

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

**PUBLICLY ANNOUNCED UNCONSOLIDATED  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT  
AT 31 DECEMBER 2012**

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

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

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

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

*Disclosure for the responsibility of the Bank’s Board of Directors:*

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

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

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

*Basis for the qualified opinion:*

As mentioned in Section II. Note 7.d1 of Explanations and Notes to the Unconsolidated Financial Statements; as of the balance sheet date, the accompanying financial statements include a general reserve amounting to TL755.500 thousand (TL625.500 thousand of this reserve amount was charged to the income statement as an expense in the current period), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions.

*Independent Auditor's Opinion:*

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

*Additional Paragraph for Convenience Translation:*

As explained in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with Article 37 of Banking Law No. 5411, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Başaran Nas Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
a member of  
PricewaterhouseCoopers

Haluk Yalçın, SMMM  
Partner  
Istanbul, 14 February 2013

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

THE UNCONSOLIDATED FINANCIAL REPORT OF  
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 31 DECEMBER 2012

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

The unconsolidated 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 BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

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

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

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Hüseyin AYDIN  
Member of the Board of  
Directors  
General Manager

---

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

---

Cem İNAL  
Financial Coordination  
Assistant General Manager

---

Atakan BEKTAŞ  
Deputy Head of  
Reporting Management

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

Name/Title : Tuncay KAMIŞ / External Reporting Officer  
Telephone Number : 0312 584 47 59

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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**SECTION ONE**

**GENERAL INFORMATION ABOUT THE BANK**

**I. HISTORY OF THE BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS AND AMENDMENTS TO LEGAL STATUS, IF ANY**

The foundation of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“Ziraat Bankası” or “the 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 BANK’S CAPITAL STRUCTURE, SHAREHOLDERS OF THE BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THE BANK BELONGS TO**

The sole shareholder of the Bank is the Treasury.

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TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

GENERAL INFORMATION ABOUT THE BANK (Continued)

III. INFORMATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE 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
Erdal ERDEM	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Mustafa ÇETİN	Member
Salim ALKAN	Member
<b>Audit Committee Members</b>	
Muharrem KARSLI	Member
Feyzi ÇUTUR	Member
<b>Assistant General Managers</b>	
Ali TOKER	Human Resources
Alpaslan ÇAKAR	Operational Transactions
Bilgehan KURU	Treasury and Strategy Management
Cem İNAL	Financial Coordination
Mehmet Cengiz GÖĞEBAKAN	Credit Policies
Musa ARDA	Credit Allocation and Management
Osman ARSLAN	International Banking and Joint Ventures
Ömer Muzaffer BAKTIR	Marketing
Yunus Uygur KOCAOĞLU *	Information Technologies Management
<b>Head of Group</b>	
Bülent YALIM	Internal Control and Risk Management

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

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

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

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

The sole shareholder of the Bank is the Treasury.

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UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN  
TURKISH, SEE IN NOTE I. OF SECTION THREE**

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012**

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

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

**V. SUMMARY INFORMATION ON THE BANK’S ACTIVITIES AND SERVICES**

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

As of 31 December 2012, Bank carries its activities with a grand total of 1.514 branches; 1.490 domestic branches including 1.316 branches, 5 corporate branches, 27 commercial branches, 77 entrepreneurial branches, 32 bureaus, 31 private operation centers, 2 mobile branches (31 December 2011: 1.434 branches including 1.373 domestic branches, 27 bureaus, 32 private operation centers, 2 mobile branches) and 24 branches abroad including 16 branches and 8 sub branches (New York branch in United States, London branch in England, Tbilisi branch in Georgia, Baghdad and Arbil branches in Iraq, Athens, Gümülcine, İskeçe and Rodos branches in Greece, Sofia branch and Filibe/Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Lefkoşa, Girne, Güzelyurt, Gazimağusa and Gönyeli branches with Akdoğan, Near East University, Karaoğlanoğlu, Çatalköy and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has 1 representative office in Tehran, Iran.

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

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



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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

I.	BALANCE SHEET	Note (Section Five I)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>CASH BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	(1)	<b>5.908.268</b>	<b>14.805.063</b>	<b>20.713.331</b>	<b>6.318.336</b>	<b>7.954.038</b>	<b>14.272.374</b>
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)</b>	(2)	<b>16.956</b>	<b>129.261</b>	<b>146.217</b>	<b>92.992</b>	<b>40.604</b>	<b>133.596</b>
2.1	Financial Assets Held for Trading		16.956	129.261	146.217	92.992	40.604	133.596
2.1.1	Public Sector Debt Securities		9.068	4.582	13.650	42.289	14.139	56.428
2.1.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.1.3	Derivative Financial Assets Held for Trading		7.888	124.679	132.567	50.703	26.465	77.168
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.2.1	Public Sector Debt Securities		-	-	-	-	-	-
2.2.2	Securities Representing a Share in Capital		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
<b>III.</b>	<b>BANKS</b>	(3)	<b>45.116</b>	<b>1.888.355</b>	<b>1.933.471</b>	<b>61.040</b>	<b>1.259.419</b>	<b>1.320.459</b>
<b>IV.</b>	<b>MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3	Receivables From Reverse Repurchase Agreements		-	-	-	-	-	-
<b>V.</b>	<b>FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	<b>33.500.459</b>	<b>4.567.558</b>	<b>38.068.017</b>	<b>33.842.067</b>	<b>4.285.716</b>	<b>38.127.783</b>
5.1	Securities Representing a Share in Capital		141.489	118.064	259.553	123.809	93.586	217.395
5.2	Public Sector Debt Securities		33.357.334	4.337.465	37.694.799	33.718.258	4.020.659	37.738.917
5.3	Other Marketable Securities		1.636	112.029	113.665	-	171.471	171.471
<b>VI.</b>	<b>LOANS AND RECEIVABLES</b>	(5)	<b>63.983.499</b>	<b>7.442.980</b>	<b>71.426.479</b>	<b>64.330.044</b>	<b>7.099.931</b>	<b>71.429.975</b>
6.1	Loans and Receivables		63.188.677	7.441.617	70.630.294	64.073.451	7.099.809	71.173.260
6.1.1	Loans Granted to Risk Group of The Bank		4.994	207.713	212.707	14.193	264.996	279.189
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		63.183.683	7.233.904	70.417.587	64.059.258	6.834.813	70.894.071
6.2	Loans under Follow-up		2.040.802	16.751	2.057.553	850.293	12.748	863.041
6.3	Specific Provisions (-)		1.245.980	15.388	1.261.368	593.700	12.626	606.326
<b>VII.</b>	<b>FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII.</b>	<b>INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	<b>23.030.009</b>	<b>4.224.816</b>	<b>27.254.825</b>	<b>27.600.761</b>	<b>4.903.436</b>	<b>32.504.197</b>
8.1	Public Sector Debt Securities		23.020.788	4.224.308	27.245.096	27.592.135	4.902.915	32.495.050
8.2	Other Marketable Securities		9.221	508	9.729	8.626	521	9.147
<b>IX.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	<b>65.452</b>	-	<b>65.452</b>	<b>59.806</b>	-	<b>59.806</b>
9.1	Accounted with Equity Method		-	-	-	-	-	-
9.2	Unconsolidated Associates		65.452	-	65.452	59.806	-	59.806
9.2.1	Financial Associates		59.386	-	59.386	53.781	-	53.781
9.2.2	Non-financial Associates		6.066	-	6.066	6.025	-	6.025
<b>X.</b>	<b>INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	<b>183.360</b>	<b>710.374</b>	<b>893.734</b>	<b>123.000</b>	<b>576.949</b>	<b>699.949</b>
10.1	Unconsolidated Financial Subsidiaries		176.127	710.374	886.501	117.279	576.949	694.228
10.2	Unconsolidated Non-Financial Subsidiaries		7.233	-	7.233	5.721	-	5.721
<b>XI.</b>	<b>ENTITIES UNDER COMMON CONTROL (Net)</b>	(9)	-	<b>74.926</b>	<b>74.926</b>	-	<b>50.359</b>	<b>50.359</b>
11.1	Accounted with Equity Method		-	-	-	-	-	-
11.2	Unconsolidated Entities Under Common Control		-	74.926	74.926	-	50.359	50.359
11.2.1	Financial Entities Under Common Control		-	74.926	74.926	-	50.359	50.359
11.2.2	Non Financial Entities Under Common Control		-	-	-	-	-	-
<b>XII.</b>	<b>RECEIVABLE FROM LEASING TRANSACTIONS</b>	(10)	-	-	-	-	-	-
12.1	Finance Lease Receivables		-	-	-	-	-	-
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
<b>XIII.</b>	<b>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.</b>	<b>TANGIBLE ASSETS (Net)</b>	(14)	<b>924.132</b>	<b>7.224</b>	<b>931.356</b>	<b>921.322</b>	<b>9.176</b>	<b>930.498</b>
<b>XV.</b>	<b>INTANGIBLE ASSETS (Net)</b>	(15)	<b>54.780</b>	<b>6.636</b>	<b>61.416</b>	<b>52.614</b>	<b>11.363</b>	<b>63.977</b>
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		54.780	6.636	61.416	52.614	11.363	63.977
<b>XVI.</b>	<b>REAL ESTATES FOR INVESTMENT PURPOSE (Net)</b>	(12)	-	-	-	-	-	-
<b>XVII.</b>	<b>TAX ASSET</b>		<b>224.079</b>	-	<b>224.079</b>	<b>281.913</b>	-	<b>281.913</b>
17.1	Current Tax Asset		321	-	321	211	-	211
17.2	Deferred Tax Asset		223.758	-	223.758	281.702	-	281.702
<b>XVIII.</b>	<b>ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(13)	<b>66.049</b>	-	<b>66.049</b>	<b>51.882</b>	-	<b>51.882</b>
18.1	Held for Sale		66.049	-	66.049	51.882	-	51.882
18.2	Held from Discontinued Operations		-	-	-	-	-	-
<b>XIX.</b>	<b>OTHER ASSETS</b>	(17)	<b>972.816</b>	<b>35.589</b>	<b>1.008.405</b>	<b>703.217</b>	<b>51.157</b>	<b>754.374</b>
	<b>TOTAL ASSETS</b>		<b>128.974.975</b>	<b>33.892.782</b>	<b>162.867.757</b>	<b>134.438.994</b>	<b>26.242.148</b>	<b>160.681.142</b>

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

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UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN  
TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

I. BALANCE SHEET	Note (Section Five II)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES AND EQUITY					
<b>I. DEPOSITS</b>	(1)	<b>92.330.087</b>	<b>26.636.217</b>	<b>118.966.304</b>	<b>89.189.709</b>	<b>23.876.973</b>	<b>113.066.682</b>
1.1 Deposits Held By the Risk Group of the Bank		794.137	138.305	932.442	1.066.830	108.861	1.175.691
1.2 Other		91.535.950	26.497.912	118.033.862	88.122.879	23.768.112	111.890.991
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	<b>38.987</b>	<b>16.561</b>	<b>55.548</b>	<b>29.853</b>	<b>9.968</b>	<b>39.821</b>
<b>III. FUNDS BORROWED</b>	(3)	<b>864.946</b>	<b>2.207.493</b>	<b>3.072.439</b>	<b>65.526</b>	<b>487.956</b>	<b>553.482</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>5.577.693</b>	<b>5.584.781</b>	<b>11.162.474</b>	<b>23.319.266</b>	<b>2.468.904</b>	<b>25.788.170</b>
4.1 Interbank Money Market Borrowings		-	-	-	-	871.449	871.449
4.2 Istanbul Stock Exchange Takasbank Borrowings		-	-	-	-	-	-
4.3 Funds Provided under Repurchase Agreements		5.577.693	5.584.781	11.162.474	23.319.266	1.597.455	24.916.721
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		<b>1.943.988</b>	-	<b>1.943.988</b>	-	-	-
5.1 Bills		1.764.858	-	1.764.858	-	-	-
5.2 Asset-backed Securities		-	-	-	-	-	-
5.3 Bonds		179.130	-	179.130	-	-	-
<b>VI. FUNDS</b>		<b>4.292.229</b>	-	<b>4.292.229</b>	<b>3.871.136</b>	-	<b>3.871.136</b>
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		4.292.229	-	4.292.229	3.871.136	-	3.871.136
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>849.575</b>	<b>307.908</b>	<b>1.157.483</b>	<b>688.700</b>	<b>199.156</b>	<b>887.856</b>
<b>VIII. OTHER LIABILITIES</b>	(4)	<b>1.180.753</b>	<b>352.446</b>	<b>1.533.199</b>	<b>794.385</b>	<b>340.473</b>	<b>1.134.858</b>
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. PAYABLES FROM LEASING TRANSACTIONS (Net)</b>	(5)	-	<b>287</b>	<b>287</b>	-	-	-
10.1 Finance Lease Payables		-	297	297	-	-	-
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Finance Lease Expenses (-)		-	10	10	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	(6)	-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(7)	<b>2.996.158</b>	<b>5.881</b>	<b>3.002.039</b>	<b>1.886.463</b>	<b>5.973</b>	<b>1.892.436</b>
12.1 General Provisions		1.204.127	612	1.204.739	977.551	139	977.690
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Employee Benefits Provisions		774.200	-	774.200	656.600	-	656.600
12.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5 Other Provisions		1.017.831	5.269	1.023.100	252.312	5.834	258.146
<b>XIII. TAX LIABILITY</b>	(8)	<b>513.973</b>	<b>304</b>	<b>514.277</b>	<b>269.111</b>	<b>337</b>	<b>269.448</b>
13.1 Current Tax Liability		513.973	304	514.277	269.111	337	269.448
13.2 Deferred Tax Liability		-	-	-	-	-	-
<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>16.466.387</b>	<b>701.103</b>	<b>17.167.490</b>	<b>13.140.811</b>	<b>36.442</b>	<b>13.177.253</b>
16.1 Paid-in Capital		2.500.000	-	2.500.000	2.500.000	-	2.500.000
16.2 Capital Reserves		1.072.419	701.103	1.773.522	150.032	36.442	186.474
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		477.484	701.103	1.178.587	(410.811)	36.442	(374.369)
16.2.4 Tangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.5 Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6 Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7 Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17.369	-	17.369	17.361	-	17.361
16.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other Capital Reserves		577.566	-	577.566	543.482	-	543.482
16.3 Profit Reserves		10.083.742	-	10.083.742	8.230.307	-	8.230.307
16.3.1 Legal Reserves		2.408.490	-	2.408.490	2.290.756	-	2.290.756
16.3.2 Statutory Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		7.041.211	-	7.041.211	5.305.510	-	5.305.510
16.3.4 Other Profit Reserves		634.041	-	634.041	634.041	-	634.041
16.4 Profit or Loss		2.810.226	-	2.810.226	2.260.472	-	2.260.472
16.4.1 Prior Years Profit/Loss		159.798	-	159.798	159.798	-	159.798
16.4.2 Net Period Profit/Loss		2.650.428	-	2.650.428	2.100.674	-	2.100.674
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>127.054.776</b>	<b>35.812.981</b>	<b>162.867.757</b>	<b>133.254.960</b>	<b>27.426.182</b>	<b>160.681.142</b>

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012 AND 2011  
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II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
		TL	FC	Total	TL	FC	Total
		<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>54.150.267</b>	<b>40.389.162</b>	<b>94.539.429</b>	<b>36.255.578</b>
<b>I. GUARANTEES AND WARRANTIES</b>	(1),(3)	<b>5.529.664</b>	<b>9.863.890</b>	<b>15.393.554</b>	<b>4.046.543</b>	<b>7.932.118</b>	<b>11.978.661</b>
1.1 Letters of Guarantee		5.464.619	6.623.113	12.087.732	4.044.509	5.922.741	9.967.250
1.1.1 Guarantees Subject to State Tender Law		379.750	6.132.611	6.512.361	392.196	5.600.700	5.992.896
1.1.2 Guarantees Given for Foreign Trade Operations		4.281.844	-	4.281.844	2.959.563	-	2.959.563
1.1.3 Other Letters of Guarantee		803.025	490.502	1.293.527	692.750	322.041	1.014.791
1.2 Bank Acceptances		5.363	953.966	959.329	2.000	371.588	373.588
1.2.1 Import Letter of Acceptance		5.363	941.199	946.562	-	6.354	6.354
1.2.2 Other Bank Acceptances		-	12.767	12.767	2.000	365.234	367.234
1.3 Letters of Credit		59.682	2.286.811	2.346.493	34	1.637.789	1.637.823
1.3.1 Documentary Letters of Credit		59.682	2.225.671	2.285.353	34	1.637.789	1.637.823
1.3.2 Other Letters of Credit		-	61.140	61.140	-	-	-
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		-	-	-	-	-	-
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(1),(3)	<b>47.181.489</b>	<b>20.634.722</b>	<b>67.816.211</b>	<b>30.945.781</b>	<b>8.304.720</b>	<b>39.250.501</b>
2.1 Irrevocable Commitments		8.097.722	828.020	8.925.742	7.755.616	974.747	8.730.363
2.1.1 Asset Purchase and Sale Commitments		115.642	328.248	443.890	268.644	367.070	635.714
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	1.000	-	1.000
2.1.4 Loan Granting Commitments		11	141.006	141.017	143	-	143
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		2.410.263	-	2.410.263	2.461.000	-	2.461.000
2.1.8 Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9 Commitments for Credit Card Limits		3.813.950	-	3.813.950	3.822.106	-	3.822.106
2.1.10 Commitments for credit cards and banking services promotions		10.985	-	10.985	8.131	-	8.131
2.1.11 Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12 Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		1.746.871	358.766	2.105.637	1.194.592	607.677	1.802.269
2.2 Revocable Commitments		39.083.767	19.806.702	58.890.469	23.190.165	7.329.973	30.520.138
2.2.1 Revocable Loan Granting Commitments		39.083.755	19.806.702	58.890.457	23.189.863	7.329.973	30.519.836
2.2.2 Other Revocable Commitments		12	-	12	302	-	302
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	<b>1.439.114</b>	<b>9.890.550</b>	<b>11.329.664</b>	<b>1.263.254</b>	<b>4.947.002</b>	<b>6.210.256</b>
3.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2 Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2 Trading Transactions		1.439.114	9.890.550	11.329.664	1.263.254	4.947.002	6.210.256
3.2.1 Forward Foreign Currency Buy/Sell Transactions		7.225	105.117	112.342	133.195	134.512	267.707
3.2.1.1 Forward Foreign Currency Transactions-Buy		3.611	52.564	56.175	66.617	67.248	133.865
3.2.1.2 Forward Foreign Currency Transactions-Sell		3.614	52.553	56.167	66.578	67.264	133.842
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		1.431.889	9.785.433	11.217.322	1.130.059	4.812.490	5.942.549
3.2.2.1 Foreign Currency Swap-Buy		664	5.666.087	5.666.751	-	2.977.218	2.977.218
3.2.2.2 Foreign Currency Swap-Sell		1.431.225	4.119.346	5.550.571	1.130.059	1.835.272	2.965.331
3.2.2.3 Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4 Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3 Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1 Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2 Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>230.375.194</b>	<b>15.136.640</b>	<b>245.511.834</b>	<b>212.862.987</b>	<b>14.045.181</b>	<b>226.908.168</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>30.302.721</b>	<b>2.549.943</b>	<b>32.852.664</b>	<b>21.201.775</b>	<b>1.362.383</b>	<b>22.564.158</b>
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		10.785.482	1.298.862	12.084.344	3.561.620	1.133.079	4.694.699
4.3 Checks Received for Collection		942.646	22.480	965.126	977.787	14.781	992.568
4.4 Commercial Notes Received for Collection		2.627.395	132.381	2.759.776	2.770.680	143.105	2.913.785
4.5 Other Assets Received for Collection		8.879	-	8.879	8.893	-	8.893
4.6 Assets Received for Public Offering		15.722.252	90	15.722.342	13.672.892	93	13.672.985
4.7 Other Items Under Custody		214.418	1.096.130	1.310.548	208.254	71.325	279.579
4.8 Custodians		1.649	-	1.649	-	-	1.649
<b>V. PLEDGES RECEIVED</b>		<b>200.065.042</b>	<b>12.000.385</b>	<b>212.065.427</b>	<b>191.661.212</b>	<b>12.598.473</b>	<b>204.259.685</b>
5.1 Marketable Securities		513.623	37.418	551.041	264.618	38.111	302.729
5.2 Guarantee Notes		8.060.791	291.639	8.352.430	24.543.558	4.242.379	28.785.937
5.3 Commodity		1.249.249	13.603	1.262.852	1.249.461	14.118	1.263.579
5.4 Warranty		-	-	-	-	-	-
5.5 Immovable		177.629.793	9.318.980	186.948.773	154.386.204	6.685.510	161.071.714
5.6 Other Pledged Items		12.606.377	2.331.916	14.938.293	11.212.162	1.611.171	12.823.333
5.7 Pledged Items-Depository		5.209	6.829	12.038	5.209	7.184	12.393
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>7.431</b>	<b>586.312</b>	<b>593.743</b>	<b>-</b>	<b>84.325</b>	<b>84.325</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>284.525.461</b>	<b>55.525.802</b>	<b>340.051.263</b>	<b>249.118.565</b>	<b>35.229.021</b>	<b>284.347.586</b>

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<b>III. STATEMENT OF INCOME</b>				
<b>INCOME AND EXPENSE ITEMS</b>		<b>Note (Section Five IV)</b>	<b>Current Period 01/01-31/12/2012</b>	<b>Prior Period 01/01-31/12/2011</b>
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>14.810.669</b>	<b>13.706.442</b>
1.1	Interest Income from Loans		8.665.298	7.392.119
1.2	Interest Income From Reserve Deposits		1.635	1.650
1.3	Interest Income from Banks		23.933	34.657
1.4	Interest Income from Money Market Placements		5	38
1.5	Interest Income from Marketable Securities		6.110.808	6.265.869
1.5.1	Financial Assets Held for Trading		2.887	9.571
1.5.2	Financial Assets at Fair Value through Profit and Loss		-	-
1.5.3	Financial Assets Available-for-Sale		3.182.466	3.202.880
1.5.4	Investments Held-to-Maturity		2.925.455	3.053.418
1.6	Finance Lease Income		-	-
1.7	Other Interest Income		8.990	12.109
<b>II.</b>	<b>INTEREST EXPENSES</b>	<b>(2)</b>	<b>7.909.759</b>	<b>8.464.864</b>
2.1	Interest Expense on Deposits		6.299.506	7.348.651
2.2	Interest on Borrowings		74.691	6.583
2.3	Interest on Money Market Borrowings		1.381.016	1.088.513
2.4	Interest on Marketable Securities Issued		135.102	-
2.5	Other Interest Expense		19.444	21.117
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSES (I - II)</b>		<b>6.900.910</b>	<b>5.241.578</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>752.112</b>	<b>625.613</b>
4.1	Fees and Commissions Received		932.416	773.958
4.1.1	Non-cash Loans		62.102	45.158
4.1.2	Other		870.314	728.800
4.2	Fees and Commissions Paid		180.304	148.345
4.2.1	Non-cash Loans		26	12
4.2.2	Other		180.278	148.333
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(3)</b>	<b>98.068</b>	<b>31.788</b>
<b>VI.</b>	<b>TRADING PROFIT/LOSS (Net)</b>	<b>(4)</b>	<b>(51.613)</b>	<b>(61.453)</b>
6.1	Profit/Loss from Capital Market Operations		64.555	93.140
6.2	Profit/losses on Derivative Financial Transactions	<b>(5)</b>	(46.158)	291.574
6.3	Profit/Loss from Foreign Exchanges		(70.010)	(446.167)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(6)</b>	<b>428.801</b>	<b>372.414</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)</b>		<b>8.128.278</b>	<b>6.209.940</b>
<b>IX.</b>	<b>PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)</b>	<b>(7)</b>	<b>1.795.213</b>	<b>807.997</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES(-)</b>	<b>(8)</b>	<b>2.828.340</b>	<b>2.622.439</b>
<b>XI.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>3.504.725</b>	<b>2.779.504</b>
<b>XII.</b>	<b>GAINS RECORDED AFTER MERGER</b>		-	-
<b>XIII.</b>	<b>PROFIT/LOSS ON EQUITY METHOD</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>(9)</b>	<b>3.504.725</b>	<b>2.779.504</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(10)</b>	<b>(854.297)</b>	<b>(678.830)</b>
16.1	Current Tax Provision		(1.142.233)	(314.816)
16.2	Deferred Tax Provision		287.936	(364.014)
<b>XVII.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>(11)</b>	<b>2.650.428</b>	<b>2.100.674</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1	Income from Non-current Assets Held for Resale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
18.3	Other Income From Discontinued Operations		-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1	Expenses for Non-current Assets Held for Resale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3	Other Expenses From Discontinued Operations		-	-
<b>XX.</b>	<b>PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXI.</b>	<b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
<b>XXII.</b>	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII.</b>	<b>NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(12)</b>	<b>2.650.428</b>	<b>2.100.674</b>
	Earnings/ Loss per Share		1,060	0,840

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2011 AND 2010**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

<b>IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>			
<b>PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		<b>Current Period (31/12/2012)</b>	<b>Prior Period (31/12/2011)</b>
<b>I.</b>	<b>ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>2.476.170</b>	<b>(320.948)</b>
<b>II.</b>	<b>PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES</b>	-	-
<b>III.</b>	<b>INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>IV.</b>	<b>CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	<b>(15.634)</b>	<b>(17.038)</b>
<b>V.</b>	<b>PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)</b>	-	-
<b>VI.</b>	<b>PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VII.</b>	<b>EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS</b>		
<b>VIII.</b>	<b>OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS</b>	<b>93.907</b>	<b>(216)</b>
<b>IX.</b>	<b>DEFERRED TAXES RELATED TO VALUATION DIFFERENCES</b>	<b>(345.882)</b>	<b>85.332</b>
<b>X.</b>	<b>NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>2.208.561</b>	<b>(252.870)</b>
<b>XI.</b>	<b>CURRENT YEAR PROFIT/LOSS</b>	<b>(655.605)</b>	<b>(1.050.107)</b>
11.1	Net change in fair value of marketable securities (transfer to profit-loss)	(667.102)	(1.055.826)
11.2	Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3	Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4	Other	11.497	5.719
<b>XII.</b>	<b>TOTAL PROFIT/LOSS FOR THE CURRENT PERIOD (X±XI)</b>	<b>1.552.956</b>	<b>(1.302.977)</b>

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2012**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY																	
31 December 2011	Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancell. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Total Equity
I. Balance at the beginning of the period		2.500.000	543.482	-	-	2.012.298	-	3.000.593	583.409	-	3.872.400	928.608	-	17.295	-	-	13.458.085
Changes During the Period																	
II. Increase/Decrease Related to Merger																	
III. Marketable Securities Valuation Differences												(1.152.774)					(1.152.774)
IV. Hedging Funds (Active Part)																	
4.1 Cash-Flow Hedge																	
4.2 Hedges for Investments Made in Foreign Countries																	
V. Revaluation Differences of Tangible Assets																	
VI. Revaluation Differences of Intangible Assets																	
VII. Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)														66			66
VIII. Foreign Exchange Differences												(150.203)					(150.203)
IX. Changes Resulted from Disposal of Assets																	
X. Changes Resulted from Reclassification of Assets																	
XI. Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity																	
XII. Increase in Capital																	
12.1 Cash																	
12.2 From Internal Resources																	
XIII. Issuance of Share Certificates																	
XIV. Share Cancellation Profits																	
XV. Adjustment to Paid-in Capital																	
XVI. Other																	
XVII. Net Profit or Losses										2.100.674							2.100.674
XVIII. Profit Distribution						278.458		2.304.917	50.632		(3.712.602)						(1.078.595)
18.1 Dividend Distributed											(1.078.595)						(1.078.595)
18.2 Transfers to Legal Reserves						278.458		2.304.917	50.632		(2.634.007)						
18.3 Other																	
Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)		2.500.000	543.482	-	-	2.290.756	-	5.305.510	634.041	2.100.674	159.798	(374.369)	-	17.361	-	-	13.177.253

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

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2012**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY																		
	Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Total Equity	
31 December 2012																		
<b>I. Balance at the Beginning of the Period</b>		2.500.000	543.482	-	-	2.290.756	-	5.305.510	634.041	-	2.260.472	(374.369)	-	17.361	-	-	13.177.253	
Changes During the Period																		
<b>II. Increase/Decrease Related to Merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Marketable Securities Valuation Differences</b>		-	-	-	-	-	-	-	-	-	-	1.568.590	-	-	-	-	1.568.590	
<b>IV. Hedging Funds (Active Part)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.1 Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.2 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>V. Revaluation Differences of Tangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VI. Revaluation Differences of Intangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VII. Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)</b>		-	-	-	-	-	-	-	-	-	-	-	-	8	-	-	8	
<b>VIII. Foreign Exchange Differences</b>		-	34.084	-	-	-	-	-	-	-	-	(15.634)	-	-	-	-	18.450	
<b>IX. Changes Resulted from Disposal of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>X. Changes Resulted from Reclassification of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XI. Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XII. Increase in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2 From Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XIII. Issuance of Share Certificates</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XIV. Share Cancellation Profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XV. Adjustment to Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XVI. Other</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XVII. Net Profit or Losses</b>		-	-	-	-	-	-	-	-	2.650.428	-	-	-	-	-	-	2.650.428	
<b>XVIII. Profit Distribution</b>		-	-	-	-	117.734	-	1.735.701	-	-	(2.100.674)	-	-	-	-	-	(247.239)	
18.1 Dividend Distributed		-	-	-	-	-	-	-	-	-	(247.239)	-	-	-	-	-	(247.239)	
18.2 Transfers to Legal Reserves		-	-	-	-	117.734	-	1.735.701	-	-	(1.853.435)	-	-	-	-	-	-	
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Balance at the End of the Period (I+II+III+.....+XVI+XVII+XVIII)</b>		2.500.000	577.566	-	-	2.408.490	-	7.041.211	634.041	2.650.428	159.798	1.178.587	-	17.369	-	-	17.167.490	

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**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF CASH FLOWS AT 31 DECEMBER 2012 AND 2011  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

VI. STATEMENT OF CASH FLOWS			
	Note (Section Five)	Current Period (31/12/2012)	Prior Period (31/12/2011)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		3.652.117	2.826.818
1.1.1 Interest Received		13.544.903	14.662.653
1.1.2 Interest Paid		(7.950.104)	(8.515.062)
1.1.3 Dividend Received		98.068	31.788
1.1.4 Fees and Commissions Received		932.492	772.430
1.1.5 Other Income		675.334	692.076
1.1.6 Collections from Previously Written-off Loans and Other Receivables		749.391	823.027
1.1.7 Payments to Personnel and Service Suppliers		(1.361.181)	(2.366.768)
1.1.8 Taxes Paid		(1.121.543)	(651.052)
1.1.9 Other		(1.915.243)	(2.622.274)
1.2 Changes in Operating Assets and Liabilities		(13.018.769)	(9.835.062)
1.2.1 Net (Increase)/Decrease in Trading Securities		41.742	148.418
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3 Net (Increase)/Decrease in Banks		(6.978.913)	(5.297.641)
1.2.4 Net (Increase)/Decrease in Loans		(717.893)	(13.786.911)
1.2.5 Net (Increase)/Decrease in Other Assets		(346.281)	(189.121)
1.2.6 Net Increase/(Decrease) in Bank Deposits		(10.774.655)	21.717.650
1.2.7 Net Increase/(Decrease) in Other Deposits		2.112.603	(13.610.193)
1.2.8 Net Increase/(Decrease) in Funds Borrowed		2.495.280	452.364
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		1.149.348	730.372
<b>I. Net Cash Provided from Banking Operations</b>		<b>(9.366.652)</b>	<b>(7.008.244)</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>		<b>7.964.569</b>	<b>2.866.552</b>
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		(30.213)	(78.697)
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3 Fixed Assets Purchases		(59.728)	(181.265)
2.4 Fixed Assets Sales		68.672	32.217
2.5 Cash for Purchase of Financial Assets Available for Sale		(10.939.205)	(51.478.756)
2.6 Cash Obtained from Sale of financial Assets Available for Sale		13.048.221	50.861.760
2.7 Cash Paid for Purchase of Investment Securities		(178.529)	(4.373.548)
2.8 Cash Obtained from Sale of Investment Securities		5.222.077	9.003.719
2.9 Other		833.274	(918.878)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>		<b>1.656.341</b>	<b>(1.078.596)</b>
3.1 Cash from Funds Borrowed and Securities Issued		-	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3 Marketable Securities Issued		1.903.580	-
3.4 Dividends Paid		(247.239)	(1.078.595)
3.5 Payments for Finance Leases		-	(1)
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>(182.399)</b>	<b>606.441</b>
<b>V. Net Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>71.859</b>	<b>(4.613.847)</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>	(1)	<b>7.687.992</b>	<b>12.301.839</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>	(1)	<b>7.759.851</b>	<b>7.687.992</b>

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

**UNCONSOLIDATED STATEMENT OF PROFIT APPROPRIATION AT 31 DECEMBER 2012 AND 2011**

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

<b>VII.</b>	<b>PROFIT APPROPRIATION STATEMENT <sup>(1)</sup></b>	<b>Current Period (31/12/2012)</b>	<b>Prior Period <sup>(2)</sup> (31/12/2011)</b>
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1	Current Year Income	3.504.725	2.779.504
1.2	Taxes And Duties Payable (-) <sup>(3)</sup>	1.142.233	678.830
1.2.1	Corporate Tax (Income tax)	1.142.233	314.816
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	-	364.014
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>2.362.492</b>	<b>2.100.674</b>
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	118.125	105.034
1.5	Other Statutory Reserves (-)	-	-
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]</b>	<b>2.244.367</b>	<b>1.995.640</b>
1.6	First Dividend To Shareholders (-)	-	125.000
1.6.1	To Owners Of Ordinary Shares	-	-
1.6.2	To Owners Of Privileged Shares	-	-
1.6.3	To Owners Of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.7	Dividends To Personnel (-)	-	122.239
1.8	Dividends To Board Of Directors (-)	-	-
1.9	Second Dividend To Shareholders (-)	-	-
1.9.1	To Owners Of Ordinary Shares	-	-
1.9.2	To Owners Of Privileged Shares	-	-
1.9.3	To Owners Of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	12.700
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	1.735.701
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>		
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends To Shareholders (-)	-	-
2.3.1	To Owners Of Ordinary Shares	-	-
2.3.2	To Owners Of Privileged Shares	-	-
2.3.3	To Owners Of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders Of Profit And Loss Sharing Certificates	-	-
2.4	Dividends To Personnel (-)	-	-
2.5	Dividends To Board Of Directors (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>		
3.1	To Owners Of Ordinary Shares	1,0601	0,8403
3.2	To Owners Of Ordinary Shares ( % )	-	84,03
3.3	To Owners Of Privileged Shares	-	-
3.4	To Owners Of Privileged Shares ( % )	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>		
4.1	To Owners Of Ordinary Shares	-	0,05
4.2	To Owners Of Ordinary Shares ( % )	-	5,00
4.3	To Owners Of Privileged Shares	-	-
4.4	To Owners Of Privileged Shares ( % )	-	-

(1) Profit distribution is approved by the Ordinary General Assembly. As of the date of the preparation of financial statements, the meeting for Ordinary General Assembly has not been held.

(2) The profit distribution table belongs to prior period becomes definite with the decision of Ordinary General Assembly after the publishing of 31 December 2011 financial statement. It is rearranged in this direction.

(3) The deferred tax asset of current period amounting to TL287.936 is not subject to profit distribution.

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

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012**

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

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

The 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 unconsolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Application and Keeping Documents” published in the Official Gazette No. 26333 dated 1 November 2006 by the BRSA (“Banking Regulation and Supervision Agency”) which refers to “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards”(“TFRS”) issued by the Turkish Accounting Standards Board (“TASB”) and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA. The format and the details of the publicly announced 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 unconsolidated financial statements have been prepared in TL, under the historical cost convention as modified in accordance with inflation adjustments applied until 31 December 2004, except for the financial assets and liabilities carried at fair value.

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

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

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

The accounting policies and valuation principles applied in the preparation of these financial statements are defined and applied in accordance with TAS. Those accounting policies and valuation principles are explained in Notes II. to XXIV. 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 unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

Main activity of the Bank comprises banking services, such as; launching all kinds of cash and non-cash loans in terms of Turkish Lira and foreign currencies, performing transactions in local, international money and capital markets, supporting agricultural sector financially and collecting deposits in Turkish Lira and foreign currencies. The 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 Bank directs these funds to assets with high return and low risk. These assets include predominantly domestic government bonds and loans. The Bank’s liquidity structure covers the financing of all liabilities at due date. Although most of the sources in the 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 Bank adopts high return principle for its long-term placements.

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

Since the Bank’s total debt to the market is low among its total liabilities, the Bank can borrow easily from short-term markets, such as; Istanbul Stock Exchange (“ISE”), Central Bank of the Republic of Turkey, Money Market or Interbank Money Market in case of need. In case of a liquidity crisis, the deposit base of the Bank is not presumed to be significantly affected from such a case since the 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 and liabilities and income statement items of the abroad branches of the 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**

Based on the TAS 27 “Turkish Accounting Standard for Consolidated and Separate Financial Statements”, Turkish Lira denominated investments in associates and subsidiaries are accounted at cost and are reflected to the unconsolidated financial statements after deducting the provision for impairment, if any.

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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

Interest income and expenses are recognized on an accrual basis using the internal rate of return method in conformity with TAS 39 “Financial Instruments: Recognition and Measurement”. In accordance with the Communiqué on “Methods and Principles 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, commercial and agricultural 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 Bank, if the Bank is a legal party to these instruments.

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

**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:**

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.

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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

If financial assets available for sale are subject to permanent impairment, the amount is charged to “Value Loss Expenses for Securities” account in accordance with the related Turkish Accounting Standard.

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

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

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

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

Financial assets and liabilities shall be offset and the net amount presented in the balance sheet when, and only when the 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 securities lending transactions.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

A discontinued operation is a part of the 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 Bank has no discontinued operations.

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

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

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

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

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

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

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

Estimated depreciation rates of tangible fixed assets are as follows;

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

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



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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

**Financial Lease**

The Bank, 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 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.

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES (Continued)**

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

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

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

**a. Employment Termination and Vacation Benefits**

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

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

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

**b. Pension Rights**

Some of the Bank’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees Pension Fund (“Fund”) which was established by 20<sup>th</sup> provisional article of Social Security Law Act numbered 506. As of 31 December 2012 the number of personnel who benefit from the Fund, excluding dependents, is 14.060 (2011: 14.325). 10.537 of these members are active while 3.523 are passive members. (2011: 10.925 active members, 3.400 passive members).

In accordance with 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**b. Pension Rights (Continued)**

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

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

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

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

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

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

The technical balance sheet report as of 31 December 2012 which is prepared in accordance with the new law and the rate determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

**XVII. EXPLANATIONS ON TAXATION**

**a. Current Tax**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**a. Current Tax (Continued)**

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.

**b. Deferred tax**

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

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

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVIII. EXPLANATIONS ON BORROWINGS**

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

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

The Bank has issued no convertible bonds.

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

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

**XX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES**

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

**XXI. EXPLANATIONS ON GOVERNMENT GRANTS**

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

**XXII. CASH AND CASH EQUIVALENTS**

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

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

**XXIII. 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 Bank, are disclosed in Note VIII. of Section Four.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXIV. EXPLANATIONS ON OTHER MATTERS**

- a) The General Assembly for the year 2011 was carried out on 18 April 2012. In accordance with the decision taken, of the profit for the year 2011 amounting to TL2.100.674, TL105.034 is transferred to legal reserves and TL12.700 is transferred to second legal reserve, TL127.000 is distributed as dividend to employees provided that dividend amount does not exceed two month gross wage for each employee and TL106.250 is distributed to Treasury after deducting withholding tax of 15% (TL18.750) in cash. In this context, TL1.730.940 of the profit is preserved and of the dividend decided to be paid to personnel, TL122.239 dividend is paid. In accordance with the decision taken in General Assembly Meeting, the remaining of dividend paid to employees, TL4.761 was transferred to “profit reserves” account.

**b) Overview of Changes in Accounting Estimates:**

In the previous periods, the 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. As a result of increasing the said special provision rates, an additional special provision corresponding to TL112.989 was allocated as of 30 June 2012.

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**SECTION FOUR**

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

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

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

The Bank’s unconsolidated capital adequacy ratio calculated in accordance with the “Communiqué on Measurement and Assessment of Capital Adequacy of Banks” is 19,01%.

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

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

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

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

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

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

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

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

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

**Information related to capital adequacy ratio:**

	Risk Weights									
	Bank Only									
	0%	10%	20%	%50 Real Est. Mort. Coll.	50%	75%	100%	150%	200%	1250%
<b>Value at Credit Risk Exposure Categories</b>	<b>80.773.000</b>	-	<b>2.954.823</b>	-	<b>15.770.532</b>	<b>42.769.173</b>	<b>23.613.710</b>	<b>2.709.624</b>	<b>8.947.550</b>	-
Risk Classes										
Conditional and unconditional receivables from central governments or central banks	75.058.356	-	-	-	7.189.829	-	201.384	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	99.250	-	22	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	332.421	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organisations	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	2.855.506	-	8.580.681	-	425.570	-	-	-
Conditional and unconditional receivables from corporate	-	-	-	-	-	-	19.517.032	-	-	-
Conditional and unconditional retail Receivables	-	-	-	-	-	35.074.899	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-	7.694.274	179.500	-	-	-
Past due receivables	-	-	-	-	-	-	588.005	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	2.709.624	8.947.550	-
Securities collateralised by mortgages	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Other receivables	5.714.644	-	67	-	-	-	2.369.798	-	-	-

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



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

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

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

	<b>Current Period</b>
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	6.450.484
Capital Requirement for Market Risk (CRMR)	379.023
Capital Requirement for Operational Risk (CROR)	910.851
Shareholders' Equity	18.390.975
Shareholders' Equity / ((CRCR+CRMR+CROR)*12.5*100)	<b>19,01</b>

**Information Related To The Components Of Shareholders' Equity:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>CORE CAPITAL</b>		
Paid-in Capital	2.500.000	2.500.000
Nominal Capital	2.500.000	2.500.000
Capital Commitments (-)	-	-
Inflation Adjustment to Paid-in Capital	543.482	543.482
Share Premium	-	-
Share Cancellation Profits	-	-
Reserves	10.083.742	8.230.307
Inflation Adjustments to Reserves	-	-
Profit	2.810.226	2.260.472
Current Period's Profit	2.650.428	2.100.674
Prior Period's Profit	159.798	159.798
Provision for Possible Losses (upto 25% of Core Capital)	765.976	140.248
Income on Sale of Equity Shares and Real Estates	-	-
Primary Subordinated Debts(upto 15% of Core Capital) <sup>(1)</sup>	-	-
Loss (in excess of Reserves) (-)	-	-
Current Period's Losses	-	-
Prior Period's Losses	-	-
Leasehold Improvements on Operational Leases (-)	32.458	34.382
Intangible Assets (-)	28.959	29.595
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-
Excess Amount defined in 3 <sup>rd</sup> Clause 56 <sup>th</sup> Article of the Banking Act (-)	-	-
<b>Total Core Capital</b>	<b>16.642.009</b>	<b>13.610.532</b>

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

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General Provisions	1.204.739	977.690
45% of Movable Assets Revaluation Fund	-	-
45% of Immovables Revaluation Fund	-	-
Bonus Shares of Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	17.369	17.361
Primary Subordinated Loans Excluding the Portion included in the Core Capital	-	-
Secondary Subordinated Loan	-	-
45% of Value increase amount of Available for Sale Securities and Subsidiaries and Associates	545.702	(374.369)
Inflation Adjustments for Capital Reserves, Profit Reserves and Retained Earnings/Accumulated Losses (Except Inflation Adjustments for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-
<b>Total Supplementary Capital</b>	<b>1.767.810</b>	<b>620.682</b>
<b>CAPITAL</b>	<b>18.409.819</b>	<b>14.231.214</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>18.844</b>	<b>22.528</b>
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 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	17.793	21.638
Loans Granted not in Compliance with the Provisions Stated in Articles 50 and 51 of the Act	-	-
Total Net Book Value of the Bank’s Real Estates in excess of 50% of the Equity and in accordance with Article 57 of the Act, Net Book Value of Real Estates and Commodities Acquired in Exchange of Loans and Receivables that should be Disposed of however; have not been Disposed for the Last 5 Years Since the Beginning of the Acquisition Date	386	39
Other	665	851
<b>TOTAL SHAREHOLDERS’ EQUITY</b>	<b>18.390.975</b>	<b>14.208.686</b>

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

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

**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:**

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 Bank,

- Being evaluated within the scope of capital adequacy of financial situation of the 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 CREDIT RISK**

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

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

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

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

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

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

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

Agricultural loans are the specialized loans of the Bank and issued by the regional heads, agricultural banking branches and affiliated branches which are given credit issuance authority. The credit limit is determined by considering factors like activities related to agricultural production capacity, unit cost of the product subject to loan, operating capital requirement, investment amount, market value of the product, supporting payments, documentable receivables, income-loss, cash flow projection of the firm and payment ability of the customer. For the determination of the credibility, the financial information of the customers is also considered. The agricultural loan customers are followed through the periodic visits made to the facilities production is operated and the changes at the credit worthiness are identified. The new limit issuances and changes at the limits are made after the on-site detections.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

General provision made by the Bank for the credit risk is TL1.204.739 (2011: TL977.690).

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

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

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporate	Conditional and unconditional retail Receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	Total
<b>Current Period</b>																	
Domestic	82.039.611	99.272	332.418	-	-	2.350.439	19.239.193	34.978.986	7.867.954	586.020	11.645.478	-	-	-	-	8.084.506	167.223.877
European Union Countries	4.807	-	-	-	-	7.931.430	8.092	28.441	-	1.363	11.682	-	-	-	-	3	7.985.818
OECD Countries <sup>(1)</sup>	-	-	-	-	-	81.116	-	-	-	-	-	-	-	-	-	-	81.116
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	175.065	-	-	-	-	37.737	150.494	1.903	-	-	-	-	-	-	-	-	365.199
Other Countries	230.087	-	-	-	-	324.075	65.970	65.569	5.820	622	14	-	-	-	-	-	692.157
Subsidiaries, Investments and Joint Ventures	-	-	-	-	-	1.136.961	53.283	-	-	-	-	-	-	-	-	-	1.190.244
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Current Period</b>	<b>82.449.570</b>	<b>99.272</b>	<b>332.418</b>	<b>-</b>	<b>-</b>	<b>11.861.758</b>	<b>19.517.032</b>	<b>35.074.899</b>	<b>7.873.774</b>	<b>588.005</b>	<b>11.657.174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8.084.509</b>	<b>177.538.411</b>

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

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

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

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

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

	Risk Classes											Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporate	Conditional and unconditional receivables from retail	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSB								
Sectors/Counter Parties																			
Agriculture	398	1.411	27.744	-	-	4	2.339.649	13.412.629	293.313	8.475	9.884	-	-	-	3.005.128	18.861.556	237.079	19.098.635	
Farming and Stockbreeding	80	506	14.001	-	-	-	2.182.256	9.746.139	270.771	8.028	4.810	-	-	-	3.005.128	15.108.743	122.976	15.231.719	
Forestry	4	10	495	-	-	-	104.486	85.594	2.884	192	2.172	-	-	-	-	96.836	99.001	195.837	
Fishing	314	895	13.248	-	-	4	52.907	3.580.896	19.658	255	2.902	-	-	-	3.655.977	15.102	3.671.079		
Manufacturing	44.067	1.727	11.351	-	-	-	10.063.049	1.579.958	90.622	18.484	18.766	-	-	-	5.027.601	6.800.423	11.828.024		
Mining and Quarrying	4	139	14	-	-	-	219.899	51.089	1.555	1.479	1.093	-	-	-	103.106	172.166	275.272		
Production Electric, Gas and Water	44.063	869	11.331	-	-	-	8.506.551	1.503.084	86.915	15.514	15.155	-	-	-	4.617.512	5.565.970	10.183.482		
Construction	-	719	6	-	-	-	1.336.599	25.785	2.152	1.491	2.518	-	-	-	306.983	1.062.287	1.369.270		
Services	24.112.398	5.477	228.285	-	-	-	9.168	1.823.214	751.825	46.427	12.660	8.542	-	-	1.769.318	894.544	2.663.862		
Wholesale and Retail Trade	22	171	742	-	-	-	2.165.033	2.906.218	174.387	22.318	49.256	-	-	-	4.506.636	811.511	5.318.147		
Hotel Food and Beverage Services	56	193	38	-	-	-	354.134	321.131	35.149	1.870	10.921	-	-	-	420.727	302.765	723.492		
Transportation and Telecommunication	8	324	89.507	-	-	-	183.104	663.993	36.556	2.948	16.997	-	-	-	903.572	89.866	993.438		
Financial Institutions	24.108.610	1.304	502	-	-	-	8.323.280	150.721	21.456	3.241	64	824	-	-	10.568.486	22.041.516	32.610.002		
Real Estate and Leasing Services	130	741	101.938	-	-	-	535.924	1.278.777	245.176	22.794	465.559	9.090	-	-	1.361.789	1.298.340	2.660.129		
Self Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Education Services	1.277	27	30.103	-	-	-	39.277	56.595	4.074	383	2.043	-	-	-	117.980	15.798	133.778		
Health and Social Services	2.295	2.717	5.455	-	-	-	91.215	266.172	29.086	1.268	8.408	-	-	-	402.691	3.925	406.616		
Other	58.292.708	90.588	53.084	-	-	-	2.993.380	1.028.859	14.849.743	7.138.123	53.976	11.522.443	-	-	5.079.381	90.006.566	11.095.719	101.102.285	
<b>Total</b>	<b>82.449.571</b>	<b>99.272</b>	<b>332.421</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11.861.756</b>	<b>19.517.032</b>	<b>35.074.896</b>	<b>7.873.772</b>	<b>588.005</b>	<b>11.657.174</b>	<b>-</b>	<b>-</b>	<b>8.084.509</b>	<b>133.946.922</b>	<b>43.591.486</b>	<b>177.538.408</b>	

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

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

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

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

	Term To Maturity				
	1 Month	1-3 Month	3-6 Month	6-12 Month	Over 1 Year
Exposure Classifications					
Conditional and unconditional exposures to central governments or central banks	15.590.185	3.364.699	7.664.825	15.135.704	40.694.156
Conditional and unconditional exposures to regional governments or local authorities	66	256	181	258	98.511
Conditional and unconditional receivables from administrative units and non-commercial enterprises	53.649	4.574	6.033	18.782	249.384
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	4.486.248	2.470.116	370.898	1.615.500	2.918.994
Conditional and unconditional exposures to corporates	1.177.522	265.862	829.116	4.965.564	12.278.968
Conditional and unconditional retail exposures	1.431.188	1.857.264	3.139.657	9.512.904	19.133.886
Conditional and unconditional exposures secured by real estate property	75.750	87.400	258.467	991.103	6.461.054
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	86.034	2.419	795.600	222.221	10.540.688
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
<b>Grand Total</b>	<b>22.900.642</b>	<b>8.052.590</b>	<b>13.064.777</b>	<b>32.462.036</b>	<b>92.375.641</b>

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

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

**Rating Scores;**

1. Receivables from Central Governments or Central Banks
2. Receivables from regional governments or local authorities
3. receivables from administrative units and non-commercial enterprises
4. Receivables from Banks and Brokerage Houses

are used in risk classes.

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

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



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

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

**Exposures by risk weights:**

	<b>Risk Weights</b>	<b>%0</b>	<b>%10</b>	<b>%20</b>	<b>%50</b>	<b>%75</b>	<b>%100</b>	<b>%150</b>	<b>%200</b>	<b>%1250</b>	<b>Deductions from Equity</b>
1	Exposures before Credit Risk Mitigation	80.773.000	-	2.954.823	15.770.532	42.769.173	23.613.710	2.709.624	8.947.550	-	80.261
2	Exposures after Credit Risk Mitigation	85.157.618	-	4.152.342	20.118.042	34.684.844	21.768.392	2.709.624	8.947.550	-	80.261

Prepared with the numbers after conversion rate to credit.

**Informations in terms of major sectors and type of counterparties:**

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

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

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

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

**Informations in terms of major sectors and type of counterparties: (Continued)**

	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	514.390	819.095	17.863	278.152
Farming and Stockbreeding	502.098	800.665	17.461	267.699
Forestry	2.799	3.429	75	2.759
Fishery	9.493	15.001	327	7.694
Manufacturing	158.828	123.753	2.699	143.430
Mining and Quarrying	3.503	7.751	169	2.072
Production	152.084	115.284	2.514	139.564
Electricity, Gas and Water	3.241	718	16	1.794
Services	855.027	532.126	11.606	359.988
Wholesale and Retail Trade	112.504	257.333	5.612	93.447
Accommodation and Dining	9.671	44.016	960	8.313
Transportation and Telecom.	25.126	102.610	2.238	22.550
Financial Institutions	2.373	6.147	134	2.253
Real Estate and Rental Services	693.443	73.212	1.597	223.027
Professional Services	97	896	20	96
Educational Services	2.128	15.897	347	1.854
Health and Social Services	9.685	32.015	698	8.448
Other	529.308	3.026.439	66.109	479.798
<b>Total</b>	<b>2.057.553</b>	<b>4.501.413</b>	<b>98.277</b>	<b>1.261.368</b>

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

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

		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	606.326	809.453	154.411	-	<b>1.261.368</b>
2	General Provisions	977.690	227.049	-	-	<b>1.204.739</b>

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

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	146.217	133.596
Banks	1.933.471	1.320.459
Interbank Money Market Placements	-	-
Available-for-sale Financial Assets	38.068.017	38.127.783
Held-to-maturity Investments	27.254.825	32.504.197
Loans	71.426.479	71.429.975
Other Assets	852.682	597.043
<b>Total credit risk exposure of balance sheet items</b>	<b>139.681.691</b>	<b>144.113.053</b>
Financial guarantees	15.393.554	11.978.661
Commitments	67.816.211	39.250.501
<b>Total credit risk exposure of off-balance sheet items</b>	<b>83.209.765</b>	<b>51.229.162</b>
<b>Total credit risk exposure</b>	<b>222.891.456</b>	<b>195.342.215</b>

**Information about Credit quality per class of financial assets**

	Current Period			Prior Period		
	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
<b>Financial Assets</b>						
Banks	1.933.471	-	1.933.471	1.320.459	-	1.320.459
Financial Assets at Fair Value Through Profit or Loss	146.217	-	146.217	133.596	-	133.596
Loans:	66.128.881	4.501.413	70.630.294	67.458.041	3.715.219	71.173.260
Corporate Loans	17.215.473	1.008.778	18.224.251	15.979.007	729.498	16.708.505
Consumer Loans	27.823.178	2.678.930	30.502.108	29.562.673	2.401.145	31.963.818
Specialized Loans	21.090.230	813.705	21.903.935	21.916.361	584.576	22.500.937
Available-for-sale Financial Assets	38.068.017	-	38.068.017	38.127.783	-	38.127.783
Held-to-maturity Investments	27.254.825	-	27.254.825	32.504.197	-	32.504.197

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

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

**Information about Credit quality per class of financial assets (Continued)**

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

	<b>Current Period</b>	<b>Prior Period</b>
Banks	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Loans:	662.092	579.101
Corporate Loans	285.088	125.242
Consumer Loans	31.219	48.513
Specialized Loans	345.785	405.346
Other	-	-
Available-for-sale Financial Assets	-	-
Held-to-maturity Investments	-	-

**III. EXPLANATIONS ON THE MARKET RISK**

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

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

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

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

The amount subject to the total market risk in the 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 Bank’s Standard Capital Adequacy Ratio.

Excluding Standard Method, Daily Value at Risk (“VAR”) forecasts is made as per daily period for Held-for-Trading accounts and is reported to the related units. Historical Simulation Method is used in daily reportings and limit allocation. VAR results, calculated with Parametric and Monte Carlo Methods, are used for monitoring. Backward testing is performed 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 Bank’s financial position.

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

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

**Information Related to Market Risk:**

	<b>Current Period</b>
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	208.238
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	44.127
Capital Requirement For Specific Risk of Securitisation Positions	-
(III) Capital Requirement to be Employed For Currency Risk - Standard Method	104.949
(IV) Capital Requirement to be Employed For Commodity Risk - Standard Method	-
(V) Capital Requirement to be Employed For Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options - Standard Method	-
(VII) Capital Requirement to be Employed For Counter Party Credit Risk - Standard Method	21.709
(VIII) Total Capital Requirement to be Employed For Market Risk in Banks Using Risk Measurement Model	-
(IX) Total Capital Requirement to be Employed For Market Risk (I+II+III+IV+V+VI+VII)	379.023
<b>(X) Amount Subject to Market Risk (12,5 x VIII) ya da (12,5 x IX)</b>	<b>4.737.788</b>

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

	Current Period			Prior Period		
	Average	Maximum	Average	Maximum	Average	Maximum
Interest Rate Risk	337.498	344.600	233.283	400.308	406.666	396.140
Equity Share Risk	26.685	17.584	19.082	30.315	33.044	31.048
Currency Risk	82.071	110.504	104.949	73.177	94.274	49.896
Commodity Risk	-	-	-	1.373	2.185	1.825
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counter Party Credit Risk	16.478	21.012	21.709	-	-	-
<b>Amount Subject to Total Risk</b>	<b>5.681.158</b>	<b>6.171.250</b>	<b>4.737.788</b>	<b>6.314.663</b>	<b>6.702.113</b>	<b>5.986.363</b>

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

**Quantitative Information on Counterparty Risk:**

	<b>Amount</b>
Agreements based on Interest Rate	-
Agreement based on Foreign Exchange Currency	169.758
Agreement Based on Commodity	-
Agreement Based on Shares	-
Other	-
Gross Positive Fair Values	124.101
Benefits of Netting	-
Current Net Risk Amount	-
Reserved Guarantee	69.269
Net Position of Derivatives	236.206

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

**IV. EXPLANATIONS ON OPERATIONAL RISK**

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

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

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

	31.12.2009	31.12.2010	31.12.2011	Total/Positive Year	Rate (%)	Total
GROSS Income	6.586.099	5.891.306	5.739.624	6.072.343	% 15	910.851
Amount subject to Operational Risk						11.385.643

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

**V. EXPLANATIONS ON THE CURRENCY RISK**

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

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

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

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

None.

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

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

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

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
24.12.2012	1,7875	2,3548	1,8544	0,31632	0,27310	1,9549	1,8025	0,31938	2,8829	0,47666	2,1089
25.12.2012	1,7850	2,3493	1,8604	0,31558	0,27270	1,9526	1,8018	0,31870	2,8432	0,47600	2,1052
26.12.2012	1,7835	2,3557	1,8492	0,31674	0,27406	1,9567	1,7957	0,31958	2,8808	0,47556	2,0902
27.12.2012	1,7823	2,3530	1,8466	0,31628	0,27386	1,9530	1,7931	0,31979	2,8777	0,47528	2,0785
28.12.2012	1,7783	2,3449	1,8448	0,31509	0,27337	1,9465	1,7855	0,31861	2,8704	0,47420	2,0664
31.12.2012	1,7793	2,3501	1,8478	0,31513	0,27340	1,9467	1,7890	0,31973	2,8903	0,47446	2,0608

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
1,7785	2,3273	1,8601	0,31276	0,26980	1,9312	1,7962	0,31707	2,8687	0,47430	2,1233

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V. EXPLANATIONS ON THE CURRENCY RISK (Continued)

Information on the foreign currency risk of the Bank:

	EUR	USD	Other FC <sup>(1)</sup>	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	5.492.728	5.208.076	4.104.259	14.805.063
Banks	712.820	815.564	359.971	1.888.355
Financial Assets at Fair Value Through Profit and Loss	-	4.582	-	4.582
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	2.908.067	1.659.491	-	4.567.558
Loans <sup>(2)</sup>	2.178.448	5.242.927	21.882	7.443.257
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) <sup>(4)</sup>	467.911	317.389	-	785.300
Investments Held-to-Maturity	1.361.746	2.862.738	331	4.224.816
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	3.873	1.738	1.613	7.224
Intangible Assets	929	2.292	3.414	6.636
Other Assets	18.631	14.437	566	33.634
<b>Total Assets</b>	<b>13.145.153</b>	<b>16.129.234</b>	<b>4.492.036</b>	<b>33.766.423</b>
<b>Liabilities</b>				
Interbank Deposits	920.370	2.367.586	32.961	3.320.917
Foreign Currency Deposits	14.681.894	7.073.767	1.559.640	23.315.301
Money Market Borrowings	657.810	4.926.971	-	5.584.781
Funds Provided from Other Financial Institutions	135.814	2.070.953	726	2.207.493
Issued Marketable Securities	-	-	-	-
Sundry Creditors	200.747	106.649	512	307.908
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	201.070	127.832	30.015	358.917
<b>Total Liabilities</b>	<b>16.797.705</b>	<b>16.673.758</b>	<b>1.623.852</b>	<b>35.095.317</b>
<b>Net Balance Sheet Position</b>	<b>(3.652.552)</b>	<b>(544.524)</b>	<b>2.868.183</b>	<b>(1.328.894)</b>
<b>Net Off-Balance Sheet Position</b> <sup>(3)</sup>	<b>3.604.610</b>	<b>762.721</b>	<b>(2.820.579)</b>	<b>1.546.752</b>
Financial Derivative Assets	3.644.218	1.530.053	544.380	5.718.651
Financial Derivative Liabilities	39.608	767.332	3.364.959	4.171.899
<b>Non-cash Loans</b>	<b>2.564.610</b>	<b>6.899.541</b>	<b>399.739</b>	<b>9.863.890</b>
<b>Prior Period</b>				
Total Assets	13.026.883	12.037.427	1.150.623	26.214.933
Total Liabilities	14.121.443	12.614.234	644.095	27.379.772
<b>Net Balance Sheet Position</b>	<b>(1.094.560)</b>	<b>(576.807)</b>	<b>506.528</b>	<b>(1.164.839)</b>
<b>Net Off-Balance Sheet Position</b> <sup>(3)</sup>	<b>926.948</b>	<b>611.005</b>	<b>(396.023)</b>	<b>1.141.930</b>
Financial Derivative Assets	956.261	1.567.061	521.144	3.044.466
Financial Derivative Liabilities	29.313	956.056	917.167	1.902.536
<b>Non-cash Loans</b>	<b>2.183.920</b>	<b>5.457.371</b>	<b>290.827</b>	<b>7.932.118</b>

(1) Of the foreign currencies presented in the other FC column of assets 93,58% is Gold, 2,50% is GEL, 1,42% is IQD, and the remaining 2,50% is other foreign currencies. Of the foreign currencies presented in the other FC column of liabilities, 57,24% is Gold, 19,49% is GBP, 10,73% is CHF, 2,87% is IQD and the remaining 9,67% is other foreign currencies.

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

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

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



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VI. EXPLANATIONS ON THE INTEREST RATE RISK

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	27.731	-	-	-	-	20.685.600	20.713.331
Banks	685.342	134.417	337.593	9.470	-	766.649	1.933.471
Financial Assets at Fair Value Through Profit and Loss	1.907	349	67	1.942	9.385	132.567	146.217
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	11.724.195	4.807.207	10.471.816	5.587.455	5.026.708	450.636	38.068.017
Loans Given	19.176.159	6.816.372	17.943.643	24.122.057	2.572.063	796.185	71.426.479
Investments Held-to-Maturity	8.709.100	10.951.851	3.494.284	1.877.258	2.222.332	-	27.254.825
Other Assets	-	-	-	-	-	3.325.417	3.325.417
<b>Total Assets</b>	<b>40.324.434</b>	<b>22.710.196</b>	<b>32.247.403</b>	<b>31.598.182</b>	<b>9.830.488</b>	<b>26.157.054</b>	<b>162.867.757</b>
<b>Liabilities</b>							
Interbank Deposits	5.230.612	1.219.405	724.837	-	-	81.660	7.256.514
Other Deposits	67.999.991	14.013.393	7.737.700	265.701	-	21.693.005	111.709.790
Money Market Borrowings	8.334.493	2.023.843	804.138	-	-	-	11.162.474
Sundry Creditors	-	-	-	-	-	1.157.483	1.157.483
Issued Marketable Securities	179.130	1.035.674	729.184	-	-	-	1.943.988
Funds provided from Other Financial Institutions	672.780	696.090	1.187.908	7.390	508.271	-	3.072.439
Other Liabilities	1.506	2.974	224	4.328.518	-	22.231.847	26.565.069
<b>Total Liabilities</b>	<b>82.418.512</b>	<b>18.991.379</b>	<b>11.183.991</b>	<b>4.601.609</b>	<b>508.271</b>	<b>45.163.995</b>	<b>162.867.757</b>
<b>Balance Sheet Long Position</b>	-	<b>3.718.817</b>	<b>21.063.412</b>	<b>26.996.573</b>	<b>9.322.217</b>	-	<b>61.101.019</b>
<b>Balance Sheet Short Position</b>	<b>(42.094.078)</b>	-	-	-	-	<b>(19.006.941)</b>	<b>(61.101.019)</b>
Off-Balance Sheet Long Position	300.385	978.608	-	-	-	-	1.278.993
Off-Balance Sheet Short Position	-	-	(6)	(1.162.801)	-	-	(1.162.807)
<b>Total Position</b>	<b>(41.793.693)</b>	<b>4.697.425</b>	<b>21.063.406</b>	<b>25.833.772</b>	<b>9.322.217</b>	<b>(19.006.941)</b>	<b>116.186</b>

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

(2) TL4.277.386 of fund balance, whose risk does not belong to the Bank, in other liabilities is shown under the “1 - 5 Years” column. TL14.843 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.

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

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

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

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	31.397	-	-	-	-	14.240.977	14.272.374
Banks	380.375	132.635	353.321	-	-	454.128	1.320.459
Financial Assets at Fair Value Through Profit and Loss	3.055	1.969	39.216	2.152	10.033	77.171	133.596
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	10.354.947	4.543.244	7.897.512	10.110.833	4.604.154	617.093	38.127.783
Loans Given	19.361.919	5.494.705	18.292.788	24.884.640	3.139.207	256.716	71.429.975
Investments Held-to-Maturity	7.745.536	15.940.143	3.492.699	2.506.070	2.819.749	-	32.504.197
Other assets	-	-	-	-	-	2.892.758	2.892.758
<b>Total assets</b>	<b>37.877.229</b>	<b>26.112.696</b>	<b>30.075.536</b>	<b>37.503.695</b>	<b>10.573.143</b>	<b>18.538.843</b>	<b>160.681.142</b>
<b>Liabilities</b>							
Interbank Deposits	3.318.766	-	2.000	-	-	84.707	3.405.473
Other Deposits	69.995.785	12.596.492	7.000.667	254.876	-	19.813.389	109.661.209
Money Market Borrowings	25.314.528	-	473.642	-	-	-	25.788.170
Sundry Creditors	-	-	-	-	-	887.856	887.856
Issued Marketable Securities	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	153.321	16.802	362.886	20.449	24	-	553.482
Other Liabilities	8.852	30.877	93	3.860.700	-	16.484.430	20.384.952
<b>Total Liabilities</b>	<b>98.791.252</b>	<b>12.644.171</b>	<b>7.839.288</b>	<b>4.136.025</b>	<b>24</b>	<b>37.270.382</b>	<b>160.681.142</b>
<b>Balance Sheet Long Position</b>	-	<b>13.468.525</b>	<b>22.236.248</b>	<b>33.367.670</b>	<b>10.573.119</b>	-	<b>79.645.562</b>
<b>Balance Sheet Short Position</b>	<b>(60.914.023)</b>	-	-	-	-	<b>(18.731.539)</b>	<b>(79.645.562)</b>
Off Balance Sheet Long Position	16.245	528.198	268	-	-	-	544.711
Off Balance Sheet Short Position	-	-	-	(532.800)	-	-	(532.800)
<b>Total Position</b>	<b>(60.897.778)</b>	<b>13.996.723</b>	<b>22.236.516</b>	<b>32.834.870</b>	<b>10.573.119</b>	<b>(18.731.539)</b>	<b>11.911</b>

- (1) Balances without fixed maturity are shown in the “Up to 1 Month” and “Non-Interest Bearing” columns.
- (2) TL3.860.700 of fund balance, whose risk does not belong to the Bank, in other liabilities is shown under the “1 - 5 Years” column. TL10.436 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.
- (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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**VI. EXPLANATIONS ON THE INTEREST RATE RISK (Continued)**

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

	EUR	USD	Yen	TL
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	5,00
Banks	1,44	2,09	-	6,69
Financial Assets at Fair Value Through Profit and Loss	-	5,58	-	9,06
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,67	6,03	-	8,37
Loans Given <sup>(2)</sup>	4,73	5,06	-	14,77
Investments Held-to-Maturity	6,36	7,00	-	8,37
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	1,08	1,47	-	6,02
Other Deposits <sup>(4)</sup>	2,09	1,68	-	6,04
Money Market Borrowings	0,63	1,11	-	5,67
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	-	-	7,48
Funds Provided from Other Financial Institutions	1,81	2,16	-	6,37

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

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

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

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

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

	EUR	USD	Yen	TL
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(1)</sup>	-	-	-	5,00
Banks	2,38	2,18	-	-
Financial Assets at Fair Value Through Profit and Loss	3,36	5,57	-	7,80
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,65	6,14	-	8,43
Loans Given <sup>(2)</sup>	5,01	4,22	-	17,04
Investments Held-to-Maturity	6,23	7,00	-	9,51
<b>Liabilities</b>				
Interbank Deposits <sup>(3)</sup>	2,94	2,90	-	11,13
Other Deposits <sup>(4)</sup>	2,07	2,73	-	6,87
Money Market Borrowings	3,30	2,77	-	10,81
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	-	-	-
Funds Provided from Other Financial Institutions	3,17	1,55	-	7,46

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

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

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

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

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

**Interest rate risk on banking accounts:**

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

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

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

**Interest rate risk on banking accounts**

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity- (Losses)/Equity
1. TRY	(+) 300bp	(1.294.992)	(7,04)%
2. TRY	(-) 300bp	1.456.026	7,92%
3. EUR	(+) 100bp	(26.881)	(0,15)%
4. EUR	(-) 100bp	32.057	0,17%
5. USD	(+) 100bp	(221.148)	(1,20)%
6. USD	(-) 100bp	248.818	1,35%
<b>Total (of negative shocks)</b>		<b>1.736.901</b>	<b>9,44%</b>
<b>Total (of positive shocks)</b>		<b>(1.543.021)</b>	<b>(8,39)%</b>

Equity Share Investments	Comparison		
	Balance Sheet Value	Fair Value	Market Value
1. Stock Investment Group A	-	-	-
Stock Exchange Securities	-	-	-
2. Stock Investment Group B	-	-	-
Stock Exchange Securities	-	-	-
3. Stock Investment Group C	-	-	-
Stock Exchange Securities	-	-	-
4. Stock Investment Other Group	-	-	-
Other	<b>138.277</b>	<b>138.277</b>	-

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**VII. EXPLANATIONS ON THE LIQUIDITY RISK**

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

The Bank performs “Remaining Maturity Analysis” for the observation of the maturity structure of the balance sheet, “Liquidity Gap” and “Structural Liquidity Gap Analysis” for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank’s liquidity and in the worst case scenario and the loss associated with it. The renewal of deposits which constitutes the 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 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 Bank is over the limit values specified in the mentioned regulation. Liquidity ratios in 2012 and 2011.

<i>Current Period</i>	<b>First Maturity Segment (Weekly)</b>		<b>Second Maturity Segment (Monthly)</b>	
	<b>FC</b>	<b>FC + TL</b>	<b>FC</b>	<b>FC + TL</b>
<b>Average (%)</b>	318,14	218,56	170,13	133,86
<b>Maximum (%)</b>	405,61	346,97	183,5	159,56
<b>Minimum (%)</b>	250,5	169,37	155,17	114,29

<i>Prior Period</i>	<b>First Maturity Segment (Weekly)</b>		<b>Second Maturity Segment (Monthly)</b>	
	<b>FC</b>	<b>FC + TL</b>	<b>FC</b>	<b>FC + TL</b>
<b>Average (%)</b>	446,14	293,62	227,38	157,38
<b>Maximum (%)</b>	558,04	436,26	277,85	196,57
<b>Minimum (%)</b>	320,63	172,03	170,36	119,83

- a) **Basis for the current liquidity risk of the Bank and whether the necessary measures taken, limitations imposed by the Bank’s Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:**

The Bank’s source of funds is mainly formed of deposits. The 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 Bank from organized markets and other financial institutions can cover the corresponding liquidity gaps with different periods. Bank limits its liquidity risk exposure by the approval of Board of Directors in context with “Regulation for Market and Financial Statement Risks and Liquidity and Financial Emergency State Management”.

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

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

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

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

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

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

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

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

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(1) (2)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	20.713.331	-	-	-	-	-	-	20.713.331
Banks	766.649	685.342	134.417	337.593	9.470	-	-	1.933.471
Financial Assets at Fair Value Through Profit and Loss	-	128.853	34	388	7.557	9.385	-	146.217
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	1.736.316	769.153	6.921.136	22.714.893	5.666.966	259.553	38.068.017
Loans Given	-	2.618.333	5.815.373	26.187.072	32.313.687	3.695.829	796.185	71.426.479
Investments Held-to-Maturity	-	222.028	163.175	12.648.858	9.957.896	4.262.868	-	27.254.825
Other Assets	848.724	-	-	321	2.144	-	2.474.228	3.325.417
<b>Total Assets</b>	<b>22.328.704</b>	<b>5.390.872</b>	<b>6.882.152</b>	<b>46.095.368</b>	<b>65.005.647</b>	<b>13.635.048</b>	<b>3.529.966</b>	<b>162.867.757</b>
<b>Liabilities</b>								
Interbank Deposits	81.659	5.230.613	1.219.405	724.837	-	-	-	7.256.514
Other Deposits	21.693.006	67.999.971	14.012.130	7.733.709	270.857	117	-	111.709.790
Funds Provided from Other Financial Instruments	-	487.124	212.514	1.138.940	22.203	1.211.658	-	3.072.439
Money Market Borrowings	-	8.334.493	2.023.843	804.138	-	-	-	11.162.474
Issued Marketable Securities	-	2.409	1.035.674	729.184	176.721	-	-	1.943.988
Sundry Creditors	679.871	477.612	-	-	-	-	-	1.157.483
Other liabilities <sup>(3)</sup>	1.541.700	182.413	351.186	224	4.328.518	774.200	19.386.828	26.565.069
<b>Total liabilities</b>	<b>23.996.236</b>	<b>82.714.635</b>	<b>18.854.752</b>	<b>11.131.032</b>	<b>4.798.299</b>	<b>1.985.975</b>	<b>19.386.828</b>	<b>162.867.757</b>
<b>Liquidity Gap</b>	<b>(1.667.532)</b>	<b>(77.323.763)</b>	<b>(11.972.600)</b>	<b>34.964.336</b>	<b>60.207.348</b>	<b>11.649.073</b>	<b>(15.856.862)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	15.317.288	3.117.435	7.003.766	27.460.677	81.418.073	23.591.259	2.772.644	160.681.142
Total Liabilities	21.574.790	99.185.275	12.731.816	7.577.221	4.286.553	919.118	14.406.369	160.681.142
<b>Liquidity Gap</b>	<b>(6.257.502)</b>	<b>(96.067.840)</b>	<b>(5.728.050)</b>	<b>19.883.456</b>	<b>77.131.520</b>	<b>22.672.141</b>	<b>(11.633.725)</b>	<b>-</b>

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

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

(3) TL4.277.386 of the funds balance, whose risk is not born by the Bank, is included in other liabilities and shown under the "1-5 year" column, fund balance amounted to TL14.843 is not granted as loan and is included under “Up to One Month” column.

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

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

<b>Current Period<sup>(1)</sup></b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Bank Deposits	5.318.865	1.224.353	730.236	-	-	7.273.454
Other Deposits	89.880.934	14.118.167	7.898.645	288.416	210	112.186.372
Funds borrowed from other financial institutions	488.616	216.832	1.180.495	162.326	1.408.756	3.457.025
Funds borrowed from Interbank money market	8.345.215	2.026.567	809.913	-	-	11.181.695
<b>Total</b>	<b>104.033.630</b>	<b>17.585.919</b>	<b>10.619.289</b>	<b>450.742</b>	<b>1.408.966</b>	<b>134.098.546</b>
<b>Prior Period<sup>(1)</sup></b>						
Bank deposits	3.408.222	-	2.184	-	-	3.410.406
Other deposits	90.031.718	12.725.613	7.157.453	268.281	-	110.183.065
Funds borrowed from other financial institutions	2.657	16.649	102.422	177.550	315.531	614.809
Funds borrowed from Interbank money market	25.335.087	-	476.485	-	-	25.811.572
<b>Total</b>	<b>118.777.684</b>	<b>12.742.262</b>	<b>7.738.544</b>	<b>445.831</b>	<b>315.531</b>	<b>140.019.852</b>

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

**Separation of Securitisation of Non-Performing Loans as Types and Losses in Current Year.**

There is no securitisation of non-performing loans.

**e) Credit Risk Mitigation Techniques:**

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

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

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

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

Bank has no position about credit derivatives.

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

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

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

<b>Exposure classifications</b>	<b>Amount</b>	<b>Financial Collaterals</b>	<b>Other/Physical Collaterals</b>	<b>Guarantees and Credit Derivatives</b>
Conditional and unconditional receivables from central governments or central banks	82.449.569	4.559.858	-	-
Conditional and unconditional receivables from regional or local governments	99.272	44.941	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	332.420	138.426	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	11.861.758	4.841.047	-	-
Conditional and unconditional corporate receivables	19.517.031	1.106.623	-	451.684
Conditional and unconditional retail receivables	35.074.900	327.225	-	62.831
Conditional and unconditional secured mortgage receivables	7.873.774	4.959	-	657
Past due receivables	588.005	-	-	-
Receivables in high risk category defined by BRSA	11.657.174	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporates	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	8.084.509	-	-	-
<b>Total</b>	<b>177.538.412</b>	<b>11.023.079</b>	<b>-</b>	<b>515.172</b>

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



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

**VIII. RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

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

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

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

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

**Liquidity Risk**

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

For the purpose of measuring and monitoring activities of liquidity risk, 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 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 Bank’s liquidity creation capacity, liquidity risk stress test is done. For liquidity risk, legal reporting is also done weekly.

**Interest Rate Risk On Banking Accounts:**

It is conducted to perform measurements, limiting, scenario analysis and stress tests that are suitable for structure and complexness of positions so as to be revealed interest rate on banking accounts that 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 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)**

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

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

**Market Risk**

Bank provides to perform scenario analysis with measurements that are suitable for structure and complexity of positions related to the market risk management, limiting, scenario analysis and stress test and banks also provide to report the findings cyclically.

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

Excluding Standard Method, Daily Value at Risk (“VAR”) forecasts is made as per daily period for Held-for-Trading 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 Bank’s financial position.

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

**Operational Risks**

Operational risk represents the possibility of damage from inadequate or failed internal processes, people and systems or from external events and including legal risks. The Operational Risk Management Services in the Bank in order to ensure compliance with Basel II, are carried out with the regulations issued on 28.06.2012 by the BRSA, revised in accordance with the 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 Bank, and is reported to BRSA based on yearly.
- Operational risk profile in the bank is monitored with several effective methods. Actualized operational risks are followed by “Operational Risk Loss Database” which is compatible with accounting system. Advanced Measurement Approach is performed in scope of Calculation of economic capital and development of approach is performed.
- So as to be determined the operational risk levels of branches, studyings of “Operational Risk Map” are carried out for use in Internal Control Audit Program.
- An integrated risk mainframe is instituted within the scope of risks management arising from information technologies. In this context, a database regarding Information Technologies risks is constituted and actualised risks and actions taken are monitored via the database.
- By being revised of Bank Business Continuity Plan, that possible risks that may occur in activities due to corruption and its potential effects evaluated are documented as “Business Impact Analysis”.
- Risk arising from purchase of services provided from support service organizations in order for continuity has been evaluated with the “Regulation on Procurement of Support Services of Banks” published by the BRSA. In this context, Risk Management Program was established and Risk Analysis Reports regarding support services taken by the Bank are prepared.

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

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

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 base of segments, risk limits are framed at credit risk weighted assets and are monitored monthly based.

Based on general and sub accounts, credit portfolios’ improvement tracking portfolio’s improvement and loans under close monitoring is analysed periodically. Also, it is made vintage analysis for real estate, vehicle, consumer, commercial, agricultural and SME loans so as to credit monitoring and comparing past performances.

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

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

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

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

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

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

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

**IX. EXPLANATIONS ON OPERATING SEGMENTS**

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

The Bank has operations in consumer banking, corporate and commercial banking, agricultural banking, investment banking and international banking areas.

Known as having the most extensive branch network in retail (consumer) banking sector, the Bank renders services, such as; deposits, consumer loans, loans originated from funds whose risk does not belong to the Bank, credit cards, automatic payment, cheques and notes, money transfer order, foreign exchange transactions, internet banking, mobile banking, safe-deposit box and insurance brokerage services. Moreover, existing instruments are improved and new banking instruments are created in order to benefit from services undertaken as being a state bank in increasing the profitability of the 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 and commercial banking, the Bank gives loans for operations, mid-term and long-term investment loans, foreign trade financing loans, letter of credits and guarantees in Turkish Lira and foreign currencies; renders other corporate finance related services, foreign exchange transactions and banking services to large-scale corporate clients and middle-small scale enterprises.

As the Bank is the main financial institution that meets the financing needs of agricultural sector in Turkey, it extends agricultural operations and investment loans from its own sources for vegetable and animal production, fishery products and agricultural mechanization directly to producers and agricultural credit corporations.

Investment banking operations are conducted by the Fund Management and Fund Management Middle Office Departments. By foregoing departments, the 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 Bank. The Bank acts as an intermediary for transaction of securities and Eurobonds by the related departments, for transaction of shares and public offerings as an agency of Ziraat Yatırım Menkul Değerler A.Ş. and for transaction of investment funds founded by the Bank and Ziraat Yatırım Menkul Değerler A.Ş. and keeps records of these financial instruments and the Bank performs repo/reverse repo transactions. Besides the Bank performs derivative transactions which are accounted as held for trading. As financial derivative transactions, the Bank performs foreign currency forward agreements and currency swap transactions.

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

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

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

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

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

**Table for Segment Reporting:**

	<b>Consumer Banking</b>	<b>Commercial and SME Banking<sup>(1)</sup></b>	<b>Specialized Banking<sup>(2)</sup></b>	<b>Investment Banking</b>	<b>International Banking</b>	<b>Total Operations of the Bank</b>
<b>Current Period</b>						
Total Operating Income/Expense <sup>(3)</sup>	2.594.102	918.930	1.008.284	3.550.917	56.045	8.128.278
Net Operating Profit	1.087.218	385.134	422.584	1.488.231	23.489	3.406.656
Income from Subsidiaries <sup>(4)</sup>	-	-	-	-	-	98.068
Income Before Taxes	-	-	-	-	-	3.504.724
Tax Provision	-	-	-	-	-	(854.297)
<b>Net Profit for the Period</b>	-	-	-	-	-	<b>2.650.428</b>
Segment Assets-net <sup>(5)</sup>	30.683.013	17.785.243	22.315.990	85.994.742	2.763.352	159.542.340
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	-	-	-	-	-	1.034.112
Undistributed Assets <sup>(5)</sup>	-	-	-	-	-	2.291.305
<b>Total Assets</b>	-	-	-	-	-	<b>162.867.757</b>
Segment Liabilities – net <sup>(5)</sup>	23.110.631	13.395.952	21.097.674	76.098.984	2.717.302	136.420.543
Undistributed Liabilities <sup>(5)</sup>	-	-	-	-	-	9.279.724
Shareholders' Equity	-	-	-	-	-	17.167.490
<b>Total Liabilities</b>	-	-	-	-	-	<b>162.867.757</b>
Other Segment Items						
Capital Investment	-	-	-	-	-	-
Depreciation	-	-	-	-	-	54.191
Restructuring Costs	-	-	-	-	-	-

(1) Commercial and SME Banking column shows the Bank's commercial and SME loans with interest and commission income related to these loans.

(2) Specialized Banking column for current period shows agricultural loans with interest and commission income related to these loans.

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

(4) “Dividend income”, a part of operating income of the Bank, is included in the “Income from Subsidiaries” row since it could not be decomposed to segments.

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

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

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

	<b>Consumer Banking</b>	<b>Commercial and SME Banking <sup>(1)</sup></b>	<b>Specialized Banking <sup>(2)</sup></b>	<b>Investment Banking</b>	<b>International Banking</b>	<b>Total Operations of the Bank</b>
<b>Prior Period</b>						
Total Operating Income/Expense <sup>(3)</sup>	1.825.562	663.779	761.156	2.919.150	40.293	6.209.940
Net Operating Profit	807.757	293.703	336.789	1.291.638	17.829	2.747.716
Income from Subsidiaries <sup>(4)</sup>	-	-	-	-	-	31.788
Income Before Taxes	-	-	-	-	-	2.779.504
Tax Provision	-	-	-	-	-	(678.830)
<b>Net Profit for the Period</b>	-	-	-	-	-	<b>2.100.674</b>
Segment Assets-net <sup>(3)</sup>	32.135.208	15.530.268	22.857.553	84.312.608	2.952.747	157.788.384
Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)	-	-	-	-	-	810.114
Undistributed Assets <sup>(5)</sup>	-	-	-	-	-	2.082.644
<b>Total Assets</b>	-	-	-	-	-	<b>160.681.142</b>
Segment Liabilities - net <sup>(3)</sup>	23.141.676	11.183.884	20.331.651	85.161.273	2.947.325	142.765.809
Undistributed Liabilities <sup>(5)</sup>	-	-	-	-	-	4.738.080
Shareholders' Equity	-	-	-	-	-	13.177.253
<b>Total Liabilities</b>	-	-	-	-	-	<b>160.681.142</b>
Other Segment Items						
Capital Investment	-	-	-	-	-	-
Depreciation	-	-	-	-	-	72.111
Restructuring Costs	-	-	-	-	-	-

<sup>(1)</sup> Commercial and SME Banking column shows the Bank's commercial and SME loans with interest and commission income related to these loans.

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

<sup>(3)</sup> For the presentation of operating income, intradepartmental interest charged between branches and Treasury 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.

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

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

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

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>138.682.792</b>	<b>143.382.414</b>	<b>140.020.720</b>	<b>143.892.376</b>
Due From Interbank Money Market	-	-	-	-
Banks	1.933.471	1.320.459	1.933.471	1.320.459
Available-for-sale Financial Assets	38.068.017	38.127.783	38.068.017	38.127.783
Held-to-maturity Investments	27.254.825	32.504.197	28.592.753	33.014.159
Loans	71.426.479	71.429.975	71.426.479	71.429.975
<b>Financial Liabilities</b>	<b>125.140.214</b>	<b>114.508.020</b>	<b>125.140.214</b>	<b>114.508.020</b>
Bank Deposits	7.256.395	3.405.473	7.256.395	3.405.473
Other Deposits	111.709.909	109.661.209	111.709.909	109.661.209
Funds Borrowed From Other Financial Institutions	3.072.439	553.482	3.072.439	553.482
Issued Marketable Securities	1.943.988	-	1.943.988	-
Miscellaneous Payables	1.157.483	887.856	1.157.483	887.856

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

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

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

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

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

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

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**X. EXPLANATIONS ON THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES (Continued)**

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

<b>Current Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets at Fair Value Through Profit or (Loss) (Net)</b>	<b>13.650</b>	<b>132.567</b>	-	<b>146.217</b>
Government Debt Securities	13.650	-	-	13.650
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	132.567	-	132.567
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets (Net)</b>	<b>37.814.496</b>	<b>234.927</b>	-	<b>38.049.423</b>
Equity Securities <sup>(1)</sup>	118.061	122.898	-	240.959
Government Debt Securities	37.694.799	-	-	37.694.799
Other Marketable Securities	1.636	112.029	-	113.665
<b>Total Assets</b>	<b>37.828.146</b>	<b>367.494</b>	-	<b>38.195.640</b>
Trading Derivative Financial Liabilities	-	55.548	-	55.548
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	-	<b>55.548</b>	-	<b>55.548</b>

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

<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets at Fair Value Through Profit or (Loss) (Net)</b>	<b>56.428</b>	<b>77.168</b>	-	<b>133.596</b>
Government Debt Securities	56.428	-	-	56.428
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	77.168	-	77.168
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets (Net)</b>	<b>37.599.117</b>	<b>511.281</b>	-	<b>38.110.398</b>
Equity Securities <sup>(1)</sup>	94.218	105.792	-	200.010
Government Debt Securities	37.459.101	-	-	37.459.101
Other Marketable Securities	45.798	405.489	-	451.287
<b>Total Assets</b>	<b>37.655.545</b>	<b>588.449</b>	-	<b>38.243.994</b>
Trading Derivative Financial Liabilities	-	39.821	-	39.821
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	-	<b>39.821</b>	-	<b>39.821</b>

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

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

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

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

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

The Bank has no fiduciary transactions.



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**SECTION FIVE**

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

**I. EXPLANATIONS AND NOTES RELATED TO ASSETS**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1.105.697	318.761	1.094.841	225.692
Central Bank of the Republic of Turkey	4.802.571	14.473.438	5.223.495	7.717.601
Other	-	12.864	-	10.745
<b>Total</b>	<b>5.908.268</b>	<b>14.805.063</b>	<b>6.318.336</b>	<b>7.954.038</b>

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

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

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	4.773.232	-	5.192.098	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1)(2)</sup>	29.339	14.473.438	31.397	7.717.601
<b>Total</b>	<b>4.802.571</b>	<b>14.473.438</b>	<b>5.223.495</b>	<b>7.717.601</b>

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

<sup>(2)</sup> TL11.100.608 of the current period’s FC required reserve is the part of the TL required reserves that is held in FC.

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

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

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

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

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

Derivative Financial Assets Held-for-Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	27	324	982	6
Swap Transactions	7.861	124.355	49.721	26.459
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>7.888</b>	<b>124.679</b>	<b>50.703</b>	<b>26.465</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	32.447	211.697	-	49.179
Foreign Banks	12.669	1.676.658	61.040	1.210.240
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>45.116</b>	<b>1.888.355</b>	<b>61.040</b>	<b>1.259.419</b>

b) Information on foreign banks accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	1.247.032	761.463	-	-
USA, Canada	226.319	330.826	-	-
OECD Countries <sup>(1)</sup>	2.893	22.491	-	-
Off-shore Banking Regions	-	-	-	-
Other	213.083	156.500	-	-
<b>Total</b>	<b>1.689.327</b>	<b>1.271.280</b>	<b>-</b>	<b>-</b>

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	4.303.003	17.061.477
Assets Blocked/Given as Collateral	289.203	2.601.686
<b>Total</b>	<b>4.592.206</b>	<b>19.663.163</b>

- b) Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	37.861.017	38.354.836
Quoted in Stock Exchange	37.861.017	38.354.836
Not Quoted in Stock Exchange	-	-
Share Certificates	261.545	219.828
Quoted in Stock Exchange	119.261	94.717
Not Quoted	142.284	125.111
Provision for Impairment (-)	54.545	446.881
<b>Total</b>	<b>38.068.017</b>	<b>38.127.783</b>

5. Information related to loans:

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

	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>234.561</b>	-	<b>244.850</b>	-
<b>Total</b>	<b>234.561</b>	-	<b>244.850</b>	-

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

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

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms <sup>(1)</sup>	Other		Loans and other receivables with revised contract terms	Other
<b>Non-Specialized Loans</b>	44.499.205	77.026	-	3.448.427	239.281	-
Commercial loans	9.816.018	29.787	-	644.494	118.289	-
Export Loans	1.119.535	-	-	3.392	476	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	352.231	-	-	-	-	-
Consumer loans <sup>(4)</sup>	24.320.992	16.359	-	2.613.590	14.289	-
Credit Cards	1.922.439	24	-	50.503	547	-
Other <sup>(2)</sup>	6.967.990	30.856	-	136.448	105.680	-
Specialized Lending <sup>(3)</sup>	19.588.614	299.476	-	767.396	46.309	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals	1.664.560	-	-	-	-	-
<b>Total</b>	<b>65.752.379</b>	<b>376.502</b>	<b>-</b>	<b>4.215.823</b>	<b>285.590</b>	<b>-</b>

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

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

<sup>(3)</sup> Fund sourced Agricultural Loans are shown under specialized Lending

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

No. of extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times Extended <sup>(6)</sup>	376.502	285.590
3.4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-

<sup>(6)</sup> Number of modification made according to extent of payment plan can not be decomposed systematically therefore it is shown in this line.

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 Months	97.311	29.654
6 Months – 12 Months	128.096	55.945
1 - 2 Years	57.516	59.865
2 - 5 Years	93.579	140.126
5 Years and Over	-	-

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

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

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

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	Restructured or Rescheduled	Loans and Other Receivables <sup>(1)</sup>	Restructured or Rescheduled <sup>(1)</sup>	Loans and Other Receivables <sup>(1)</sup>
Short-term Loans	19.332.620	101.232	661.861	58.333
Non-specialized Loans	9.461.293	6.487	237.915	30.231
Specialized Loans	9.871.327	94.745	423.946	28.102
Other Receivables	-	-	-	-
Medium and Long-term Loans and Other Receivables	44.755.199	275.270	3.553.962	227.257
Non-specialized Loans <sup>(2)</sup>	35.037.912	70.539	3.210.512	209.050
Specialized Loans	9.717.287	204.731	343.450	18.207
Other Receivables	-	-	-	-

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

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-TL	336.032	26.169.234	26.505.266
Real Estate Loans	797	6.907.115	6.907.912
Vehicle Loans	672	217.335	218.007
Consumer Loans	331.729	18.897.378	19.229.107
Abroad <sup>(2)</sup>	2.834	147.406	150.240
Other	-	-	-
Consumer Loans- Indexed to FC	-	12	12
Real Estate Loans	-	12	12
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	9	852	861
Real Estate Loans	-	24	24
Vehicle Loans	-	-	-
Consumer Loans	9	828	837
Other	-	-	-
Individual Credit Cards-TL	1.783.368	6.745	1.790.113
With Installment	647.977	6.411	654.388
Without Installment	1.135.391	334	1.135.725
Individual Credit Cards-FC	3.026	-	3.026
With Installment	-	-	-
Without Installment	3.026	-	3.026
Personnel Loans-TL	17.109	145.546	162.655
Real Estate Loans	-	621	621
Vehicle Loans	-	-	-
Consumer Loans	4.965	144.115	149.080
Abroad <sup>(2)</sup>	63	810	873
Other	12.081	-	12.081
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	68.593	223	68.816
With Installment	28.959	211	29.170
Without Installment	39.634	12	39.646
Personnel Credit Cards-FC	109	-	109
With Installment	-	-	-
Without Installment	109	-	109
Overdraft Accounts-TL (Real Person)	447.549	-	447.549
Overdraft Accounts-FC (Real Person)	-	-	-
<b>Total</b>	<b>2.655.795</b>	<b>26.322.612</b>	<b>28.978.407</b>

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

(2) TL873 of consumer loans used by the personnel abroad and TL150.240 of consumer loans have been shown under “International Loans” of 5-b Table.

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

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

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

	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
Commercial Installment Loans-TL	320.230	4.010.033	4.330.263
Business Loans	81	86.690	86.771
Vehicle Loans	2.268	216.824	219.092
Consumer Loans	308.241	2.418.410	2.726.651
Other	9.640	1.288.109	1.297.749
Commercial Installment Loans- Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	3.168	920.773	923.941
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	3.168	920.773	923.941
Other	-	-	-
Corporate Credit Cards-TL	110.923	174	111.097
With Installment	5.682	159	5.841
Without Installment	105.241	15	105.256
Corporate Credit Cards-FC	350	-	350
With Installment	-	-	-
Without Installment	350	-	350
Overdraft Account-TL (Legal Entity)	20.696	-	20.696
Overdraft Account-FC (Legal Entity)	-	-	-
<b>Total <sup>(1)</sup></b>	<b>455.367</b>	<b>4.930.980</b>	<b>5.386.347</b>

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Public	824.207	835.725
Private	68.141.528	68.868.425
Interest Income Accruals of Loans	1.664.559	1.469.110
<b>Total</b>	<b>70.630.294</b>	<b>71.173.260</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Domestic Loans	68.158.284	68.700.460
Foreign Loans	807.451	1.003.690
Interest Income Accruals of Loans	1.664.559	1.469.110
<b>Total</b>	<b>70.630.294</b>	<b>71.173.260</b>

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

h) Loans granted to subsidiaries and investments:

	Current Period	Prior Period
Direct loans granted to subsidiaries and investments	212.707	279.189
Indirect loans granted to subsidiaries and investments	-	-
<b>Total <sup>(1)</sup></b>	<b>212.707</b>	<b>279.189</b>

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

i) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	125.115	12.202
Loans and other receivables with doubtful collectability	557.661	104.637
Uncollectible loans and other receivables	578.592	489.487
<b>Total</b>	<b>1.261.368</b>	<b>606.326</b>

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

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
<b>Current period</b>	<b>13.471</b>	<b>47.107</b>	<b>66.765</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	13.471	47.107	66.765
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>	<b>2.981</b>	<b>23.208</b>	<b>63.547</b>
<b>(Gross amounts before the specific provisions)</b>			
Loans and other receivables which are restructured	2.981	23.208	63.547
Rescheduled loans and other receivables	-	-	-



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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information related to loans: (Continued)

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

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

	Group III: Loans and receivables with limited collectability	Group IV: Loans and receivables with doubtful collectability	Group V: Uncollectible loans and receivables
<b>Prior Period Ending Balance</b>	<b>63.697</b>	<b>166.178</b>	<b>633.166</b>
Additions (+)	1.730.545	108.429	104.929
Transfers from other Categories of Loans under Follow-Up (+)	-	1.352.369	475.996
Transfers to other categories of Loans under Follow-Up (-)	1.352.369	475.996	-
Collections (-) <sup>(1)</sup>	185.600	107.351	456.440
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current Period End Balance <sup>(2)</sup></b>	<b>256.273</b>	<b>1.043.629</b>	<b>757.651</b>
Specific Provision (-) <sup>(3)</sup>	125.115	557.661	578.592
<b>Net Balance on Balance Sheet</b>	<b>131.158</b>	<b>485.968</b>	<b>179.059</b>

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

<sup>(2)</sup> Includes the loans originated from funds amounting to TL206.962 whose risk does not belong to the Bank.

<sup>(3)</sup> As of 31 December 2012, Bank made 100% provision for the portion of TL155 million of the loans under follow-up which is TL619 million after taking guarantees into consideration.

3) Information on foreign currency non-performing loans:

	Group III: 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>2.726</b>	<b>5.727</b>	<b>8.298</b>
Specific Provision (-)	1.363	5.727	8.298
Net Balance on Balance Sheet	1.363	-	-
<b>Prior Period:</b>			
<b>Period Ending Balance</b>	-	<b>6.126</b>	<b>6.622</b>
Specific Provision (-)	-	6.004	6.622
<b>Net Balance on Balance Sheet</b>	-	122	-

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

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

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

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

	<b>Group III: Loans and other receivables with limited collectability</b>	<b>Group IV: Loans and other receivables with doubtful collectability</b>	<b>Group V: Uncollectible loans and other receivables</b>
<b>Current Period (Net)</b>	<b>131.158</b>	<b>485.968</b>	<b>179.059</b>
Loans to Real Persons and Legal Entities (Gross)	256.273	990.770	757.651
Specific Provisions (-)	125.115	504.802	578.592
Loans to Real Persons and Legal Entities (Net)	131.158	485.968	179.059
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	52.859	-
Specific Provisions (-)	-	52.859	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>51.495</b>	<b>61.541</b>	<b>143.679</b>
Loans to Real Persons and Legal Entities (Gross)	63.697	115.121	633.166
Specific Provisions (-)	12.202	53.580	489.487
Loans to Real Persons and Legal Entities (Net)	51.495	61.541	143.679
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	51.057	-
Specific Provisions (-)	-	51.057	-
Other Loans and Receivables (Net)	-	-	-

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

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

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

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

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

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

**m) Other explanations and disclosures:**

<b>Current Period</b>	<b>Commercial (2)</b>	<b>Consumer<sup>(1)</sup></b>	<b>Agricultural<sup>(1)</sup></b>	<b>Total</b>
Neither Past Due nor Impaired Loans	17.215.473	27.823.177	21.090.230	<b>66.128.880</b>
Past Due but not Impaired Loans	1.008.778	2.678.930	813.705	<b>4.501.413</b>
Impaired Loans	1.148.530	397.149	511.874	<b>2.057.553</b>
<b>Total</b>	<b>19.372.781</b>	<b>30.899.256</b>	<b>22.415.809</b>	<b>72.687.846</b>
Specific Provisions of Impaired Loans(-)	620.231	365.405	275.732	<b>1.261.368</b>
<b>Net Loan Amount</b>	<b>18.752.550</b>	<b>30.533.851</b>	<b>22.140.077</b>	<b>71.426.479</b>

<sup>(1)</sup> TL1.265.064 consumer, TL2.805.292 agricultural, and TL48 commercial loans originated from funds whose risk does not belong to the Bank, are shown under Neither Past Due nor Impaired Loans.

<sup>(2)</sup> Because the overdue but not-impaired commercial and SME loans could not be decomposed, the whole amount has been shown under the Commercial column.

<b>Prior Period</b>	<b>Commercial<sup>(2)</sup></b>	<b>Consumer<sup>(1)</sup></b>	<b>Agricultural<sup>(1)</sup></b>	<b>Total</b>
Neither Past Due nor Impaired	15.979.007	29.562.673	21.916.361	<b>67.458.041</b>
Past Due but not Impaired Loans	729.498	2.401.145	584.576	<b>3.715.219</b>
Impaired Loans	260.411	247.051	355.579	<b>863.041</b>
<b>Total</b>	<b>16.968.916</b>	<b>32.210.869</b>	<b>22.856.516</b>	<b>72.036.301</b>
Specific Provisions of Impaired Loans(-)	227.717	200.211	178.398	<b>606.326</b>
<b>Net Loan Amount</b>	<b>16.741.199</b>	<b>32.010.658</b>	<b>22.678.118</b>	<b>71.429.975</b>

<sup>(1)</sup> TL1.198.462 consumer, TL2.507.770 agricultural, and TL168 commercial loans originated from funds whose risk does not belong to the Bank, are shown under Neither Past Due nor Impaired Loans.

<sup>(2)</sup> Because the overdue but not-impaired commercial and SME loans could not be decomposed, the whole amount has been shown under the Commercial column.

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

<b>Current Period</b>	<b>Up to 1 month</b>	<b>1-2 month</b>	<b>2-3 month</b>	<b>Over 3 months</b>	<b>Total</b>
Loans and Receivables <sup>(1)</sup>					
Commercial Loans	152.817	49.079	25.439	-	227.335
Consumer Loans	49.834	20.941	8.735	-	79.510
Agricultural Loans	320.853	103.323	12.579	-	436.755
<b>Total</b>	<b>523.504</b>	<b>173.343</b>	<b>46.753</b>	-	<b>743.600</b>

<sup>(1)</sup> The amounts at the table are the total of the overdue installments for the loans with installments and overdue principals for other loans; the remaining principal amount of loans with installements equals to TL3.072.006.

<b>Prior Period</b>	<b>Up to 1 month</b>	<b>1-2 month</b>	<b>2-3 month</b>	<b>Over 3 months</b>	<b>Total</b>
Loans and Receivables <sup>(1)</sup>					
Commercial Loans	117.513	25.137	10.087	-	152.737
Consumer Loans	42.638	15.672	5.264	-	63.574
Agricultural Loans	112.600	28.416	8.624	-	149.640
<b>Total</b>	<b>272.751</b>	<b>69.225</b>	<b>23.975</b>	-	<b>365.951</b>

<sup>(1)</sup> The amounts at the table are the total of the overdue installments for the loans with installments and overdue principals for other loans; the remaining principal amount of loans with installements equals to TL3.349.268.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

6. Information on held-to-maturity investments:

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	4.617.294	3.182.681	6.920.200	1.638.210
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>4.617.294</b>	<b>3.182.681</b>	<b>6.920.200</b>	<b>1.638.210</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	6.456.814	594.419	9.241.832	1.023.067
Other	-	-	-	-
<b>Total</b>	<b>6.456.814</b>	<b>594.419</b>	<b>9.241.832</b>	<b>1.023.067</b>

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

	Current Period	Prior Period
Government Bonds	27.245.096	32.495.050
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
<b>Total</b>	<b>27.245.096</b>	<b>32.495.050</b>

c) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt securities	27.254.825	32.504.197
Quoted in a Stock Exchange	27.245.096	30.174.631
Not Quoted in a Stock Exchange	9.729	2.329.566
Provision for Impairment (-)	-	-
<b>Total</b>	<b>27.254.825</b>	<b>32.504.197</b>

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Beginning Balance	<b>32.504.197</b>	<b>36.388.051</b>
Foreign Currency Differences on Monetary Assets	(247.868)	817.735
Purchases During the Year	220.573	4.302.130
Disposals through Sales and Redemptions	(5.222.077)	(9.003.719)
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	<b>27.254.825</b>	<b>32.504.197</b>

Within the year 2008, the Bank has reclassified securities previously classified in available for sale portfolio with nominal values of TL23.630.115, EUR717.616 thousand and USD1.483.317 thousand to held-to-maturity portfolio with fair values of TL22.971.669, EUR702.950 thousand and USD1.562.742 thousand respectively which have been taken into consideration as book values after reclassification. The Bank has also reclassified securities previously classified in financial assets at fair value through profit and loss portfolio with nominal values of EUR37.951 thousand and USD45.501 thousand to held-to-maturity portfolio with fair values of EUR37.178 thousand and USD62.311 thousand respectively which have been taken into consideration as book values after reclassification in accordance with TAS 39 “Turkish Accounting Standard for Financial Instruments: Recognition and Measurement” published in the Official Gazette No. 27040 dated 31 October 2008 by TASB.

Revaluation differences of reclassified available for sale securities before deferred tax are TL68.984, EURO(23.067) thousand and USD(15.207) thousand respectively and are recorded under shareholders’ equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. At the end of balance sheet date, negative revaluation differences under shareholders’ equity are amounted as TL12, USD13.747 thousand and EUR9.214 thousand respectively.

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

If the reclassification from the held for trading securities portfolio to the held-to-maturity portfolio had not been performed, income accrual amounting to TL43.660 would have been recorded. As of 31 December 2012, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL(39.784).

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

**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.	İstanbul/TURKEY	12,50	17,98
2	Kredi Kayıt Bürosu A.Ş.	İstanbul/TURKEY	11,11	9,09

	Total Assets <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)(3)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	32.333	19.628	15.161	1.010	-	1.144	2.619	-
2	89.156	63.636	41.057	2.036	-	29.648	18.340	-

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

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

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

**b) 1) Explanation regarding 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.	İstanbul/TURKEY	22,22	15,43

	Total Assets <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	2.748.287	412.677	25.036	92.508	26.417	58.700	48.095	-

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

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

2) Information about consolidated associates:

	Current Period	Prior Period
<b>Beginning Balance</b>	<b>53.781</b>	<b>47.123</b>
Movement During the Period	<b>5.605</b>	<b>6.658</b>
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer	-	-
Sales	-	-
Revaluation	5.605	6.658
Impairment Provision	-	-
<b>Ending Balance</b>	<b>59.386</b>	<b>53.781</b>
Capital Commitments	-	-
Period Ending Share of Capital Participation	15,43	15,43

3) Sector information about consolidated associates:

	Current Period	Prior Period
Banks	59.386	53.781
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

4) Consolidated associates quoted to a stock exchange:

None (2011: None).

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

8. Information on subsidiaries (net):

a) 1) Information about unconsolidated subsidiaries:

	Description	Address (City/ Country)	The Bank’s Share Percentage-if different Voting Percentage (%)	The Bank’s Risk Group Share Percentage (%)
1	Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.	İstanbul / TURKEY	71,43	58,50
2	Fintek Finansal Teknoloji Hizmetleri A.Ş.	Ankara / TURKEY	75,00	90,04

	Total Assets <sup>(2)</sup>	Shareholders’ Equity <sup>(2)</sup>	Total Non- Current Assets <sup>(2)</sup>	Interest Income <sup>(2)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(2)</sup>	Prior Period Profit / Loss <sup>(2)</sup>	Fair Value <sup>(1)</sup>
1	29.108	13.243	4.492	510	199	1.511	2.474	-
2	24.593	5.479	100	453	78	698	569	-

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

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

b) 1) Information about consolidated subsidiaries:

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 Bank’s Share Percentage-if different Voting Percentage (%)	The Bank’s Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	İstanbul / TURKEY	100,00	99,99
2	Ziraat Sigorta A.Ş.	İstanbul / TURKEY	100,00	99,99
3	Ziraat Finansal Kiralama A.Ş.	İstanbul / TURKEY	100,00	90,00
4	Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul / TURKEY	100,00	72,60
5	Ziraat Portföy Yönetimi A.Ş.	İstanbul / TURKEY	60,00	68,08
6	Ziraat Bank International A.G.	Frankfurt / GERMANY	100,00	100,00
7	Turkish Ziraat Bank Bosnia dd	Sarajevo / BOSNIA HERZEGOVINA	100,00	100,00
8	Ziraat Bank (Moscow) CJSC	Moscow / RUSSIA	100,00	99,91
9	Kazakhstan Ziraat Int. Bank	Almaty / KAZAKHSTAN	100,00	99,58



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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

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

	Total Assets <sup>(3)</sup>	Shareholders' Equity <sup>(3)</sup>	Total Non-Current Assets <sup>(3)</sup>	Interest Income <sup>(3)</sup>	Income from Marketable Securities <sup>(2)</sup>	Current Period Profit / Loss <sup>(3)</sup>	Prior Period Profit / Loss <sup>(3)</sup>	Fair Value <sup>(1)</sup>
1	1.131.392	151.272	1.344	-	99.093	70.081	51.829	-
2	236.279	94.791	903	-	17.252	45.352	42.170	-
3	662.652	155.379	1.046	556	-	19.304	19.693	-
4	94.823	70.839	1.356	7.607	1.107.214	8.952	11.726	-
5	9.545	9.087	98	1.029	2.255	644	1.253	-
6	2.283.032	370.681	2.931	47.931	5.331	5.239	7.461	397.352
7	276.184	85.364	8.479	10.779	488	1.303	965	58.047
8	130.946	57.406	4.161	8.742	125	4.156	2.234	57.240
9	264.637	198.624	8.646	9.428	1.504	6.061	3.909	197.733

(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. are representing the net sales.

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

2) Information about consolidated subsidiaries:

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>694.228</b>	<b>629.955</b>
<b>Movements During the Period</b>	<b>192.273</b>	<b>64.273</b>
Additions to Scope of Consolidation	-	-
Purchases <sup>(1)</sup>	58.848	56.690
Bonus Shares Obtained	59.676	7.583
Dividends from current year income	-	-
Transfers to available for sale assets	-	-
Sales <sup>(2)</sup>	37.469	-
Revaluation Increase	111.218	-
Impairment Provision	-	-
<b>Balance at the End of the Period</b>	<b>886.501</b>	<b>694.228</b>
Capital Commitments	-	-
Share percentage at the end of the period (%)	-	-

(1) Paid Capital Increases made during the period is classified under “Purchases” account.

(2) In line with the decisions of Board of Directors -dated 11st January 2012 and numbered 4-, the whole equity share of the Joint Venture of the Bank -Ziraat Banka AD Skopje- is decided to be transferred to Halk Banka A.D. Skopje –which is Joint Venture of T.Halk Bankası A.Ş.- by taking both Turkey and Macedonia’s legislation into consideration within the scope of the Council of Ministers’ decision numbered 2002/3555. Transfer transaction has been completed on November 2012.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

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

	Current Period	Prior Period
Banks	710.374	576.949
Insurance Companies	39.984	39.984
Factoring Companies	-	-
Leasing Companies	116.291	57.443
Financing Companies	-	-
Other Financial Subsidiaries	19.852	19.852

c) Subsidiaries which are quoted on a stock exchange:

None (2011: None)

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

Entities under Common Control (Joint Ventures) <sup>(1)</sup>	Parent Bank's Share <sup>(2)</sup>	Group's Share	Current Assets	Non- Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	11.972	11.972	117.262	6.387	25.606	18.351	8.756
Uzbekistan- Turkish Bank	20.446	20.454	114.061	1.306	2.947	9.451	6.052
Azer Türk Bank ASC	14.026	15.246	191.493	1.766	547	34.761	32.019
<b>Total</b>	<b>46.444</b>	<b>47.672</b>	<b>422.816</b>	<b>9.459</b>	<b>29.100</b>	<b>62.563</b>	<b>46.827</b>

<sup>(1)</sup> Information on entities under joint control is provided from the unaudited financial statements as of 31 December 2011.

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

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

10. Information on finance lease receivables (net):

The Bank has no finance lease receivables.

11. Information on derivative financial assets for hedging purposes:

The Bank has no derivative financial assets for hedging purposes.

12. Information on investment property:

None (2011: None).

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

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

The Bank's immovables acquired amount to TL66.604 consisting of TL4.049 due to consumer loans, TL54.611 on its commercial loans and TL7.944 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL82. Total depreciation expense is TL637 for these held for sale assets.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

14. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Other Tangibles	Total
<b>Prior Period End:</b>					
Cost	1.385.136	52.819	25.055	308.338	1.771.348
Accumulated Depreciation (-)	620.503	48.939	13.587	157.821	840.850
<b>Net Book Value</b>	<b>764.633</b>	<b>3.880</b>	<b>11.468</b>	<b>150.517</b>	<b>930.498</b>
<b>Current Period End:</b>					
Net Book Value at the Beginning of the Period	764.633	3.880	11.468	150.517	930.498
Change During the Period (Net)	30.688	(52.342)	15.196	60.899	54.441
Depreciation – net (-)	17.569	(48.891)	11.930	69.069	49.677
Impairment	-	-	-	3.907	3.907
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-
Cost at Period End	1.415.825	477	40.251	365.330	1.821.883
Accumulated Depreciation at Period End (-)	638.073	48	25.517	226.890	890.528
<b>Closing Net Book Value</b>	<b>777.752</b>	<b>429</b>	<b>14.734</b>	<b>138.440</b>	<b>931.356</b>

15. Explanations on intangible assets:

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Book Value	Accumulated Depreciation	Book Value	Accumulated Depreciation
Leasehold Improvements	58.585	26.127	32.458	48.758	14.376	34.382
Establishment Costs	4.505	2.767	1.738	4.631	2.267	2.364
Goodwill	-	-	-	-	-	-
Intangible Rights	40.963	13.743	27.220	37.564	10.333	27.231
<b>Total</b>	<b>104.053</b>	<b>42.637</b>	<b>61.416</b>	<b>90.953</b>	<b>26.976</b>	<b>63.977</b>

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

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

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Deferred Tax Assets	468.823	290.053
Deferred Tax Liabilities	245.065	8.351
Net Deferred Tax Assets	223.758	281.702
Net Deferred Tax Income / (Expense)	<b>287.936</b>	<b>(364.014)</b>

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for Employment Termination Benefits	127.960	106.220
Short Term Employee Benefits	26.880	25.100
Other Provisions	44.845	16.646
Valuation of Financial Assets	14.793	131.731
Other	9.280	2.005
<b>Net Deferred Tax Assets</b>	<b>223.758</b>	<b>281.702</b>

	<b>Current Period</b>	<b>Prior Period</b>
<b>As of 1 January</b>	<b>281.702</b>	<b>314.836</b>
Effect of Change in the Effective Tax Rate	-	-
Deferred Tax (Expense) / Income	287.936	(364.014)
<b>Deferred Tax Expenses (Net)</b>	<b>287.936</b>	<b>(364.014)</b>
Deferred Tax recognized Under Shareholders' Equity	(345.880)	330.880
<b>Deferred Tax Assets</b>	<b>223.758</b>	<b>281.702</b>

**17. Information on other assets:**

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

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

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

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

**1) For deposit banks:**

Current Period	Demand	7 Days Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	6.841.609	-	2.177.611	43.625.246	3.366.354	481.282	838.565	5.010	57.335.677
Foreign Currency Deposits	3.958.526	-	3.333.810	6.203.551	2.588.811	874.081	5.425.944	272	22.384.995
Residents in Turkey	3.580.586	-	3.237.227	5.837.263	2.398.163	742.057	4.776.105	270	20.571.671
Residents Abroad	377.940	-	96.583	366.288	190.648	132.024	649.839	2	1.813.324
Public Sector Deposits	6.403.670	-	1.572.256	5.756.571	336.474	366.977	3.577	-	14.439.525
Commercial Inst. Deposits	2.176.608	-	2.486.280	4.779.989	879.998	4.076	18.851	-	10.345.802
Other Inst. Deposits	1.463.788	-	562.695	3.720.185	171.128	348.875	6.788	-	6.273.459
Precious Metals	848.805	-	-	81.527	-	-	-	-	930.332
Interbank Deposits	81.660	-	4.248.751	923.044	1.995.059	2.000	6.000	-	7.256.514
CBRT	2.214	-	1.779	-	-	-	-	-	3.993
Domestic Banks	35.552	-	4.078.998	211.324	279.529	2.000	6.000	-	4.613.403
Foreign Banks	33.863	-	167.974	711.720	1.715.530	-	-	-	2.629.087
Participation Banks	10.031	-	-	-	-	-	-	-	10.031
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>21.774.666</b>	<b>-</b>	<b>14.381.403</b>	<b>65.090.113</b>	<b>9.337.824</b>	<b>2.077.291</b>	<b>6.299.725</b>	<b>5.282</b>	<b>118.966.304</b>

Prior Period	Demand	7 Days Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	6.303.548	-	3.428.901	39.648.178	4.902.631	567.637	917.048	-	55.767.943
Foreign Currency Deposits	3.783.284	-	3.713.836	8.421.222	2.058.980	604.386	4.618.697	-	23.200.405
Residents in Turkey	3.443.111	-	3.473.509	7.619.551	1.888.306	493.256	4.126.789	-	21.044.522
Residents Abroad	340.173	-	240.327	801.671	170.674	111.130	491.908	-	2.155.883
Public Sector Deposits	5.681.968	-	2.131.409	4.862.490	217.595	78.515	14.151	-	12.986.128
Commercial Inst. Deposits	2.231.012	-	2.855.185	3.260.719	713.601	944.841	26.536	-	10.031.894
Other Inst. Deposits	1.813.577	-	644.007	2.861.162	2.164.509	116.823	74.761	-	7.674.839
Precious Metals	-	-	-	-	-	-	-	-	-
Interbank Deposits	84.706	-	3.245.496	73.271	-	-	2.000	-	3.405.473
CBRT	1.936	-	376	-	-	-	-	-	2.312
Domestic Banks	28.456	-	3.044.061	-	-	-	2.000	-	3.074.517
Foreign Banks	32.962	-	201.059	73.271	-	-	-	-	307.292
Participation Banks	21.352	-	-	-	-	-	-	-	21.352
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>19.898.095</b>	<b>-</b>	<b>16.018.834</b>	<b>59.127.042</b>	<b>10.057.316</b>	<b>2.312.202</b>	<b>5.653.193</b>	<b>-</b>	<b>113.066.682</b>

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

**b) Information on saving deposits:**

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

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

Tasarruf Mevduatı	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Önceki Dönem
Saving Deposits <sup>(2)</sup>	30.505.073	30.206.627	26.579.587	25.297.249
Foreign Currency Saving Deposits <sup>(2)</sup>	8.336.033	7.404.412	10.600.342	9.275.852
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance <sup>(1)</sup>	423.579	412.909	28.553	42.243
Deposits at Off-Shore Banking Regions’ and under Foreign Authorities’ Insurance	-	-	-	-

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

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

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

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

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

The Bank’s head office is located in Turkey.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

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

3) Amounts which are not covered by deposit insurance:

a) Saving deposits of real persons not covered by the deposit insurance fund:

	Current Period	Prior Period
Deposits and other Accounts in Branches Abroad	64.624	4.436
Deposits of Ultimate Shareholders and Their Close Families	-	-
Deposits of Chairman and Members of the Board of Directors and Their Close Families	1.691	1.199
Deposits Obtained through Illegal Acts Defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

2. Information on derivative financial liabilities held for trading:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	25	319	943	28
Swap Transactions	38.962	16.242	28.910	9.940
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>38.987</b>	<b>16.561</b>	<b>29.853</b>	<b>9.968</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	67.462	86.120	65.526	43.778
Foreign Banks, Institutions and Funds	797.484	2.121.373	-	444.178
<b>Total</b>	<b>864.946</b>	<b>2.207.493</b>	<b>65.526</b>	<b>487.956</b>

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	56.879	1.453.890	63.631	63.384
Medium and Long-Term	808.067	753.603	1.895	424.572
<b>Total</b>	<b>864.946</b>	<b>2.207.493</b>	<b>65.526</b>	<b>487.956</b>

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

73,05% of the Bank’s liabilities consist of deposits. Deposits are having a diversified base and have steady structures. The Bank’s liabilities are not subject to a significant concentration risk.

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

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

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

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

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

Information on finance lease payables:

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

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

There are no derivative financial liabilities for hedging purposes.

**7. Explanations on provisions:**

**a) Information on general provisions:**

	Current Period	Prior Period
<b>General Provisions</b>	<b>1.204.739</b>	<b>977.690</b>
Allocated for Group-I Loans and Receivables	974.713	820.567
Additional Provision for Loans and Receivables with Extended Maturities	20.214	24.694
Allocated for Group-II Loans and Receivables	150.130	93.766
Additional Provision for Loans and Receivables with Extended Maturities	13.702	3.093
Allocated for Non-cash Loans	47.201	38.354
Other	32.695	25.003

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

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

31 December 2012	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Total
Number of rescheduled loan agreements	525	368	4.112	5.480	-	10.485
Risk Amount	37.264	33.684	176.173	151.095	-	398.216

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

31 December 2012	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Total
Number of rescheduled loan agreements	417	206	1.098	3.197	-	4.918
Risk Amount	9.280	12.269	49.721	199.991	-	271.261



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

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

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

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

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

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

**d) Information on other provisions:**

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

According to the decision of the Bank Management, TL755.500 (TL625.500 of it in current period) was provided as free provisions as a precaution taking into account possible developments in the economy and markets. Moreover, the provision of TL10.250 is due to the cash transfers made by Bank officials and there exists other provision amounting to TL226.

	<b>Current Period</b>	<b>Prior Period</b>
General provisions for possible risks	765.976	140.248

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

Since the 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 TL73.526. Full provision has been provided in the accompanying financial statements for law suits ended against the Bank but not finalized yet, amounting to TL32.809. In addition to these, for the interest expenses calculated for the lawsuits against the Bank concerning the remuneration liabilities related to KOSGEB and National Productivity Center, general provision equal to TL62.932 has been provided.

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

The Bank also provided provisions amounting to TL24.191 for unindemnified non-cash loans, and TL8.542 for other provisions. As a result, in addition to the provisions mentioned above, the other provision balance on the Bank’s balance sheet amounts to TL1.023.100 (2011: TL258.146).

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

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

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

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

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

Movement of employment termination benefits liability in the balance sheet:

	<b>Current Period</b>	<b>Prior Period</b>
As of 1 January	531.100	489.700
Payments in the period	(49.367)	(47.300)
Charge for the period	158.067	88.700
<b>Total</b>	<b>639.800</b>	<b>531.100</b>

As of 31 December 2012, unpaid vacation liability amounted to TL134.400 (2011: TL125.500) is presented under the “Employee Benefits Provision” in the financial statements.

**2) Pension Rights**

The technical balance sheet report as of 31 December 2011 which is prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9,80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2012 and 2011.

The liability related to Bank’s benefits to be transferred to SSI as of the balance sheet date is expected payment to be made to SSI during the transfer. Actuarial parameters and results used in calculation of this amount reflects the Act’s, numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, principles related to pension and health benefits to be transferred to SSI (9,80% real discount rate, etc.).

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

	<b>Current Period</b>	<b>Prior Period</b>
Present value of funded obligations	(64.970)	181
-Pension benefits transferable to SSI	(330.877)	(266.243)
-Post employment medical benefits transferable to SSI	265.907	266.415
Fair value of plan assets	878.000	810.000
<b>Actuarial Surplus</b>	<b>813.030</b>	<b>810.181</b>

The principal actuarial assumptions used are as follows:

	<b>Current Period</b>	<b>Prior Period</b>
Discount rate		
- Pension benefits transferable to SSI	%9,80	%9,80
- Post employment medical benefits transferable to SSI	%9,80	%9,80

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

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

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

**2) Pension Rights (Continued)**

Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Bank Placements	694.729	79%	612.231	76%
Property and Equipment	160.982	18%	160.771	20%
Marketable Securities	13.889	2%	26.498	3%
Other	8.400	1%	10.500	1%
<b>Total</b>	<b>878.000</b>	<b>100%</b>	<b>810.000</b>	<b>100%</b>

**8. Information on tax liability:**

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

**1) Information on tax provisions:**

As of 31 December 2012, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL343.727 (2011: TL85.187).

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

	Current Period	Prior Period
Corporate Tax Payable	343.727	85.187
Taxation on Income From Securities	86.192	108.145
Property Tax	1.000	840
Banking Insurance Transactions Tax (BITT)	51.049	40.014
Foreign Exchange Transactions Tax	5	4
Value Added Tax Payable	1.253	1.266
Other	29.964	24.590
<b>Total</b>	<b>513.190</b>	<b>260.046</b>

**3) Information on premiums:**

	Current Period	Prior Period
Social Security Premiums - Employee	20	22
Social Security Premiums - Employer	25	31
Bank Social Aid Pension Fund Premium - Employee	101	3.263
Bank Social Aid Pension Fund Premium - Employer	187	4.598
Pension Fund Membership Fees and Provisions - Employee	5	7
Pension Fund Membership Fees and Provisions - Employer	14	17
Unemployment Insurance - Employee	241	485
Unemployment Insurance - Employer	485	973
Other	9	6
<b>Total</b>	<b>1.087</b>	<b>9.402</b>

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

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

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

The Bank’s deferred tax liability amounts to TL245.065 (2011: TL8.351). However, this amount is netted off against the deferred tax asset and accordingly deferred tax asset amounting to TL223.758 (2011: TL281.702) is presented in the financial statements.

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

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

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

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

The Bank does not have a registered capital system.

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

There is no share capital increase and increased capital shares.

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

There is no increase from capital reserves.

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

The Bank has no capital commitments.

**f) Indicators of the 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 Bank follows its operations in line with the previous periods. The 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 Bank is performance and contributes to the profitability structure to be sustainable.

**g) Information on preferred shares:**

The Bank has no preferred shares.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

9. Information on shareholders’ equity: (Continued)

h) Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TP	YP	TP	YP
From Subsidiaries, Associates and Entities under common control	-	175.386	-	81.479
Revaluation Difference	-	175.386	-	81.479
Foreign Exchange Difference	-	-	-	-
From Available for Sale Marketable Securities	477.484	525.717	(410.811)	(45.037)
Revaluation Difference	689.021	525.717	(545.156)	(45.037)
Deferred Tax Effect	(211.537)	-	134.345	-
Foreign Exchange Differences	-	-	-	-
<b>Total</b>	<b>477.484</b>	<b>701.103</b>	<b>(410.811)</b>	<b>36.442</b>

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

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Payment Commitments for Cheques	2.410.263	2.461.000
Asset Purchase Commitments	443.890	635.714
Commitments for Credit Card Expenditure Limits	3.813.950	3.822.106
Loan Granting Commitments	141.017	143
Other Irrevocable Commitments	2.105.637	1.802.269
Subsidiaries and Associates Capital Contribution Commitments	-	1.000
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	10.985	8.131
<b>Total</b>	<b>8.925.742</b>	<b>8.730.363</b>

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

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

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

	Current Period	Prior Period
Guarantee Letters	12.087.732	9.967.250
Bank Acceptances	959.329	373.588
Letter of Credits	2.346.493	1.637.823
<b>Total</b>	<b>15.393.554</b>	<b>11.978.661</b>

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

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

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

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

	Current Period	Prior Period
Letter of Temporary Guarantees	464.147	416.997
Letter of Certain Guarantees	6.838.988	5.421.564
Letters of Advance Guarantees	3.488.401	3.113.897
Letters of Guarantees given to Customs Offices	122.079	100.080
Other Letters of Guarantees	1.174.117	914.712
<b>Total</b>	<b>12.087.732</b>	<b>9.967.250</b>

c) 1) Total non-cash loans:

	Current Period	Prior Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>1.042.263</b>	<b>851.281</b>
With Original Maturity of One Year or Less	119.644	96.554
With Original Maturity of More than One Year	922.619	754.727
<b>Other Non-Cash Loans</b>	<b>14.351.291</b>	<b>11.127.380</b>
<b>Total</b>	<b>15.393.554</b>	<b>11.978.661</b>

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

	Current Period				Prior Period			
	TL	(%)	TL	(%)	TL	(%)	TL	(%)
Agricultural	10.429	0,19	1.507	0,02	71.486	1,77	51.560	0,65
Farming and Raising livestock	352	0,01	-	-	70.540	1,74	50.671	0,64
Forestry	10.077	0,18	1.507	0,02	-	-	-	-
Fishing	-	-	-	-	946	0,02	889	0,01
Manufacturing	1.334.176	24,13	5.903.762	59,85	1.056.482	26,11	4.948.404	62,38
Mining	34.068	0,62	154.802	1,57	259.156	6,40	488.577	6,16
Production	960.724	17,37	5.082.599	51,53	638.665	15,78	4.337.959	54,69
Electric, Gas and Water	339.384	6,14	666.361	6,76	158.661	3,92	121.868	1,54
Construction	915.437	16,56	1.257.986	12,75	649.232	16,04	661.891	8,34
Services	2.782.816	50,33	1.274.419	12,92	2.146.153	53,04	1.202.170	15,16
Wholesale and Retail Trade	959.988	17,36	713.601	7,23	452.642	11,19	188.019	2,37
Hotel, Food and Beverage Services	14.639	0,26	13.609	0,14	15.650	0,39	23.783	0,30
Transportation and Telecommunication	227.530	4,11	68.156	0,69	387.899	9,59	122.255	1,54
Financial Institutions	1.343.999	24,31	349.048	3,54	818.616	20,23	238.855	3,01
Real Estate and Leasing Services	185.374	3,35	129.300	1,31	4.725	0,12	10.679	0,13
Self-employment Services	-	-	-	-	5.533	0,14	-	-
Education Services	14.425	0,26	289	0,00	10.592	0,26	6.099	0,08
Health and Social Services	36.861	0,67	416	0,00	450.496	11,13	612.480	7,72
Other	486.806	8,80	1.426.216	14,46	123.190	3,04	1.068.093	13,47
<b>Total</b>	<b>5.529.664</b>	<b>100,00</b>	<b>9.863.890</b>	<b>100,00</b>	<b>4.046.543</b>	<b>100,00</b>	<b>7.932.118</b>	<b>100,00</b>

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

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

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

	Group I:		Group II:	
	TL	FC	TL	FC
<b>Non-Cash loans</b>	<b>5.407.709</b>	<b>9.805.654</b>	<b>121.955</b>	<b>58.236</b>
Letters of Guarantee	5.342.664	6.564.877	121.955	58.236
Bank Acceptances	5.363	953.966	-	-
Letters of Credit	59.682	2.286.811	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	-	-	-

2. Explanations on derivative transactions:

	Current Period	Prior Period
<b>Types of Trading Transactions</b>		
Foreign Currency Related Derivative Transactions: (I)	11.329.664	6.210.256
Forward Transactions	112.342	267.707
Swap Transactions	11.217.322	5.942.549
Futures Transactions	-	-
Option Transactions	-	-
Interest Related Derivative Transactions (II)	-	-
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	-	-
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivative Transactions: (III)	-	-
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>11.329.664</b>	<b>6.210.256</b>
<b>Types of Hedging Derivative Transactions</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
<b>B. Total Hedging Derivative Transactions (4)</b>	<b>-</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>11.329.664</b>	<b>6.210.256</b>

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

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

2. Explanations on derivative transactions: (Continued)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	122.522	14	(83)	(6.255)	-	116.198
- Outflow	4.548.646	2.467	15.273	1.156.545	-	5.722.931
- Inflow	(4.426.124)	(2.453)	(15.356)	(1.162.800)	-	(5.606.733)
Interest rate derivatives						
- Outflow						
- Inflow						
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives						
- Outflow						
- Inflow						
Interest rate derivatives						
- Outflow						
- Inflow						
<b>Total outflow</b>	<b>4.548.646</b>	<b>2.467</b>	<b>15.273</b>	<b>1.156.545</b>		<b>5.722.931</b>
<b>Total inflow</b>	<b>(4.426.124)</b>	<b>(2.453)</b>	<b>(15.356)</b>	<b>(1.162.800)</b>		<b>(5.606.733)</b>

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	16.332	(36.371)	269	31.680	-	11.910
- Outflow	1.927.325	590.375	28.903	564.480	-	3.111.083
- Inflow	(1.910.993)	(626.746)	(28.634)	(532.800)	-	(3.099.173)
Interest rate derivatives						
- Outflow						
- Inflow						
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives						
- Outflow						
- Inflow						
Interest rate derivatives						
- Outflow						
- Inflow						
<b>Total outflow</b>	<b>1.927.325</b>	<b>590.375</b>	<b>28.903</b>	<b>564.480</b>		<b>3.111.083</b>
<b>Total inflow</b>	<b>(1.910.993)</b>	<b>(626.746)</b>	<b>(28.634)</b>	<b>(532.800)</b>		<b>(3.099.173)</b>

3. Explanations on contingent assets and liabilities:

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

The Bank's liability resulting from the cheques given to its customers amounts to TL2.410.263 (2011: TL2.461.000)

The Competition Board started an investigation into some banks and financial institutions, including T.C. Ziraat Bankası A.Ş., with a decision dated 2 November 2011, No. 11-55/1438 – M. The investigation, which is still ongoing and is not expected to have an effect on the financial statements, is to determine if these institutions have carried out any of the actions stated in the 4<sup>th</sup> decree of the Preservation of Competition Law (Law No. 4054), in relation with the restrictive trade agreements, concerted practices and accord of attempt.

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

4. Explanations on services in the name of others:

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



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IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

1. a) Information on interest income from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Interest on Loans</b> <sup>(1)</sup>	<b>8.333.751</b>	<b>331.547</b>	<b>7.104.203</b>	<b>287.916</b>
Short Term Loans	2.483.854	57.034	1.921.473	60.766
Medium and Long Term Loans	5.746.550	274.493	5.079.534	227.142
Interest on Non-Performing Loans	103.347	20	103.196	8
Premiums from Resource Utilization Support Fund	-	-	-	-

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

b) Information on interest received from the banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	8.604	-
Domestic Banks	785	535	74	858
Foreign Banks	863	21.750	2.569	22.552
Head Office and Branches	-	-	-	-
<b>Total</b>	<b>1.648</b>	<b>22.285</b>	<b>11.247</b>	<b>23.410</b>

c) Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Trading Financial Assets	2.404	483	6.297	3.274
From Financial Assets at Fair Value through Profit or Loss	-	-	-	-
From Available-for-sale Financial Assets	2.994.360	188.106	2.999.546	203.334
From Held-to-maturity Investments	2.640.001	285.454	2.757.847	295.571
<b>Total</b>	<b>5.636.765</b>	<b>474.043</b>	<b>5.763.690</b>	<b>502.179</b>

d) Information on interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	3.770	9.976

2. a) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b> <sup>(1)</sup>	<b>46.993</b>	<b>27.698</b>	<b>3.976</b>	<b>2.607</b>
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	4.702	1.094	3.958	574
Foreign Banks	42.291	26.604	18	2.033
Head Office and Branches	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>46.993</b>	<b>27.698</b>	<b>3.976</b>	<b>2.607</b>

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

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

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

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	70.439	118.028

c) Information on interest given on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	135.102	-	-	-

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

Hesap Adı	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
TL								
Bank Deposit	-	324.786	-	-	-	-	-	324.786
Saving Deposit	14	158.330	3.552.065	362.383	42.473	71.674	415	4.187.354
Public Sector Deposit	277	69.256	378.263	45.074	3.984	571	-	497.425
Commercial Deposit	141	123.566	306.938	54.478	16.075	1.659	-	502.857
Other Deposit	23	24.654	217.202	56.124	23.834	4.082	-	325.919
Deposit With 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>455</b>	<b>700.592</b>	<b>4.454.468</b>	<b>518.059</b>	<b>86.366</b>	<b>77.986</b>	<b>415</b>	<b>5.838.341</b>
FC								
Foreign Currency Deposit	1.451	59.885	161.318	63.762	15.819	127.780	12	430.027
Bank Deposit	31.094	-	-	-	-	-	-	31.094
Deposit With 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	3	37	2	1	1	-	44
<b>Total</b>	<b>32.545</b>	<b>59.888</b>	<b>161.355</b>	<b>63.764</b>	<b>15.820</b>	<b>127.781</b>	<b>12</b>	<b>461.165</b>
<b>Grand Total</b>	<b>33.000</b>	<b>760.480</b>	<b>4.615.823</b>	<b>581.823</b>	<b>102.186</b>	<b>205.767</b>	<b>427</b>	<b>6.299.506</b>

3. Explanations on dividend income:

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-Sale Financial Assets	14.998	18.658
Other <sup>(1)</sup>	83.070	13.130
<b>Total</b>	<b>98.068</b>	<b>31.788</b>

<sup>(1)</sup> Shows the Bank's dividend income from equity investments, subsidiaries, associates and entities under common control.

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

4. Information on trading profit/loss (net):

	Current Period	Prior Period
<b>Profit</b>	<b>5.240.823</b>	<b>3.537.224</b>
Profit from the Capital Market Transactions	84.519	94.480
Profit on Derivative Financial Instruments	1.330.628	1.533.252
Foreign Exchange Gains	3.825.676	1.909.492
<b>Loss (-)</b>	<b>5.292.436</b>	<b>3.598.677</b>
Loss from the Capital Market Transactions	19.964	1.340
Loss on Derivative Financial Instruments	1.376.786	1.241.678
Foreign Exchange Loss	3.895.686	2.355.659

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	(654.958)	(978.210)
Effect of the change in interest rates on profit/loss	608.800	1.269.784
<b>Total</b>	<b>(46.158)</b>	<b>291.574</b>

6. Information on other operating income:

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

There are no significant matters covering the recent developments which have significant effect on the Bank’s income. Main component of the Bank’s other operating income consists of reversals from prior period provisions amounting to TL(233.156).

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

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables <sup>(1)</sup>	809.453	188.374
Group III Loans and Receivables	130.655	14.828
Group IV Loans and Receivables	509.898	55.729
Group V Loans and Receivables	168.900	117.817
General Provision Expenses <sup>(2)</sup>	227.234	464.703
Provision Expenses for the Possible Losses	626.350	131.535
Marketable Securities Impairment Expense	49	2.916
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available for Sale	49	2.916
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	-	41
Associates	-	41
Subsidiaries	-	-
Entities under Common Control	-	-
Investment Securities Held to Maturity	-	-
Other <sup>(3)</sup>	132.127	20.428
<b>Total</b>	<b>1.795.213</b>	<b>807.997</b>

<sup>(1)</sup> The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL185 are presented in other operating income (2011: TL155.015).

<sup>(2)</sup> The relevant balances include the expenses related to the current period. The provision reversals within the period amounting to TL132.966 are presented in other operating income (2011: TL8.189).

<sup>(3)</sup> The relevant balance includes provisions of credit customer’s consumer loans that has a balance of TL108.650 in the non-performing loans account that is classified under the “Standard Loans and Other Receivables” and the provision balance of TL23.000 for the litigations.

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Personnel Expenses	1.361.181	1.312.835
Reserve for Employee Termination Benefits	158.067	88.700
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	60.949	58.011
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	17.828	13.815
Impairment Expense for Equity Shares subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	350	285
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	666.701	632.713
Operational Leasing Expenses	88.950	75.269
Maintenance Expenses	36.619	40.086
Advertisement Expenses	43.519	36.455
Other Expenses	497.613	480.903
Loss on Sales of Assets	148	1.624
Other <sup>(1)</sup>	563.116	514.456
<b>Total</b>	<b>2.828.340</b>	<b>2.622.439</b>

<sup>(1)</sup> TL199.939 (2011: TL209.381) of other item consists of Saving Deposit Insurance Fund accrual expense while TL224.139 (2011: TL199.880) consists of taxes, duties and charges expense.

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

The Bank 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	6.900.910	5.241.578
Net Fees and Commissions Income	752.112	625.613
Dividend Income	98.068	31.788
Trading Income/Expense (Net)	(51.613)	(61.453)
Other Operating Income	428.801	372.414
Provision for Loan or Other Receivables Losses (-)	1.795.213	807.997
Other Operating Expenses (-)	2.828.340	2.622.439
<b>Income / (Loss) From Continuing Operations</b>	<b>3.504.725</b>	<b>2.779.504</b>

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

As of 31 December 2012, TL1.142.233 (2011: TL314.816) of the Bank’s total tax provision expense amounting to TL854.297 (2011: TL678.830), consists of current tax expense while remaining balances amounting to TL287.936 (2011: TL364.014) consists of deferred tax income.

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

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

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

The Bank’s net operating income after tax amounts to TL2.650.428 (2011: 2.100.674).

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

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

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

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

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period (2011: None).

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

As of 31 December 2012, the Bank’s other fee and commission income amounting to TL870.314 (2011: TL728.800) consists of TL268.971 (2011: TL193.991) of credit card fees and commission income, TL145.288 (2011: TL169.191) of insurance commission and the remaining TL456.055 (2011: TL365.618) of money order, account management fee and other commission income.

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

**1. In accordance with the Turkish Accounting Standards, the disclosures on shareholders' equity are made accordingly in the order of financial statement items in this section:**

**a) Explanations on inflation adjustment differences for equity items:**

As per the BRSA's Circular numbered 5 announced on 28 April 2005 it is stated that the indicators of hyperinflationary period are eliminated to a large extent, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA' decree numbered 1623 on 21 April 2005.

**b) Explanations on profit distribution:**

The General Assembly for the year 2011 was carried out on 18 April 2012. In accordance with the decision taken, of the profit for the year 2011 amounting to TL2.100.674, TL105.034 is decided to transfer to primary legal reserves and TL12.700 is decided to transfer to secondary legal reserves, TL127.000 is decided to distribute as dividend to employees provided that dividend amount does not exceed two month gross wage for each employee and TL106.250 is decided to distribute to the Treasury after deducting withholding tax of 15% (TL18.750) in cash. Besides, TL1.730.940 of the profit has been preserved and TL122.239 is paid within the framework of dividend decided to transfer to employees. According to the decision of the General Assembly's the remaining part of dividend reserved to be distributed to personnel TL4.761 is transferred to the account of the “Profit Reserves”.

Bank is planning to distribute its 2012 profit in accordance with its articles of association. However, as of the report date, there is no decision taken regarding the profit distribution.

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

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

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

**d) Profit Reserves:**

As of the balance sheet date, profit reserves amount to TL10.083.742, legal reserves amount to TL2.408.490, extraordinary reserves amount to TL7.041.211 and other profit reserves amount to TL634.041.

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**VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS**

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

“Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL3.652.117 is composed mainly from interest received from loans and securities amounting to TL13.544.903 and interest paid to deposit and money market operations which is amounting to TL7.950.104. Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rate on cash and cash equivalents is determined, approximately, as TL(182.399) as of 31 December 2011 (2011: TL606.441).

Cash in TL, cash in foreign currency, Central Bank of the Republic of Turkey, money in transit, bank cheques purchased and cash on money market operations are defined as “cash”; interbank money transactions placements having maturities less than three months, and time deposits in banks are defined as “cash equivalents”.

**Period opening and end cash and cash equivalents balance:**

<b>Period Opening</b>	<b>Current Period</b>	<b>Prior Period</b>
Cash in TL and in Foreign Currency	1.331.278	1.291.174
Central Bank of the Republic of Turkey and Other Banks	6.356.714	11.010.665
Money Market Operations	-	-
<b>Total Cash and Cash Equivalents</b>	<b>7.687.992</b>	<b>12.301.839</b>

<b>Period End</b>	<b>Current Period</b>	<b>Prior Period</b>
Cash in TL and in Foreign Currency	1.437.326	1.331.278
Central Bank of the Republic of Turkey and Other Banks	6.322.525	6.356.714
Money Market Operations	-	-
<b>Total Cash and Cash Equivalents</b>	<b>7.759.851</b>	<b>7.687.992</b>

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

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

**a) Current Period:**

<b>Risk Group of the Bank</b>	<b>Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)</b>		<b>Direct or Indirect Shareholders of the Bank</b>		<b>Other Real and Legal Persons in the Risk Group</b>	
	<b>Cash<sup>(2)</sup></b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	1.812.188	675.435	-	-	-	-
Closing Balance	2.267.916	445.849	-	-	-	-
<b>Interest and Commissions Income</b>	<b>3.770</b>	-	-	-	-	-

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

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

**b) Prior Period:**

<b>Risk Group of the Bank</b>	<b>Subsidiaries, Associates and Entities Under Common Control (Joint Venture)</b>		<b>Direct or Indirect Shareholders of the Bank</b>		<b>Other Real and Legal Persons in the Risk Group</b>	
	<b>Cash<sup>(2)</sup></b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>
Loans and Other Receivables <sup>(1)</sup>						
Opening Balance	1.239.818	351.271	-	-	-	-
Closing Balance	1.812.188	675.435	-	-	-	-
<b>Interest and Commissions Income</b>	<b>9.976</b>	-	-	-	-	-

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

<sup>(2)</sup> Placements to foreign banks in the risk group amounting to TL772.884 are included in the cash loans.

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

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

c) 1) Deposits held by the Bank’s risk group:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Deposits</b>						
Opening Balance	1.175.691	1.527.048	-	-	-	-
Closing Balance	932.442	1.175.691	-	-	-	-
<b>Interest expense on deposits</b>	<b>70.439</b>	<b>118.028</b>	-	-	-	-

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss						
Opening Balance	7.402	-	-	-	-	-
Closing Balance	-	7.402	-	-	-	-
<b>Total Profit/Loss</b>	<b>(297)</b>	<b>(359)</b>	-	-	-	-
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

3) Information about fees paid to the Bank’s top executives:

Fees paid to the Bank’s key management amount to TL13.423 (2011: TL9.082).



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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012**

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

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

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

1. With the Bank’s Board of Directors’ Decision No. 4, dated 11 January 2012, the whole equity share of the Bank in Ziraat Bank AD Skopje will be transferred to Halk Bank A.D. Skopje, Joint Venture of T. Halk Bankası A.Ş., considering the legislation of Turkey and Macedonia within the scope of Decision No. 2002/3555 by the Council of Ministers. The transfer process was completed as of November 2012.
2. The Board of Directors, on 07 November 2012 with the decision no: 348, has applied to the BRSA (Banking Regulation and Supervision Agency) and CMB (Capital Markets Board) and required permissions and approvals have been received to issue domestic bank bills and/or bonds in different types and maturities up to TL7 billion.

In this context, for the purpose of the performing the public offering in 4-5-6 February 2013, all works were initiated and the required application was made to Capital Market Board, in order to take place of issuance of bank bills and/or bonds (in the value date of 8 February 2013) which have nominal value of TL600 million (including the right to nominal amount of TL 200 million additional shares) and maturity of 175 days and bank bonds which have nominal value of TL 400 million (including the right to nominal amount of TL 100 million additional shares) and maturity of 91 days by public offering, to determine the principles of maturity, interest, distribution and allocation regarding to issuance of these bank bonds, to complete the sales and to trade in Istanbul Stock Exchange. Demand for public offering of related bank bonds which has 91 and 175 days of maturity was approved by Capital Market Board 28 January 2013. Public offering was performed in 4-5-6 February 2013 and TL 1.000.000 of bills were sold (including right of additional sales). Related bank bonds was started to trade in stock market in 12 February 2013.

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

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

	Number	Number of Employees			
Domestic Branch <sup>(1)</sup>	1.490	23.069			
			<b>Country of Incorporation</b>		
Foreign Representation Office	1	1	1- Iran		
				<b>Total Assets</b>	<b>Statutory Share Capital</b>
Foreign branch <sup>(2)</sup>	1	2	1- USA	769.256	209.005
	1	4	2- England	820.970	94.732
	4	4	3- Bulgaria	62.711	33.299
	1	4	4- Georgia	27.275	16.334
	2	6	5- Iraq	142.552	24.910
	4	5	6- Greece	377.618	77.553
	1	2	7- Saudi Arabia	45.090	26.690
	10	35	8-T.R. of Northern Cyprus	582.284	38.422
Off-shore Banking Region Branches	-	-	-	-	-

<sup>(1)</sup> Includes the employees of the domestic branches, excluding the employees of head office and districts’ head offices.

<sup>(2)</sup> Excluding the local employees of the foreign branches.

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

**TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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**SECTION SIX**

**OTHER EXPLANATIONS AND NOTES**

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

None.

**SECTION SEVEN**

**EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT**

**I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT**

As of 31 December 2012, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Independent Auditor’s Report dated 14 February 2013 is presented preceding the financial statements.

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

None.

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