments.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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 CONSOLIDATED 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 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	42.733	-	-	-	-	31.658.959	31.701.692
Banks	940.976	1.012.469	23.895	-	-	263.863	2.241.203
Financial Assets at Fair Value Through Profit and Loss	21.549	75	3.778	5.059	10.158	302.190	342.809
Money Market Placements	83.699	-	-	-	-	-	83.699
Financial Assets Available-for-Sale	9.595.731	5.171.823	10.576.706	12.684.542	14.275.914	372.859	52.677.575
Loans Given	46.412.397	17.876.907	29.993.852	35.685.578	5.385.682	963.307	136.317.723
Investments Held-to-Maturity	2.155.588	6.828	3.293.417	3.237.247	1.346.791	-	10.039.871
Other Assets	47.300	87.049	318.040	1.096.303	124.098	8.388.838	10.061.628
<b>Total Assets</b>	<b>59.299.973</b>	<b>24.155.151</b>	<b>44.209.688</b>	<b>52.708.729</b>	<b>21.142.643</b>	<b>41.950.016</b>	<b>243.466.200</b>
<b>Liabilities</b>							
Interbank Deposits	6.187.419	404.002	125.608	-	-	156.293	6.873.322
Other Deposits	81.881.754	18.481.453	14.609.300	1.179.071	27.349	30.599.419	146.778.346
Money Market Borrowings	26.529.107	2.563.513	1.246.237	-	-	-	30.338.857
Sundry Creditors	43.106	14.533	16.644	3.885	1	1.297.533	1.375.702
Issued Marketable Securities	839.844	430.688	843.775	1.687.836	-	-	3.802.143
Funds provided from Other Financial Institutions	3.162.415	2.802.506	5.635.353	1.816.012	502.191	8.565	13.927.042
Other Liabilities	444.419	149.632	84.211	5.826.343	68.369	33.797.814	40.370.788
<b>Total Liabilities</b>	<b>119.088.064</b>	<b>24.846.327</b>	<b>22.561.128</b>	<b>10.513.147</b>	<b>597.910</b>	<b>65.859.624</b>	<b>243.466.200</b>
<b>Balance Sheet Long Position</b>	-	-	<b>21.648.560</b>	<b>42.195.582</b>	<b>20.544.733</b>	-	<b>84.388.875</b>
<b>Balance Sheet Short Position</b>	<b>(59.788.091)</b>	<b>(691.176)</b>	-	-	-	<b>(23.909.608)</b>	<b>(84.388.875)</b>
Off-Balance Sheet Long Position	929	920.801	-	-	-	-	921.730
Off-Balance Sheet Short Position	(137.166)	(7.381)	(324.587)	(763.833)	-	-	(1.232.967)
<b>Total Position</b>	<b>(59.924.328)</b>	<b>222.244</b>	<b>21.323.973</b>	<b>41.431.749</b>	<b>20.544.733</b>	<b>(23.909.608)</b>	<b>(311.237)</b>

- (1) Balances without fixed maturity are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.
- (2) TL5.041.548 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the "1-5 Years" column. TL71.353 of fund balance is not granted as loan and is shown under the "Non-Interest Bearing" column.
- (3) Deferred tax asset is shown under the "Non-Interest Bearing" column.
- (4) Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in loans given.
- (5) Total shareholders' equity is shown under the "Non-Interest Bearing" column.

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

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

- (1) Balances without fixed maturity are shown under the "Up to 1 Month" and "Non-Interest Bearing" columns.
- (2) TL3.997.095 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the "1-5 Years" column. TL39.396 of fund balance is not granted as loan and is shown under the "Non-Interest Bearing" column.
- (3) Deferred tax asset is shown under the "Non-Interest Bearing" column.
- (4) Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in 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 CONSOLIDATED INTEREST RATE RISK (Continued)**

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

	EUR	USD	JPY	TRY
<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>	-	-	-	7,00
Banks	1,49	1,90	-	8,39
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	7,50
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,72	5,76	-	8,97
Loans Given <sup>(2)</sup>	4,61	5,20	-	12,22
Investments Held-to-Maturity	6,42	7,01	-	8,83
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	0,31	0,99	-	9,07
Other Deposits <sup>(4)</sup>	1,65	1,41	-	6,26
Money Market Borrowings	0,71	0,80	-	9,72
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	3,81	-	8,99
Funds Provided from Other Financial Institutions	1,38	1,86	-	8,20

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

(1) The ratio in TRY 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 CONSOLIDATED 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 conducts measurements, scenario analysis, limiting, monitoring and stress tests that are relevant for structure and complexity of its positions related to the market risk management, and reports the findings periodically, and the Bank also performs analyses related to interest rate risks for its entire balance sheet. New products and services are also evaluated in terms of interest rate risk originating 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 the 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 the 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	(2.588.952)	(9,07%)
2. TRY	(-) 300bp	3.023.694	10,59%
3. EUR	(+) 100bp	93.320	0,33%
4. EUR	(-) 100bp	(93.839)	(0,33%)
5. USD	(+) 100bp	(314.364)	(1,10%)
6. USD	(-) 100bp	369.448	1,29%
<b>Total (of negative shocks)</b>		<b>3.299.303</b>	<b>11,56%</b>
<b>Total (of positive shocks)</b>		<b>(2.809.996)</b>	<b>(9,84%)</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	130.547	130.547	-

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

**V. EXPLANATIONS ON THE CONSOLIDATED 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. In addition, the Bank calculates and reports the liquidity adequacy ratio to BRSA on a weekly solo and monthly consolidated basis in accordance with "Regulation on Banks' Liquidity Coverage Ratio Calculation" issued in Official Gazette numbered 28948 and dated 21 March. The liquidity coverage of the 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 is 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. The 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 Parent 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 reducing factor. 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 CONSOLIDATED 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	31.644.194	-	-	-	-	-	57.498	31.701.692
Banks	263.863	941.082	1.013.476	22.782	-	-	-	2.241.203
Financial Assets at Fair Value Through Profit and Loss	15	65.865	7.912	36.737	212.981	18.737	562	342.809
Money Market Placements	-	83.699	-	-	-	-	-	83.699
Financial Assets Available-for-Sale	10.147	1.861.975	930.802	4.505.043	23.828.382	21.182.468	358.758	52.677.575
Loans Given	134.409	5.236.374	12.499.133	48.865.518	55.910.473	12.842.917	828.899	136.317.723
Investments Held-to-Maturity	-	67.846	6.828	1.066.639	6.219.609	2.678.949	-	10.039.871
Other Assets	2.214.978	12.102	126.679	362.300	1.105.725	124.098	6.115.746	10.061.628
<b>Total Assets</b>	<b>34.267.606</b>	<b>8.268.943</b>	<b>14.584.830</b>	<b>54.859.019</b>	<b>87.277.170</b>	<b>36.847.169</b>	<b>7.361.463</b>	<b>243.466.200</b>
<b>Liabilities</b>								
Interbank Deposits	156.293	6.187.526	405.007	124.496	-	-	-	6.873.322
Other Deposits	30.599.420	81.864.541	18.375.221	14.516.488	1.395.235	27.441	-	146.778.346
Funds Provided from Other Financial Instruments	8.565	533.545	1.553.740	7.797.814	2.662.001	1.371.377	-	13.927.042
Money Market Borrowings	-	26.529.107	2.563.513	1.246.237	-	-	-	30.338.857
Issued Marketable Securities	-	839.844	430.688	843.775	1.687.836	-	-	3.802.143
Sundry Creditors	816.971	498.641	13.957	18.957	812	3.737	22.627	1.375.702
Other Liabilities <sup>(3)</sup>	2.533.505	762.683	502.277	246.402	6.100.255	883.840	29.341.826	40.370.788
<b>Total Liabilities</b>	<b>34.114.754</b>	<b>117.215.887</b>	<b>23.844.403</b>	<b>24.794.169</b>	<b>11.846.139</b>	<b>2.286.395</b>	<b>29.364.453</b>	<b>243.466.200</b>
<b>Liquidity Gap</b>	<b>152.852</b>	<b>(108.946.944)</b>	<b>(9.259.573)</b>	<b>30.064.850</b>	<b>75.431.031</b>	<b>34.560.774</b>	<b>(22.002.990)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	29.581.066	6.637.454	11.681.617	57.075.285	75.668.367	27.605.196	3.354.494	211.603.479
Total Liabilities	32.424.672	101.728.789	25.099.685	21.340.620	6.905.010	2.094.911	22.009.792	211.603.479
<b>Liquidity Gap</b>	<b>(2.843.606)</b>	<b>(95.091.335)</b>	<b>(13.418.068)</b>	<b>35.734.665</b>	<b>68.763.357</b>	<b>25.510.285</b>	<b>(18.655.298)</b>	<b>-</b>

(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) TL5.041.548 of the funds balance, whose risk is not born by the Parent Bank, is included in other liabilities and shown under the "1-5 Years" column, fund balance amounted to TL71.353 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 CONSOLIDATED 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 38 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. Credibility 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	80.544.314	4.471.143	-	-
Conditional and unconditional receivables from regional or local governments	311.975	23.758	-	30
Conditional and unconditional receivables from administrative units and non-commercial enterprises	413.662	114.032	-	-
Conditional and unconditional receivables from multilateral development banks	707	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	26.885.190	17.784.023	-	-
Conditional and unconditional corporate receivables	74.769.265	254.742	-	345.991
Conditional and unconditional retail receivables	44.359.486	2.160.252	-	64.261
Conditional and unconditional secured mortgage receivables	11.483.497	7.810	-	193
Non-performing loan	632.420	-	-	-
Receivables in high risk category defined by BRSA	21.924.302	15.130.223	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporates	-	-	-	-
Investments of natured collective investment enterprise	53.151	3.320	-	-
Other receivables	14.382.963	-	-	-
<b>Total</b>	<b>275.760.932</b>	<b>39.949.303</b>	-	<b>410.475</b>

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

**VI. EXPLANATIONS ON THE SECURITIZATION POSITIONS**

None.

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

**VII. 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 on Banks' Assessment Process of Internal Systems and Internal Capital Adequacy, issued in the Official Gazette numbered 29057 and dated 11 July 2014 by Banking Regulation and Supervision Agency and within the scope of Regulation of Risk Management approved by the Bank's Board of Directors' Decision No. 7/101, dated 21 March 2012.

As of 30 September 2014, 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 the Parent Banks' strategic decisions. In the buy – sell strategy context, the analyses presented below are preformed 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 complexity 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)**

**VII. 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 Parent Bank is monitored with several effective methods. Actualized operational risks are followed by “Operational Risk Loss Database” which is compatible with accounting system. Advanced Measurement Approach is performed in scope of calculation of economic capital and development of approach is performed.
- So as to be determined the operational risk levels of branches, studyings of “Operational Risk Map” are carried out for use in Internal Control Activity Program.
- An integrated risk mainframe is instituted within the scope of risks management arising from information technologies. In this context, a database regarding Information Technologies risks is constituted and actualized risks and actions taken are monitored via the database.
- By being revised of the Parent Bank Business Continuity Plan, possible risks that may occur in activities due to corruption and its potential effects evaluated are documented as “Business Impact Analysis”.
- Risk arising from purchase of services provided from support service organizations for continuity has been evaluated with the “Regulation on Procurement of Support Services of Banks” published by the BRSA. In this context, Risk Management Program was revised and Risk Analysis Reports regarding support services taken by the Parent Bank are being prepared.

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

**VII. 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 and consumer 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. Credibility 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)**

**VIII. EXPLANATIONS ON CONSOLIDATED 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 banking, commercial and entrepreneurial banking, investment banking, project financing and international banking areas.

Known as having the most extensive branch network in retail (consumer) banking sector, the Parent Bank renders services, such as; deposits, consumer loans, loans originated from funds whose risk does not belong to the 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 Group gives loans for operations, mid-term and long-term investment loans, foreign trade financing loans, letter of credits and guarantees in Turkish Lira and foreign currencies; renders project financing, other corporate finance related services, foreign exchange transactions and banking services to large-scale corporate clients and middle-small scale enterprises.

As the Parent Bank is the main financial institution that meets the financing needs of agricultural sector in Turkey, it extends agricultural operations and investment loans from its own sources for vegetable and animal production, fishery products and agricultural mechanization directly to producers and The Central Union of Turkish Agricultural Credit Cooperatives. 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 September 2014 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)**

**VIII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)**

**Table for Segment Reporting:**

	Consumer Banking	Corporate Entrepreneurial Banking	Specialized Lending	Investment Banking	International Banking	Consolidation Adjustments	Undistributed	Total Operations of the Group
<b>Current Period</b>								
Total Operating Income/Expense <sup>(1)</sup>	3.062.932	2.239.357	712.531	2.558.103	208.322	(187.336)	-	8.593.909
Net Operating Profit	1.329.756	1.044.387	341.003	1.220.820	70.356	16.472	-	4.022.794
Income from Subsidiaries <sup>(2)</sup>	-	-	-	-	-	-	5.248	5.248
Income Before Taxes	1.329.756	1.044.387	341.003	1.220.820	70.356	16.472	(96.655)	3.926.139
Tax Provision	-	-	-	-	-	-	(879.659)	(879.659)
<b>Net Profit for the Period</b>	<b>1.329.756</b>	<b>1.044.387</b>	<b>341.003</b>	<b>1.220.820</b>	<b>70.356</b>	<b>16.472</b>	<b>(976.314)</b>	<b>3.046.480</b>
Segment Assets-net <sup>(1)</sup>	43.994.689	61.278.305	26.814.502	94.096.233	9.123.089	1.902.554	-	237.209.372
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	-	-	-	-	-	-	173.893	173.893
Undistributed Assets <sup>(3)</sup>	-	-	-	-	-	-	6.082.935	6.082.935
<b>Total Assets – 31 December 2013</b>	<b>43.994.689</b>	<b>61.278.305</b>	<b>26.814.502</b>	<b>94.096.233</b>	<b>9.123.089</b>	<b>1.902.554</b>	<b>6.256.828</b>	<b>243.466.200</b>
Segment Liabilities - net	28.328.147	40.850.363	22.988.711	94.344.731	7.966.640	6.141.068	-	200.619.660
Undistributed Liabilities <sup>(3)</sup>	-	-	-	-	-	-	17.007.726	17.007.726
Shareholders' Equity	-	-	-	-	-	-	25.838.814	25.838.814
<b>Total Liabilities – 31 December 2013</b>	<b>28.328.147</b>	<b>40.850.363</b>	<b>22.988.711</b>	<b>94.344.731</b>	<b>7.966.640</b>	<b>6.141.068</b>	<b>42.846.540</b>	<b>243.466.200</b>
Other Segment Items								
Capital Investment	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	187.081	187.081
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 to segments.

(3) The total of tangible and intangible assets, tax asset, other assets and assets held for sale is shown in “Undistributed Assets” row, whereas the total of borrowings, miscellaneous payables, other liabilities, finance lease payables, provisions and tax liability is shown in “Undistributed Liabilities” row.

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**VIII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)**

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

	Consumer Banking	Corporate Commercial and Entrepreneurial Banking	Specialized Lending	Investment Banking	International Banking	Consolidation Adjustments	Undistributed	Total Operations of the Group
<b>Prior Period</b>								
<b>30 September 2013</b>								
Total Operating Income/Expense <sup>(1)</sup>	3.384.910	1.310.156	833.402	2.673.153	147.667	(275.143)	-	8.074.145
Net Operating Profit	1.300.882	578.940	366.950	1.172.592	59.124	4.713	-	3.483.201
Income from Subsidiaries <sup>(2)</sup>	-	-	-	-	-	(253.923)	318.267	64.344
Income Before Taxes	1.300.882	578.940	366.950	1.172.592	59.124	(249.210)	112.250	3.341.528
Tax Provision	-	-	-	-	-	-	(834.259)	(834.259)
<b>Net Profit for the Period</b>	<b>1.300.882</b>	<b>578.940</b>	<b>366.950</b>	<b>1.172.592</b>	<b>59.124</b>	<b>(249.210)</b>	<b>(722.009)</b>	<b>2.507.269</b>
Segment Assets-net <sup>(1)</sup>	40.934.078	47.628.208	22.903.484	88.820.281	7.933.573	(1.737.323)	-	206.482.301
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	-	-	-	-	-	-	146.515	146.515
Undistributed Assets <sup>(3)</sup>	-	-	-	-	-	-	4.974.663	4.974.663
<b>Total Assets 31 December 2013</b>	<b>40.934.078</b>	<b>47.628.208</b>	<b>22.903.484</b>	<b>88.820.281</b>	<b>7.933.573</b>	<b>(1.737.323)</b>	<b>5.121.178</b>	<b>211.603.479</b>
Segment Liabilities - net	27.950.762	33.726.239	20.258.724	87.033.332	6.892.760	(976.663)	-	174.885.154
Undistributed Liabilities <sup>(3)</sup>	-	-	-	-	-	-	18.050.986	18.050.986
Shareholders' Equity	-	-	-	-	-	-	18.667.339	18.667.339
<b>Total Liabilities 31 December 2013</b>	<b>27.950.762</b>	<b>33.726.239</b>	<b>20.258.724</b>	<b>87.033.332</b>	<b>6.892.760</b>	<b>(976.663)</b>	<b>36.718.325</b>	<b>211.603.479</b>
Other Segment Items								
Capital Investment	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	130.439	130.439
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, other assets 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 CONSOLIDATED ASSETS**

**1. a) Information on Cash and Balances with Central Bank of the Republic of Turkey:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1.132.649	649.483	1.227.457	594.206
Central Bank of the Republic of Turkey	1.610.912	28.255.682	2.437.056	22.390.350
Other	-	52.966	-	248.962
<b>Total</b>	<b>2.743.561</b>	<b>28.958.131</b>	<b>3.664.513</b>	<b>23.233.518</b>

**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 2013/15. Based on accounting standards and registration layout for banks and companies, the items specified within the Communiqué, except from liabilities to Central Bank, Treasury, Domestic banks, and head offices and branches in Turkey of the banks established by international agreements, constitute required reserves liabilities.

As of the balance sheet date, according to CBRT’s Communiqué about Required Reserves No. 2013/15, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity, and for deposits up to 3-months maturity 11,5%; for deposits up to 6-months maturity 8,5%; for deposits up to 1-year maturity 6,5%; for deposits 1-year and longer maturity 5%; for TL liabilities other than deposits up to 1-year maturity 11,5%; for TL liabilities other than deposits between 1- and 3-years maturity 8%; for TL liabilities other than deposits more than 3-years maturity 5%; for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturities 13%; for FC deposit accounts with 1-year and longer maturity 9%, for FC liabilities other than deposits up to 1-year maturity 13%; for FC liabilities other than deposits up to 3-years maturity 11%; and for FC liabilities other than deposits more than 3-years maturity 6%.

According to the press release of CBRT held on 21 October 2014, interest payment for reserve requirement will be commenced from the November 2014 maintenance period.

As of 30 September 2014, total reserve requirement of the Group is TL. 29.968.904 including Central Banks abroad. (31 December 2013: TL25.056.007)

**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	1.566.361	655.758	2.401.860	941.696
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1)(2)</sup>	44.551	27.599.924	35.196	21.448.654
<b>Total</b>	<b>1.610.912</b>	<b>28.255.682</b>	<b>2.437.056</b>	<b>22.390.350</b>

<sup>(1)</sup> Required reserve of branches abroad amounting to TL65.620 is presented in this line (31 December 2013: TL50.888).

<sup>(2)</sup> TL20.043.946 in FC required reserves is the part of TL required reserves kept as FC (31 December 2013: TL15.735.041).

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

**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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:**

	<b>Current Period</b>	<b>Prior Period</b>
Assets Subject to Repurchase Agreements	120	-
Assets Blocked/Given as Collateral	21.084	17.925
<b>Total</b>	<b>21.204</b>	<b>17.925</b>

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Derivative Financial Assets Held-for-Trading				
Forward Transactions	8.753	524	11.680	25
Swap Transactions	251.345	32.957	282.060	144.862
Futures Transactions	-	-	-	-
Options	7	10	-	-
Other	-	-	-	-
<b>Total</b>	<b>260.105</b>	<b>33.491</b>	<b>293.740</b>	<b>144.887</b>

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Banks				
Domestic Banks	1.522.192	242.863	1.616.867	121.440
Foreign Banks	57.043	418.897	69.935	1.197.011
Foreign Head Office and Branches	-	208	-	-
<b>Total</b>	<b>1.579.235</b>	<b>661.968</b>	<b>1.686.802</b>	<b>1.318.451</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:**

	<b>Current Period</b>	<b>Prior Period</b>
Assets Subject to Repurchase Agreements	28.652.099	23.412.254
Assets Blocked/Given as Collateral	5.400.727	1.529.788
<b>Total</b>	<b>34.052.826</b>	<b>24.942.042</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Debt Securities	53.052.212	47.688.027
Quoted in Stock Exchange	52.908.903	47.688.027
Not Quoted in Stock Exchange	143.309	-
Share Certificates	359.249	363.606
Quoted in Stock Exchange	228.073	233.318
Not Quoted in Stock Exchange	131.176	130.288
Provision for Impairment (-)	733.886	1.158.672
<b>Total</b>	<b>52.677.575</b>	<b>46.892.961</b>

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

**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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>Loans Granted to Employees</b>	<b>259.390</b>	<b>125</b>	<b>256.142</b>	<b>124</b>
<b>Total</b>	<b>259.390</b>	<b>125</b>	<b>256.142</b>	<b>124</b>

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

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms <sup>(1)</sup>	Other		Loans and other receivables with revised contract terms	Other
<b>Cash Loans</b>						
Non-Specialized Loans	104.258.645	1.136.235	-	2.067.792	347.274	-
Commercial Loans	31.040.321	269.073	-	126.574	47.482	-
Export Loans	2.228.167	-	-	18.239	-	-
Import Loans	62.620	-	-	99	-	-
Loans Given to Financial Sector	3.051.682	-	-	-	-	-
Consumer Loans	35.804.311	157.137	-	1.351.740	43.371	-
Credit Cards	2.531.503	-	-	76.429	1.448	-
Other <sup>(2)</sup>	29.540.041	710.025	-	494.711	254.973	-
Specialized Lending <sup>(3)(4)</sup>	23.211.147	1.371.640	-	575.013	197.820	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals	2.323.258	-	-	-	-	-
<b>Total</b>	<b>129.793.050</b>	<b>2.507.875</b>	<b>-</b>	<b>2.642.805</b>	<b>545.094</b>	<b>-</b>

(1) Restructured or rescheduled loans cannot 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 cannot be obtained by the available information operating system.

(3) Fund sourced agricultural loans are shown under specialized lending.

(4) Agriculturally qualified farmer standby loans have been displayed under specialized lending.

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

**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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 (*)	2.507.875	545.094
3.4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-

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

<b>Extension Periods</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
0 - 6 Months	126.943	57.985
6 Months – 12 Months	2.013.676	232.503
1 - 2 Years	143.267	89.421
2 - 5 Years	208.989	162.880
5 Years and Over	15.000	2.305
<b>Total</b>	<b>2.507.875</b>	<b>545.094</b>

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

**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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	375.390	36.431.905	36.807.295
Real Estate Loans	2.400	12.465.358	12.467.758
Vehicle Loans	1.072	199.830	200.902
Consumer Loans	296.510	23.383.409	23.679.919
Abroad <sup>(2)</sup>	7.991	381.384	389.375
Other	67.417	1.924	69.341
Consumer Loans- Indexed to FC	-	7	7
Real Estate Loans	-	7	7
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans- FC	30.564	153.521	184.085
Real Estate Loans	37	22.128	22.165
Vehicle Loans	-	201	201
Consumer Loans	1.203	94.766	95.969
Other	29.324	36.426	65.750
Individual Credit Cards-TL	2.335.795	10.084	2.345.879
With Installment	673.202	8.680	681.882
Without Installment	1.662.593	1.404	1.663.997
Individual Credit Cards-FC	4.001	-	4.001
With Installment	-	-	-
Without Installment	4.001	-	4.001
Personnel Loans-TL	17.362	162.912	180.274
Real Estate Loans	-	353	353
Vehicle Loans	-	-	-
Consumer Loans	6.257	161.130	167.387
Abroad <sup>(2)</sup>	77	1.429	1.506
Other	11.028	-	11.028
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	1.081	8.320	9.401
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	602	7.944	8.546
Other	479	376	855
Personnel Credit Cards-TL	66.160	285	66.445
With Installment	23.490	252	23.742
Without Installment	42.670	33	42.703
Personnel Credit Cards-FC	160	-	160
With Installment	-	-	-
Without Installment	160	-	160
Overdraft Accounts-TL (Real Person)	566.378	-	566.378
Overdraft Accounts-FC (Real Person)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>3.396.891</b>	<b>36.767.034</b>	<b>40.163.925</b>

<sup>(1)</sup> TL278.481 of interest income accrual is not included in the table above.

<sup>(2)</sup> TL1.506 of consumer loans used by the personnel abroad and TL389.375 of consumer loans have been shown under “Other” of 5-b table.

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**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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	1.343.747	9.327.935	10.671.682
Business Loans	1.155	262.071	263.226
Vehicle Loans	27.101	418.302	445.403
Consumer Loans	1.315.022	1.073.751	2.388.773
Other	469	7.573.811	7.574.280
Commercial Installment Loans- Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	355.022	11.967.322	12.322.344
Business Loans	-	6.434	6.434
Vehicle Loans	-	517	517
Consumer Loans	332.783	11.758.214	12.090.997
Other	22.239	202.157	224.396
Corporate Credit Cards-TL	192.117	123	192.240
With Installment	37.843	109	37.952
Without Installment	154.274	14	154.288
Corporate Credit Cards-FC	655	-	655
With Installment	-	-	-
Without Installment	655	-	655
Overdraft Account-TL (Legal Entity)	64.070	-	64.070
Overdraft Account-FC (Legal Entity)	-	-	-
<b>Total</b> <sup>(1)</sup>	<b>1.955.611</b>	<b>21.295.380</b>	<b>23.250.991</b>

(1) Accruals and rediscount amounts are not included in the table above.

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

	<b>Current Period</b>	<b>Prior Period</b>
Domestic Loans	127.536.588	110.069.565
Foreign Loans	5.628.978	887.133
Interest Income Accruals of Loans	2.323.258	1.600.702
<b>Total</b>	<b>135.488.824</b>	<b>112.557.400</b>

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

None (31 December 2013: None).

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

	<b>Current Period</b>	<b>Prior Period</b>
Loans and other receivables with limited collectability	120.882	84.107
Loans and other receivables with doubtful collectability	419.781	396.536
Uncollectible loans and other receivables	1.359.040	1.178.311
<b>Total</b>	<b>1.899.703</b>	<b>1.658.954</b>

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

**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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>	<b>16.033</b>	<b>47.625</b>	<b>117.922</b>
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	16.033	47.625	117.922
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>	<b>15.304</b>	<b>56.855</b>	<b>110.445</b>
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	15.304	56.855	110.445
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>187.004</b>	<b>406.984</b>	<b>1.876.225</b>
Additions (+)	997.338	110.517	247.681
Transfers from other categories of non-performing loans (+)	-	799.815	765.950
Transfers to other categories of non-performing loans (-)	799.815	765.950	-
Collections (-) <sup>(1)</sup>	139.787	105.628	851.732
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Current Period End Balance</b> <sup>(2)</sup>	<b>244.740</b>	<b>445.738</b>	<b>2.038.124</b>
Specific Provision (-) <sup>(3)</sup>	120.883	422.202	1.356.618
<b>Net Balance on Balance Sheet</b> <sup>(2)</sup>	<b>123.857</b>	<b>23.536</b>	<b>681.506</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 TL224.184 whose risk does not belong to the Parent Bank.

<sup>(3)</sup> As of 30 September 2014, the Parent Bank made 100% provision for the portion of TL626.714 of the loans under follow-up which is TL156.681 after taking guarantees into consideration.

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

5. Information related to loans: (Continued)

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

3) Information on foreign currency non-performing loans:

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
<b>Current Period:</b>			
<b>Period Ending Balance</b>	<b>45.417</b>	<b>13.852</b>	<b>34.942</b>
Specific Provision (-)	30.700	9.892	17.515
<b>Net Balance on Balance Sheet</b>	<b>14.717</b>	<b>3.960</b>	<b>17.427</b>
<b>Prior Period:</b>			
<b>Period Ending Balance</b>	<b>17.715</b>	<b>14.516</b>	<b>41.111</b>
Specific Provision (-)	4.798	14.379	37.432
<b>Net Balance on Balance Sheet</b>	<b>12.917</b>	<b>137</b>	<b>3.679</b>

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

	Group III Loans and other receivables with limited collectability	Group IV Loans and other receivables with doubtful collectability	Group V Uncollectible loans and other receivables
<b>Current Period (Net)</b>	<b>123.857</b>	<b>23.536</b>	<b>681.506</b>
Loans to Real Persons and Legal Entities (Gross)	244.740	385.482	2.038.124
Specific Provisions (-)	120.883	361.946	1.356.618
Loans to Real Persons and Legal Entities (Net)	123.857	23.536	681.506
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	60.256	-
Specific Provisions (-)	-	60.256	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>102.897</b>	<b>10.448</b>	<b>697.914</b>
Loans to Real Persons and Legal Entities (Gross)	187.004	351.130	1.876.225
Specific Provisions (-)	84.107	340.682	1.178.311
Loans to Real Persons and Legal Entities (Net)	102.897	10.448	697.914
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	55.854	-
Specific Provisions (-)	-	55.854	-
Other Loans and Receivables (Net)	-	-	-

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**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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	712.031	3.811.587	586.720	4.028.780
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>712.031</b>	<b>3.811.587</b>	<b>586.720</b>	<b>4.028.780</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	3.041.075	1.129.451	5.959.248	893.747
Other	-	-	-	-
<b>Total</b>	<b>3.041.075</b>	<b>1.129.451</b>	<b>5.959.248</b>	<b>893.747</b>

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

	Current Period	Prior Period
Government Bonds	9.963.275	15.688.169
Treasury Bills	-	-
Other Public Sector Debt Securities	6.732	-
<b>Total</b>	<b>9.970.007</b>	<b>15.688.169</b>

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

	Current Period	Prior Period
Debt securities	10.039.871	15.799.338
Quoted in a Stock Exchange	9.970.007	15.688.169
Not Quoted in a Stock Exchange	69.864	111.169
Provision for Impairment (-)	-	-
<b>Total</b>	<b>10.039.871</b>	<b>15.799.338</b>

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

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>15.799.338</b>	<b>27.322.038</b>
Addition to Scope of Consolidation	-	-
Foreign Currency Differences on Monetary Assets	126.213	875.833
Purchases During the Year	285.902	339.130
Disposals through Sales and Redemptions	(6.179.821)	(12.737.663)
Provision for Impairment (-)	8.239	-
<b>Period End Balance</b>	<b>10.039.871</b>	<b>15.799.338</b>

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

**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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 USD13.026 thousand and EUR4.994 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR30.913 thousand and USD70.465 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 TL12.987 would have been recorded. As of 30 September 2014, the reclassification from held for trading securities to held to maturity investments has an income statement impact of TL(27.727).

**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	54.167	31.256	33.312	639	-	8.874	4.171	-
2	101.165	80.460	43.749	3.233	-	17.378	28.150	-

(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 unaudited financial statements as of 30 September 2014. Prior period profit/loss information of associates has been provided from audited financial statements as of 30 September 2013.

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

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**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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	3.715.418	529.381	28.531	118.489	15.706	60.380	31.072	-

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

<sup>(2)</sup> Current period financial statements information of Arap Türk Bankası A.Ş. has been provided from audited financial statements as of 30 September 2014 and prior period profit/loss balances of Arap Türk Bankası A.Ş. have been provided from audited financial statements as of 30 September 2013.

**2) Explanation regarding consolidated associates:**

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>71.283</b>	<b>63.676</b>
<b>Movement During the Period</b>	<b>9.198</b>	<b>7.607</b>
Additions	-	-
Bonus Share Certificates	30.864	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer to Available for Sale Fin. Assets	-	-
Sales	-	-
Revaluation	-	7.607
Impairment Provision	21.666	-
<b>Ending Balance</b>	<b>80.481</b>	<b>71.283</b>
<b>Capital Commitments</b>	-	-
<b>Period Ending Share of Capital Participation</b>	<b>15,43</b>	<b>15,43</b>

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

	Current Period	Prior Period
Banks	80.481	71.283
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

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

None (31 December 2013: None).

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

**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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	Ziraat Teknoloji A.Ş.	Istanbul / TURKEY	100,00	100,00

	Total Assets <sup>(2)</sup>	Shareholders' Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit/ Loss <sup>(2)</sup>	Prior Period Profit/Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	71.892	17.165	20.533	412	44	10.171	161	-

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

<sup>(2)</sup> Current period information of the subsidiary has been provided from unaudited financial statements as of 30 September 2014 and prior period profit/loss balance has been provided from reviewed financial statements as of 30 September 2013.

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

In consolidated financial statements of the 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.	Istanbul / TURKEY	100,00	100,00
2	Ziraat Sigorta A.Ş.	Istanbul / TURKEY	100,00	100,00
3	Ziraat Finansal Kiralama A.Ş.	Istanbul / TURKEY	100,00	100,00
4	Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul / TURKEY	100,00	99,60
5	Ziraat Portföy Yönetimi A.Ş.	Istanbul / 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	100,00
9	Kazakhstan Ziraat Int. Bank	Almaty / KAZAKHSTAN	100,00	99,58

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

**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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	1.264.004	262.779	2.255	96.489	22.992	109.281	92.242	-	-
2	429.815	147.343	2.312	14.591	4.052	55.666	37.399	-	-
3	1.882.681	199.467	1.353	92.566	-	(9.872)	15.009	-	-
4	93.201	78.523	1.307	6.003	807	8.049	4.775	-	-
5	13.230	11.945	287	842	823	2.607	(11)	-	-
6	3.708.978	470.185	3.395	88.291	2.438	8.169	1.915	572.382	-
7	660.379	110.974	36.581	24.781	539	5.188	5.461	78.680	-
8	135.075	58.889	3.804	7.935	111	2.152	2.836	67.449	-
9	435.920	214.734	9.584	18.261	535	5.919	13.828	258.982	-

- (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 September 2014, the prior period profit/loss balances have been provided from reviewed financial statements as of 30 September 2013.

**2) Information about consolidated subsidiaries**

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>1.145.069</b>	<b>886.501</b>
<b>Movements During the Period</b>	<b>258.666</b>	<b>258.568</b>
Additions to Scope of Consolidation	-	-
Purchases <sup>(1)</sup>	50.000	36.764
Bonus Shares Obtained	-	221.804
Dividends from current year income	-	-
Transfers to available for sale assets	-	-
Sales	-	-
Revaluation Increase	208.666	-
Impairment Provision	-	-
<b>Balance at the End of the Period</b>	<b>1.403.735</b>	<b>1.145.069</b>
Capital Commitments	-	-
Share percentage at the end of the period (%)	-	-

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

**3) Sectorial information on subsidiaries and the related carrying amounts:**

	Current Period	Prior Period
Banks	977.494	768.828
Insurance Companies	129.972	129.972
Factoring Companies	-	-
Leasing Companies	232.839	182.839
Financing Companies	-	-
Other Financial Subsidiaries	63.430	63.430

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

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

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

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

None.

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

Entities under Common Control (Joint Ventures) <sup>(1)</sup>	Parent Bank's Share <sup>(2)</sup>	Group's Share	Current Assets	Non-Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	24.662	24.662	247.307	11.168	3.712	24.477	12.845
Uzbekistan- Turkish Bank	29.919	29.931	137.295	2.310	1.789	9.424	6.426
Azer Türk Bank ASC	22.205	22.205	277.397	2.534	4.574	45.075	40.898
<b>Total</b>	<b>76.786</b>	<b>76.798</b>	<b>661.999</b>	<b>16.012</b>	<b>10.075</b>	<b>78.976</b>	<b>60.169</b>

(1) Information on entities under common control is provided from the unaudited financial statements as of 30 September 2014.

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

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

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	720.853	596.158	1.303.580	1.129.960
1-5 Years	1.296.235	1.110.765	345.998	275.485
More than 5 Years	136.581	124.098	79.573	72.104
<b>Total</b>	<b>2.153.669</b>	<b>1.831.021</b>	<b>1.729.151</b>	<b>1.477.549</b>

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

The Group has no derivative financial assets for hedging purposes.

**12. Information on investment property:**

None (31 December 2013: None).

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

The Group does not have any discontinuing operations. The assets held for sale are composed of immovables acquired through consumer, commercial 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 TL165.459 consisting of TL15.251 on consumer loan, TL121.608 on its commercial loans and TL28.600 on its agricultural loans. Also, the sum of movables acquired from consumer loan amount to TL578. Total depreciation expense is TL695 for these held for sale assets. (31 December 2013: The Group's immovables acquired amount to TL106.547 consisting of TL11.209 on consumer loan, TL77.641 on its commercial loans and TL17.697 on its agricultural loans. Also, the sum of movables acquired from consumer loan amount to TL303. Total depreciation expense is TL946 for these held for sale assets).

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

**14. Explanations on property and equipment (The Parent Bank):**

	<b>Immovables</b>	<b>Tangibles- Financial Leasing</b>	<b>Vehicles</b>	<b>Other Tangibles</b>	<b>Total</b>
<b>Prior Period End:</b>					
Cost	1.437.178	3.648	44.556	483.698	1.969.080
Accumulated Depreciation (-)	634.590	412	30.093	254.333	919.428
<b>Net Book Value</b>	<b>802.588</b>	<b>3.236</b>	<b>14.463</b>	<b>229.365</b>	<b>1.049.652</b>
<b>Current Period End:</b>					
Net Book Value at the Beginning of the Period	802.588	3.236	14.463	229.365	1.049.652
Change During the Period (Net)	3.711.837	-	(6.841)	48.405	3.753.401
Depreciation – net (-)	95.920	273	(4.126)	34.543	126.610
Impairment (-)	3.740	-	-	-	3.740
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-
Cost at Period End	5.145.275	3.648	37.715	532.103	5.718.741
Accumulated Depreciation at Period End (-)	730.510	685	25.967	288.876	1.046.038
<b>Closing Net Book Value</b>	<b>4.414.765</b>	<b>2.963</b>	<b>11.748</b>	<b>243.227</b>	<b>4.672.703</b>

a) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.

b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

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

**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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	11.586.778	-	2.387.353	48.206.475	3.800.785	818.742	645.820	4.921	67.450.874
Foreign Currency Deposits	7.202.725	-	4.470.674	12.580.294	4.346.453	2.544.575	10.481.534	362	41.626.617
Residents in Turkey	6.262.621	-	4.184.858	11.278.005	4.012.558	1.885.300	8.512.539	357	36.136.238
Residents Abroad	940.104	-	285.816	1.302.289	333.895	659.275	1.968.995	5	5.490.379
Public Sector Deposits	5.676.780	-	1.943.962	4.139.136	893.821	2.664.450	303.864	-	15.622.013
Commercial Inst. Deposits	3.309.016	3.726	4.041.939	4.362.744	170.746	359.236	1.046.966	-	13.294.373
Other Inst. Deposits	1.341.142	-	2.043.675	3.069.006	115.230	444.340	5.719	-	7.019.112
Precious Metals	1.482.979	-	39.164	208.473	16.823	8.301	9.617	-	1.765.357
Interbank Deposits	156.293	-	6.187.526	405.007	80.786	43.710	-	-	6.873.322
CBRT	6.922	-	-	-	-	-	-	-	6.922
Domestic Banks	40.827	-	5.020.169	252.957	80.786	14.716	-	-	5.409.455
Foreign Banks	76.385	-	1.167.357	152.050	-	28.994	-	-	1.424.786
Participation Banks	32.159	-	-	-	-	-	-	-	32.159
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>30.755.713</b>	<b>3.726</b>	<b>21.114.293</b>	<b>72.971.135</b>	<b>9.424.644</b>	<b>6.883.354</b>	<b>12.493.520</b>	<b>5.283</b>	<b>153.651.668</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	9.472.016	-	2.306.619	44.980.013	3.911.099	668.484	855.321	5.011	62.198.563
Foreign Currency Deposits	6.015.294	-	4.898.797	10.869.094	2.664.377	1.741.542	8.671.190	298	34.860.592
Residents in Turkey	5.104.057	-	4.579.296	9.696.394	2.392.136	1.444.909	7.282.356	294	30.499.442
Residents Abroad	911.237	-	319.501	1.172.700	272.241	296.633	1.388.834	4	4.361.150
Public Sector Deposits	7.227.377	-	1.602.155	6.612.879	333.679	481.242	350.236	-	16.607.568
Commercial Inst. Deposits	3.813.654	-	3.923.580	4.703.020	580.976	109.404	129.477	-	13.260.111
Other Inst. Deposits	1.268.523	-	922.784	3.624.714	151.800	412.311	5.208	-	6.385.340
Precious Metals	1.700.414	-	-	306.477	-	-	-	-	2.006.891
Interbank Deposits	220.773	-	5.843.930	675.214	1.092.015	268.250	92.015	-	8.192.197
CBRT	7.386	-	2.769	-	-	-	-	-	10.155
Domestic Banks	89.366	-	3.938.310	248.985	229.863	2.000	2.051	-	4.510.575
Foreign Banks	96.181	-	1.902.851	426.229	862.152	266.250	89.964	-	3.643.627
Participation Banks	27.840	-	-	-	-	-	-	-	27.840
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>29.718.051</b>	<b>-</b>	<b>19.497.865</b>	<b>71.771.411</b>	<b>8.733.946</b>	<b>3.681.233</b>	<b>10.103.447</b>	<b>5.309</b>	<b>143.511.262</b>

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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>	45.294.026	41.444.188	21.898.397	20.481.299
Foreign Currency Saving Deposits <sup>(2)</sup>	15.991.963	13.960.516	16.171.956	12.461.340
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(1)</sup>	485.788	467.408	44.233	54.646
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, TL25.339 and TL11.602 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2013: Bulgaria and Greece, respectively TL24.133, TL12.491).

<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, TL2.661 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 attributable to a real person is covered by the insurance, TL411.057 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 abroad, and reasons if it is covered in where the head office is located (Information belongs to the Parent Bank):**

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

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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):**

	<b>Current Period</b>	<b>Prior Period</b>
Deposits and other Accounts in Branches Abroad	51.056	56.859
Deposits of Ultimate Shareholders and Their Close Families	-	-
Deposits of Chairman and Members of the Board of Directors, General Manager, Assistant General Managers and Their Close Families	3.493	2.010
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:**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Forward Transactions	8.543	524	11.332	-
Swap Transactions	5.498	587.648	7.188	37.833
Futures Transactions	-	-	-	-
Options	4	8	-	-
Other	-	-	-	-
<b>Total</b>	<b>14.045</b>	<b>588.180</b>	<b>18.520</b>	<b>37.833</b>

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	262.578	579.072	148.940	225.414
Foreign Banks, Institutions and Funds	969.162	12.116.230	933.386	7.954.521
<b>Total</b>	<b>1.231.740</b>	<b>12.695.302</b>	<b>1.082.326</b>	<b>8.179.935</b>

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Short-Term	256.430	9.152.502	119.473	6.129.742
Medium and Long-Term	975.310	3.542.800	962.853	2.050.193
<b>Total</b>	<b>1.231.740</b>	<b>12.695.302</b>	<b>1.082.326</b>	<b>8.179.935</b>

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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:**

63,11% of the Group's liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Bank's liabilities are not subject to a significant concentration risk.

**d) Information on funds supplied from repurchase agreements:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From Domestic Transactions</b>	<b>15.221.574</b>	-	<b>12.509.222</b>	<b>12.061.628</b>
Financial Institutions and Organizations	14.929.405	-	11.040.945	12.061.628
Other Institutions and Organizations	270.187	-	1.456.454	-
Real Person	21.982	-	11.823	-
<b>From Overseas Operations</b>	-	<b>15.117.283</b>	-	-
Financial Institutions and Organizations	-	15.117.283	-	-
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
<b>Total</b>	<b>15.221.574</b>	<b>15.117.283</b>	<b>12.509.222</b>	<b>12.061.628</b>

**e) Information on securities issued:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	1.647.986	380.743	2.347.777	-
Treasury Bills <sup>(1)</sup>	67.759	1.705.655	308.683	-
<b>Total</b>	<b>1.715.745</b>	<b>2.086.398</b>	<b>2.656.460</b>	-

<sup>(1)</sup> Process of the five year bond issuance, paying 4,34 % rate of return and %4,25 coupon rate, with nominal amount of USD750 million, for investors settled abroad; has been completed on July 3, 2014.

**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 the financial lease agreements, lease payments are determined according to the price of leasehold, the Group's interest rate of commercial loan and maturity of the agreement. The amounts in the lease agreements are paid in equal installments. There are not any restrictions in these agreements that create significant obligations to the Group.

Information on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	-	-	9	7
Between 1-4 Years	-	-	-	-
More than 4 Years	-	-	-	-
<b>Total</b>	-	-	<b>9</b>	<b>7</b>

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

There are no derivative financial liabilities for hedging purposes (31 December 2013: None).

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

**7. Explanations on provisions:**

**a) Information on general provisions:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>General Provisions</b>	<b>2.260.547</b>	<b>2.003.493</b>
Provisions for First Group Loans and Receivables	1.986.267	1.726.438
Additional Provision for Loans and Receivables with Extended Maturities	91.021	79.184
Provisions for Second Group Loans and Receivables	115.831	136.142
Additional Provision for Loans and Receivables with Extended Maturities	25.938	18.994
Provisions for Non-Cash Loans	105.757	87.822
Other	52.692	53.091

**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 TL53.844.

**d) Information on other provisions:**

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

These financial statements include a free provision which is not in accordance with BRSA principles amounting to. TL1.230.000 thousand (TL178.000 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 TL11.550 and other provision of TL15 exist for cash transfers made by Bank officials.

	<b>Current Period</b>	<b>Prior Period</b>
Free provisions for possible risks	1.241.565	1.017.586

**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 Bank over TL100 amounts to TL65.957 full provision has been provided in these financial statements for law suits ended against the Bank but not finalized yet, amounting to TL34.359.

Furthermore, based on the decision of the Parent Bank management, provision amounting to TL156.100 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.

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

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

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

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

The Parent Bank also provided provisions amounting to TL53.844 for unindemnified non-cash loans, and TL18.290 for other provisions. As a result, in addition to the provisions mentioned above, the other provision balance on the Group’s balance sheet amounts to TL1.504.158 (31 December 2013: TL1.295.768).

**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 September 2014 unpaid vacation provision amounted to TL149.630 (31 December 2013: TL136.082) and employment termination benefits provision amounted to TL669.353 (31 December 2013: TL570.074) 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 September 2014, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL316.374 (31 December 2013: TL175.514).

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

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Tax Payable	316.374	175.514
Taxation on Income From Securities	171.017	103.901
Property Tax	1.769	1.482
Banking Insurance Transactions Tax (BITT)	70.164	69.055
Foreign Exchange Transactions Tax	25	22
Value Added Tax Payable	3.794	2.850
Other	33.690	46.783
<b>Total</b>	<b>596.833</b>	<b>399.607</b>

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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	37	480
Social Security Premiums – Employer	53	469
Bank Social Aid Pension Fund Premium - Employee	140	135
Bank Social Aid Pension Fund Premium - Employer	275	251
Pension Fund Membership Fees and Provisions - Employee	8	6
Pension Fund Membership Fees and Provisions - Employer	25	21
Unemployment Insurance – Employee	401	408
Unemployment Insurance – Employer	804	792
Other	-	-
<b>Total</b>	<b>1.743</b>	<b>2.562</b>

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

The Group’s deferred tax liability amounts to TL1.802 (31 December 2013: TL1.681) and deferred tax asset amounts to TL420.643 (31 December 2013: TL338.247) is presented in the financial statements as of 30 September 2014.

**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 Parent Bank has no capital commitments.

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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 Parent 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	202.072	237.557	34.084	175.386
Revaluation Difference	-	237.557	34.084	175.386
Foreign Exchange Difference	202.072	-	-	-
From Available for Sale Marketable Securities	(607.654)	332.879	(692.217)	(320.793)
Revaluation Difference	(544.264)	332.947	(1.133.746)	(320.793)
Deferred Tax Effect	53.454	(68)	272.063	-
Foreign Exchange Difference	(116.844)	-	169.466	-
<b>Total</b>	<b>(405.582)</b>	<b>570.436</b>	<b>(658.133)</b>	<b>(145.407)</b>

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

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

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

	Current Period	Prior Period
Payment Commitments for Cheques	2.725.947	2.513.023
Asset Purchase Commitments	1.482.556	4.481.178
Commitments for Credit Card Expenditure Limits	6.982.678	6.295.134
Loan Granting Commitments	2.005.433	1.213.595
Other Irrevocable Commitments	4.052.923	2.931.982
Subsidiaries and Associates Capital Contribution Commitments	-	-
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	14.901	13.049
<b>Total</b>	<b>17.264.438</b>	<b>17.447.961</b>

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

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

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**III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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:**

	<b>Current Period</b>	<b>Prior Period</b>
Guarantee Letters	28.582.842	23.545.464
Bank Acceptances	3.683.923	2.118.003
Letter of Credits	5.248.972	4.229.114
<b>Total</b>	<b>37.515.737</b>	<b>29.892.581</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Letter of Temporary Guarantees	1.660.445	1.489.824
Letter of Certain Guarantees	18.351.240	15.023.192
Letters of Advance Guarantees	7.366.638	5.712.825
Letters of Guarantees given to Customs Offices	91.510	94.900
Other Letters of Guarantees	1.084.500	1.195.358
<b>Total</b>	<b>28.554.333</b>	<b>23.516.099</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>1.053.618</b>	<b>1.107.629</b>
With Original Maturity of One Year or Less	93.397	120.548
With Original Maturity of More than One Year	960.221	987.081
<b>Other Non-Cash Loans</b>	<b>36.462.119</b>	<b>28.784.952</b>
<b>Total</b>	<b>37.515.737</b>	<b>29.892.581</b>

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

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Interest on Loans <sup>(1)</sup></b>	<b>8.364.134</b>	<b>1.021.754</b>	<b>6.411.453</b>	<b>515.701</b>
Short Term Loans	2.931.908	89.846	1.878.073	66.459
Medium and Long Term Loans	5.330.112	931.887	4.433.365	448.661
Interest on Non-Performing Loans	102.114	21	100.015	581
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:**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Central Bank of the Republic of Turkey	2.855	-	-	-
Domestic Banks	107.891	4.130	68.391	3.918
Foreign Banks	1.405	4.270	775	3.740
Head Office and Branches	-	485	-	105
<b>Total</b>	<b>112.151</b>	<b>8.885</b>	<b>69.166</b>	<b>7.763</b>

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	1.490	593	692	339
Financial assets where fair value change is reflected to income statement	1.630	-	676	-
Financial assets available for sale	2.941.699	260.487	1.898.896	178.522
Investments held to maturity	608.889	243.938	1.168.313	226.485
<b>Total</b>	<b>3.553.708</b>	<b>505.018</b>	<b>3.068.577</b>	<b>405.346</b>

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

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	-	2.437

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks <sup>(1)</sup>	69.654	152.915	48.483	65.007
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	7.796	19.986	5.385	5.700
Foreign Banks	61.858	132.030	43.098	59.307
Head Office and Branches	-	899	-	-
Other Institutions	-	6	-	-
<b>Total</b>	<b>69.654</b>	<b>152.921</b>	<b>48.483</b>	<b>65.007</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	6.406	18.724

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on Securities Issued	127.984	17.819	116.808	-

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**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	-	218.499	-	-	-	-	-	218.499
Saving deposits	8	110.394	2.918.705	262.545	40.540	36.405	700	3.369.297
Public sector deposits	155	145.403	335.656	35.420	111.055	19.389	-	647.078
Commercial deposits	-	162.123	339.891	22.576	6.825	337	-	531.752
Other deposits	5.257	48.018	249.411	9.841	27.592	282	-	340.401
7 days call accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5.420</b>	<b>684.437</b>	<b>3.843.663</b>	<b>330.382</b>	<b>186.012</b>	<b>56.413</b>	<b>700</b>	<b>5.107.027</b>
<b>FC</b>								
Foreign currency deposits	1.664	53.162	176.993	54.833	32.738	170.218	4	489.612
Bank deposits	39.559	14	-	-	12.851	11.889	-	64.313
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	130	2.237	83	47	52	-	2.549
<b>Total</b>	<b>41.223</b>	<b>53.306</b>	<b>179.230</b>	<b>54.916</b>	<b>45.636</b>	<b>182.159</b>	<b>4</b>	<b>556.474</b>
<b>Grand Total</b>	<b>46.643</b>	<b>737.743</b>	<b>4.022.893</b>	<b>385.298</b>	<b>231.648</b>	<b>238.572</b>	<b>704</b>	<b>5.663.501</b>

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

	Current Period	Prior Period
<b>Profit</b>	<b>12.820.895</b>	<b>7.677.248</b>
Profit from the Capital Market Transactions	59.018	71.623
Profit on Derivative Financial Instruments	1.368.782	1.502.475
Foreign Exchange Gains	11.393.095	6.103.150
<b>Loss (-)</b>	<b>12.853.993</b>	<b>7.731.068</b>
Loss from the Capital Market Transactions	2.064	1.428
Loss on Derivative Financial Instruments	2.338.566	1.185.860
Foreign Exchange Loss	10.513.363	6.543.780

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(427.569)	1.031.108
Effect of the change in interest rates on profit/loss	(542.215)	(714.493)
<b>Total</b>	<b>(969.784)</b>	<b>316.615</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 TL326.511 (30 September 2013: 568.021).

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

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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>	582.068	532.804
Group III Loans and Receivables	110.215	86.451
Group IV Loans and Receivables	361.027	310.988
Group V Loans and Receivables	110.826	135.365
General Provision Expenses <sup>(2)</sup>	289.559	565.238
Provision Expenses for the Possible Losses	180.680	309.300
Marketable Securities Impairment Expense	18	1.071
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available for Sale	18	1.071
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	76.769	1.629
<b>Total</b>	<b>1.129.094</b>	<b>1.410.042</b>

<sup>(1)</sup> The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL333.245 are presented in other operating income (30 September 2013: TL269.228).

<sup>(2)</sup> The relevant balances include the expenses related to the current period. The provision reversals within the period amounting to TL178 are presented in other operating income.

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

	<b>Current Period</b>	<b>Prior Period</b>
Personnel Expenses	1.454.334	1.345.699
Reserve for Employee Termination Benefits	37.315	34.833
Parent Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	326
Depreciation Expenses of Tangible Fixed Assets	149.089	57.519
Intangible Assets Impairment Expense	7	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	37.992	18.072
Impairment Expense for Equity Shares subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	-	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	626.635	1.330.339
Operational Leasing Expenses	106.987	80.889
Maintenance Expenses	44.780	56.109
Advertisement Expenses	30.327	51.328
Other Expenses	444.541	1.142.013
Loss on Sales of Assets	626	397
Other <sup>(1)</sup>	1.249.150	546.599
<b>Total</b>	<b>3.555.148</b>	<b>3.333.784</b>

<sup>(1)</sup> TL242.262 of the relevant balance is Savings Deposit Insurance Fund expense accrual (30 September 2013: TL206.393), TL226.162 is taxes, fees and tolls expenses (30 September 2013: TL217.041).

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	6.458.947	5.788.591
Net Fees and Commissions Income	723.538	629.620
Dividend Income	5.248	64.344
Trading Income/Expense (Net)	(33.098)	(53.820)
Other Operating Income	1.439.274	1.645.410
Provision for Loan or Other Receivables Losses (-)	1.129.094	1.410.042
Other Operating Expenses (-)	3.555.148	3.333.784
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	16.472	11.209
<b>Income/(Loss) From Continuing Operations</b>	<b>3.926.139</b>	<b>3.341.528</b>

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

As of 30 September 2014, the Group's income tax provision amounting to TL879.659 (30 September 2013: TL834.259) consists of TL1.164.496 (30 September 2013: TL554.152 of current tax charge and TL284.837 (30 September 2013: TL280.107) 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 TL3.046.480 (30 September 2013: TL2.507.269).

**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.

**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 September 2014, the Group's other fee and commission income amounting to TL825.018 (30 September 2013: TL687.161 consists of TL282.685 (30 September 2013: TL192.915) of credit card fees and commission income, TL142.183 (30 September 2013: TL172.991) of insurance commission and the remaining TL400.150 (30 September 2013: TL321.255) of money order, account management fee and other commission income.

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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

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

a) Current Period:

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

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>(1)</sup>	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	61.333	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Interest and Commissions Income <sup>(2)</sup>	2.437	-	-	-	-	-

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

(2) Interest and commissions income balance is the balance as of 30 September 2013.

c) 1) 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
Deposits						
Opening Balance	168.049	557.636	-	-	-	-
Closing Balance	58.880	168.049	-	-	-	-
Interest Expense on Deposits <sup>(1)</sup>	6.406	18.724	-	-	-	-

(1) The prior period balance of the accrued interest expense of the deposit is the balance as of 30 September 2013.

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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)**

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

None (31 December 2013: None).

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

Fees paid to the Group’s key management amount to TL23.409 (30 September 2013: TL19.133).

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

The Bank’s export of nominal amounted bonds to qualified investors with TRQTCZB21521 ISIN Code with 110 days maturity amounted TL514.120 and bonds with TRQTCZB31512 ISIN Code with 152 days maturity amounted TL187.880 have been conducted at 24 November 2014.

BRSA has given permission to TC Ziraat Bankası A.Ş. as the co-founder and other founding partners of Ziraat Sigorta A.Ş., Ziraat Hayat ve Emeklilik A.Ş., Ziraat Yatırım Menkul Değerler A.Ş. and Ziraat Teknoloji A.Ş. on 15 October 2014, for the establishment of a participation bank in Turkey with Turkish Lira capital equivalent to USD300 million.

Business activities of the Parent Bank related with following matters are permitted with decision of BRSA dated 7 November 2014 which is published in the Official Gazette dated 11 November 2014 and numbered 29172.

- Reinforcement/consulting services to be provided to domestic and foreign associates, subsidiaries and entities under common control of the Parent Bank regarding;
  - The areas of monitoring and maintenance services for bank card, credit card, operational transactions related with POS, ATM, call center, telephone banking, website, online banking, mobil banking etc.,
  - Issues including front desk service as a part of information systems which is limited with scope, field maintenance service about Information Technologies (IT), software, hardware, IT contract and IT risk management,
  - Central based system access operations, loan operations, dispatch and printing services,
  - Establishment and development of a system in order to share information for the purpose of monitoring the credit worthiness of the common customers,
  - Establishment and development of a system for credit risk analysis, principles of the loan process, and for scoring/rating, and the issues concerning credit risk management,
  - The control of collaterals for the loans that will be extended to resident companies in Turkey, the acceptance from the borrower, reporting and documentation of the loans, receiving and resolving of the collaterals.
- Performing agency transactions of the Parent Bank, by establishment of an “agency” together with Ziraat Portföy Yönetimi A.Ş.
- Providing administrative and operational support/consulting services to the funds that are/to be established, by domestic and foreign subsidiaries and associates of the Parent Bank and by others.

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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 September 2014, 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 19 November 2014 is presented preceding the financial statements.

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

None.

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